SECURE ALLIANCE HOLDINGS CORP
Form PREM14A
March 04, 2008

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

Secure Alliance Holdings Corporation
(Name of Registrant as Specified in Its Charter)

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock, par value $.01 per share, of Secure Alliance Holdings Corporation

(2) Aggregate number of securities to which transaction applies: 38,899,018 shares of common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee was determined by multiplying 38,899,018 shares of common stock to be transferred under the Merger Agreement by $0.65, the market price of each share as of February 29, 2008, divided by 50 and further divided by 100.

(4) Proposed maximum aggregate value of transaction: $25,284,361

(5) Total fee paid: $5,056.98

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Secure Alliance Holdings Corporation
5700 Northwest Central Dr, Ste 350
Houston, Texas 77092

__________, 2008

To our stockholders:

You are cordially invited to attend a special meeting of stockholders of Secure Alliance Holdings Corporation to be held at ____________________ on ___________ __, 2008 at __:__ _.m., local time. At this meeting, we intend to seek stockholder approval of the following:

1. The Agreement and Plan of Merger dated as of December 6, 2007 by and among Sequoia Media Group, LC, Secure Alliance Holdings Corporation and SMG Utah, LC, as amended by that certain Amendment No. 1 dated as of [ ], 2008 (collectively, the "Merger Agreement");

2. An amendment to our certificate of incorporation to effect a 1-for-2 reverse stock split of our common stock, par value $.01 per share, such that holders of our common stock will receive one share for each two shares they own;

3. An amendment to our certificate of incorporation to increase the number of authorized shares of our common stock from 100,000,000 to 250,000,000 and to authorize a class of preferred stock consisting of 50,000,000 shares of $.01 par value preferred stock;

4. An amendment to our certificate of incorporation to change our name from "Secure Alliance Holdings Corporation" to "aVinci Media Corporation" (or, if that name is unavailable, to such other name as may be selected by our board of directors);

5. Our 2008 Stock Incentive Plan;

6. To approve adjournments of the special meeting if deemed necessary to facilitate the approval of the above proposals, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the special meeting, to establish a quorum or to approve the above proposals; and

7. To transact such other business as may properly be brought before the special meeting or any adjournment or postponement thereof.

Our board of directors has unanimously approved all of the proposals described in the proxy statement and is recommending that stockholders also approve them.

Please review in detail the attached proxy statement for a more complete statement regarding the proposal to approve the Merger Agreement (proposal 1 in the proxy statement), including a description of the Merger Agreement, the background of the decision to enter into the Merger Agreement and the reasons that our board of directors decided to recommend that you approve the Merger Agreement.

Your vote is very important to us, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please vote as soon as possible to make sure your shares are represented at the meeting.

On behalf of our board of directors, I thank you for your support and urge you to vote "FOR" each of the proposals described in the proxy statement.

By Order of the Board of
Directors,

Stephen Griggs
President

Houston, Texas,
__________ __, 2008

The notice and proxy statement are first being mailed to our stockholders on or about __________ __, 2008.

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Secure Alliance Holding Corporation
5700 Northwest Central Dr, Ste 350
Houston, Texas 77092

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON ___________ __, 2008

To our stockholders:

A special meeting of stockholders of Secure Alliance Holdings Corporation, a Delaware corporation (the "Company" or "Secure Alliance") will be held at ____________________ on ___________ __, 2008 at __:__ _.m., local time (the "Special Meeting"). At this meeting you will be asked:

1. To consider and to vote on a proposal to approve the Agreement and Plan of Merger dated as of December 6, 2007, by and among Sequoia Media Group, LC, a Utah limited liability company ("Sequoia"), Secure Alliance and SMG Utah, LC, a Utah limited liability company and wholly owned subsidiary of Secure Alliance ("Merger Sub"), as amended by that certain Amendment No. 1 dated as of [ ], 2008 (collectively, the "Merger Agreement"), each of which are attached as Annex A to the proxy statement, pursuant to which Merger Sub will merge with and into Sequoia with Sequoia becoming the surviving entity and our wholly owned subsidiary (the "Merger");

2. To consider and to vote on a proposal to file a certificate of amendment to our certificate of incorporation (the "Certificate of Incorporation") to effect a 1-for-2 reverse stock split (the "Reverse Stock Split") of our common stock, par value $.01 per share (the "Common Stock"), such that holders of our Common Stock will receive one share for each two shares they own (the "Reverse Stock-Split Proposal");

3. To consider and to vote on a proposal to file a certificate of amendment to our Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 100,000,000 to 250,000,000 and to authorize a class of preferred stock consisting of 50,000,000 shares of $.01 par value preferred stock (the "Capitalization Proposal");

4. To consider and to vote on a proposal to file a certificate of amendment to our Certificate of Incorporation to change our name (the "Name Change") from "Secure Alliance Holdings Corporation" to "aVinci Media Corporation" or such other name as may be selected by our board of directors (the "Name Change Proposal" and, together with the Reverse Stock Split Proposal and the Capitalization Proposal, the "Related Proposals");

5. To approve our 2008 Stock Incentive Plan (the "2008 Plan");

6. To approve adjournments of the Special Meeting if deemed necessary to facilitate the approval of the above proposals, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting, to establish a quorum or to approve the above proposals; and

7. To transact such other business as may properly be brought before the Special Meeting or any adjournment or postponement thereof.

Our board of directors has unanimously approved, and recommends that an affirmative vote be cast in favor of, each of the proposals listed on the proxy card and described in the enclosed proxy statement.

Only holders of record of our Common Stock at the close of business on _____ __, 2008, will be entitled to notice of and to vote at the Special Meeting or any adjournment thereof.

You are urged to review carefully the information contained in the enclosed proxy statement prior to deciding how to vote your shares at the Special Meeting.

Because of the significance of the Merger, your participation in the Special Meeting, in person or by proxy, is especially important. We hope you will be able to attend the Special Meeting.

Whether or not you plan to attend the Special Meeting, please complete, sign, date, and return the enclosed proxy card promptly.

If you attend the Special Meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Simply attending the Special Meeting, however, will not revoke your proxy; you must vote at the Special Meeting. If you do not attend the Special Meeting, you may still revoke your proxy at any time prior to the Special Meeting by providing a later dated proxy or by providing written notice of your revocation to our Secretary. Your prompt cooperation will be greatly appreciated.

The notice and proxy statement are first being mailed to stockholders on or about ________ __, 2008.

Please follow the voting instructions on the enclosed proxy card to vote either by mail, telephone or electronically by the Internet.

By Order of the Board of Directors,

Stephen Griggs
President

Houston, Texas
__________ __, 2008

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following summary highlights selected information from this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that item. In this proxy statement, the terms "Secure Alliance," "Company," "we," "our," "ours," and "us" refer to Secure Alliance Holdings Corporation, a Delaware corporation, its subsidiaries and the term "Sequoia" refers to Sequoia Media Group, LC, a Utah limited liability company.

Q. Why are our stockholders receiving these materials?

A. Our board of directors (the "Board") is sending these proxy materials to provide our stockholders with information about the Merger, the Merger Agreement, the Related Proposals and the 2008 Plan, so that you may determine how to vote your shares in connection with the Special Meeting.

Q. When and where is the Special Meeting?

A. The special meeting will be held on [______], 2008 at [______], located at [______], at [___]:00 [___].m., local time.

Q. Who is soliciting my proxy?

A. This proxy is being solicited by the Board.

Q. Who is paying for the solicitation of proxies?

A. We will bear the cost of solicitation of proxies by us. In addition to soliciting stockholders by mail, our directors, officers and employees, without additional remuneration, may solicit proxies in person or by telephone or other means of electronic communication. We will not pay these individuals for their solicitation activities but will reimburse them for their reasonable out-of-pocket expenses. Brokers and other custodians, nominees and fiduciaries will be requested to forward proxy-soliciting material to the owners of stock held in their names, and we will reimburse such brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our directors, officers and employees may also be made of some stockholders in person or by mail, telephone or other means of electronic communication following the original solicitation.

Q. What will be voted on at the Special Meeting?

A. You are being asked to approve the following proposals:

- the Merger Agreement;
- a certificate of amendment to our Certificate of Incorporation to effect the 1-for-2 Reverse Stock Split;

- a certificate of amendment to our Certificate of Incorporation to increase the number of authorized shares of our Common Stock from 100,000,000 to 250,000,000 and to authorize a class of preferred stock consisting of 50,000,000 shares of $.01 par value preferred stock;

- a certificate of amendment to our Certificate of Incorporation to change our name from “Secure Alliance Holdings Corporation” to “aVinci Media Corporation” or such other name as may be selected by our Board;

- the 2008 Plan; and

- adjournments of the Special Meeting if deemed necessary to facilitate the approval of the above proposals, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to establish a quorum or to approve the above proposals.

The Related Proposals and 2008 Plan, if approved, will take effect only if the Merger is consummated.

Q. Why does the Merger Agreement provide for the amendment of our Certificate of Incorporation?

A. The Merger Agreement provides for the amendment of our Certificate of Incorporation to effect the Reverse Stock Split, the Capitalization Proposal and the Name Change. Specifically, we will need to amend our Certificate of Incorporation to effect the Reverse Stock Split in order to reduce the number of shares of Common Stock outstanding after completion of the Merger and to correspondingly increase the price per share of our Common Stock. We will also need to amend our Certificate of Incorporation to effect the Capitalization Proposal because we will be issuing an additional 38,899,018 shares of Common Stock upon the consummation of the Merger. We currently have 78,461,176 shares of Common Stock available for issuance. The increase in the number of authorized shares, in addition to the creation of a class of preferred stock, will ensure that sufficient shares are available to be issued in connection with the Merger and that an adequate number of shares will be available for future business.

The amendments to our Certificate of Incorporation will take effect only if the Merger is consummated.

Q. What will I receive in the Merger?

A. Because we are acquiring Sequoia, our individual stockholders will not receive any consideration as a result of the Merger. Our stockholders will remain stockholders following the Merger although their ownership interests will be diluted by the shares issued related to the Merger. However, prior to the effectiveness of the Merger, at our discretion, we will either (x) contribute approximately $2.2 million, certain securities and notes to a newly formed company and distribute the common stock of such newly formed company to our stockholders existing as of the Record Date (the “Distribution”) or (y) declare and pay to our stockholders existing as of the Record Date, a cash dividend equal to the amount of such assets that would otherwise be contributed to such newly formed company under the Distribution (the “Dividend”).

Q. How does the Board recommend that I vote on the proposals?

A. Our Board unanimously recommends that you vote "FOR" all of the proposals submitted.

Q. What vote is required to approve the proposals?

A. For us to consummate the transactions contemplated by the Merger Agreement, including the Related Proposals, stockholders holding at least a majority of Common Stock outstanding at the close of business on the Record Date must vote "FOR" the approval and adoption of the Merger Agreement and each of the Related Proposals. The 2008 Plan requires the favorable vote of a majority of the votes cast at the Special Meeting, in person or by proxy, even if less than a quorum.

Q. Who may attend the special meeting?

A. All of our stockholders who owned shares on [___________], 2008, the record date for the Special Meeting (the "Record Date"), may attend.

Q. Who may vote at the special meeting?

A. Only holders of record of our Common Stock as of the close of business on the Record Date, may vote at the Special Meeting. As of the Record Date, we had [___________] outstanding shares of our Common Stock entitled to vote.

Q. If I hold my shares in "street name" through my broker, will my broker vote my shares for me?

A. Your broker will vote your shares only if you provide instructions on how to vote. If you do not provide your broker with instructions on how to vote, your broker's non-votes will have the same effect as votes AGAINST approval of the Merger Agreement and the Related Proposals and will have no effect on the vote regarding the 2008 Plan. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given. To avoid a broker non-vote with respect to your shares, you should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q. What constitutes a quorum at the Special Meeting?

A. A quorum is present if the holders of a majority of the outstanding shares of Common Stock entitled to vote are present at the meeting, either in person or represented by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q. What happens if I withhold my vote or abstain from voting?

A. If you withhold a vote or abstain from voting on the proposal for the adoption of the Merger Agreement and the approval of the Related Proposals, it will have the same effect as a vote "AGAINST" the proposals. Approval of the 2008 Plan and the proposal to adjourn the Special Meeting, if necessary or appropriate, requires the favorable vote of a majority of the votes cast at the Special Meeting, in person or by proxy, even if less than a quorum, and, therefore, withholding a vote or abstaining from voting will have no effect on the proposals to approve the 2008 Plan or to adjourn the Special meeting.

Q. What do I need to do now?

A. After you read and consider the information in this proxy statement, mail your signed proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the Special Meeting. You should return your proxy card whether or not you plan to attend the meeting. If you do attend the meeting, you may revoke your proxy at any time before it is voted and vote in person if you wish.

Q. What do I do if I want to change my vote after I have sent in my proxy card?

A. You can change your vote at any time before your proxy is voted at the Special Meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card at a later date. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to us so that it is received before the Special Meeting. Finally, you can attend the Special Meeting and vote in person. Simply attending the Special Meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote.

Q. If the proposals are approved and completed, what do I do with my stock certificate upon the completion of the Reverse Stock Split?

A. Nothing now. As soon as practicable after the filing of the amendment to our Certificate of Incorporation effecting the Reverse Stock Split, stockholders will be notified and provided the opportunity (but shall not be obligated) to surrender their certificates to an exchange agent in exchange for certificates representing post-split Common Stock. Stockholders will not receive certificates for shares of post-split Common Stock unless and until the certificates representing their shares of pre-split Common Stock are surrendered and they provide such evidence of ownership of such shares as we or the exchange agent may require. Stockholders should not forward their certificates to the exchange agent until they have received notice from us that the Reverse Stock Split has become effective. Beginning on the Reverse Stock Split effective date, each certificate representing shares of our pre-split Common Stock will be deemed for all purposes to evidence ownership of the appropriate number of shares of post-split Common Stock.

Q. Will the Merger or the consummation of the Related Proposals be taxable to me?

A. No. We do not expect that the Merger or consummation of the Related Proposals will result in any federal income tax consequences. However, to the extent we declare and pay the Dividend, a portion of the distribution may be taxable as "qualified dividend income", generally taxable at a federal rate of 15%, to the extent paid out of a stockholder's pro rata share of our current or accumulated earnings and profits. Any portion of the distribution in excess of each holder's pro rata share of our earnings and profits will be treated first as a tax-free return of capital to the extent of each stockholder's tax basis in his, her or its shares of our Common Stock, with any remaining portion treated as capital gain. Non-United States holders of our Common Stock generally will be subject to withholding on the gross amount of the distribution at a rate of 30% or such lower rate as may be permitted by an applicable income tax treaty. Because individual tax circumstances of stockholders vary, stockholders should consult their own tax advisors regarding the tax consequences to them of the distribution.

Q. Who can I contact with questions?

A. If you have questions about the Special meeting or the transactions after reading this proxy statement, you should contact our proxy solicitor, [___________], at [___________] or call [___________] toll-free at [___________].

SUMMARY

The Merger (Page 59)

The proposed Merger will result in (i) the merger of Merger Sub with and into Sequoia, with Sequoia becoming the surviving entity and our wholly owned subsidiary, pursuant to the Merger Agreement, as amended, and (ii) each Sequoia membership interest automatically converting into the right to receive 0.87096285 shares of our Common Stock after giving effect to the Reverse Stock Split (the “Merger Consideration).

Parties (Page 17 and 42)

Secure Alliance Holdings Corporation

We are a Delaware corporation which, through our wholly owned subsidiaries, developed, manufactured, sold and supported automated teller machine (“ATM”) products and electronic cash security systems, consisting of Timed Access Cash Controller (“TACC”) products and Sentinel products (together, the “Cash Security” products).

We completed the sale of our ATM business on January 3, 2006 and the sale of our Cash Security business on October 2, 2006. On October 2, 2006, we became a shell public company with approximately $12.9 million in cash, cash equivalents and marketable securities held-to-maturity.

Before the sale of our Cash Security and ATM businesses, we were primarily engaged in the development, manufacturing, sale and support of ATM products and the Cash Security products, which were designed for the management of cash within various specialty retail markets.

Following the sale of our Cash Security and ATM businesses, we have had substantially no operations.

Sequoia Media Group, LC

Sequoia is a Utah limited liability company organized on March 28, 2003 under the name Life Dimensions, LC. In 2003, Sequoia changed its name from Life Dimensions, LC to Sequoia Media Group, LC. Sequoia’s operations are currently governed by a Board of Managers made up of five managers, three of whom are the original founders and two of whom were appointed as part of a private equity investment. Substantially all of its business is conducted out of its Draper, Utah office. Sequoia also has an office in Bentonville, Arkansas to help service Wal-Mart Stores, Inc., (“Wal-Mart”), which is one of its large retail customers.

Sequoia has developed and deployed a software technology that employs “Automated Multimedia Object Models,” its patent pending way of turning consumer captured images, video, and audio into complete digital files in the form of full-motion movies, DVD’s, photo books, posters and streaming media files. Sequoia filed its first provisional patent in early 2004 for patent protection on various aspects of its technology with a full filing occurring in early 2005, and Sequoia has filed several patents since that time as part of its intellectual property strategy. Sequoia’s technology carries the brand names of “aVinci” and “aVinci Experience.”

Since inception, Sequoia has continued to develop and refine its technology to be able to provide higher quality products through a variety of distribution models including in-store kiosks, point of scan kits, and online downloads. Sequoia's business strategy has been to avoid providing traditional multimedia tools and services that focus on providing software for users to purchase and learn how to use so that they can build their own products, and instead provide a product solution that provides users with professionally created templates to be able to automatically create personalized products by simply adding end customer images.

Sequoia currently makes software technology that it packages in various forms available to mass retailers, specialty retailers, Internet portals and web sites that allow end consumers to use an automated process to create products such as DVD productions, photo books, posters, calendars, and other print media products from consumer photographs, digital pictures, video, and other media. Sequoia's customers are retailers and other vendors and not end consumers. Sequoia enables its customers to sell its products to the end consumer who remain customers of its vendor and do not become its customers directly. Sequoia currently delivers its technology to end consumers through (i) third party photo kiosks at mass and specialty retail outlets, (ii) point of scan shrink wrapped software at mass and specialty retail outlets, (iii) simple software downloads through third party Internet sites, (iv) simple software downloads though its own managed Internet site to which third party Internet sites are linked, and (v) on its own managed web servers on the world wide web to which third party Internet sites are linked.

Reasons for the Merger (Page 19)

Our Board approved the Merger and Related Proposals based on a number of factors, including among other things:

- the Company's financial condition;
- available strategic alternatives to a merger;
- the fairness opinion delivered to the Board by Ladenburg Thalmann & Co. Inc. ("Ladenburg");
- available superior proposals; and
- certain risks related to the Merger.

Effects of the Merger (Page 35)

Immediately following the Merger, Sequoia will own, in the aggregate, approximately 80% of our Common Stock on a nondiluted basis. Sequoia will receive an aggregate of approximately 38,899,018 post-split shares of our Common Stock. Prior to the effectiveness of the Merger, at our discretion, we will either complete the Distribution or declare and pay the Dividend. Following the Merger, we will have a total of 48,619,680 shares of Common Stock outstanding.

The Special Meeting

Record Date and Quorum (Page 15)

You are entitled to vote at the Special Meeting if you owned shares of Common Stock at the close of business on _________, 2008, the Record Date. You will have one vote for each share of Common Stock that you owned on the Record Date. As of the Record Date, there were ___________ shares of Common Stock outstanding and entitled to be voted.

A quorum of the holders of the outstanding shares of Common Stock must be present for the Special Meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of Common Stock entitled to vote are present at the meeting, either in person or represented by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given.

Required Vote (Page 15)

For us to consummate the transactions contemplated by the Merger Agreement, including the Related Proposals, stockholders holding at least a majority of our Common Stock outstanding at the close of business on the Record Date must vote “FOR” the approval and adoption of the Merger Agreement and each of the Related Proposals. All of our stockholders are entitled to one vote per share. A failure to vote your shares, an abstention, or a broker non-vote, will have the same effect as a vote against approval of the Merger Agreement and against the Related Proposals. Approval of the 2008 Plan and the proposal to adjourn the Special Meeting, if necessary or appropriate, requires the favorable vote of a majority of the votes cast at the Special Meeting, in person or by proxy, even if less than a quorum is present.

Proxies; Revocation (Pages 15 and 16)

Any registered stockholder (meaning a stockholder that holds stock in its own name) entitled to vote may submit a proxy by telephone or the Internet or by returning the enclosed proxy card by mail, or may vote in person by appearing at the Special Meeting. If your shares are held in “street name” by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not provide your broker with instructions, your shares will not be voted and that will have the same effect as a vote against the Merger and the Related Proposals.

Any registered stockholder who executes and returns a proxy card (or submits a proxy via telephone or the Internet) may revoke the proxy at any time before it is voted in any one of the following ways:

- filing with or transmitting to our Secretary at our principal executive offices, at or before the Special Meeting, an instrument or transmission of revocation that is dated a later date than the proxy;

- sending a later-dated proxy relating to the same shares to our Secretary at our principal executive offices, at or before the Special Meeting;
- submitting a later-dated proxy by the Internet or by telephone, at or before the Special Meeting; or
- attending the Special Meeting and voting in person by ballot.

Simply attending the Special Meeting will not constitute revocation of a proxy. If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change your instructions.

Recommendation of our Board (Page 70)

Our Board has:

- determined that the Merger Agreement and Merger are advisable and fair to and in the best interests of the Company and its unaffiliated stockholders;
- approved and adopted the Merger Agreement, the Related Proposals and the 2008 Plan; and
- recommended that our stockholders vote "FOR" the approval and adoption of the Merger Agreement and "FOR" the approval and adoption of the each of the Related Proposals and "FOR" the approval and adoption of the 2008 Plan.

In considering the recommendation of the Board with respect to the Merger, you should be aware that some of our directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. For the factors considered by our Board in reaching its decision to approve and adopt the Merger Agreement, see "The Transactions -- Reasons for the Merger."

In addition, the Merger Agreement has been approved by Sequoia's Board of Managers and a majority of the members of Sequoia.

Opinion of Ladenburg (Page 35 and Annex B)

Ladenburg has delivered its opinion to our Board that, as of the date of its opinion and based upon and subject to the factors and assumptions set forth therein, the Merger Consideration is fair, from a financial point of view, to our unaffiliated stockholders. The Ladenburg opinion was based on a reverse stock split of 1-for-3 and the Merger Consideration of 0.5806419 shares of our Common Stock. Subsequently, we have discussed amending the Merger Agreement to provide for a Reverse Stock Split of 1-for-2 with a corresponding change to the Merger Consideration.

The opinion of Ladenburg is addressed to the Board for their benefit and use and was rendered in connection with its consideration of the Merger and does not constitute a recommendation to any of our stockholders as to how to vote in connection with the Merger and Related Proposals. The opinion of Ladenburg does not address our underlying business decision to pursue the Merger, the relative merits of the Merger as compared to any alternative business strategies that might exist for us, the financing of the Merger or the effects of any other transaction in which the Company might engage. The full text of the written opinion of Ladenburg, dated November 29, 2007, which sets forth the procedures followed, limitations on the review undertaken, matters considered and assumptions made in connection with such opinion, is attached as Annex B to this proxy statement. We recommend that you read the opinion carefully in its entirety.

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Interests of our Directors and Executive Officers in the Merger (Page 35)

Our directors and executive officers may have interests in the Merger that are different from, or in addition to, yours, including options to purchase 950,000 shares of Common Stock held by each of Jerrell G. Clay and Stephen P. Griggs, that, pursuant to the terms of the 1997 Long Term Incentive Plan will become fully vested upon the consummation of the Merger.

Loan Agreement with Sequoia (Page 38)

Pursuant to a Loan and Security Agreement ("Loan Agreement") dated as of December 6, 2007 by and between the Company and Sequoia, we have agreed to extend (and have extended) $2.5 million in secured financing to Sequoia. Under the terms of the Loan Agreement, Sequoia has agreed to pay interest on the loan at a rate per annum equal to 10%. Interest on the loan is payable on December 31, 2008, the scheduled maturity date. In addition, if the loan obligations have not been paid in full on or prior to the scheduled maturity date, a monthly fee equal to 10% of the outstanding loan obligations is payable to us by Sequoia on the last day of each calendar month for which the loan obligations remain outstanding.

Material United States Federal Income Tax Consequences (Page 38)

We do not expect that the proposals will result in any federal income tax consequences to our stockholders. However, to the extent we declare and pay the Dividend, a portion of the distribution may be taxable as "qualified dividend income", generally taxable at a federal rate of 15%, to the extent paid out of a stockholder's pro rata share of our current or accumulated earnings and profits. Any portion of the distribution in excess of each holder's pro rata share of our earnings and profits will be treated first as a tax-free return of capital to the extent of each stockholder's tax basis in his, her or its shares of our Common Stock, with any remaining portion treated as capital gain. Non-United States holders of our Common Stock generally will be subject to withholding on the gross amount of the distribution at a rate of 30% or such lower rate as may be permitted by an applicable income tax treaty. Because individual tax circumstances of stockholders vary, stockholders should consult their own tax advisors regarding the tax consequences to them of the distribution.

Regulatory Approvals (Page 38)

We are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the Merger Agreement or completion of the Merger.

Exclusivity; No Solicitation of Transactions (Page 62)

The Merger Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding specified transactions involving the Company. Notwithstanding these restrictions, under certain limited circumstances required for our Board to comply with its fiduciary duties, our Board may respond to an unsolicited written bona fide proposal for an alternative transaction, change its recommendation in support of the Merger or terminate the Merger Agreement and enter into an agreement with respect to a superior proposal after paying a termination fee specified in the Merger Agreement.

Conditions to Merger (Page 65)

The Merger Agreement is subject to customary closing conditions including, among other things, the approval of the proposals set forth in this proxy statement and affecting the Reverse Stock Split, the Capitalization, the Name Change and the adoption of the 2008 Plan.

Termination Fee (Page 62)

Should the Merger Agreement be terminated before consummation by the Company in connection with the Company's acceptance of a superior proposal, the Company has agreed to pay Sequoia a termination fee of $1,000,000 in cash under certain circumstances.

No Right of Appraisal (Page 82)

You will not experience any change in your rights as a stockholder as a result of the Merger or Related Proposals. None of Delaware law, our Certificate of Incorporation or our bylaws provides for appraisal or other similar rights for dissenting stockholders in connection with the Merger or the Related Proposals. Accordingly, you will have no right to dissent and obtain payment for your shares.

Reverse Stock Split Proposal (Page 71)

On or prior to the closing date of the Merger and subject to the approval of our stockholders, we will amend and restate our Certificate of Incorporation in order to effect the 1-for-2 Reverse Stock Split. The purpose of the Reverse Stock Split will be to reduce the number of our shares of Common Stock outstanding after completion of the Merger and to correspondingly increase the price per share of Common Stock. If the Merger is not consummated, this proposal to amend our Certificate of Incorporation will not take effect. The form of amendment for the Reverse Stock Split Proposal is attached to this proxy statement as Annex C.

Capitalization Proposal (Page 72)

On or prior to the closing date of the Merger and subject to approval of our stockholders, we will amend and restate our Certificate of Incorporation in order to increase the authorized share capital of the Company to 250,000,000 shares of Common Stock and 50,000,000 shares of preferred stock, par value $.01 per share. The Capitalization Proposal is necessary because the Company's current authorized share capitalization is insufficient to issue the number of shares necessary to complete the Merger. Increasing the authorized share capital of the Company should provide us with the shares necessary to complete the Merger and to address any future needs. If the Merger is not consummated, this proposal to amend our Certificate of Incorporation will not take effect. The form of amendment for the Capitalization Proposal is attached to this proxy statement as Annex C.

Name Change Proposal (Page 73)

Upon the consummation of the Merger and subject to approval of our stockholders, we will amend and restate our Certificate of Incorporation in order to change our name from “Secure Alliance Holdings Corporation” to “aVinci Media Corporation”, or such other name as may be selected by the Board. If the Merger is not consummated, this proposal to amend our Certificate of Incorporation will not take effect. The form of amendment for the Name Change is attached to this proxy statement as Annex C.

2008 Plan Proposal (Page 74)

The 2008 Plan will take effect upon the consummation of the Merger, subject to approval of our stockholders. If the Merger is not consummated, the 2008 Plan will not take effect. The 2008 Plan is attached to this proxy statement as Annex D.

GENERAL INFORMATION ABOUT THE SPECIAL MEETING

Place and Time. The meeting will be held at ________________ on __________ __, 2008 at __:__ _.m., local time.

Record Date and Voting. Our Board fixed the close of business on ________, 2008, as the Record Date for the determination of holders of our outstanding shares entitled to notice of and to vote on all matters presented at the Special Meeting. Such stockholders will be entitled to one vote for each share held on each matter submitted to a vote at the Special Meeting. As of the Record Date, there were _________ shares of Common Stock, issued and outstanding, each of which is entitled to one vote on each matter to be voted upon. You may vote in person or by proxy.

Purpose of the Special Meeting. The purpose of the Special Meeting is to vote upon the (i) approval of the Merger Agreement; (ii) approval of the Related Proposals, (iii) approval of the 2008 Plan, (iv) adjournment of the Special Meeting, if necessary, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to approve the Merger Agreement, the Related Proposals and the 2008 Plan; and (v) such other business as may properly be brought before the Special Meeting and any adjournment or postponement thereof.

Quorum. The required quorum for the transaction of business at the Special Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date. Shares that are voted "FOR," "AGAINST" a proposal or marked "ABSTAIN" are treated as being present at the Special Meeting for purposes of establishing a quorum and are also treated as shares entitled to vote at the Special Meeting with respect to such proposal.

Abstentions and Broker Non-Votes. Broker "non-votes" and the shares of Common Stock as to which a stockholder abstains are included for purposes of determining whether a quorum of shares of Common Stock is present at a meeting. A broker "non-vote" occurs when a nominee holding shares of Common Stock for the beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Since the Merger Agreement and Related Proposals require the approval of the holders of a majority of our shares outstanding, both broker "non-votes" and abstentions would have the same effect as votes against such proposals. With respect to the proposals to adopt the 2008 Plan and approve the adjournment of the Special Meeting if deemed necessary, neither broker "non-votes" nor abstentions are included in the tabulation of the voting results and, therefore, they do not have the effect of votes against such proposals.

Voting of Proxies. Our Board is asking for your proxy. Giving the Board your proxy means you authorize it to vote your shares at the Special Meeting in the manner you direct. You may vote for or against the proposals or abstain from voting. All valid proxies received prior to the Special Meeting will be voted. All shares represented by a proxy will be voted, and where a stockholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made. If no choice is indicated on the proxy, the shares will be voted "FOR" the Merger Agreement, "FOR" the Related Proposals, "FOR" the 2008 Plan and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the Special Meeting. A stockholder giving a proxy has the power to revoke his or her proxy, at any time prior to the time it is voted, by delivering to our Secretary a written instrument that revokes the proxy or a validly executed proxy with a later date, or by attending the Special Meeting and voting in person. The form of proxy accompanying this proxy statement confers discretionary authority upon the named proxy holders with respect to amendments or variations to the matters identified in the accompanying Notice of Special Meeting and with respect to any other matters that may properly come before the Special Meeting. As of the date of this proxy statement, management knows of no such amendment or variation or of any matters expected to come before the Special Meeting that are not referred to in the accompanying Notice of Special Meeting.

Attendance at the Special Meeting. Only holders of Common Stock, their proxy holders and guests we may invite may attend the Special Meeting. If you wish to attend the Special Meeting in person but you hold your shares through someone else, such as a stockbroker, you must bring proof of your ownership and identification with a photo at the Special Meeting. For example, you could bring an account statement showing that you beneficially owned shares of Common Stock as of the Record Date as acceptable proof of ownership.

Accounting Information. Representatives of our independent registered public accountants, Hein & Associates LLP, are expected to be present at the Special Meeting to answer appropriate questions. They will also have the opportunity to make a statement if they desire to do so.

Costs of Solicitation. We will bear the cost of printing and mailing proxy materials, including the reasonable expenses of brokerage firms and others for forwarding the proxy materials to beneficial owners of Common Stock. In addition to solicitation by mail, solicitation may be made by certain of our directors, officers and employees, or firms specializing in solicitation; and may be made in person or by telephone or telegraph. No additional compensation will be paid to any of our directors, officers or employees for such solicitation. We have retained [____________________], as proxy solicitor, for a fee of $[________] plus out-of-pocket expenses.

Stockholder Nominations and Proposals. The Company's By-Laws require stockholders to provide advance notice prior to bringing business before an annual meeting or to nominate a candidate for director at the meeting. In order for a stockholder to properly bring business or propose a director at the 2009 annual meeting of stockholders, the stockholder must give written notice to the Company. To be timely, a stockholder's notice must be received by the Company not less than 45 days prior to the anniversary of the mailing of the prior years' annual meeting of stockholders proxy. These procedures apply to any matter that a stockholder wishes to raise at the 2009 annual meeting of stockholders, other than those raised pursuant to 17 C.F.R. §240.14a-8 of the Rules and Regulations of the SEC.

THE TRANSACTIONS

This section of the proxy statement describes certain aspects of the Merger, the Merger Agreement and the Related Proposals. While we believe that the description covers the material terms of the Merger and the transactions contemplated thereby, this summary may not contain all of the information that may be important to you. You should read carefully this entire document and the other documents referred to in this proxy statement, including the Merger Agreement, for a more complete understanding of the Merger and the transactions contemplated thereby. Unless otherwise defined in this section, all capitalized terms used in this section have the meanings ascribed to them in the section titled “Summary.”

Background of the Merger

We are a Delaware corporation which, through our wholly owned subsidiaries, developed, manufactured, sold and supported ATM products and electronic cash security systems, consisting of TACC products and Sentinel products.

We completed the sale of our ATM business on January 3, 2006 and the sale of our Cash Security business on October 2, 2006. On October 2, 2006, we became a shell public company with approximately $12.9 million in cash, cash equivalents and marketable securities held-to-maturity.

Before the sale of our Cash Security and ATM businesses, we were primarily engaged in the development, manufacturing, sale and support of ATM products and the Cash Security products, which were designed for the management of cash within various specialty retail markets.

On September 25, 2006, the holders of a majority of shares of our outstanding stock approved a proposal that we amend our Certificate of Incorporation and change our name from “Tidel Technologies, Inc.” to “Secure Alliance Holdings Corporation.” In addition, our subsidiaries effected the following name changes at or about the same time: Tidel Engineering, L.P. changed its name to Secure Alliance, L.P., Tidel Cash Systems, Inc. changed its name to Secure Alliance Cash Systems, Inc. and Tidel Services, Inc. changed its name to Secure Alliance Services, Inc.

Following the sale of our Cash Security and ATM businesses, we have had substantially no operations.

During the first half of calendar year 2007, representatives from Sequoia approached members of our management and Board to discuss the possibility of engaging in a business combination or other strategic transaction with the Company.

As part of those discussions, Sequoia retained the law firm of Cohne, Rappaport & Segal, P.C., Salt Lake City, Utah, or CRS, to advise it in respect of a possible strategic transaction. We retained Olshan Grundman Frome Rosenzweig & Wolosky LLP, New York, New York, or Olshan, to advise us in respect of a possible strategic transaction. Also at this time, we permitted Sequoia to conduct preliminary due diligence discussions regarding our business, prospects and potential benefits of a combination of the two companies.

On July 31, 2007, an initial draft of an exchange agreement, prepared by CRS, was delivered to the Company. The Board reviewed the draft exchange agreement and discussed its terms with Olshan in the subsequent weeks. We, through our counsel, responded to Sequoia's draft of the exchange agreement in September 2007 and proposed that the exchange agreement be structured in the form of a merger agreement. The Board negotiated the addition of enhanced representations and warranties and the ability to terminate the agreement if a superior proposal was received by the Company, in which case a $1,000,000 termination fee would be payable to Sequoia in the event we consummate a superior proposal. The Board devoted substantial time to determining the structure of the Merger.

On October 26, 2007, a representative of Sequoia met with Olshan at its offices in New York and discussed the terms of the draft Merger Agreement. Following these discussions, Sequoia's counsel distributed a revised draft Merger Agreement on October 29, 2007 which reflected negotiated revisions, the most significant of which was the agreement that representations and warranties would not survive the closing of the Merger. During these negotiations, the Board continued to conduct ongoing due diligence of the business of Sequoia.

Concurrent with the negotiation of the Merger Agreement, we negotiated the terms of the Loan Agreement with Sequoia and its counsel to extend a secured line of credit to Sequoia for working capital purposes.

During November 2007, the Board continued to negotiate the Merger Agreement, including without limitation the Merger Consideration under the Merger Agreement and certain tax effects of the Merger for the Company. The Board also discussed providing in the Merger Agreement for the Distribution, a 1-for-3 reverse stock split of our Common Stock, the Capitalization Proposal and the Name Change.

On November 21, 2007, the Company issued a Current Report on Form 8-K disclosing that it was in negotiations with Sequoia.

On November 29, 2007, a meeting of the Board was held. Messrs. Griggs and Clay were present at the meeting, as were representatives from Olshan and Ladenburg. A general discussion among the members of the Board then ensued as to the terms of the Merger Agreement. A representative of Ladenburg then summarized for the Board various aspects of the proposed Merger, including, among other things, net book value valuations, the impact of the proposed Distribution, Sequoia's financial performance, the indicated value range of the transaction using various methodologies, certain aspects of Sequoia's business model and customer base, and Sequoia's valuation relative to selected comparable companies. The Board requested that Ladenburg render an opinion as to whether the proposed Merger Consideration to be received by the Company was fair from a financial point of view to the Company's unaffiliated stockholders. Ladenburg then delivered to the Board an opinion that, as of November 29, 2007 and based upon and subject to the factors and assumptions set forth in the opinion, the Merger Consideration given to members of Sequoia pursuant to the Merger Agreement is fair, from a financial point of view, to our stockholders. The full text of the written opinion of Ladenburg, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, is attached as Annex B to this proxy statement.

The Board considered its fiduciary obligations in light of the proposed Merger including, the duty to evaluate the Merger, the Merger Agreement and all related transactions contemplated therein on behalf of the Company's unaffiliated stockholders and to be fully informed and exercise due care in its deliberations and efforts. The Board discussed a number of factors including the proposed terms of the Merger Agreement, the risks and merits of the Merger and the risks and merits of not pursuing the Merger.

The Board, at a meeting held on November 29, 2007, unanimously approved the Merger Agreement, unanimously found the Merger Agreement to be fair to, advisable for, and in the best interests of, the Company and its stockholders and unanimously resolved to recommend that the Company's stockholders adopt and approve the Merger Agreement.

On December 6, 2007, we executed the Merger Agreement and issued a Current Report on Form 8-K to announce the signing of the Merger Agreement with Sequoia and to file a copy of the Merger Agreement as an exhibit.

Concurrent with the signing of the Merger Agreement, we extended a $2,500,000 secured line of credit to Sequoia pursuant to the terms of the Loan Agreement, $1,000,000 of which was advanced on the date of the Loan Agreement, $1,000,000 was advanced on January 15, 2008, and $500,000 was advanced on February 15, 2008. Pursuant to the terms of the Loan Agreement, Sequoia has agreed to pay interest on the loan at a rate per annum equal to 10%. Interest on the loan is payable on December 31, 2008, the scheduled maturity date. In addition, if the loan obligations have not been paid in full on or prior to the scheduled maturity date, a monthly fee equal to 10% of the outstanding loan obligations is payable to us by Sequoia on the last day of each calendar month for which the loan obligations remain outstanding.

On [ ], 2008, we amended the Merger Agreement to (i) effect the 1-to-2 Reverse Stock Split instead of a 1-to-3 reverse stock split, (ii) to provide that, at our discretion, prior to the effectiveness of the Merger, we will either complete the Distribution or declare and pay the Dividend, and (iii) to amend the amount of the proposed merger consideration to be provided under the Merger Agreement, such that each issued and outstanding Sequoia equity interest will automatically be converted into the right to receive 0.87096285 shares of our Common Stock instead of the right to receive 0.5806419 shares of our Common Stock.

Reasons for the Merger

In reaching its conclusion regarding the fairness of the Merger to our unaffiliated stockholders and its decision to approve and adopt the Merger Agreement, the Board consulted with management and its financial and legal advisors. The Board considered the following factors, each of which it believed affected its decision:

- The Company's Financial Condition. We are a shell public company with substantially no operations or employees since October 2, 2006. We also have limited management and other resources. Sequoia has an experienced management team and an operating business;

- Best Merger Proposal Received. At the time the Merger Agreement was executed, the market check completed by our Board revealed no other firm merger proposals;

- Strategic Alternatives to a Merger. Since we became a shell public company, the Board has reviewed our financial position and considered all available alternatives including, without limitation, the acquisition of a new business or alternatively, the possible dissolution of the Company and liquidation of our assets, the discharge of any remaining liabilities, and the eventual distribution of the remaining assets to stockholders;

- Fairness Opinion. The Board considered the presentation and fairness opinion of Ladenburg, which provided that, as of November 29, 2007, and based upon and subject to the considerations and assumptions set forth in their respective opinions, the Merger Consideration given to members of Sequoia under the Merger Agreement is fair, from a financial point of view, to our stockholders; and

- Superior Proposals. The Board considered that, under the terms of the Merger Agreement, while we are prohibited from soliciting proposals from third parties, we may engage in discussions and negotiations with, and may furnish non-public information to, a third party that makes an unsolicited superior proposal if, among other things, the Board determines in good faith that such action with respect to such superior proposal is necessary for the Board to comply with its fiduciary duties under applicable law. In addition, the Merger Agreement permits the Board, in the exercise of its fiduciary duties, to withdraw or modify its approval or recommendation of the Merger Agreement or the transactions contemplated therein even if we have not received a superior proposal if it were to subsequently determine that the Merger Agreement and the transactions contemplated therein are no longer in the best interest of the Company or our stockholders. The Board further considered that the terms of the Merger Agreement provide the Board with the ability to terminate the Merger Agreement in order to enter into an agreement for a superior proposal. The Board also considered the possible effect of these provisions of the Merger Agreement on third parties that might be interested in making a proposal to acquire us.

The Board also recognized the risks inherent in the transaction, including:

- the risk that the combined company may not be able to realize, fully or at all, the potential benefits of the Merger;

- the possibility that, even if the Merger is approved by our stockholders, it may not be completed; and

- the other risks described under “Risk Factors” beginning on page 22.

The Board determined that the potential benefits of the Merger outweighed these potential risks.

After taking into account all of the factors set forth above, as well as others, the Board agreed that the benefits of the Merger outweighed the risks and that the Merger Agreement and the Related Proposals are advisable and are fair to and in the best interests of the Company and its unaffiliated stockholders and approved and adopted the Merger Agreement and recommends that the Company's stockholders vote to approve and adopt the Merger Agreement at the Special Meeting.

The Board did not assign relative weights to the above factors or the other factors considered by it. In addition, the Board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual directors may have given different weights to different factors.

Cautionary Statement Concerning Forward-Looking Information

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the Merger Agreement and other information relating to the Merger Agreement and Related Proposals. There are forward-looking statements throughout this proxy statement, including, among others, under the headings "Summary," "The Transactions -- Opinion of Ladenburg" and in statements containing the words "believes," "plans," "expects," "anticipates," "intends," "estimates" or similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. In addition to other factors and matters contained in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

Considerations Relating to the Merger Agreement, Related Proposals and 2008 Plan:

- the failure to satisfy the conditions to consummation of the Merger Agreement, including the receipt of stockholder approval;
- the failure to receive stockholder approval of the Related Proposals and the 2008 Plan;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- the failure of the Merger to close for any other reason;
- the outcome of legal proceedings that may be instituted against us and others in connection with the Merger Agreement; and

- the amount of the costs, fees, expenses and charges related to the Merger.

Other Factors:

- risks, uncertainties and factors set forth in our reports and documents filed with the Securities and Exchange Commission (the "SEC") (which reports and documents should be read in conjunction with this proxy statement; see "Where You Can Find Additional Information").

All forward-looking statements contained or incorporated by reference in the proxy statement speak only as of the date of this proxy statement or as of such earlier date that those statements were made and are based on current expectations or expectations as of such earlier date and involve a number of assumptions, risks and uncertainties that could cause the actual result to differ materially from such forward-looking statements. Except as required by law, we undertake no obligation to update or publicly release any revisions to these forward-looking statements or reflect events or circumstances after the date of this proxy statement.

Risk Factors

Risks Related to the Merger Agreement and the Related Proposals

The Merger will result in substantial dilution of the ownership interest of current stockholders.

Immediately following the Merger, our stockholders will own approximately 20% of the Company's outstanding Common Stock on a nondiluted basis. This represents substantial dilution of the ownership interest of current stockholders.

Failure to complete the Merger could cause our stock price to decline and could harm our future business and operations.

The Merger Agreement contains conditions that we must meet in order to consummate the Merger. In addition, the Merger Agreement may be terminated by either us or Sequoia under certain circumstances. If the Merger is not completed for any reason, we may be subject to a number of risks, including the following:

- depending on the reasons for termination, we may be required to pay a termination fee of $1,000,000 to Sequoia if we have selected a superior proposal;

- the market price of our Common Stock may decline to the extent that the current market price reflects a market assumption that the Merger and the Related Proposals will be completed; and

- many costs related to the Merger and the Related Proposals, such as legal, accounting, financial advisor and financial printing fees, have to be paid regardless of whether the Merger is completed;

The Reverse Stock Split may not increase the market price of our Common Stock by a multiple we expect.

While we expect that the Reverse Stock Split will result in an increase in the market price of our Common Stock, there can be no assurance that the Reverse Stock Split will increase the market price of our Common Stock by a multiple equal to the exchange number or result in the permanent increase in the market price (which is dependent on many factors, including our performance and prospects). Also, should the market price of our Common Stock decline, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would pertain in the absence of a reverse stock split.

The Reverse Stock Split may increase our number of odd lot stockholders.

The Reverse Stock Split may increase the number of our stockholders who own odd lots (owners of less than 100 shares). Stockholders who hold odd lots typically will experience an increase in the cost of selling their shares as well as possible greater difficulty in effecting such sales.

Risks Related to Sequoia's Business, which will be our primary business following the Merger

Since Sequoia's inception, it has been spending more than it makes which has required it to rely upon outside financings to fund operations. If Sequoia is not able to generate sufficient revenues to fund its business plans, Sequoia may be required to limit operations.

Since Sequoia's inception Sequoia has operated at a loss. Sequoia is not currently generating sufficient revenues to cover its operating expenses. If its revenues do not begin to grow or if they decline and its expenses do not slow or decline at a greater rate Sequoia may be unable to generate positive cash flows. If Sequoia is unable to generate positive cash flow from operations Sequoia will be required to seek outside financing to continue operating at its current level or cease operations. If new sources of financing are required, but are insufficient or unavailable, Sequoia will be required to modify its growth and operating plans to the extent of available funding, which would harm its ability to pursue our business plans. If Sequoia ceases or stops operations, its members could lose their entire investment. Historically, Sequoia has funded its operating, administrative and development costs through the sale of equity capital or debt financing. If Sequoia's plans and/or assumptions change or prove inaccurate, or Sequoia is unable to obtain further financing, or such financing and other capital resources, in addition to projected cash flow, if any, prove to be insufficient to fund operations, Sequoia's continued viability could be at risk. To the extent that any such financing involves the sale of Sequoia's membership interests, the interests of Sequoia's then existing members could be substantially diluted. The holders of new membership interests of Sequoia may also have rights, preferences or privileges which are senior to those of Sequoia's existing members. There is no assurance that Sequoia will be successful in achieving any or all of these objectives over the coming year.

Sequoia anticipates its business will become highly seasonal in nature which may cause its financial results to vary significantly by quarter.

The photo retail business is very seasonal in nature with a significant proportion of recurring revenues occurring the fourth quarter of the calendar year, particularly around the Thanksgiving and Christmas holidays. As a result, Sequoia's financial results will be difficult to compare quarter-to-quarter. Additionally, any disruptions in operations during the fourth quarter could greatly impact its annual revenues and have a significant adverse effect on its relationships with its customers. Sequoia's limited revenue and operating history makes it difficult for it to assess the impact of seasonal factors on its business or whether its business is susceptible to cyclical fluctuations in the economy.

Sequoia's technology solutions and business approach are relatively new and if they are not accepted in the marketplace, its business could be materially and adversely affected.

Products created with Sequoia's technology have only been available in the marketplace since 2005. Sequoia has been pursuing a business model that requires retail and vendor partners to recognize the advantages of its technology to make it available to end consumers. Having generated limited revenues, there can be no assurance that Sequoia's products will receive the widespread market acceptance necessary to sustain profitable operations. Even if its services attain widespread acceptance, there can be no assurance that Sequoia will be able to meet the demands of its customers on an ongoing basis. Sequoia's operations may be delayed, halted, or altered for any of the reasons set forth in these risk factors and other unknown reasons. Such delays or failure would seriously harm Sequoia's reputation and future operations. If Sequoia's products or its business model are not accepted in the market place, its business could be materially and adversely affected.

Sequoia's product solution focuses on an aspect of the digital photo industry that has never been directly addressed in any meaningful way. Sequoia provides a nearly finished product that takes user images and combines them with stock images to create context for user images in a themed presentation. Sequoia also offers a unique DVD product that has not been widely sold in the marketplace in the form it offers. The degree of market acceptance of Sequoia's product solution results in Sequoia's products going to the market with a high level of uncertainty and risk. As the market for its product technology is new and evolving, it is difficult to predict the size of the market, the future growth rate, if any, or the level of premiums the market will pay for Sequoia's services. There can be no assurance that the market for Sequoia's services will emerge to a profitable level or be sustainable. There can be no assurance that any increase in marketing and sales efforts will result in a larger market or increase in market acceptance for Sequoia's services. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, or if Sequoia's proposed services do not achieve or sustain market acceptance, Sequoia's proposed business, results of operations and financial condition will continue to be materially and adversely affected.

Ultimately, Sequoia's success will depend upon consumer acceptance of its product delivery model and its largely pre-configured products. Sequoia relies on its retail and internet vending customers to market its products to end consumers. While Sequoia assists retailers with their marketing programs, Sequoia cannot assure that retailers will continue to market its services or that their marketing efforts will be successful in attracting and retaining end user consumers. The failure to attract end user consumers will adversely affect Sequoia's business. In addition, if Sequoia's service does not generate revenue for the retailer, whether because of failure to market it, Sequoia may lose retailers as customers, which would adversely affect its revenue.

Sequoia has for the past few years depended on a single customer for a significant portion of its revenue. If Sequoia is unable to replace that customer and add additional customers it could materially harm its operating results, business, and financial condition.

During 2004, 2005, 2006, and 2007, over 90% of Sequoia's revenue was derived from a single customer, BigPlanet. Sequoia's contract with BigPlanet expired on December 31, 2007. Sequoia is in negotiations to continue its business relationship with BigPlanet, but it can provide no assurance that it will enter into a new agreement or what the terms of the new agreement will be. Sequoia added several additional customer contracts during 2007, but they have not generated significant revenues to date. If in the event Sequoia is unable to replace the revenues generated from BigPlanet and increase the revenues for current customers and enter into additional agreements with additional customers that generate revenue, Sequoia's operations and financial results will significantly suffer, jeopardizing long-term operations. Sequoia may not succeed in attracting new customers, as many of its potential customers have pre-existing relationships with Sequoia's current or potential competitors. To attract new customers, Sequoia may be faced with intense price competition, which may affect its gross margins.

Sequoia needs to develop and introduce new and enhanced products in a timely manner to remain competitive.

The markets in which Sequoia operates are characterized by rapidly changing technologies, evolving industry standards, frequent new product introductions and relatively short product lives. The pursuit of necessary technological advances and the development of new products require substantial time and expense. To compete successfully in the markets in which Sequoia operates, Sequoia must develop and sell new or enhanced products that provide increasingly higher levels of performance and reliability. For example, Sequoia's business involves new digital audio and video formats, such as DVD-Video and DVD-Audio, and, more recently, the new recordable DVD formats including DVD-RAM, DVD-R/RW, and DVD+RW. Currently, there is extensive activity in Sequoia's industry targeting the introduction of new, high definition formats including Blue Ray®. To the extent that competing new formats remain incompatible, consumer adoption may be delayed and Sequoia may be required to expend additional resources to support multiple formats. Sequoia expends significant time and effort to develop new products in compliance with these new formats. To the extent there is a delay in the implementation or adoption of these formats, Sequoia's business, financial condition and results of operations could be adversely affected. As new industry standards, technologies and formats are introduced, there may be limited sources for the intellectual property rights and background technologies necessary for implementation, and the initial prices that Sequoia may negotiate in an effort to bring its products to market may prove to be higher than those ultimately offered to other licensees, putting Sequoia at a competitive disadvantage. Additionally, if these formats prove to be unsuccessful or are not accepted for any reason, there will be limited demand for Sequoia's products. Sequoia cannot assure you that the products it is currently developing or intend to develop will achieve feasibility or that even if it is successful, the developed product will be accepted by the market. Sequoia may not be able to recover the costs of existing and future product development and its failure to do so may materially and adversely impact its business, financial condition and results of operations.

If Sequoia is unable to respond to customer technological demands and improve its products, its business could be materially and adversely affected.

To remain competitive, Sequoia must continue to enhance and improve the responsiveness, functionality and features of its solutions and its products. The photo industry is characterized by rapid technological change, changes in user and customer requirements and preferences and frequent new product and service introductions. Sequoia's success will depend, in part, on its ability to license leading technologies useful in its business, enhance its existing software offerings, develop new product offerings and technology that address the varied needs of its existing and prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. There can be no assurance that Sequoia will successfully implement new technologies or adapt its solutions, products, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If Sequoia is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal, financial or other reasons, its business could be materially adversely affected.

Sequoia has and expects to continue to experience rapid growth. If it is unable to manage its growing operations effective, Sequoia's business could be negatively impacted.

Expected rapid growth in all areas of Sequoia's business may place a significant strain on its operational, human, and technical resources. Sequoia expects that operating expenses and staffing levels will increase in the future to keep pace with its customer demands and requirements. To manage its growth, Sequoia must expand its operational and technical capabilities and manage its employee base, while effectively administering multiple relationships with various third parties, including business partners and affiliates. Sequoia cannot assure that it will be able to effectively manage its growth. The failure to effectively manage its growth could result in an inability to meet its customer demands, leading to customer dissatisfaction and loss. Loss of customers could negatively impact Sequoia's operating results.

Sequoia competes with others who provide products comparable to its products. If Sequoia is unable to compete with current and future competitors, its business could be materially and adversely affected.

The digital photography products and services industries are intensely competitive, and Sequoia expects competition to increase in the future as current competitors improve their offerings, new participants enter the market or industry consolidation further develops. Competition may result in pricing pressures, reduced profit margins or loss of market share, any of which could substantially harm Sequoia's business and results of operations. Sequoia's success is dependent upon its ability to maintain its current customers and obtain additional customers. Digital image services are provided by a wide range of companies. Competitors in the market for the provision of digital imaging services include Snapfish (a Hewlett-Packard service), Pixology plc, LifePics, and Shutterfly among numerous others. In addition, end consumers have a wide variety of product choices such as prints, photo books, calendars, and other print and image products. Sequoia competes for photo imaging output dollars with its DVD and other product offerings. Internet portals and search engines such as Yahoo!, AOL and Google also offer digital photography solutions, and home printing solutions offered by Hewlett Packard, Lexmark, Epson, Canon and others. Most of Sequoia's competitors have longer operating histories, significantly greater financial, technical and marketing resources, greater name and product recognition, and larger existing customer bases. Although Sequoia has been able to enter into relationships with many potential competitors, it cannot provide any assurance its relationships will continue or that its competitors will not pursue their own product solutions that Sequoia currently provides to them. With the large and varied competitors and potential competitors in the marketplace, Sequoia cannot be certain that it will be able to compete successfully against current and future competitors. If Sequoia is unable to do so, it will have a material adverse effect on its business, results of operations and financial condition.

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Sequoia relies on its ability to download software and fulfill orders for its customers. If Sequoia is unable to maintain reliability of its network solution it may lose both present and potential customers.

Sequoia's ability to attract and retain customers depends on the performance, reliability and availability of its services and fulfillment network infrastructure. Sequoia may experience periodic service interruptions caused by temporary problems in its own systems or software or in the systems or software of third parties upon whom it relies to provide such service. Fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events could damage these systems and interrupt Sequoia's services. Computer viruses, electronic break-ins or other similar disruptive events also could disrupt its services. System disruptions could result in the unavailability or slower response times of the websites Sequoia hosts for its customers, which would lower the quality of the consumers' experiences. Service disruptions could adversely affect its revenues and, if they were prolonged, would seriously harm its business and reputation. Sequoia does not carry business interruption insurance to compensate for losses that may occur as a result of these interruptions. Sequoia's customers depend on Internet service providers and other website operators for access to its systems. These entities have experienced significant outages in the past, and could experience outages, delays and other difficulties due to system failures unrelated to Sequoia's systems. Moreover, the Internet network infrastructure may not be able to support continued growth. Any of these problems could adversely affect Sequoia's business.

The infrastructure relating to Sequoia's services are vulnerable to unauthorized access, physical or electronic computer break-ins, computer viruses and other disruptive problems. Internet service providers have experienced, and may continue to experience, interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees and others. Anyone who is able to circumvent Sequoia's security measures could misappropriate proprietary information or cause interruptions in its operations. Security breaches relating to its activities or the activities of third-party contractors that involve the storage and transmission of proprietary information could damage its reputation and relationships with its customers and strategic partners. Sequoia could be liable to its customers for the damages caused by such breaches or it could incur substantial costs as a result of defending claims for those damages. Sequoia may need to expend significant capital and other resources to protect against such security breaches or to address problems caused by such breaches. Security measures taken by Sequoia may not prevent disruptions or security breaches.

Sequoia relies on third parties for the development and maintenance of photo kiosks and backend Internet connections to reach its customers and such dependence on third parties may impair its ability to generate revenues.

Sequoia's business relies on the use of third party photo kiosks and Internet systems and connections as a convenient means of consumer interaction and commerce. The success of Sequoia's business will depend on the ability of its customers to use such third party photo kiosks and Internet systems and connections without significant delays or aggravation. As such, Sequoia relies on third parties to develop and maintain reliable photo kiosks and to provide Internet connections having the necessary speed, data capacity and security, as well as the timely development of complementary products such as high-speed modems, to ensure its customers have reliable access to its services. The failure of Sequoia's customer photo kiosk providers and the Internet to achieve these goals may reduce its ability to generate significant revenue.

Sequoia's penetration of a broader consumer market will depend, in part, on continued proliferation of high speed Internet access for customers using kiosk and vendors providing its software and products via the Internet. The Internet has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. As the Internet continues to experience increased numbers of users, increased frequency of use and increased bandwidth requirements, the Internet infrastructure may be unable to support the demands placed on it. In addition, increased users or bandwidth requirements may harm the performance of the Internet. The Internet has experienced a variety of outages and other delays and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as the level of traffic, and could result in the Internet becoming an inconvenient or uneconomical source of products and services, which would cause Sequoia's revenue to decrease. The infrastructure and complementary products or services necessary to make the Internet a viable commercial marketplace for the long term may not be developed successfully or in a timely manner.

Sequoia has relied upon its ability to produce products with its proprietary technology to establish customer relationships. If Sequoia is unable to protect and enforce its intellectual property rights, Sequoia may suffer a loss of business.

Sequoia's success and ability to compete depends, to a large degree, on its current technology and, in the future, technology that it might develop or license from third parties. To protect its technology, Sequoia has used the following: confidentiality agreements, retention and safekeeping of source codes, and duplication of such for backup. Despite these precautions, it may be possible for unauthorized third parties to copy or otherwise obtain and use Sequoia's technology or proprietary information. In addition, effective proprietary information protection may be unavailable or limited in certain foreign countries. Litigation may be necessary in the future to: enforce its intellectual property rights, protect its trade secrets, or determine the validity and scope of the proprietary rights of others. Such misappropriation or litigation could result in substantial costs and diversion of resources and the potential loss of intellectual property rights, which could impair Sequoia's financial and business condition. Although currently Sequoia is not engaged in any form of litigation proceedings in respect to the foregoing, in the future, Sequoia may receive notice of claims of infringement of other parties' proprietary rights. Such claims may involve internally developed technology or technology and enhancements that Sequoia may license from third parties. Moreover, although Sequoia sometimes may be indemnified by third parties against such claims related to technology that Sequoia has licensed, such infringements against the proprietary rights of others and indemnity there from may be limited, unavailable, or, where the third party lacks sufficient assets or insurance, ineffectual. Any such claims could require Sequoia to spend time and money defending against them, and, if they were decided adversely to Sequoia, could cause serious injury to its business operations.

The future success of Sequoia's business depends on continued consumer adoption of digital photography.

Sequoia's growth is highly dependent upon the continued adoption by consumers of digital photography. The digital photography market is rapidly evolving, characterized by changing technologies, intense price competition, additional competitors, evolving industry standards, frequent new service announcements and changing consumer demands and behaviors. To the extent that consumer adoption of digital photography does not continue to grow as expected, Sequoia's revenue growth would likely suffer. Moreover, Sequoia faces significant risks that, if the market for digital photography evolves in ways that Sequoia is not able to address due to changing technologies or consumer behaviors, pricing pressures, or otherwise, its current products and services may become unattractive, which would likely result in the loss of customers and a decline in net revenues and/or increased expenses.

Other companies' intellectual property rights may interfere with Sequoia's current or future product development and sales.

Sequoia has not conducted routine comprehensive patent search relating to its business models or the technology it uses in its products or services. There may be issued or pending patents owned by third parties that relate to Sequoia's business models, products or services. If so, Sequoia could incur substantial costs defending against patent infringement claims or it could even be blocked from engaging in certain business endeavors or selling its products or services. Other companies may succeed in obtaining valid patents covering one or more of Sequoia's business models or key techniques Sequoia utilizes in its products or services. If so, Sequoia may be forced to obtain required licenses or implement alternative non-infringing approaches. Sequoia's products are designed to adhere to industry standards, such as DVD-ROM, DVD-Video, DVD-Audio and MPEG video. A number of companies and organizations hold various patents that claim to cover various aspects of DVD, MPEG and other relevant technology. Sequoia has entered into license agreements with certain companies and organizations relative to some of these technologies. Such license agreements may not be sufficient in the future to grant Sequoia all of the intellectual property rights necessary to market and sell its products.

Sequoia's products rely upon the use of copyrighted materials that it licenses and its inability to obtain needed licenses, remain compliant with existing license agreements, or effectively account for and pay royalties to third parties could substantially limit product development and deployment.

Sequoia's products incorporate copyrighted materials in the form of pictures, video, audio, music, and fonts. Sequoia actively monitors the use of all copyrighted materials and pays up-front and usage royalties as it fulfills customer orders for products. If Sequoia were unable to maintain appropriate licenses for copyrighted works, it would be required to limit its product offerings, which would negatively impact its revenues. Sequoia also seeks to license popular works to build into its products and the photo merchandizing market is extremely competitive. In the event Sequoia is unable to license works because its technology is not competitive or it has inadequate capital to pay royalties, it may not be able to effectively compete for photo-product production business which would seriously impart its ability to sell products.

Sequoia could be liable to some of its customers for damages that they incur in connection with intellectual property claims.

Sequoia has exposure to potential liability arising from infringement of third-party intellectual property rights in its license agreements with customers. If Sequoia is required to pay damages to or incur liability on behalf of its customers, its business could be harmed. Moreover, even if a particular claim falls outside of Sequoia's indemnity or warranty obligations to its customers, its customers may be entitled to additional contractual remedies against it, which could harm Sequoia's business. Furthermore, even if Sequoia is not liable to its customers, its customers may attempt to pass on to it the cost of any license fees or damages owed to third parties by reducing the amounts they pay for its products. These price reductions could harm Sequoia's business.

Legislation regarding copyright protection or content interdiction could impose complex and costly constraints on Sequoia's business model.

Because of its focus on automation and high volumes, Sequoia's operations do not involve, for the vast majority of its sales, any human-based review of content. Although use of its software technology terms of use specifically require customers to represent that they have the right and authority to reproduce the content they provide and that the content is in full compliance with all relevant laws and regulations, Sequoia does not have the ability to determine the accuracy of these representations on a case-by-case basis. There is a risk that a customer may supply an image or other content that is the property of another party used without permission, that infringes the copyright or trademark of another party, or that would be considered to be defamatory, pornographic, hateful, racist, scandalous, obscene or otherwise offensive, objectionable or illegal under the laws or court decisions of the jurisdiction where that customer lives. There is, therefore, a risk that customers may intentionally or inadvertently order and receive products from Sequoia that are in violation of the rights of another party or a law or regulation of a particular jurisdiction. If Sequoia should become legally obligated in the future to perform manual screening and review for all orders destined for a jurisdiction, Sequoia will encounter increased production costs or may cease accepting orders for shipment to that jurisdiction which could substantially harm its business and results of operations.

The loss of any of Sequoia's executive officers, key personnel, or contractors would likely have an adverse effect on its business.

Sequoia's greatest resource in developing and launching its products is its labor. Sequoia is dependent upon its management, employees, and contractors for meeting its business objectives. In particular, the original founders and members of the senior management team play key roles in Sequoia's business and technical development. Sequoia does not carry key man insurance coverage to mitigate the financial effect of losing the services of any of these key individuals. Sequoia's loss of any of these key individuals most likely would have an adverse effect on its business.

If the collocation facility where much of Sequoia's Internet computer and communications hardware is located fails, its business and results of operations would be harmed. If Sequoia's Internet service to its primary business office fails, its business relationships could be damaged.

Sequoia's ability to provide its services depends on the uninterrupted operation of its computer and communications systems. Much of its computer hardware necessary to operate its Internet service for downloading software and receiving customer orders is located at a single third party hosting facility in Salt Lake City, Utah. Sequoia's systems and operations could suffer damage or interruption from human error, fire, flood, power loss, telecommunications failure, break-ins, terrorist attacks, acts of war and similar events. Sequoia does have some redundant systems in multiple locations, but if its primary location suffers interruptions its ability to service customers quickly and efficiently will suffer.

Sequoia's technology may contain undetected errors that could result in limited capacity or an interruption in service.

The development of Sequoia's software and products is a complex process that requires the services of numerous developers. Sequoia's technology may contain undetected errors or design faults that may cause its services to fail and result in the loss of, or delay in, acceptance of its services. If the design fault leads to an interruption in the provision of Sequoia's services or a reduction in the capacity of its services, Sequoia would lose revenue. In the future, Sequoia may encounter scalability limitations that could seriously harm its business.

Sequoia may divert its resources to develop new product lines, which may result in changes to its business plan and fluctuations in its expenditures.

As Sequoia has developed its technology, customers have required Sequoia to develop various means of deploying its products. In order to remain competitive and work around deployment issues inherent in working with third party kiosk providers, Sequoia is continually developing new deployments and product lines. Sequoia recently developed a new point-of-scan product to provide customers with an alternative to getting its products from retail kiosks that are sometimes busy or out of order. The development of new product types may result in increased expenditures during the development and implementation phase, which could negatively impact Sequoia's results of operations. In addition, Sequoia is a small company with limited resources and diverting these resources to the development of new product lines may result in reduced customer service turn around times and delays in deploying new customers. These delays could adversely affect Sequoia's business and results of operations.

Sequoia may undertake acquisitions to expand its business, which may pose risks to its business and dilute the ownership of existing members.

The digital photo industry is undergoing significant changes. As Sequoia pursues its business plans, Sequoia may pursue acquisitions of businesses, technologies, or services. Sequoia is unable to predict whether or when any prospective acquisition will be completed. Integrating newly acquired businesses, technologies or services is likely to be expensive and time consuming. To finance any acquisitions, it may be necessary to raise additional funds through public or private financings. Additional funds may not be available on favorable terms and, in the case of equity financings, would result in additional dilution to Sequoia's existing members. If Sequoia does acquire any businesses, if Sequoia is unable to integrate any newly acquired entities, technologies or services effectively, its business and results of operations may suffer. The time and expense associated with finding suitable and compatible businesses, technologies, or services could also disrupt Sequoia's ongoing business and divert management's attention. Future acquisitions by Sequoia could result in large and immediate write-offs or assumptions of debt and contingent liabilities, any of which could substantially harm its business and results of operations.

Requirements under client agreements and Sequoia's method of delivering products could cause the deferral of revenue recognition, which could harm its operating results and adversely impact its ability to forecast revenue.

Sequoia's agreements with clients provide for various methods of delivering its technology capability to end consumers and may include service and development requirements in some instances. As Sequoia provides point-of-scan products that require future fulfillment of products by it, Sequoia may be required to defer revenue recognition until the time the consumer submits an order to have a product fulfilled rather than at the time our point-of-scan product is sold. In addition, if Sequoia is obligated to provide development and support services to customers, it may be required to defer certain revenues to future periods which could harm its short-term operating results and adversely impact its ability to accurately forecast revenue.

Sequoia's pricing model may not be accepted and its product prices may decline, which could harm its operating results.

Under its current business model, Sequoia charges a royalty on each product produced using its technology rather than selling software to its customers. If Sequoia's customers are offered software products to purchase that do not require the payment of royalties, Sequoia's business could suffer. Additionally the market for photo products is intensely competitive. It is likely that prices Sequoia's customers charge end consumers will decline due to competitive pricing pressures from other software providers which will likely affect Sequoia's product royalties and revenues.

Sequoia depends on third-party suppliers for media components of some of its products and any failure by them to deliver these components could limit its ability to satisfy customer demand.

Sequoia currently sources DVD media and other components for use in its products from various sources. Sequoia does not carry significant inventories of these components and it has no guaranteed supply agreements for them. Sequoia may in the future experience shortages of some product components, which can have a significant negative impact on its business. Any interruption in the operations of Sequoia's vendors of sole components could affect adversely its ability to meet its scheduled product deliveries to customers. If Sequoia is unable to obtain a sufficient supply of components from its current sources, it could experience difficulties in obtaining alternative sources or in altering product designs to use alternative components. Resulting delays or reductions in product shipments could damage customer relationships and expose Sequoia to potential damages that may arise from its inability to supply its customers with products. Further, a significant increase in the price of one or more of these components could harm Sequoia's gross margins and/or operating results.

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Sequoia relies on sales representatives and retailers to sell its products, and disruptions to these channels would affect adversely its ability to generate revenues from the sale of its products.

A large portion of Sequoia's projected revenues is derived from sales of products to end-users via retail channels that it accesses directly and through a third party network of sales representatives. If Sequoia's relationship with its sales representatives is disrupted for any reason, its relationship with its retail customers could suffer. If Sequoia's retail customers do not choose to market its products in their stores, Sequoia's sales will likely be significantly impacted and its revenues would decrease. Any decrease in revenue coming from these retailers or sales representatives and Sequoia's inability to find a satisfactory replacement in a timely manner could affect its operating results adversely. Moreover, Sequoia's failure to maintain favorable arrangements with its sales representative may impact adversely its business.

Changes in financial accounting standards or practices may cause adverse unexpected financial reporting fluctuations and affect Sequoia's reported results of operations.

A change in accounting standards or practices can have a significant effect on Sequoia's reported results and may even affect its reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect Sequoia's reported financial results or the way it conducts its business.

Sequoia is vulnerable to acts of God, labor disputes, and other unexpected events.

Sequoia's corporate business office is located in the Salt Lake City, Utah area near the major freeway running north and south through Utah. The Salt Lake valley is also a known seismic zone. A chemical or hazardous material spill or accident on the freeway or an earthquake or other disaster could result in an interruption in Sequoia's business. Sequoia's business also may be impacted by labor issues related to its operations and/or those of its suppliers or customers. Such an interruption could harm Sequoia's operating results. Sequoia is not likely to have sufficient insurance to compensate adequately for losses that Sequoia may sustain as a result of any natural disasters, labor disputes or other unexpected events.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by Sequoia to comply with these regulations could substantially harm its business and results of operations.

Sequoia is subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the Internet or other online services. These regulations and laws may cover taxation, restrictions on imports and exports, customs, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and e-commerce as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Those laws that do reference the Internet are only beginning to be interpreted by the courts and their applicability and reach are therefore uncertain. For example, the Digital Millennium Copyright Act, or DMCA, is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act, or CDA, are intended to provide statutory protections to online service providers who distribute third-party content. Sequoia relies on the protections provided by both the DMCA and CDA in conducting its business. Any changes in these laws or judicial interpretations narrowing their protections will subject Sequoia to greater risk of liability and may increase its costs of compliance with these regulations or limit our ability to operate certain lines of business. The Children’s Online Protection Act and the Children’s Online Privacy Protection Act are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. The costs of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failures on Sequoia’s part to comply with these regulations may subject it to significant liabilities. Those current and future laws and regulations or unfavorable resolution of these issues may substantially harm Sequoia’s business and results of operations.

Sequoia’s failure to protect the confidential information of its customers against security breaches and the risks associated with credit card fraud could damage its reputation and brand and substantially harm its business and results of operations.

A significant prerequisite to online commerce and communications is the secure transmission of confidential information over public networks. Sequoia’s failure to prevent security breaches could damage its reputation and brand and substantially harm its business and results of operations for customers using online services. Sequoia relies on encryption and authentication technology licensed from third parties to effect the secure transmission of confidential customer information, including credit card numbers, customer mailing addresses and email addresses. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by Sequoia to protect customer transaction data. In addition, any party who is able to illicitly obtain a user’s password could access the user’s transaction data or personal information. Any compromise of Sequoia’s security could damage its reputation and brand and expose it to a risk of loss or litigation and possible liability which would substantially harm its business and results of operations. In addition, anyone who is able to circumvent Sequoia’s security measures could misappropriate proprietary information or cause interruptions in its operations. Sequoia may need to devote significant resources to protect against security breaches or to address problems caused by breaches.

Effects of the Merger

Immediately following the Merger, our stockholders will own approximately 20% of our outstanding Common Stock on a nondiluted basis. Sequoia will receive an aggregate of approximately 38,899,018 post split shares of Common Stock. Prior to the effectiveness of the Merger, at our discretion, we will either complete the Distribution or declare and pay the Dividend. Following the Merger, we will have a total of 48,619,680 shares of Common Stock outstanding.

Interests of the Company's Directors and Executive Officers in the Merger

On March 21, 2007, we granted each of Jerrell G. Clay, currently a director and the Chief Executive Officer of the Company, and Stephen P. Griggs, currently a director and Principal Financial Officer, Chief Operating Officer and President of the Company, options under our 1997 Long-Term Incentive Plan to purchase 950,000 shares of Common Stock at an exercise price of $0.62 per share. Pursuant to the terms of the 1997 Long Term Incentive Plan if the Merger is consummated, all options granted thereunder will become fully vested.

Opinion of Ladenburg

On November 29, 2007, Ladenburg delivered its presentation to the Board and subsequently delivered its written opinion to the Board, which stated that based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the Merger Consideration given to members of Sequoia under the Merger Agreement is fair, from a financial point of view, to our stockholders. The Ladenburg opinion was based on a reverse stock split of 1-for-3 and the Merger Consideration of 0.5806419 shares of our Common Stock. Subsequently, we have discussed amending the Merger Agreement to provide for a Reverse Stock Split of 1-for-2 with a corresponding change to the Merger Consideration. The full text of the written opinion of Ladenburg is attached as Annex B and is incorporated by reference into this proxy statement.

You are urged to read the Ladenburg opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Ladenburg in rendering its opinion. The summary of the Ladenburg opinion set forth in this proxy statement is qualified by reference to the full text of the opinion.

The Ladenburg opinion is not intended to be and does not constitute a recommendation to you as to how you should vote or proceed with respect to the Merger.

Ladenburg was not requested to opine as to, and the opinion does not in any manner address, the relative merits of the Merger as compared to any alternative business strategy that might exist for us, our underlying business decision to proceed with or effect the Merger, and other alternatives to the Merger that might exist for us.

In arriving at its opinion, Ladenburg took into account an assessment of general economic, market and financial conditions, as well as its experience in connection with similar transactions and securities valuations generally. In so doing, among other things, Ladenburg:

- Reviewed the Merger Agreement;

- Reviewed publicly available financial information and other data with respect to Secure Alliance that Ladenburg deemed relevant, including the Company's Annual Report on Form 10-K for the year ended September 30, 2006, and the Company's Quarterly Report on Form 10-Q for the nine months ended June 20, 2007;

- Reviewed non-public information and other data with respect to the Company, including unaudited balance sheet statements as of September 30, 2007, and other internal financial information and management reports;

- Reviewed non-public information and other data with respect to Sequoia, including unaudited financial statements for the two years ended December 31, 2006 and for the nine months ended September 30, 2007, financial projections for the four years ending December 31, 2011, and other internal financial information and management reports;

- Reviewed and analyzed the Merger's pro forma impact on our securities outstanding and stockholder ownership;

- Considered the historical financial results and present financial condition of the Company and Sequoia;

- Reviewed and compared the trading of, and the trading market for our Common Stock;

- Reviewed and analyzed the indicated value range of the consideration implied by the Merger Consideration;

- Reviewed and analyzed Sequoia's projected unlevered free cash flows and prepared a discounted cash flow analysis;

- Reviewed and analyzed certain financial characteristics of publicly-traded companies that were deemed to have characteristics comparable to Sequoia;

- Reviewed and analyzed certain financial characteristics of target companies in transactions where such target company was deemed to have characteristics comparable to that of Sequoia;

- Reviewed and discussed with management representatives of the Company and Sequoia certain financial and operating information furnished by them, including financial projections and analyses with respect to Sequoia's business and operations; and

- Performed such other analyses and examinations as were deemed appropriate.

Ladenburg also performed such other analyses and examinations as it deemed appropriate and held discussions with our management in relation to certain financial and operating information furnished to Ladenburg.

In arriving at its opinion Ladenburg relied upon and assumed the accuracy and completeness of all of the financial and other information that was supplied or otherwise made available without assuming any responsibility for any independent verification of any such information and further relied upon the assurances of the Company and Sequoia management that they were not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial information and projections utilized, Ladenburg assumed that such information has been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such information provides a reasonable basis upon which Ladenburg could make analysis and form an opinion. Ladenburg did not evaluate the solvency or fair value of the Company or Sequoia under any foreign, state or federal laws relating to bankruptcy, insolvency or similar matters. Ladenburg did not make a physical inspection of the properties and facilities of the Company or Sequoia and did not make or obtain any evaluations or appraisals of either company’s assets and liabilities (contingent or otherwise). In addition, Ladenburg did not attempt to confirm whether the Company or Sequoia have good title to their respective assets. Ladenburg assumed that the Merger will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and all other applicable foreign, federal and state statutes, rules and regulations. Ladenburg assumed that the Merger will be consummated substantially in accordance with the terms set forth in the Merger Agreement, without any further amendments thereto, and without waiver by the Company of any of the conditions to any obligations or in the alternative that any such amendments, revisions or waivers thereto will not be detrimental to the Company or its stockholders in any material respect. Ladenburg further assumed that for U.S. federal tax income purposes the Merger shall qualify as a tax-free transfer pursuant to Section 351 of the Internal Revenue Code of 1986, as amended.

Ladenburg’s analysis and opinion are necessarily based upon market, economic and other conditions, as they existed on, and could be evaluated as of, November 29, 2007. Although subsequent developments may affect its opinion, Ladenburg did not assume any obligation to update, review or reaffirm its opinion.

The opinion of Ladenburg was just one of the many factors taken into account by the Board in making its determination to approve the Merger, including those described elsewhere in this proxy statement.

Ladenburg is an investment banking firm that, as part of its investment banking business, regularly is engaged in the evaluation of businesses and their securities in connection with mergers, acquisitions, corporate restructurings, private placements, and for other purposes. We determined to use the services of Ladenburg because it is a recognized investment banking firm that has substantial experience in similar matters. Ladenburg does not beneficially own any interest in the Company or Sequoia and has not provided either company with any other services. In addition, Ladenburg has had no prior relationships with Sequoia.

We paid Ladenburg a fee of $______ and reimbursed them for expenses upon the delivery of its fairness opinion dated November 29, 2007. The terms of the fee arrangements with Ladenburg, which we and Ladenburg believe are customary in transactions of this nature, were negotiated at arms' length between the Board and Ladenburg.

Indemnification and Insurance

The Merger Agreement provides that all rights to indemnification or exculpation existing in favor of the employees, agents, directors or officers of the Company and our subsidiaries in effect on the date of the Merger Agreement and to Mark Levenick and Raymond Landry, former directors, will continue in full force and effect for a period of six years after the Merger. Additionally, we will purchase a single payment, run-off policy or policies of directors' and officers' liability insurance covering such parties for a period of six years after the Merger. We will also indemnify and hold harmless such parties in respect of acts or omissions occurring at or prior to the closing of the Merger.

Loan Agreement with Sequoia

Pursuant to the Loan Agreement, we have agreed to extend (and have extended) $2.5 million in secured financing to Sequoia. Under the terms of the Loan Agreement, Sequoia has agreed to pay interest on the loan at a rate per annum equal to 10%. Interest on the loan is payable on December 31, 2008, the scheduled maturity date. In addition, if the loan obligations have not been paid in full on or prior to the scheduled maturity date, a monthly fee equal to 10% of the outstanding loan obligations is payable to us by Sequoia on the last day of each calendar month for which the loan obligations remain outstanding.

Material United States Federal Income Tax Consequences

Our stockholders should not recognize any gain or loss as a result of the Merger. However, to the extent we declare and pay the Dividend, a portion of the distribution may be taxable as "qualified dividend income", generally taxable at a federal rate of 15%, to the extent paid out of a stockholder's pro rata share of our current or accumulated earnings and profits. The determination of the portion of the distribution, if any, that will be treated as qualified dividend income will be reported to you on a tax information return in early 2009. Any portion of the distribution in excess of each holder's pro rata share of our earnings and profits will be treated first as a tax-free return of capital to the extent of each stockholder's tax basis in his, her or its shares of our Common Stock, with any remaining portion treated as capital gain. Non-United States holders of our Common Stock generally will be subject to withholding on the gross amount of the distribution at a rate of 30% or such lower rate as may be permitted by an applicable income tax treaty. Because individual tax circumstances of stockholders vary, stockholders should consult their own tax advisors regarding the tax consequences to them of the distribution.

Regulatory Approvals

We are not aware of any regulatory requirements or governmental approvals or actions that may be required to consummate the Merger, except for compliance with the applicable regulations of the SEC in connection with this proxy statement and the Delaware General Corporation Law in connection with the Merger.

Board Composition and Management following the Merger

The Merger Agreement provides that, upon consummation of the Merger, Chett B. Paulsen, Sequoia's current President and Chief Executive Officer will become our President and Chief Executive Officer, Richard B. Paulson, Sequoia's Vice President and Chief Technology Officer will become our Vice President and Chief Technology Officer, Edward "Ted" B. Paulsen currently Secretary/Treasurer and Chief Operating Officer of Sequoia will become our Secretary/Treasurer and Chief Operating Officer and Terry Dickson, currently Sequoia's Vice President of Marketing and Business Development will become our Vice President of Marketing and Business Development.

In accordance with the Merger Agreement, upon completion of the Merger, the Board will increase the size of the Board from two to seven, and the Board will fill the five vacancies created by the increase by appointing as additional directors Chett B. Paulsen, Richard B. Paulsen, Edward B. Paulsen, John A. Tyson and Tod M. Turley.

We anticipate that upon the consummation of the Merger, our directors and executive officers will be as follows:

Name	Age	Position
Chett B. Paulsen	51	President, Chief Executive Officer, Director
Richard B. Paulsen	48	Vice President, Chief Technology Officer, Director
Edward B. Paulsen	44	Secretary/Treasurer, Chief Operating Officer, Director
Terry Dickson	50	Vice President Marketing and Business Development
Tod M. Turley	46	Director
John E. Tyson	65	Director
Jerrell G. Clay	66	Director
Stephen P. Griggs	50	Director

Chett B. Paulsen, President and Chief Executive Officer, Director. Chett co-founded Sequoia in 2003 and serves as its President and Chief Executive Officer. From 1998 to 2002, Chett co-founded, served as President and then as Chief Operating Officer of Assentive Solutions, Inc. (aka, iEngineer.com, Inc.), which developed visualization and collaboration technologies for rich media content that was ultimately sold to Oracle in 2002. During his tenure with Assentive, the company raised more than $25 million in private and venture capital funding from entities including Intel, Sun Microsystems, J.W. Seligman, and T.L. Ventures. From 1995 to 1998, Chett founded and managed Digital Business Resources, Inc., which sold communications technologies to Fortune 100 companies such as American Stores and Walgreens, among others. From 1984 to 1995, Chett worked at Broadcast International (NASDAQ "BRIN") playing key management roles including Executive Vice President, Vice President of Operations and President of the Instore Satellite Network and Business Television Network divisions of Broadcast where he implemented and managed technology deployment in thousands of retail locations for Fortune 500 companies. During Chett's tenure at BI, market capitalization rose to over $200 million. Chett graduated from the University of Utah in 1982 with a B.S. degree in Film Studies.

Richard B. Paulsen, Vice President and Chief Technology Officer, Director. Richard co-founded Sequoia in 2003 and serves as its Vice President and Chief Technology Officer. From 1999 to 2003, Richard worked as a senior member of the technical staff for Wind River Systems (NASDAQ "WIND"), managing a geographically diverse software development team and continuing work on software technology Richard pioneered at Zinc Software from 1990 to 1998 as one of Zinc's founders. Zinc subsequently sold to Wind River in 1998. From 1998 to 2000, Richard enjoyed a sabbatical and served as the Director of Administrative Services for Pleasant Grove City, Utah, the highest appointed office in the city. From 1981 through 1990, Richard worked as a software consultant and programmer working for the University of Utah Department of Computer Science conducting software analysis, design and coding, and Custom Design Systems developing custom user interface tools and managing the company's core library used by thousands of developers worldwide. Richard graduated with a MBA degree, with an emphasis in financial and statistical methods, from the University of Utah in 1987 after receiving a B.S. degree in Computer Science from the University of Utah in 1985.

Edward "Ted" B. Paulsen, J.D., Secretary/Treasurer, Chief Operating Officer, Director. Ted has served as legal counsel since co-founding Sequoia in 2003, and joined the company full time as Chief Operating Officer in September 2006. From 2003 to September 2006, Ted served as the Chief Operating Officer and Corporate Secretary of Prime Holdings Insurance Services, Inc. where he helped position the company operationally and financially to secure outside capital and partner funding to support future growth beyond the company's then current annual revenue level. From 1995 through 2003, Ted worked as an associate and then partner with the law firm of Gibson, Haglund & Paulsen and its predecessor. With a securities focus, Ted has assisted emerging and growing businesses with organizational, operational and legal issues and challenges. His legal practice focused on assisting businesses properly plan and structure business transactions related to seeking and obtaining financing. Before moving to Utah and opening the Utah office of his firm in 1996, Mr. Paulsen worked in Southern California from 1990 to 1995 with the law firm of Chapman, Fuller & Bollard where he practiced in the areas of business and employment litigation and business transactions. Ted graduated from the University of Utah College of Law in 1990 after receiving a B.S. degree in Accounting from Brigham Young University in 1987.

Terry Dickson, Vice President of Marketing and Business Development. Terry joined Sequoia in May 2006 and brings over 25 years of relevant software marketing, sales and management experience to Sequoia. Recent industry experience includes serving as Chief Executive Officer of Aventis, Inc, a venture-funded startup company developing email security software. Previously he was the founding Marketing Vice President at Vinca Corporation where he played the point role in negotiating a $92 million acquisition to Legato Systems (NASDAQ: LGTO) in 1999. Dickson served in several Marketing positions at the LANDesk software operation of Intel Corporation, including serving as the Business Unit Manager where he managed the growth from $15 to over $100 million over 3 years. He also served as Intel's Director of Platform Marketing, and was appointed as Chairman of the DMTF (Distributed Management Task Force), an industry standards body consisting of the top 200 computer hardware and software vendors. Terry received a BS Degree in Marketing in 1990 from Brigham Young University, and an MBA degree from the University of Colorado, Boulder in 1981.

Tod M. Turley, Director. Tod was appointed to the Board of Managers of Sequoia in March 2006 following an investment in Sequoia by Amerivon Holdings, LLC ("Amerivon"). Tod serves as the Chairman and Chief Executive Officer of Amerivon of which he is a co-founder. Amerivon is a significant equity holder and investor in Sequoia. Through its integrated approach of sales, consulting and capital, Amerivon accelerates rapid growth plans for emerging growth companies such as Sequoia. Previously, Mr. Turley was the Senior Vice President, Business Development of Amerivon from 2001 to 2003. Prior to Amerivon, Mr. Turley was the co-founder and Senior Vice President of Encore Wireless, Inc. (private label wireless service provider with a focus on "big-box" retailers). Earlier, he served for 13 years as a corporate attorney and executive with emerging growth companies in the telecommunications industry. He currently serves as a director on a number of other boards of private companies, including Wireless Advocates and Smart Pack Solutions. Tod graduated from the University of Utah in 1985 with a BA in Economics and French, and subsequently graduated from the University of Southern California with a J.D. in 1988.

John E. Tyson, Director. John became a member of Sequoia's Board of Managers in May 2007 as a representative of Amerivon. John served as the President of Amerivon from May 2005 through April 2007. He became the President of Amerivon Investments LLC upon its formation in 2007, and also serves as Executive Vice President of Sequoia. For 15 years, Mr. Tyson was the Chairman and Chief Executive Officer of Compression Labs, Inc. ("CLI"), a NASDAQ company and a world leader in the development of Video Communications Systems. CLI pioneered the development of compressed digital video, interactive videoconferencing and digital broadcast television, including the systems used in today's highly successful Hughes DirecTV® entertainment network. Previous to CLI, Mr. Tyson has held executive management positions with AT&T, General Electric, and General Telephone & Electronics. Since CLI, Mr. Tyson founded etNetworks LLC, an IT training company (broadcasting IBM courses via satellite directly to the Desktop PC). In addition, he served for a short time as the Chief Executive Officer of an information design firm using visual maps to make complex processes easier to understand and a sales consulting and training company. He currently serves as Chairman of the Board of Provant, Inc., is a director on a number of boards of private companies, including MicroBlend Technologies, Retail Inkjet Solutions, The Wright Company and AirTegrity (a wireless networking company) and is an Advisory Board Member of the University of Nevada-Reno, Engineering School.

Jerrell G. Clay, Director. Jerrell has served as a Director of Secure Alliance since December 1990, and as our Chief Executive Officer since October 3, 2006. Jerrell is also the Chief Executive Officer of 3 Mark Financial, Inc., an independent life insurance marketing organization, and has served as president of one of its predecessors for over five years. Jerrell also serves as a member of the Independent Marketing Organization's Advisory Committee of Protective Life Insurance Company of Birmingham, Alabama.

Stephen P. Griggs, Director. Stephen has served as a Director of Secure Alliance since June 2002, as our President and Chief Operating Officer since October 3, 2006 and as our Principal Financial Officer and Secretary since April 20, 2007. Stephen has been primarily engaged in managing his personal investments since 2000. From 1988 to 2000, Stephen held various positions, including President and Chief Operating Officer of RoTech Medical Corporation, a NASDAQ-traded company. He holds a Bachelor of Science degree in Business Management from East Tennessee State University and a Bachelor of Science degree in Accounting from the University of Central Florida.

Information Related to Sequoia

Business

General Development of Sequoia's Business

Sequoia is a Utah limited liability company organized on March 28, 2003 under the name Life Dimensions, LC. In 2003, Sequoia changed its name from Life Dimensions, LC to Sequoia Media Group, LC. Sequoia's operations are currently governed by a Board of Managers made up of five managers, three of whom are the original founders and two of whom were appointed as part of a private equity investment. Substantially all of its business is conducted out of its Draper, Utah office. Sequoia also has an office in Bentonville, Arkansas to help service Wal-Mart, which is one of its largest retail customers.

Sequoia has developed and deployed a software technology that employs "Automated Multimedia Object Models," its patent-pending way of turning consumer captured images, video, and audio into complete digital files in the form of full-motion movies, DVD's, photo books, posters and streaming media files. Sequoia filed its first provisional patent in early 2004 for patent protection on various aspects of its technology with a full filing occurring in early 2005, and Sequoia has filed several patents since that time as part of its intellectual property strategy. Sequoia's technology carries the brand names of "aVinci" and "aVinci Experience."

In May 2004 Sequoia signed its first client agreement with BigPlanet, a division of NuSkin International, Inc. ("NuSkin"). Under the terms of its BigPlanet agreement, Sequoia supplied them with its software technology that they marketed, sold, and fulfilled for their consumers. Revenues from BigPlanet represent substantially all of Sequoia's sales through 2007 at approximately $3.4 million to date. Sequoia's agreement with BigPlanet expired on December 31, 2007. Sequoia and BigPlanet are in negotiations to continue their business relationship.

Since inception, Sequoia has continued to develop and refine its technology to be able to provide higher quality products through a variety of distribution models including in-store kiosks, point of scan kits, and online downloads. Sequoia's business strategy has been to avoid providing traditional multimedia tools and services that focus on providing software for users to purchase and learn how to use so that they can build their own products, and instead provide a product solution that provides users with professionally created templates to be able to automatically create personalized products by simply adding end customer images.

Sequoia's business efforts during 2006 and 2007 were directed at developing relationships with mass retailers. Sequoia signed an agreement to provide its technology in Meijer stores at the end of 2006. Due to an integration problem issue with a third party supplier to Meijer, Sequoia has been delayed in deploying its software technology in Meijer stores. However, Sequoia is currently working with a new vendor, Hewlett Packard, to integrate its software and is scheduled to launch its products in Meijer stores in April 2008.

During 2007, Sequoia signed an agreement with Fujicolor to deploy its technology on their kiosks located in domestic Wal-Mart stores. Sequoia's initial integration and deployment with Fujicolor in domestic Wal-Mart stores took place in the third quarter of 2007.

Initial operations before Sequoia's formal entity organization in March 2003 were funded through founder contributions. Operations since May 2004 have been funded by royalty revenue received from BigPlanet, totaling approximately $3.4 million to date, and from outside investment capital, totaling approximately $9.5 million to date.

From pre-organization through Sequoia's initial contract, the founders contributed approximately $150,000. These initial contributions were provided in exchange for promissory notes bearing interest at 10%, the principal and interest of which were converted into convertible debentures bearing interest at 10% with a term of 13 months through January 31, 2005. The debentures and interest were converted into Series A preferred membership interests (the "Series A preferred") during January 2005. The preferences of the Series A preferred was the right to convert the debenture total into an investment in a future financings if, at anytime within 12 months of receiving the Series A preferred, Sequoia raised capital at a lower valuation than such debenture holders' initial investment (which did not occur), and the right to receive distributions upon a liquidating event before common unit holders receive distributions. The Series A preferred liquidation preference automatically terminates on the sale of a majority of Sequoia's assets or membership interests.

During the fourth quarter of 2003, Sequoia undertook a small private offering that closed in the first quarter of 2004. The offering consisted of 12 month convertible debt, bearing interest at the annual rate of 10%. In January 2005, all but $30,000 of the debt converted into Series A preferred. In February 2005, Sequoia closed a private offering of approximately $150,000 consisting of the sale of common units, and it followed that offering with another offering in June of 2005, consisting of the sale of common units through which Sequoia raised an additional $173,000.

Needing more capital to continue pursuing its business plan through 2006, Sequoia undertook a larger private equity offering consisting of 12 month convertible debt, bearing interest at 10%, and sought a professional equity partner. The offering was taken in its entirety by the private equity group, Amerivon, who invested a total of $830,000. At the time of the investment, Amerivon placed a member on Sequoia's Board of Managers. In August 2006, Amerivon invested an additional $1,560,000 in a convertible debt offering, bearing interest at 9%, intended to bridge Sequoia to a subsequent preferred equity offering targeting $5 to $7 million. During the first quarter of 2007, Amerivon provided additional bridge financing of $2 million, and in May 2007, Sequoia closed the preferred equity offering with Amerivon at which time they converted approximately $2.4 million in aggregate convertible debt held by Amerivon, together with accumulated interest into common units of Sequoia. Amerivon also provided an additional $4.4 million in cash which, along with $2 million of the bridge financing provided during 2007, plus accumulated interest, was used to purchase a total of $6.4 million of Sequoia's Series B preferred membership interests (the "Series B preferred"). Upon the closing of the Series B preferred offering, Amerivon placed a second member on Sequoia's Board of Managers.

The Series B preferred entitles its holders to redemption rights after four years, annual dividends equal to 8% of the principal amount of the investment, and the right to receive distributions before common and Series A preferred holders receive distributions upon liquidation. The Series B preferred owners have agreed to convert all of their preferred units to common units in the event the Merger is consummated. In exchange for the conversion, Amerivon has the right to receive 1,525,000 shares of our Common Stock, which represents approximately 17% of the total Series B common units issued and outstanding.

Financial Information about Operating Segments

Sequoia conducts business within one operating segment in the United States. During the past three years, Sequoia has generated revenues primarily with one customer, BigPlanet, a division of NuSkin.

Description of Business

Software Technology and Products

Sequoia makes software technology that it packages in various forms available to mass retailers, specialty retailers, Internet portals and websites that allow end consumers to use an automated process to create products such as DVD productions, photo books, posters, calendars, and other print media products from consumer photographs, digital pictures, video, and other media. Sequoia's customers are retailers and other vendors and not end consumers. Sequoia enables its customers to sell its products to the end consumer who remain customers of its vendor and do not become its customers directly. Sequoia currently delivers its technology to end consumers through (i) third party photo kiosks at mass and specialty retail outlets, (ii) point of scan shrink wrapped software at mass and specialty retail outlets, (iii) simple software downloads through third party Internet sites, (iv) simple software downloads though its own managed Internet site to which third party Internet sites are linked, and (v) on its own managed web servers on the world wide web to which third party Internet sites are linked.

Generally all of Sequoia's products require the end consumer to simply supply digital images. Sequoia supplies preformatted templates for an occasion, event, or style such as a wedding, birthday, or activity that fits a particular style. A template for a DVD generally includes six to eight different scenes that incorporate background images related to that particular template theme. Each scene is built around four to ten digital image frames, or placeholders, where user supplied images are placed to have the appearance of being part of the themed contextual images Sequoia supplies to support the template theme. Sequoia utilizes a technique it calls "layering," (which is the subject of its patent) to stitch together its supplied images with the user-supplied images to produce a themed DVD movie. Scenes may involve panning over the user images as though they are photographs sitting on a table, or having user images appear in frames sitting on a mantle as the camera angle appears to change and move around the mantle piece, to describe a few of the hundreds of scene effects Sequoia utilizes. Each template also provides a pre-designated position and font for a unique title, and in some instances subtitle and other text, to be added by the end consumer. The scenes are assembled in an order to give the production a feeling of telling a story. Each template also comes with a default sound track selected to match the template theme. In some applications of Sequoia's software, the consumer can select from one of several music selections fitted to the selected theme. All of the images and music Sequoia supplies with the themed templates are owned by Sequoia or have been fully licensed from the owners of the rights.

Using a wedding DVD template that is supplied on a retail kiosk as an example, a consumer brings a CD or photo storage card containing his or her images to a kiosk located in a retailer's store. The consumer inserts the image storage devise into the kiosk reader and the kiosk loads the user images onto the kiosk. The user then chooses to make a DVD from a menu on the kiosk at which point our software is launched. The user browses the categories and selects "wedding" from among four to six categories of templates and then selects "wedding day" from a few different wedding templates. The user next selects 40 photos from his or her user supplied images to be incorporated into the template and can rotate and move the images into the preferred orientation and order. A title and subtitle, such as "John and Jessica's Wedding," "November 14, 2007," are typed into the kiosk by the user and the user specifies the number of copies he or she wants to purchase. With this, the user has successfully ordered a wedding DVD.

Upon completion of an order, Sequoia takes the order information and images and builds the DVD product remotely at its offices. The user then gets back a DVD case with the users pictures on the cover containing a DVD with the users image printed on the DVD as a label and an insert containing thumbnail sized images of each user image used to make the DVD. The DVD plays on standard DVD players and starts with a customer or aVinci branded "spin-up" to get to a standard navigation screen. The navigation screen shows a user image in a contextual background consisting of wedding flowers. By pressing the "Play" button, the movie is launched with the first scene featuring a wedding announcement with John and Jessica's name in a rich stylistic font. The perceived camera angle then pans over to a digitally created frame containing a picture of the bride supplied by the user, while soft wedding themed music plays. The scenes transition with pictures of flowers taking the viewer through the wedding day. The DVD ends with credits for licensed media and audio used to produce the DVD production.

Sequoia's photo books are created in the same fashion as described for DVDs, only Sequoia's templates are created and laid out to tell the themed story in the form of a ten to twenty page, eight by eleven inch photo book. Book pages are laid out by Sequoia's design experts, printed on a digital press and hardbound. Posters incorporate one or more user images into themed art matching DVD and photo book themes. Sequoia is not currently selling any photo books, posters, or other print products to end consumers because Sequoia is still in the final stages of development. Sequoia plans to launch its first photo book and poster products during the first quarter of 2008 although it cannot be assured of when the products will launch.

Product Delivery Model

Under Sequoia's business model, Sequoia integrates with retail or other vending customers according to each customer's business plan. Sequoia's customers maintain the end consumer relationship and control as much of the image capture, product creation, and delivery of product as they desire based largely upon the product delivery method they select. Sequoia does the rest. Whatever Sequoia's customers want to pass to it to manage, Sequoia manages.

With its kiosk model, Sequoia integrates with a third party kiosk provider and integrates its software onto the kiosk. End consumers using the kiosk load their images onto the kiosk and can make a variety of products. With Sequoia's software on the kiosk, when the consumer chooses to make a DVD product, its software launches and takes the consumer through the process of selecting a theme, a specific production type (called a storyboard), the photos to be integrated into the product, a title, and the order quantity. The kiosk then generates an order confirmation for the consumer who uses the confirmation to pick up and pay for the order when complete. Upon completion the kiosk order goes either to the retailer's lab to be fulfilled in store or to central processing to be fulfilled remotely.

Retailers and vendors can stock Sequoia's point of scan product which consists of a black case holding a CD containing a simplified version of its production software for a specific production type (such as Wedding) and a product code. The end consumer pays for the product at the store and can then use the CD at home or work to place their prepaid product order. The CD loads the software onto the customer's computer and walks the customer through the process of selecting his or her digital images to be used in creating the product, typing any unique consumer information such as a customized title and subtitle, entering order information for shipping, and uploading the order information and image files for remote fulfillment.

With third party Internet sites, the process is similar to Sequoia's point of scan product except for how the consumer loads the simple software on his or her computer and how he or she pays for the product order. With an Internet vendor that manages Sequoia's software through their site, Sequoia supplies the vendor with its software download. The consumer then downloads the simple software from the vendor's web servers over the Internet. The software loads and walks the customer through the process of selecting his or her digital images to be used in creating the product, typing any unique consumer information such as a customized title and subtitle, entering order information for shipping, taking the consumer's credit card information to process the payment transaction for products ordered via a secure Internet transaction, and uploading the order for remote fulfillment.

In the event a retailer or vendor wants Sequoia to manage the software download, they simply provide a link on their website to Sequoia and Sequoia provides the simple software download from its web servers over the Internet. The consumer process then works as outlined for a third party Internet site deployment. Following the software download, the software loads and walks the customer through the process of selecting his or her digital images to be used in creating the product, typing any unique consumer information such as a customized title and subtitle, entering order information for shipping, taking the consumers credit card information to process the payment transaction for products ordered via a secure Internet transaction, and uploading the order for remote fulfillment.

As a companion to the point of scan product, Sequoia is currently developing a web site that will allow consumers who upload orders using the point of scan software to order additional copies and additional products on the web site. Under this business model, the consumer uploads the product order purchased as a point of scan product. Upon receipt of the order, Sequoia provides the consumer with a dialogue box asking if they would like to add additional copies of the created product to his or her order, and if he or she would like to order a companion photo book or poster to the order. If the customer chooses to order additional products, Sequoia processes the payment transaction for the products ordered via a secure Internet transaction.

To date Sequoia's customers have elected to have products fulfilled remotely. Sequoia fulfills all the products either in house or through third party vending partners. Once a consumer orders a product by selecting the product and the pictures and his or her images to be used in creating the product, the order and images are received by Sequoia's web servers deployed by it in-house or with third party vendors Sequoia contracts with to do its fulfillment work. The servers process the orders and photos and pass the electronic filed off to computers that build the final product and send the files to be burned on a DVD or printed on a print media product such as a photo book or poster. Finished products are shipped to retail customers for delivery to end customers or directly to end customers depending on the retail customer's business model.

Sequoia's revenue model generally relies on a per product royalty. With all product deployments except the point of scan product, each time an end customer makes a product utilizing Sequoia's technology, Sequoia receives a royalty from its retail customers. From the royalty received, Sequoia pays the royalties associated with licensed media and technology. If Sequoia is performing product fulfillment, Sequoia also pays the costs of good associated with production of the product. If Sequoia's customer utilizes in-store fulfillment, its customer pays the cost of goods associated with production.

Sequoia currently has fulfillment hardware deployed in two locations including its Draper, Utah office and a Qualex (a subsidiary of Eastman Kodak Company) facility in Allentown, Pennsylvania that allow for the fulfillment of DVD products. Both locations have computer server configurations and DVD burning and printing units. DVD supplies, including DVD media supplied by Verbatim and Taiyo Yuden, DVD cases, and paper for printing DVD case covers, are inventoried to be able to meet customer DVD fulfillment needs. Sequoia's photo book and poster product fulfillment operations are in the implementation stage. Sequoia intends to fulfill photo books and posters with third party fulfillment partners. Currently, Sequoia has a fulfillment agreement with Qualex to build and ship many of its DVDs, photo books and posters for select customers. Integration with Qualex for creating DVD media was completed in February 2008.

Customers

In May 2004, Sequoia signed its first client agreement with BigPlanet, a division of NuSkin. NuSkin is a global direct selling company. NuSkin markets premium-quality personal care products under the Nu Skin® brand, science-based nutritional supplements under the Pharmanex® brand, and technology-based products and services under the Big Planet® brand. BigPlanet, NuSkin's technology division, offers its customers ways to easily preserve, organize, share and enjoy photos online. Under the terms of its BigPlanet agreement, Sequoia supplied software technology to build DVD movies which BigPlanet marketed, sold, and fulfilled for their consumers under their brand name "PhotoMax." Revenues from BigPlanet represented substantially all of Sequoia's sales through 2007 at approximately $3.4 million to date. The agreement required an annual minimum guaranteed royalty of $1 million, which was payable monthly in the amount of $83,333.33. Sequoia's agreement with BigPlanet expired on December 31, 2007 and Sequoia has been paid current through the end of the term. Sequoia is in negotiations with BigPlanet to continue their business relationship.

On September 18, 2006, Sequoia signed an agreement to provide its technology in Meijer stores. Meijer Distribution, Inc. ("Meijer") is a Michigan-based retailer that operates 181 super centers throughout the mid-west. Sequoia's agreement term with Meijer continues through a date two years from the date Meijer first makes Sequoia's software technology available to end consumers, subject to automatic renewal for additional 12-month periods after the initial term. Under the terms, Meijer purchases DVD kits from Sequoia consisting of a pre-labeled DVD, DVD cover and paper for the case cover, and inserts printed with thumbnail size images of all the user photographs provided for use in the DVD production. Meijer placed and paid for an initial purchase order of DVD kits, for approximately $109,000, but due to an integration issue with a third party supplier to Meijer, the deployment was delayed. Meijer entered into an agreement with Hewlett Packard to deploy a photo kiosk solution in Meijer stores. Sequoia is currently working with Hewlett Packard to integrate its software on Hewlett Packard's kiosks to launch its products in Meijer stores in April 2008.

In January 2006, Sequoia signed an agreement with Storefront, a photo kiosk company. Storefront anticipated deploying Sequoia's software on client kiosks in retailers such as King Soopers, Smith's, Fred Meyer, Ralph's and others. Storefront has not deployed Sequoia's software to date and Sequoia does not know if they will ever deploy Sequoia software with their customers.

On September 1, 2007, Sequoia signed an agreement with Qualex, Inc. ("Qualex") to allow for the distribution of its software product to Qualex customers. Qualex, a wholly owned subsidiary of Eastman Kodak, is the largest wholesale and on-site photofinishing company in the world and it offers traditional print and digital output solutions by operating a large network of commercial and in store labs throughout the United States and Canada. The agreement term is through September 30, 2009, at which point it is subject to extension for additional 12-month terms at the election of either party. Qualex will provide the fulfillment services for all of its customers and Sequoia will get a royalty per product produced. Sequoia also signed a separate agreement with Qualex at the same time that provides for Qualex to perform fulfillment services for select customers. As part of the agreement, Sequoia has deployed its fulfillment technology and equipment in Qualex's Allentown, Pennsylvania fulfillment center. Sequoia began processing live orders in February 2008 with Qualex.

During 2007 at the request of Wal-Mart, Sequoia signed an agreement with Fujicolor to deploy its technology on Fujicolor kiosks located in domestic Wal-Mart stores. Wal-Mart is a worldwide retailer with more than 5,000 stores in the domestic retail stores. Fujicolor is part of Fujifilm, which is a world leader in photographic products and technology. Sequoia's initial integration and deployment with Fujicolor in domestic Wal-Mart stores took place in the third quarter of 2007. Sequoia's DVD product offering is currently deployed throughout domestic Wal-Mart stores on Fujicolor kiosks in more than 3,000 stores. Upon deployment with Fujicolor, Sequoia intended to update the first version of its software within several months. Because of software updates Fujicolor is making to its kiosks generally, Sequoia has not been able to deploy any updates. Sequoia is prepared to and anticipates updating its software in the second quarter of 2008, but has no definitive time for the update, which is dependent upon Fujicolor.

In January 2008, Sequoia signed an agreement with Costco.com, to deliver its DVD product online. The parties intend to launch the product during the first quarter of 2008.

In addition to its current customers, Sequoia continues to actively negotiate agreements and relationships with other mass and specialty retailers and other vending partners.

Competitors

Sequoia's competitors consist primarily of professional videographers on the high-cost end and slideshow software programs on the low-cost end, with varying software tools in the middle. Unfamiliar evaluators on the surface may attempt to compare the low-end slide show creator products with Sequoia's products, but when compared side by side differences are readily seen in production quality and detail. Generally only user images are included in the slide show and context; graphics, audio, and music are not included. Finished productions are generally poor quality and lack any meaningful emotional impact.

Software providers who supply consumer tools or solutions for consumers to make their own DVD productions include Adobe, Microsoft, Ulead, PhotoShow, Roxio, among others. The closest direct competitive products to Sequoia's technology are software tools such as iPhoto, iMovie and Final Cut Pro from Apple, each of which require users to spend a significant sum for the software, devote extensive time to master software usage, and significant time to create each individual production. Additional competitors include Simple Star, MuVee, RocketLife, PhotoDex, and Smilebox all of which offer similar products.

Common to software tools are their lack of automation. The user spends a vast amount of time mastering software to produce the same sort of automated results that can otherwise be accomplished very quickly with Sequoia's products. A software user must first import media, organize it, choose timing and effects, edit music to length then render the production. The rendered production must then be committed to DVD where the user has to then design a DVD interface before burning to DVD to have any navigation capabilities.

Employees

As of February 28, 2007, Sequoia had 39 full-time employees, 7 part-time employees. All of its employees work in its primary business office in Draper, Utah.

Properties

Sequoia currently leases approximately 13,000 square feet of office space at 11781 Lone Peak Parkway, Suite 270, Draper, and Utah 84020. Its current lease term ends on April 30, 2010. Sequoia has a good relationship with its landlord, DBSI Draper LeaseCo LLC. Sequoia conducts its corporate, development, sales, and certain manufacturing operations out of its Draper office. Sequoia's main telephone number is (801) 495-5700 and its facsimile number (801) 495-5701. Sequoia maintains a web site at www.sequoiamg.com. Sequoia leases space in a computer hardware collocation facility in Salt Lake City and has a good relationship with the landlord.

In Bentonville, Arkansas, Sequoia rents an office in an office suite consisting of one office of about 300 square feet. Sequoia uses the office when it visits Wal-Mart corporate offices.

Legal Proceedings

On December 17, 2007, Robert L. Bishop, who worked with Sequoia in a limited capacity in 2004 and is a current member of a limited liability company that owns an equity interest in Sequoia, filed a legal claim against Sequoia for unpaid wages and/or commissions (with no amount specified) and promised equity. The Complaint was served on Sequoia on January 7, 2008. Sequoia timely filed an Answer denying Mr. Bishop's claims.

Intellectual Property

In early 2003, through patent counsel, Sequoia performed an initial patent search for products and processes similar to its software technology. The search revealed no prior art. In January 2004, Sequoia filed initial patent applications seeking broad patent protection for its ideas, technologies, point-of-sale business concept, and the system of automating solutions through the use of pre-constructed templates.

Since its initial filing, Sequoia has completed additional filings to extend and broaden its patent protection. In February 2005, Sequoia filed for international patent protection based on its original patents pending, filings with the individual countries in Europe and Asia to secure the patents internationally.

As part of its product development, Sequoia routinely licenses media content such as pictures, videos and audio to create products. Sequoia has numerous license agreements with stock image and music sources that it routinely reviews and keeps current.

Recent Sales of Unregistered Securities

During 2006 Sequoia undertook a private equity offering consisting of 12 month convertible debt, bearing interest at 10%, and sought a professional equity partner. The offering was taken in its entirety by a private equity group, Amerivon, who invested a total of $830,000. At the time of the investment, Amerivon placed a member on Sequoia's Board of Managers. In August of 2006, Amerivon invested an additional $1,560,000 in a convertible debt offering, bearing interest at 9%, intended to bridge Sequoia to a subsequent preferred equity offering targeting $5 to $7 million. During the first quarter of 2007, Amerivon provided additional bridge financing of $2 million, and in May 2007, Sequoia closed the preferred equity offering with Amerivon at which time they converted approximately $2.4 million in aggregate convertible debt held by Amerivon, together with accumulated interest into common units of Sequoia. Sequoia also provided an additional $4.4 million in cash, which, along with $2 million of the bridge financing principle provided during 2007, plus accumulated interest, was used to purchase a total of $6.4 million worth of Sequoia's preferred units. Upon the closing of the Series B preferred offering, Amerivon placed a second member on Sequoia's Board of Managers.

Series B preferred holders are entitled to redemption rights after four years, annual dividends equal to 8% of the principal amount of the investment, and the right to receive distributions before common and Series A preferred holders receive distributions upon liquidation. Upon the consummation of the Merger, Series B preferred owners will convert all of their preferred units to ownership of our Common Stock. In exchange for the conversion, Amerivon has the right to receive 1,525,000 shares of our Common Stock, which represents approximately 17% of the total Series B preferred units issued and outstanding.

Sequoia's Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Sequoia makes software technology that it packages in various forms available to mass retailers, specialty retailers, Internet portals and web sites that allow end consumers to use an automated process to create products such as DVD productions, photo books, posters, calendars, and other print media products from consumer photographs, digital pictures, video, and other media. Sequoia's customers are retailers and other vendors and not end consumers. Sequoia enables its customers to sell its products to the end consumer who remain customers of the vendor.

Sequoia's revenue model generally relies on a per product royalty. With all product deployments except a point of scan product, each time an end customer makes a product utilizing Sequoia's technology, Sequoia receives a royalty from its retail customer. From the royalties received, Sequoia pays the royalties associated with licensed media and technology. If Sequoia is performing product fulfillment, Sequoia also pays the costs of goods associated with the production of the product. If Sequoia's customer utilizes in-store fulfillment, its customer pays the cost of goods associated with production.

Through 2007, Sequoia generated revenues through the sales of DVD products created using its technology. During 2008, Sequoia intends to deploy its technology to create photo books and posters. Sequoia will continue to utilize its current revenue model of receiving a royalty for each product made using its technology.

Sequoia signed its first agreement in 2004 under which it supplied its software technology to BigPlanet, a company that markets, sells, and fulfilled personal DVD products for its customers. Through 2006 all of Sequoia's revenues were generated through BigPlanet. Under the terms of this agreement, BigPlanet was required to make minimum annual guaranteed payments to Sequoia in the amount of $1 million to be paid in 12 equal monthly installments. The BigPlanet agreement included software development, software license, post-contract support and training. As a result of the agreement terms, Sequoia determined to use the percentage-of-completion method of accounting to record the revenue for the entire contract. Sequoia utilized the ratio of total actual costs incurred to total estimated costs incurred related to BigPlanet to determine the proportional amount of revenue to be recognized at each reporting date.

During 2006, Sequoia signed an additional agreement to provide its technology in Meijer stores. The technology has not yet been deployed in Meijer due to an integration issue with a third party supplier, so the account has not generated any revenues to date. However, Sequoia is working with a new vendor, Hewlett Packard, to integrate its software and is scheduled to launch its products in Meijer stores in April 2008.

In 2007, Sequoia signed an agreement with Fujicolor to deploy its technology on Fujicolor kiosks located in domestic Wal-Mart stores. Sequoia has begun generating limited revenues through Wal-Mart and anticipates generating additional revenues through its Wal-Mart deployment during 2008.

Sequoia manufactures its DVDs in its Draper, Utah facility and uses services of local third-party vendors to produce print DVD covers and inserts and to assemble and ship final products. Through a services agreement, Sequoia began using Qualex to manufacture DVD and print product orders for certain customers. Qualex has deployed equipment in Allentown, Pennsylvania and Houston, Texas to manufacture Sequoia product orders.

Basis of Presentation

Net Revenues. Sequoia generates revenues primarily from licensing the rights to customers to use its technology to create DVD products and from providing software through retail and online outlets that allow end consumers access to the technology to generate product orders which Sequoia produces and ships. Customers then pay royalties to Sequoia on orders produced. Revenues are generally recorded as received from all customers except BigPlanet. Beginning in 2008, Sequoia will allow customers to place orders via its website and pay using credit cards. Revenues for orders placed online will be recognized upon shipment of the product. Sequoia believes that its online product offering, which will expand beyond DVDs to include photo books and posters in 2008, through its customers' websites and through its websites linked to customer websites, will generate significant additional revenues in the future.

As Sequoia expands its product offering through additional customers, Sequoia believes its business and revenues will be subject to seasonal fluctuations prevalent in the photo industry. A substantial portion of its revenues will likely occur during the holiday season in the fourth quarter of the calendar year. Sequoia expects to experience lower net revenues during the first, second and third quarters than it experiences in the fourth quarter. This trend follows the typical photo and retail industry patterns.

Sequoia has begun tracking key metrics to understand and project revenues and costs in the future, which include the following:

Average Order Size. Average order size includes the number of products per order and the net revenues for a given period of time divided by the total number of customer orders recorded during that same period. As Sequoia expands its product offerings, it expects to increase the average order size in terms of products ordered and revenue generated per order.

Total Number of Orders. For each customer, Sequoia monitors the total number of orders for a given period, which provides an indicator of revenue trends for such customer. Sequoia recognizes the revenues associated with an order when the products have been shipped. Orders are typically processed and shipped within three business days after a customer order is received.

Sequoia believes the analysis of these metrics provides it with important information on its overall revenue trends and operating results. Fluctuations in these metrics are not unusual and no single factor is determinative of its net revenues and operating results.

Cost of Revenues. Sequoia's cost of revenues consist primarily of direct materials including DVDs, DVD cases, picture sheet inserts, third-party printing, assembly and packaging costs, payroll and related expenses for direct labor, shipping charges, packaging supplies, distribution and fulfillment activities, rent for production facilities and depreciation of production equipment. Cost of revenues also includes payroll and related expenses for personnel engaged in customer service. In addition, cost of revenues includes any third-party software or patents licensed, as well as the amortization of capitalized website development costs. Sequoia capitalizes eligible costs associated with software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants, or AICPA, Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" and Emerging Issues Task Force, or EITF, Issue No. 00-02, "Accounting for Website Development Costs." Costs incurred in the development phase are capitalized and amortized in cost of revenues over the product's estimated useful life.

Operating Expenses. Operating expenses consist of sales and marketing, research and development and general and administrative expenses. Sequoia anticipates that each of the following categories of operating expenses will increase in absolute dollar amounts.

Technology and development expense consists primarily of personnel and related costs for employees and contractors engaged in the development and ongoing maintenance of Sequoia's website, infrastructure and software. These expenses include depreciation of the computer and network hardware used to run Sequoia's website and product final products, as well as amortization of purchased software. Technology and development expense also includes co-location and bandwidth costs.

Sales and marketing expense consists of costs incurred for marketing programs and personnel and related expenses for Sequoia customer acquisition, product marketing, business development and public relations activities.

General and administrative expense includes general corporate costs, including rent for the corporate offices, insurance, depreciation on information technology equipment and legal and accounting fees. In addition, general and administrative expense includes personnel expenses of employees involved in executive, finance, accounting, human resources, information technology and legal roles. Third-party payment processor and credit card fees will also be included in general and administrative expense in 2008. Sequoia also anticipates both an additional one-time cost and a continuing cost associated with public reporting requirements and compliance with the Sarbanes-Oxley Act of 2002, as well as additional costs such as investor relations and higher insurance premiums.

Interest Expense. Interest expense consists of interest costs recognized under Sequoia's capital lease obligations and for borrowed money.

Income Taxes. Sequoia has been a limited liability company and not subject to entity taxation. Going forward, Sequoia anticipates making provision for income taxes depending on the statutory rate in the countries where it sells its products. Historically, Sequoia has only been subject to taxation in the United States. If Sequoia continues to sell its products primarily to customers located within the United States, Sequoia anticipates that its long-term future effective tax rate will be between 38% and 45%, without taking into account the use of any of Sequoia's net operating loss carry forwards. However, Sequoia anticipates that in the future it may further expand its sales of products to customers located outside of the United States, in which case it would become subject to taxation based on the foreign statutory rates in the countries where these sales took place and our effective tax rate could fluctuate accordingly.

Critical Accounting Policies and Estimates

Sequoia's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these consolidated financial statements requires Sequoia to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. Sequoia bases its estimates on historical experience and on various other assumptions that Sequoia believes to be reasonable under the circumstances. In many instances, Sequoia could have reasonably used different accounting estimates, and in other instances, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by management. To the extent that there are material differences between these estimates and actual results, Sequoia's future financial statement presentation of its financial condition or results of operations will be affected.

In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application, while in other cases, management's judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions.

Results of Operations

Comparison of the Years Ended December 31, 2007 and 2006

Revenues.

	2007	2006	% Change
Revenues	$ 541,856	$ 739,200	(27%)

More than 90% of all sales revenues generated in 2007 and 100% in 2006 came from Sequoia's agreement with BigPlanet. Under the terms of the agreement, BigPlanet was obligated to pay Sequoia $1 million in annual minimum guaranteed royalties, payable in 12 equal monthly installments of $83,333.33. Big Planet timely paid each monthly installment during each of the 24 months through 2005 and 2006. The BigPlanet agreement included software development, software license, post-contract support and training. Because the contract included the delivery of a software license, Sequoia accounted for the contract in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as modified by SOP 98-9, Modification of SOP 97-2 with Respect to Certain Transactions. SOP 97-2 applies to activities that represent licensing, selling, leasing, or other marketing of computer software.

Because the contract included services to provide significant production, modification, or customization of software, in accordance with SOP 97-2, Sequoia accounted for the contract based on the provisions of Accounting Research Bulletin (ARB) No. 45, Long-Term Construction-Type Contracts, and the relevant guidance provided by SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. In accordance with these provisions, Sequoia determined to use the percentage-of-completion method of accounting to record the revenue for the entire contract. Sequoia utilized the ratio of total actual costs incurred to total estimated costs to determine the amount of revenue to be recognized at each reporting date. Sequoia records billings and cash received in excess of revenue earned as deferred revenue. The deferred revenue balance generally results from contractual commitments made by customers to pay amounts to Sequoia in advance of revenues earned. The unbilled accounts receivable represents revenue that has been earned but which has not yet been billed. Sequoia considers current information and events regarding its customers and their contracts and establishes allowances for doubtful accounts when it is probable that it will not be able to collect amounts due under the terms of existing contracts.

As a result of Sequoia's use of the stated accounting methods, revenue recognition recognized income in years other that the year cash was received. The cash received under the BigPlanet agreement was the same in 2007 and 2006, or $1 million each year. As a result of applying the percentage-of-completion method, revenue decreased from $748,069 in 2006 to $541,856 in 2007, a 27% drop. The change in revenue recognition in 2007 from 2006 reflects the relationship between the percentage of Sequoia's total operating expenses directly associated with the BigPlanet agreement and those related to other activities of the company during each respective year of the agreement. During 2006 a much greater percentage of Sequoia's resources were dedicated to the BigPlanet agreement than during 2007 because of Sequoia's pursuit of and work on additional customer accounts. The BigPlanet agreement expired on December 31, 2007. The parties are in negotiations to continue their business relationship.

Under the original BigPlanet agreement, Sequoia provided its technology to BigPlanet for it to use to market, sell and product customer products. Accordingly, Sequoia did not have any costs of goods sold associated with the BigPlanet revenues, only general and administrative expenses.

Sequoia maintains its cash in bank demand deposit accounts, which at times may exceed the federally insured limit. As of December 31, 2007 and 2006, Sequoia had limited cash generating interest revenue and had not experienced any losses.

Operating Expenses.

	2007	2006	% Change
Research and Development	$ 1,890,852	$ 1,067,687	56%
Selling and Marketing	1,351,860	547,448	247%
General and Administrative	3,677,326	1,753,459	210%
Depreciation and Amortization	490,549	201,893	243%
Interest Expense	(480,126)	(707,706)	(67)%

Sequoia's research and development expense increased $823,165, or 56%, from 2006 to 2007. The increase is attributable to additional personnel and related costs for new employees and consultants involved with technology development for deployments and ongoing maintenance of Sequoia's products in Wal-Mart on kiosks, with various retailers online and with various retailers in the form of hard good kits. In August 2007, Sequoia launched a kiosk deployment in Wal-Mart and began selling its first hard good kits for the Christmas season. Sequoia also began developing an online platform in 2007 for selling products online with initial deployment anticipated in the first quarter of 2008.

Selling and marketing expense increased $804,412, or 240%, from 2006 to 2007. The increase was attributable to Sequoia's increased marketing efforts directed at mass retailers and an increased presence at the Photo Marketing Association's ("PMA") annual trade show in February 2007. Additional personnel were hired to assist with development of marketing materials resulting in additional personnel and associated costs of approximately $725,000. An additional $80,000 was incurred in preparation for the PMA show to pay for floor space, booth rental and set up at the trade show held in February 2007. Expenses were incurred during the last quarter of 2006 and the first quarter of 2007 for the PMA show.

Sequoia's general and administrative expense increased $1,923,867, or 210%, from 2006 to 2007. New business development and operations personnel and associated costs and sales materials accounted for approximately $801,000 of the increase. Other costs associated with additional personnel such as health care, office furniture, computers, phones and other infrastructure costs across all departments totaled approximately $235,000. Approximately $303,000 of the increase was attributable to an increase of contract labor associated with platform (online and point-of-scan offerings) and product development. An increase of approximately $115,000 was attributable to increased professional consulting services provided by accounting, financial and legal services associated with Sequoia's funding activities and pursuit of the Merger Agreement with Secure Alliance. Sequoia's lease payments increased as the company took out more space to house new employee growth by approximately $301,000. Travel and entertainment costs increased approximately $121,000 as Sequoia pursued business opportunities. Equipment taxes, licensing and telephone expenses increased by $56,000, all as a result of added personnel.

Depreciation expense increased $288,656, or 243% from 2006 to 2007 as a result of purchasing computer equipment deployed to fulfill product for new customer accounts and for office furniture and equipment for new employees which began to be depreciated by Sequoia.

Sequoia's interest expense decreased from $707,706 in 2006 to $480,126 in 2007 due to the conversion of its convertible debt into equity during 2007. To fund operations, Sequoia undertook a large private equity offering consisting of 12-month convertible debt, bearing interest at 10%, and sought a professional equity partner. The offering was taken in its entirety by Amerivon, who invested a total of $830,000. In August of 2006, Amerivon invested an additional $1,560,000 in a convertible debt offering, bearing interest at 9%, intended to bridge Sequoia to a subsequent preferred equity offering targeting $5 to $7 million.

In December 2006, Sequoia entered into various short-term loans with members of Sequoia totaling $265,783 to fund operations until the funding transaction with Amerivon closed. These loans bore interest at 10% per annum and were payable on or before December 31, 2007. In May 2007, these loans were repaid.

Liquidity and Capital Resources.

		2007		2006
Statements of Cash Flows				
Cash Flows from Operating Activities	$	(5,513,316)	$	(1,890,640)
Cash Flows from Investing Activities		(577,295)		(414,995)
Cash Flows from Financing Activities		6,780,988		2,464,288

Sequoia anticipates that its current cash, cash equivalents, funds from the Loan Agreement with Secure Alliance and cash generated from operations will be sufficient to meet its needs for the next year of operations. If Sequoia does not close the Merger Agreement with Secure Alliance, it will be required to significantly reduce operating expenses to continue operations or raise additional outside capital. Sequoia can provide no guaranty that it will be able to raise additional outside capital and such funding would likely have a dilutive effect on Sequoia's current owners.

Operating Activities. For 2007, net cash used in operating activities was $(5,513,316) compared to $(1,890,640) in 2006. The change was due primarily to Sequoia's pursuit of new customers and development of additional delivery methods for its software technology which required substantial additional human, equipment and property resources.

Investing Activities. For 2007, Sequoia's cash flows from investing activities was $(577,295) compared to $(414,995) in 2006. The change resulted primarily as a result of purchasing property and equipment to allow for the fulfillment of products for customers and anticipated customers.

Financing Activities. Sequoia has elected to grow its business through the use of outside capital beyond what has been available from operations to capitalize on the growth in the digital imaging industry. During 2006 Sequoia undertook a private equity offering consisting of 12- month convertible debt, bearing interest at 10%, and sought a professional equity partner. The offering was taken in its entirety by a private equity group, Amerivon, who invested a total of $830,000. At the time of the investment, Amerivon placed a member on Sequoia's Board of Managers. In August of 2006, Amerivon invested an additional $1,560,000 in a convertible debt offering, bearing interest at 9%, intended to bridge Sequoia to a subsequent preferred equity offering targeting $5 to $7 million. During the first quarter of 2007, Amerivon provided additional bridge financing of $2 million, and in May 2007, Sequoia closed the preferred equity offering with Amerivon at which time they converted approximately $2.4 million in aggregate convertible debt held by Amerivon, together with accumulated interest into common units of Sequoia. Sequoia also provided an additional $4.4 million in cash, which, along with $2 million of the bridge financing principle provided during 2007, plus accumulated interest, was used to purchase a total of $6.4 million worth of Sequoia's preferred units. Upon the closing of the Series B preferred offering, Amerivon placed a second member on Sequoia's Board of Managers.

In anticipation of closing the Merger Agreement, Sequoia entered into a Loan Agreement with Secure Alliance whereby Secure Alliance agreed to extend (and has extended) to Sequoia $2.5 million to provide operating capital through the closing of the transaction. A total of $1 million was loaned to Sequoia during 2007, with an additional $1.5 million being loaned in 2008.

Related Party Transactions

In December 2006, Sequoia entered into various loans with executives of the company totaling $265,783. These loans bore interest at 10% per annum and were payable on or before December 31, 2007. Loan origination fees of $20,005 were recorded as an intangible asset to be amortized over the life of the loans. On January 5, 2007, an additional $20,000 was loaned to Sequoia. In April and May 2007, total outstanding principal, accrued interest, and loan origination fees of $285,783, $10,376, and $20,005, respectively, were repaid and the associated asset was fully amortized.

In May 2005, Sequoia entered into an Advisory Agreement with Amerivon Holdings Group, LLC (“Amerivon Group”). Under the terms of the agreement, Amerivon Group is entitled to up to 7% sales commission on sales to Amerivon customers. No payments were made under this agreement during 2006 and 2005, and the agreement subsequent to 2006 was voided and replaced with a new agreement as of July 1, 2007. Under the new agreement, the Amerivon Group receives 10% of net revenues generated through select customers.

THE MERGER AGREEMENT (PROPOSAL 1)

The Board is asking our stockholders to vote on a proposal to adopt the Merger Agreement and approve the transactions contemplated thereby.

The following summarizes some of the material provisions of the Merger Agreement, as amended, but is not intended to be an exhaustive discussion of the Merger Agreement. A copy of the Merger Agreement is attached to this proxy statement as Annex A. We encourage you to read carefully the Merger Agreement in its entirety because the rights and obligations of the parties are governed by the express terms of the Merger Agreement and not by this summary or any other information contained in this proxy statement.

The description of the Merger Agreement in this proxy statement has been included to provide you with information regarding its terms. The Merger Agreement contains representations and warranties made by and to the Company and Sequoia as of specific dates. The statements embodied in those representations and warranties were made for purposes of that contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract, including qualifications set forth on the disclosure schedules to the Merger Agreement. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts.

General; Structure of Merger

Pursuant to the Merger Agreement and subject to the satisfaction of the conditions set forth therein, the holders of Sequoia Membership Interests and Sequoia Membership Interest Equivalents (as those terms are defined in the Merger Agreement) will receive approximately 80% of the equity interests in the Company in consideration for the contribution to the Company of all of the equity interests in Sequoia.

The Merger Agreement provides that, upon the terms and subject to the conditions of the Merger Agreement and the Utah Revised Limited Liability Company Act, at the effective time of the Merger, (i) Merger Sub will merge with and into Sequoia, with Sequoia continuing as the surviving entity in the Merger and as a wholly owned subsidiary of the Company, and (ii) each Sequoia Membership Interest will automatically convert into the right to receive 0.87096285 shares of Common Stock, calculated after the Reverse Stock Split to be effected prior to the Merger. Upon conversion, Sequoia will receive approximately 38,899,018 shares of Common Stock, and the Company will have a total of approximately 48,619,680 shares of Common Stock outstanding.

Closing

Closing under the Merger Agreement will take place on such date as mutually determined by the parties thereto upon the satisfaction of the conditions described therein. The Merger is expected to be completed during the second quarter of 2008. The Merger will become effective upon the filing of the Articles of Merger with the Department of Commerce, Corporations Division of the State of Utah.

Merger Consideration

At the effective time of the Merger, each Sequoia Membership Interest will automatically convert into the right to receive 0.87096285 shares of Common Stock, calculated after the Reverse Stock Split. All such Sequoia Membership Interests, when so converted, will no longer be outstanding. We anticipate that approximately 38,899,018 shares of our common stock will be issued in the Merger, calculated after the Reverse Stock Split.

Treatment of Sequoia Membership Interest Equivalents

We will assume Sequoia's obligation with respect to Sequoia Membership Interest Equivalents outstanding at the closing of the Merger such that upon such date, each Sequoia Membership Interest Equivalent will be deemed to have the right to receive 0.87096285 shares of Common Stock upon purchase or exercise of such Sequoia Membership Interest Equivalent.

Additional Actions

Immediately prior to the closing of the Merger, Sequoia will convert or cause the holders of Sequoia Membership Interests to convert all Series A Preferred Membership Interests and Series B Preferred Membership Interests (as such terms are defined in the Merger Agreement) outstanding in Sequoia into common units or in the event, the foregoing conversion fails to occur prior to the closing of the Merger, the Series A Preferred Membership Interests and Series B Preferred Membership Interests will instead be exchanged for 12,074,771 shares of Common Stock, which are included in the total number of shares of Common Stock (approximately 38,899,018) to be issued in the Merger.

As of the date of the Merger Agreement, we entered into the Loan Agreement with Sequoia to provide a secured line of credit to Sequoia of up to $2,500,000, all of which has been extended to Sequoia as of February 15, 2008.

Representations and Warranties

The Merger Agreement contains representations and warranties for each of the Company and Sequoia relating to, among other things:

- Organization of each constituent company;
- Authorization of the Merger Agreement and the consummation of the transactions contemplated therein;
- Capitalization of each constituent company;
- Financial Statements;
- No material adverse effects since June 30, 2007;
- Litigation or Proceedings;
- Tax Returns and Audits;

- Contracts;
- Intellectual Property;
- Questionable Payments;
- Title to Assets;
- Subsidiaries;
- Books and Records;
- Consents and Non-Contravention;
- Compliance with Securities Laws;
- Environmental Matters;
- Permits and Licenses;
- Broker’s Fees;
- Absence of Undisclosed Liabilities;
- Changes since June 30, 2007;
- Real Property;
- Employees and Consultants;
- Employee Benefit Plans; ERISA;
- Condition of Properties;
- Insurance Coverage;
- Interested Party Transactions; and
- Security Regulatory Investigation.

In addition, in the Merger Agreement, we make additional representations and warranties to Sequoia, which include:

- Compliance with Sarbanes Oxley; and
- SEC Reports.

For the purposes of the Merger Agreement, a "material adverse effect" means with respect to any Person (as such term is defined in the Merger Agreement) any event or events or any change in or effect on such Person's financial condition, business, prospects, operations, customers, suppliers, employee relationships, assets, properties, or results of operations that, when taken as a whole, (i) has materially interfered or is reasonably likely to materially interfere with the ongoing operations of such Person's business or (ii) singly or in the aggregate has resulted in, or is reasonably likely to have, a material adverse effect on the ongoing conduct of the business of such Person; provided, however, that any adverse effect arising out of or resulting from (x) an event or series of events or circumstances affecting the United States economy generally or the economy generally of any other country in which the Person operate, or (y) the entering into of the Merger Agreement and the consummation of the transactions contemplated therein, shall be excluded in determining whether a Material Adverse Effect has occurred.

Actions Prior to Closing

Restrictions on Certain Actions

Except as contemplated by the Merger Agreement, the Reverse Stock Split, the Management Options and the SAH Distribution (as such terms are defined in the Merger Agreement), (i) there shall be no stock dividend, stock split, recapitalization, or exchange of shares with respect to or rights, options or warrants issued in respect of our Common Stock and there shall be no dividends or other distributions paid on our Common Stock and (ii) we shall not take any action or enter into any agreement to issue or sell any shares of our capital stock or any securities convertible into or exchangeable or exercisable for any shares of our capital stock or repurchase, redeem or otherwise acquire any of our issued and outstanding capital stock, without the prior written consent of Sequoia.

Other Proposals

We may engage in negotiations or discussions with any person other than Sequoia or its affiliates that, without prior solicitation by or negotiation with the Company, has made a superior proposal. Following receipt of such superior proposal, our Board may fail to make, withdraw or modify in a manner adverse to Sequoia its recommendation to approve the proposals described in this proxy statement and may submit such superior proposal to a vote of our stockholders, and/or take any action advisable or required under law, if our Board determines in good faith that the Board must take such action to comply with its fiduciary duties under applicable law.

If the Merger Agreement is not previously terminated, we shall pay Sequoia a termination fee of one million dollars ($1,000,000) no later than 10 days after the date of the first to occur: (i) the execution by us of any agreement with a third party (other than a confidentiality agreement) providing for the sale of substantially all of the assets of the Company or providing for the merger of the Company with a third party, or (ii) the approval or recommendation to the stockholders of the Company of a superior proposal, or the consummation of a superior proposal.

Sequoia agrees that payment of such termination fee, if such fee is actually paid, will be the sole and exclusive remedy of Sequoia upon termination of the Merger Agreement.

Stockholders Meeting

As reasonably practicable, but in no event prior to 20 days following the date of the Merger Agreement, we have agreed to duly call and hold a meeting of our stockholders (the “Stockholders Meeting”) for the purpose of voting on the approval and adoption of:

- the Merger Agreement and the transactions contemplated therein (which includes the appointment of additional directors following the Merger);
- the Name Change;
- the Reverse Stock Split,
- the 2008 Plan,
- the Capitalization, and
- any motion for adjournment or postponement of the Stockholder Meeting to another time or place to permit, among other things, further solicitation of proxies if necessary to establish a quorum or to obtain additional votes in favor of the Merger Agreement and the transactions contemplated therein.

Certain Other Covenants

The Merger Agreement contains additional covenants, including:

- Providing access to personnel and information regarding the assets, properties, business and operations of the other party;
- Keeping confidential any information or documents obtained from the other party concerning the assets, properties, business and operations of such party;
- Issuing any statement or communications to the public regarding the Merger, without the prior written consent of the other party;
- Our timely filing of all required SEC documents and compliance with the requirements of the Securities Act, the Exchange Act and state securities laws and regulations.
- Each party conducting its business only in the usual and ordinary course and the character of such business shall not be changed nor shall any different business be undertaken.

Post Closing Covenants

Initial Directors' and Officers' Insurance.

All rights to indemnification or exculpation existing in favor of our employees, agents, directors or officers and our subsidiaries and to Mark Levenick and Raymond Landry (the "D&O Indemnified Parties") as provided in the respective charter documents, bylaws, certificate of limited partnership or limited partnership agreement as in effect on the date of the Merger Agreement shall continue in full force and effect for a period of six (6) years from and after the closing date of the Merger Agreement (the "D&O Indemnity Period").

Immediately prior to the effective time of the Merger Agreement, we shall purchase a single payment, run-off policy or policies of directors' and officers' liability insurance covering the D&O Indemnified Parties for claims currently covered by our existing directors' and officers' liability insurance policies arising in respect of acts or omissions occurring prior to the effective time amount and scope at least as favorable, in the aggregate, as our existing policies, and shall remain in effect for a period of six years after the effective time.

During the D&O Indemnity Period, we shall indemnify and hold harmless the D&O Indemnified Parties in respect of acts or omissions occurring at or prior to the closing to the fullest extent permitted by Delaware law or any other applicable laws or provided under our and our subsidiaries' charter, bylaws, certificate of limited partnership or limited partnership agreement in effect on the date of the Merger Agreement.

If we or any of our successors or assigns:

- consolidates with or merges into any other Person and shall not be the continuing or surviving company or entity of such consolidation or merger, or
- transfers or conveys all or substantially all of its properties and assets to any Person,

then, and in each such case, to the extent necessary, proper provision shall be made so that our successors and assigns shall assume the obligations set forth above.

The rights of each D&O Indemnified Party hereunder shall be in addition to any rights such Person may have under our or our subsidiaries' charter, bylaws, certificate of limited partnership or limited partnership agreement, or under Delaware law or any other applicable laws or under any agreement of any D&O Indemnified Party with us or any of our subsidiaries. These rights shall survive consummation of the transactions contemplated by the Merger Agreement and are intended to benefit, and shall be enforceable by, each D&O Indemnified Party.

Future Directors' and Officers' Insurance

After the closing date of the Merger Agreement, we shall indemnify and maintain in effect directors' and officers' and fiduciaries' liability insurance for each continuing director:

- during the time such person serves on the Board of the Company or our subsidiaries; and
- for a period of not less than six years following the time such continuing director no longer serves on the Board of the Company or our subsidiaries.

The liability insurance required hereto shall be in amount and scope at least as favorable, in the aggregate, as our policies immediately prior to the effective time with comparable terms and conditions and with comparable insurance coverage as is then in effect for the current officers and directors of the Company and our subsidiaries and whose amount and scope are reasonably satisfactory to the continuing directors.

Insurance in the Event of Dissolution

We agree that if we are dissolved or cease to exist for any reason prior to:

- the termination of the D&O Indemnity Period; or
- the six-year period following the time a continuing director no longer serves as a director on the Board of the Company or our subsidiaries,

then prior to such dissolution or cessation we shall extend our then in effect directors' and officers' and fiduciaries' liability insurance policy on commercially reasonable terms and conditions and with insurance coverage as comparable as possible with the insurance policy then in effect for our current officers and directors, and such extension shall provide such insurance coverage to each D&O Indemnified Party in accordance with our obligations under the Merger Agreement. We shall prepay all premiums in connection with such extension. These rights shall survive consummation of the transactions contemplated by the Merger Agreement and are intended to benefit, and shall be enforceable by, each D&O Indemnified Party.

Conditions to Close.

All obligations of Sequoia under the Merger Agreement are subject to the fulfillment, prior to or as of the closing of the Merger, of each of the following conditions:

- the accuracy of our representations and warranties made, contained in or pursuant to the Merger Agreement;
- our performance and compliance with all covenants, agreements, and conditions set forth or otherwise contemplated in the Merger Agreement and our execution and delivery of all documents required to be executed and delivered;
- the approval by our Board in accordance with Delaware law the execution and delivery of the Merger Agreement and the consummation of the Merger;
- the approval by the holders of a majority of the shares of Common Stock of the Merger Agreement and the Merger;
- the sufficiency of shares of our capital stock authorized to complete the Merger;
- shares of Common Stock, calculated after the Reverse Stock Split, to be issued to members of Sequoia will be validly issued, nonassessable and fully paid under Delaware corporation law;

- we shall have effected the Reverse Stock Split, the Changes to Authorized Capital, the Name Change and the adoption of the New Stock Incentive Plan;

- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger;

- no pending or threatened action, proceeding or investigation before any court or administrative agency by any government agency, or pending action by any other person, in which it is sought to restrain or prohibit, or obtain damages in connection with, the Merger or the ability of Sequoia to operate its business;

- our officers and directors shall have tendered their resignations in writing and the persons named on Exhibit B of the Merger Agreement shall have been elected as directors of the Company;

- we shall have obtained and delivered to Sequoia written consents of any persons or entities whose consent is required to consummate the Merger, if any, and all of such consents shall remain in full force and effect at and as of the closing of the Merger;

- we shall have net cash or cash equivalents, including all amounts loaned pursuant to the Bridge Financing, of not less than $9.8 million;

- we shall have instructed our transfer agent to make such changes to its stock registrar so as to give effect to the Merger, the Reverse Stock Split, and the Authorized Capital Changes;

- absence of any material adverse effects since the date of the our unaudited balance sheet as of June 30, 2007;

- Sequoia shall receive a certificate of the President of the Company certifying that the conditions relating to our representations, warranties and covenants have been satisfied;

- Sequoia shall receive a certificate of incumbency executed by the Secretary of the Company certifying (i) the names, titles and signatures of the officers authorized to execute any documents referred to in the Merger Agreement, (ii) that our Certificate of Incorporation and By-laws delivered to Sequoia are true and complete, and (iii) that resolutions adopted by our Board delivered to Sequoia authorizing the Merger are true and complete;

- Sequoia shall have received (i) a certificate from the Secretary of State of the State of Delaware dated within five business days of the closing date of the Merger that the Company is in good standing under the laws of said state, and (ii) and evidence as of a recent date that we are qualified to transact business as a foreign corporation and are in good standing in each state of the United States and in each other jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary; and

Sequoia shall have received such additional supporting documentation and other information with respect to the transactions contemplated hereby as it may reasonably request.

Our obligations under the Merger Agreement are subject to the fulfillment, prior to or at the closing of the Merger, of each of the following conditions:

- the accuracy of Sequoia's representations and warranties made, contained in or pursuant to the Merger Agreement;
- Sequoia's performance and compliance with all covenants, agreements, and conditions set forth or otherwise contemplated in the Merger Agreement and the execution and delivery of all documents required to be executed and delivered by Sequoia;
- the Board of Managers and the members of Sequoia shall have approved in accordance with Utah law the execution and delivery of the Merger Agreement and the consummation of the Merger;
- the approval by the holders of a majority of the shares of Common Stock of the Merger Agreement and the Merger;
- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger;
- no pending or threatened action, proceeding or investigation before any court or administrative agency by any government agency, or pending action by any other person, in which it is sought to restrain or prohibit, or obtain damages in connection with, the Merger or the ability of Sequoia to operate its business;
- we shall have obtained and delivered to Sequoia written consents of any persons or entities whose consent is required to consummate the Merger, if any, and all of such consents shall remain in full force and effect at and as of the closing of the Merger;
- absence of any material adverse effects since the date of the unaudited balance sheet of Sequoia, as of June 30, 2007;
- we shall have received a certificate of the President of Sequoia certifying that the conditions relating to its representations, warranties and covenants have been satisfied;

- we shall have received a certificate of incumbency executed by the Secretary of Sequoia certifying (i) the names, titles and signatures of the officers authorized to execute any documents referred to in the Merger Agreement, (ii) that the Articles of Organization and Operating Agreement of Sequoia delivered to us are true and complete, and (iii) that resolutions adopted by the Board of Managers of Sequoia delivered to us authorizing the Merger are true and complete;

- we shall have received (i) a certificate from the Division of Corporations of the State of Utah dated within five business days of the closing of the Merger to the effect that Sequoia is in good standing under the laws of Utah and (ii) and evidence as of a recent date that Sequoia is qualified to transact business as a foreign corporation and is in good standing in each state of the United States and in each other jurisdiction where the character of the property owned or leased by it or the nature of its activities makes such qualification necessary;

- the SAH Distribution (as such term is defined in the Merger Agreement) shall have been completed;

- the fairness opinion received by the Board prior to the date of the Merger Agreement shall not have been withdrawn or materially modified; and

- we shall have received such additional supporting documentation and other information with respect to the transactions contemplated hereby as we may reasonably request.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time prior to completion of the closing of the Merger, as follows:

- by Sequoia, if (1) there has been a material breach by us and, in the case of a representation, warranty or covenant breach, such breach shall not have been cured within ten (10) days after receipt by us of notice specifying particularly such breach, (2) Sequoia determines in its sole discretion as a result of its due diligence review of the Company that it does not wish to proceed with the Merger, provided that Sequoia may not terminate the Merger Agreement unless Sequoia notifies us in writing on or prior to 20 days following the date of the Merger Agreement that Sequoia intends to terminate the Merger Agreement, or (3) the closing conditions set forth above have not been satisfied by the close of business on May 31, 2008, and Sequoia is not in material breach of any provision of the Merger Agreement;

- by us, if (1) there has been a material breach by Sequoia and, in the case of a representation, warranty or covenant breach, such breach shall not have been cured within ten (10) days after receipt by Sequoia of notice specifying particularly such breach, (2) we determine in our sole discretion as a result of our due diligence review of Sequoia that we do not wish to proceed with the Merger, provided that we may not terminate the Merger Agreement, unless we notify Sequoia in writing on or prior to 20 days following the date of the Merger Agreement that we intend to terminate the Merger Agreement, or (3) the closing conditions set forth above have not been satisfied by the close of business on May 31, 2008 and we are not in material breach of any provision of the Merger Agreement;

- by us giving notice to Sequoia, in the event we wish to consummate a superior proposal and pay the termination fee; or

- by us and Sequoia upon mutual agreement.

Effect of Termination.

Termination of the Merger Agreement shall terminate all obligations of the parties thereunder, except:

- the parties will remain subject to the confidentiality provisions of the Merger Agreement,

- there will be no survival of representations and warranties; and

- the parties will remain liable for fees and expenses incurred entirely by the party that has incurred such costs and expenses;

provided, however, that termination shall not relieve the defaulting or breaching party or parties from any liability to the other parties hereto.

Amendment of the Merger Agreement

The Merger Agreement may be amended only in writing as agreed to by all parties.

Fees and Expenses

All fees, expenses and out-of-pocket costs, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred by the parties hereto shall be borne solely and entirely by the party that has incurred such costs and expenses.

Amendment No. 1 to the Merger Agreement

On [   ], 2008, we amended the Merger Agreement as follows:

- to amend and restate the definition of Reverse Stock Split to effect the 1-to-2 Reverse Stock Split instead of a 1-to-3 reverse stock split;

- to amend and restate the definition of SAH Distribution, to provide that, at our discretion, we will either (i) contribute certain enumerated assets to a newly formed wholly owned subsidiary of the Company and distribute the common stock of such subsidiary to our existing stockholders or (ii) declare and pay a cash dividend equal to the amount of such enumerated assets; and

- to amend and restate the amount of the proposed Merger Consideration, such that each issued and outstanding Sequoia equity interest will now automatically be converted into the right to receive 0.87096285 shares of the Company's Common Stock instead of the right to receive 0.5806419 shares of the Company's Common Stock.

Required Vote

The approval of the Merger Agreement requires the approval of the holders of a majority of our outstanding shares of Common Stock. Shares that are voted "FOR" or "AGAINST" the proposal or marked "ABSTAIN" will be counted towards the vote requirement. Broker non-votes, if any, will not be counted towards the vote requirement.

Recommendation of our Board

Our Board has:

- determined that the Merger is advisable and fair to and in the best interests of the Company and its unaffiliated stockholders;
- approved and adopted the Merger Agreement, the Related Proposals and the 2008 Plan; and
- recommended that Secure Alliance stockholders vote "FOR" the approval and adoption of the Merger Agreement and "FOR" the approval and adoption of the Related Proposals.

For the factors considered by the Board in reaching its decision to approve and adopt the Merger Agreement, see "The Transactions -- Reasons for the Merger."

THE BOARD RECOMMENDS A VOTE "FOR" PROPOSAL 1.

THE REVERSE-STOCK-SPLIT (PROPOSAL 2)

The Merger Agreement requires that prior to the consummation of the Merger, we file an amendment to our Certificate of Incorporation to effect the 1-for-2 Reverse Stock Split of our Common Stock. The primary purpose of the Reverse Stock Split is to decrease the number of total shares of Common Stock issued and outstanding.

The principal purpose of the Reverse Stock Split will be that the number of shares of Common Stock issued and outstanding will be reduced from 19,441,324 to 9,720,662. The Reverse Stock Split itself will not change the proportionate equity interests of our stockholders, nor will the respective voting rights and other rights of stockholders be altered. The Common Stock issued pursuant to the Reverse Stock Split will remain fully paid and non-assessable. The Reverse Stock Split is not intended as, and will not have the effect of a “going private transaction” as covered by Rule 13e-3 under the Exchange Act.

A copy of the proposed certificate of amendment is attached as Annex C to this proxy statement. You are urged to read the certificate of amendment carefully as it is the legal document that governs the amendment to our Certificate of Incorporation. Although we are asking for stockholder approval of this proposal, if for any reason the Merger is not completed, this proposal will not be implemented.

Required Vote

The approval of the Reverse Stock Split requires the approval of the holders of a majority of our outstanding shares of Common Stock. Shares that are voted “FOR” or “AGAINST” the proposal or marked “ABSTAIN” will be counted towards the vote requirement. Broker non-votes, if any, will not be counted towards the vote requirement.

Recommendation of our Board

Our Board has concluded unanimously that the Reverse Stock Split is in the best interests of our stockholders and recommends that our stockholders approve this proposal.

THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 2.

THE CAPITALIZATION PROPOSAL (PROPOSAL 3)

The Merger Agreement requires that prior to the consummation of the Merger, the Company file an amendment to its Certificate of Incorporation to increase our authorized share capital in order to complete the Merger. The Board has proposed that the Company increase its authorized share capital to 250,000,000 and to authorize a class of preferred stock consisting of 50,000,000 shares of $.01 par value preferred stock.

The principal purpose of the Capitalization Proposal is to ensure that the Company has the ability to issue the number of shares required to complete the Merger. Additional share capital is also necessary to enable the Company to undertake any future equity offerings, acquisitions or other corporate purposes. Increasing our authorized share capital to 250,000,000 and creating a class of preferred stock consisting of 50,000,000 share of $.01 par value preferred stock should provide us with the share capital to complete the Merger and address our future needs.

A copy of the proposed certificate of amendment is attached as Annex C to this proxy statement. You are urged to read the certificate of amendment carefully as it is the legal document that governs the amendment to our Certificate of Incorporation. Although we are asking for stockholder approval of this proposal, if for any reason the Merger is not completed, this proposal will not be implemented.

Required Vote

The approval of the Capitalization Proposal requires the approval of the holders of a majority of our outstanding shares of Common Stock. Shares that are voted “FOR” or “AGAINST” the proposal or marked “ABSTAIN” will be counted towards the vote requirement. Broker non-votes, if any, will not be counted towards the vote requirement.

Recommendation of our Board

Our Board has concluded unanimously that the Capitalization Proposal is in the best interests of our stockholders and recommends that our stockholders approve this proposal.

THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 3.

THE NAME CHANGE (PROPOSAL 4)

The Merger Agreement requires that prior to the consummation of the Merger, the Company file an amendment to its Certificate of Incorporation to change its name. The Board has proposed that the Company's name be changed from "Secure Alliance Holdings Corporation" to "aVinci Media Corporation" or such other name as may be selected by the Board and at the Special Meeting, you will be asked to approve an amendment to our Certificate of Incorporation to implement this change.

A copy of the proposed certificate of amendment is attached as Annex C to this proxy statement. You are urged to read the certificate of amendment carefully as it is the legal document that governs the amendment to our Certificate of Incorporation. Although we are asking for stockholder approval of this proposal, if for any reason the Merger is not completed, this proposal will not be implemented.

Required Vote

The approval of the Name-Change requires the approval of the holders of a majority of our outstanding shares of Common Stock. Shares that are voted "FOR" or "AGAINST" the proposal or marked "ABSTAIN" will be counted towards the vote requirement. Broker non-votes, if any, will not be counted towards the vote requirement.

Recommendation of our Board

Our Board has concluded unanimously that the Name-Change is in the best interests of our stockholders and recommends that our stockholders approve this proposal.

THE BOARD RECOMMENDS A VOTE "FOR" PROPOSAL 4.

THE 2008 STOCK INCENTIVE PLAN (PROPOSAL 5)

On ________, 2008, the Board unanimously adopted a resolution declaring it advisable to approve the adoption of the 2008 Plan, which contains 2,500,000 shares of Common Stock available for grant thereunder. The 2008 Plan is intended as an incentive to retain and to attract new directors, officers, consultants, advisors and employees, as well as to encourage a sense of proprietorship and stimulate the active interest of such persons in our and our subsidiaries' development and financial success. A copy of the 2008 Plan is attached as Annex D to this proxy statement. As of the date hereof, no options to purchase shares of Common Stock or other rights have been granted to any person under the 2008 Plan.

The benefits and amounts to be derived under the 2008 Plan are not determinable.

Description of the 2008 Plan

The following is a brief summary of certain provisions of the 2008 Plan, which summary is qualified in its entirety by the actual text of the 2008 Plan attached hereto as Annex D to this proxy statement.

The Purpose of the 2008 Plan.

The purpose of the 2008 Plan is to provide additional incentives to our directors, officers, consultants, advisors and employees who are primarily responsible for our management and growth.

We intend for the 2008 Plan to meet the requirements of Rule 16b-3 ("Rule 16b-3") promulgated under the Exchange Act and that transactions of the type specified in subparagraphs (c) to (f) inclusive of Rule 16b-3 by our officers and directors pursuant to the 2008 Plan will be exempt from the operation of Section 16(b) of the Exchange Act. Further, the 2008 Plan is intended to satisfy the performance-based compensation exception to the limitation on our tax deductions imposed by Section 162(m) of the Code with respect to those options for which qualification for such exception is intended.

Administration of the 2008 Plan.

The 2008 Plan is to be administered by a committee consisting of two or more directors appointed by the Board (the "Committee"). The Committee will be comprised solely of "non-employee directors" within the meaning of Rule 16b-3 and, "outside directors" within the meaning of Section 162(m) of the Code, which individuals will serve at the pleasure of the Board. In the event that for any reason the Committee is unable to act or if the Committee at the time of any grant, award or other acquisition under the 2008 Plan does not consist of two or more "non-employee directors," or if there is no such Committee, then the 2008 Plan will be administered by the Board, provided that grants to our Chief Executive Officer or to any of our other four most highly compensated officers that are intended to qualify as performance-based compensation under Section 162(m) of the Code may only be granted by the Committee so comprised of outside directors.

Subject to the other provisions of the 2008 Plan, the Committee will have the authority, in its discretion: (i) to designate recipients of options ("Options"), stock appreciation rights ("Stock Appreciation Rights"), restricted stock ("Restricted Stock") and other equity incentives or stock or stock based awards ("Equity Incentives"), all of which are referred to collectively as "Rights"; (ii) to determine the terms and conditions of each Right granted (which need not be identical); (iii) to interpret the 2008 Plan and all Rights granted thereunder; and (iv) to make all other determinations necessary or advisable for the administration of the 2008 Plan.

Eligibility.

The persons eligible for participation in the 2008 Plan as recipients of Options, Stock Appreciation Rights, Restricted Stock or Equity Incentives include our directors, officers and employees of, and consultants and advisors to, provided that incentive stock options may only be granted to our employees. Approximately 50 individuals will be eligible to participate in the 2008 Plan following the Merger. In selecting participants, and determining the number of shares covered by each Right, the Committee may consider any factors that it deems relevant.

Shares Subject to the 2008 Plan.

Subject to the conditions outlined below, the total number of shares of Common Stock which may be issued pursuant to Rights granted under the 2008 Plan may not exceed 2,500,000 shares.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar type of corporate restructuring affecting the shares of Common Stock, the Committee will make an appropriate and equitable adjustment in the number and kind of shares reserved for issuance under the 2008 Plan and in the number and exercise price of shares subject to outstanding Options granted under the 2008 Plan, to the end that after such event each optionee's proportionate interest will be maintained as immediately before the occurrence of such event. The Committee will, to the extent feasible, make such other adjustments as may be required under the tax laws so that any incentive stock options previously granted will not be deemed modified within the meaning of Section 424(h) of the Code. Appropriate adjustments will also be made in the case of outstanding Stock Appreciation Rights and Restricted Stock granted under the 2008 Plan.

Options.

An option granted under the 2008 Plan is designated at the time of grant as either an incentive stock option (an "ISO") or as a non-qualified stock option (a "NQSO"). Upon the grant of an Option to purchase shares of Common Stock, the Committee will fix the number of shares of Common Stock that the optionee may purchase upon exercise of such Option and the price at which the shares may be purchased. The purchase price of each share of Common Stock purchasable under an Option will be determined by the Committee at the time of grant, but may not be less than 100% of the fair market value of such share of Common Stock on the date the Option is granted; provided, however, that with respect to an optionee who, at the time an ISO is granted, owns more than 10% of the total combined voting power of all classes of our stock or of any subsidiary, the purchase price per share under an ISO must be at least 110% of the fair market value per share of the Common Stock on the date of grant.

Stock Appreciation Rights.

Stock Appreciation Rights will be exercisable at such time or times and subject to such terms and conditions as determined by the Committee. Unless otherwise provided, Stock Appreciation Rights will become immediately exercisable and remain exercisable until expiration, cancellation or termination of the award. Such rights may be exercised in whole or in part by giving us written notice.

Restricted Stock.

Restricted Stock may be granted under the 2008 Plan aside from, or in association with, any other award and will be subject to certain conditions and contain such additional terms and conditions, not inconsistent with the terms of the 2008 Plan, as the Committee deems desirable. A grantee will have no rights to an award of Restricted Stock unless and until such grantee accepts the award within the period prescribed by the Committee and, if the Committee deems desirable, makes payment to the Company in cash, or by check or such other instrument as may be acceptable to the Committee. Shares of Restricted Stock are forfeitable until the terms of the Restricted Stock grant have been satisfied.

Other Equity Incentives or Stock Based Awards.

Subject to the provisions of the 2008 Plan, the Committee may grant Equity Incentives (including the grant of unrestricted shares) to such key persons, in such amounts and subject to such terms and conditions, as the Committee in its discretion determines. Such awards may entail the transfer of actual shares of the Common Stock to 2008 Plan participants, or payment in cash or otherwise of amounts based on the value of shares of Common Stock.

Term of the Rights.

The Committee, in its sole discretion, will fix the term of each Right, provided that the maximum term of an Option will be ten years. ISOs granted to a 10% stockholder will expire not more than five years after the date of grant. The 2008 Plan provides for the earlier expiration of Rights in the event of certain terminations of employment of the holder.

Restrictions on Transferability.

Options and Stock Appreciation Rights granted hereunder are not transferable and may be exercised solely by the optionee or grantee during his lifetime or after his death by the person or persons entitled thereto under his will or the laws of descent and distribution. The Committee, in its sole discretion, may permit a transfer of a NQSO to (i) a trust for the benefit of the optionee or (ii) a member of the optionee’s immediate family (or a trust for his or her benefit). Any attempt to transfer, assign, pledge or otherwise dispose of, or to subject to execution, attachment or similar process, any Option or Stock Appreciation Right contrary to the provisions hereof will be void and ineffective and will give no right to the purported transferee. Shares of Restricted Stock are not transferable until the date on which the Committee has specified such restrictions have lapsed.

Termination of the 2008 Plan.

No Right may be granted pursuant to the 2008 Plan following December 31, 2018.

Amendments to the 2008 Plan.

The Board may at any time amend, suspend or terminate the 2008 Plan, except that no amendment may be made that would impair the rights of any optionee or grantee under any Right previously granted without the optionee's or grantee's consent, and except that no amendment may be made which, without the approval our stockholders would (i) materially increase the number of shares that may be issued under the 2008 Plan except as permitted under the 2008 Plan; (ii) materially increase the benefits accruing to the optionees or grantees under the 2008 Plan; (iii) materially modify the requirements as to eligibility for participation in the 2008 Plan; (iv) decrease the exercise price of an ISO to less than 100% of the fair market value on the date of grant thereof or the exercise price of a NQSO to less than 100% of the fair market value on the date of grant thereof; or (v) extend the term of any Option beyond that permitted in the 2008 Plan.

Federal Income Tax Consequences

Incentive Options

Options that are granted under the 2008 Plan and that are intended to qualify as ISOs must comply with the requirements of Section 422 of the Code. An option holder is not taxed upon the grant or exercise of an ISO; however, the difference between the fair market value of the shares on the exercise date will be an item of adjustment for purposes of the alternative minimum tax. If an option holder holds the shares acquired upon the exercise of an ISO for at least two years following the date of the grant of the option and at least one year following the exercise of the option, the option holder's gain, if any, upon a subsequent disposition of such shares will be treated as long-term capital gain for federal income tax purposes. The measure of the gain is the difference between the proceeds received on disposition and the option holder's basis in the shares (which generally would equal the exercise price). If the option holder disposes of shares acquired pursuant to exercise of an ISO before satisfying the one-and-two year holding periods described above, the option holder may recognize both ordinary income and capital gain in the year of disposition. The amount of the ordinary income will be the lesser of (i) the amount realized on disposition less the option holder's adjusted basis in the shares (generally the option exercise price); or (ii) the difference between the fair market value of the shares on the exercise date and the option price. The balance of the consideration received on such disposition will be long-term capital gain if the shares had been held for at least one year following exercise of the ISO.

We are not entitled to an income tax deduction on the grant or the exercise of an ISO or on the option holder's disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, we will generally be entitled to an income tax deduction in the year the option holder disposes of the shares, in an amount equal to the ordinary income recognized by the option holder.

Nonqualified Options

In the case of a NQSO, an option holder is not taxed on the grant of such option. Upon exercise, however, the participant recognizes ordinary income equal to the difference between the option price and the fair market value of the shares on the date of the exercise. We are generally entitled to an income tax deduction in the year of exercise in the amount of the ordinary income recognized by the option holder. Any gain on subsequent disposition of the shares is long-term capital gain if the shares are held for at least one year following the exercise. We do not receive an income tax deduction for this gain.

Restricted Stock

A recipient of restricted stock will not have taxable income upon grant, but will have ordinary income at the time of vesting equal to the fair market value on the vesting date of the shares (or cash) received minus any amount paid for the shares. A recipient of restricted stock may instead, however, elect to be taxed at the time of grant.

Stock Option Appreciation Rights

No taxable income will be recognized by an option holder upon receipt of a stock option appreciation right (“SAR”) and we will not be entitled to a tax deduction upon the grant of such right.

Upon the exercise of a SAR, the holder will include in taxable income, for federal income tax purposes, the fair market value of the cash and other property received with respect to the SAR and we will generally be entitled to a corresponding tax deduction.

Required Vote

The approval of the 2008 Plan requires the approval of the holders of a majority of the shares of Common Stock voting at the Special Meeting. Shares that are voted “FOR” or “AGAINST” the proposal will be counted towards the vote requirement. Neither broker “non-votes” nor abstentions are included in the tabulation of the voting results and, therefore, they do not have the effect of votes against such proposal.

Recommendation of our Board

Our Board has concluded unanimously that the 2008 Plan is in the best interests of our stockholders and recommends that our stockholders approve this proposal.

THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 5.

ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL 6)

We may ask our stockholders to vote on a proposal to adjourn the Special Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies if there are insufficient votes at the time of the meeting to approve and adopt the Merger Agreement, the Related Proposals and the 2008 Plan.

Required Vote

The approval of the adjournment proposal requires the approval of the holders of a majority of the shares of Common Stock voting at the Special Meeting. Shares that are voted “FOR” or “AGAINST” the proposal will be counted towards the vote requirement. Neither broker “non-votes” nor abstentions are included in the tabulation of the voting results and, therefore, they do not have the effect of votes against such proposal.

Recommendation of our Board

Our Board has concluded unanimously that the adjournment proposal is in the best interests of our stockholders and recommends that our stockholders approve this proposal.

THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 6.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table and the notes thereto set forth certain information regarding the beneficial ownership of our Common Stock as of the Record Date, by:

- each current director of the Company;
- the chief executive officer and the four other most highly compensated executive officers whose salary and bonus for the fiscal year ended September 30, 2007 were in excess of $100,000 (collectively, the “named executive officers”);
- all named executive officers and directors of the Company as a group; and
- each other person known to the Company to own beneficially more than five percent of the outstanding Common Stock.

We have determined beneficial ownership in accordance with the rules of the SEC. The number of shares beneficially owned by a person includes shares of Common Stock that are subject to stock options that are either currently exercisable or exercisable within 60 days following ___________, 2008. These shares are also deemed outstanding for the purpose of computing the percentage of outstanding shares owned by the person. However, these shares are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, to our knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder. Unless indicated otherwise, the address of each person listed below is c/o Secure Alliance Holdings Corporation, 5700 Northwest Central Dr, Ste 350, Houston, Texas 77092. As of the Record Date, there were [__________] shares of Common Stock of the Company outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Springview Group LLC c/o Millennium Management, L.L.C., 666 Fifth Avenue, New York, New York 10103	1,049,191(2)	5.4%(2)
Integrated Holding Group, L.P. c/o Millennium Management, L.L.C., 666 Fifth Avenue, New York, New York 10103	1,049,191(2)	5.4%(2)
Millennium Management, L.L.C. c/o Millennium Management, L.L.C., 666 Fifth Avenue, New York, New York 10103	1,049,191(2)	5.4%(2)
Israel A. Englander	1,049,191(2)	5.4%(2)
Kellogg Capital Group LLC 55 Broadway, 4th Floor New York, NY 10006	2,192,523	11.3%
Alliance Developments One Yorkdale Rd., Suite 510 North York, Ontario M6A 3A1 Canada	1,030,362(3)	5.3%
Jerrell G. Clay	1,131,405(4)	5.8%
Stephen P. Griggs	950,000(4)	4.9%
Directors and Executive Officers as a group (2 persons)	2,081,405(5)	10.7%

(1) Based upon [_________] shares outstanding as of the Record Date.

(2) Integrated Holding Group, L.P., a Delaware limited partnership ("Integrated Holding Group") is the managing member of Springview Group LLC ("Springview Group") and consequently may be deemed to have voting control and investment discretion over securities owned by Springview Group. Millennium Management, L.L.C., a Delaware limited liability company ("Millennium Management"), is the managing partner of Integrated Holding Group and consequently may be deemed to be the beneficial owner of any shares deemed to be beneficially owned by Integrated Holding Group. Israel A. Englander ("Mr. Englander") is the managing member of Millennium Management and consequently may be deemed to be the beneficial owner of any shares deemed to be beneficially owned by Millennium Management.

(3) Includes 50,000 shares, which could be acquired within 60 days upon exercise of outstanding warrants at an exercise price of $0.45 per share.

(4) Includes options to purchase 950,000 shares of Common Stock pursuant to the terms of the 1997 Long Term Incentive Plan, which will become fully vested upon the consummation of the Merger.

(5) Includes the options to each purchase 950,000 shares of Common Stock referred to in Note 3 above.

NO RIGHT OF APPRAISAL

Our stockholders will not experience any change in their rights as stockholders as a result of the Merger. Neither Delaware law nor our Certificate of Incorporation or bylaws provides for appraisal or other similar rights for dissenting stockholders in connection with the Merger. Accordingly, our stockholders will have no right to dissent and obtain payment for their shares.

AUDITED FINANCIAL STATEMENTS OF SECURE ALLIANCE HOLDINGS CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Secure Alliance Holdings Corporation:

We have audited the consolidated financial statements of Secure Alliance Holdings Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Secure Alliance Holdings Corporation and subsidiaries as of September 30, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As further discussed in notes 1 and 2 to the consolidated financial statements, the Company disposed of its remaining operating assets and liabilities in October 2006, and currently has no operations.

/s/ HEIN & ASSOCIATES LLP

Houston, Texas
January 14, 2008

Index to Financial Statements

All other schedules are omitted because they are not required, are not applicable or the required information is presented elsewhere herein.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2007 and 2006

	September 30, 2007	September 30, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 882,116	$ 1,264,463
Certificates of deposit	11,177,567	—
Restricted cash	—	5,400,000
Marketable securities held-to-maturity	—	4,899,249
Marketable securities available-for-sale	505,500	851,939
Interest and other receivables	204,113	220,689
Prepaid expenses and other	—	132,036
Assets held for sale, net of accumulated depreciation of $0 and $1,352,463, respectively (See Note 2)	—	6,312,663
Total current assets	12,769,296	19,081,039
Other assets	4,000	4,000
Total assets	$ 12,773,296	$ 19,085,039
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ —	$ 221,295
Accrued interest payable	—	2,000,000
Shares subject to redemption	—	5,400,000
Other accrued liabilities	141,401	150,194
Liabilities held for sale (See Note 2)	—	3,636,369
Total liabilities	141,401	11,407,858
Commitments and contingencies	—	—
Shareholders' Equity:		
Common stock, $.01 par value, authorized 100,000,000 shares; issued and outstanding 19,441,524 shares and 38,677,210 shares, respectively	194,415	386,772
Additional paid-in capital	30,008,008	30,782,187
Accumulated deficit	(17,776,028)	(24,043,717)
Accumulated other comprehensive income	205,500	551,939
Total shareholders' equity	12,631,895	7,677,181
Total liabilities and shareholders' equity	$ 12,773,296	$ 19,085,039

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended September 30, 2007, 2006 and 2005

	Years Ended September 30,		
	2007	2006	2005
Revenues	$ —	$ —	$ —
Selling, general and administrative	1,333,467	3,065,064	1,805,484
Depreciation and amortization	—	2,678	4,977
Operating loss	(1,333,467)	(3,067,742)	(1,810,461)
Other income (expense):			
Reorganization fee paid to Laurus	(6,508,963)	—	—
Gain on disposal of investment in 3CI pursuant to class-action settlement	—	5,380,121	—
Amortization of debt discount and deferred financing costs	—	(4,078,738)	(3,816,178)
Interest income	580,861	392,564	—
Interest expense	—	(235,765)	(2,732,891)
Gain on collection of receivable	—	598,496	—
Gain on CCC bankruptcy settlement	—	105,000	—
Other expense	—	(7,455)	—
Total other income (expense)	(5,928,102)	2,154,223	(6,549,069)
Loss before taxes and discontinued operations	(7,261,569)	(913,519)	(8,359,530)
Income tax expense	75,808	159,546	—
Loss from continuing operations	(7,337,377)	(1,073,065)	(8,359,530)
Discontinued operations:			
Income from discontinued operations	—	2,399,053	5,073,608
Gain on sale of ATM business, net of taxes	—	3,536,105	—
Gain on sale of Cash Security business, net of taxes	13,605,066	—	—
Total discontinued operations	13,605,066	5,935,158	5,073,608
Net income (loss)	$ 6,267,689	$ 4,862,093	$ (3,285,922)
Basic earnings (loss) per share:			
Loss from continuing operations	$ (0.37)	$ (0.03)	$ (0.41)
Income from discontinued operations	0.70	0.18	0.25
Net income (loss)	$ 0.33	$ 0.15	$ (0.16)
Basic weighted average common shares outstanding	19,563,447	33,499,128	20,292,796
Diluted earnings (loss) per share:			
Loss from continuing operations	$ (0.37)	$ (0.03)	$ (0.41)
Income from discontinued operations	0.69	0.18	0.25
Net income (loss)	$ 0.32	$ 0.15	$ (0.16)
Diluted weighted average common and dilutive shares outstanding	$ 19,674,772	$ 33,499,128	$ 20,292,796

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended September 30, 2007, 2006 and 2005

	Years Ended September 30,		
	2007	2006	2005
Net income (loss)	$ 6,267,689	$ 4,862,093	$ (3,285,922)
Other comprehensive income:			
Unrealized gain (loss) on marketable securities available-for-sale	(346,439)	551,939	—
Unrealized gain on investment in 3CI	—	—	35,093
Comprehensive income (loss)	$ 5,921,250	$ 5,414,032	$ (3,250,829)

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended September 30, 2007, 2006 and 2005

	Shares Issued and Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Other	Total Shareholders Equity
Balances, September 30, 2004	$ 17,426,210	$ 174,262	$ 28,100,674	$ (25,619,888)	$ (66,599)	$ 2,588,449
Net loss	—	—	—	(3,285,922)	—	(3,285,922)
Issuance of shares to Laurus in payment of fees	1,251,000	12,510	625,500	—	—	638,010
Issuance of shares in connection with settlement of class-action litigation	2,000,000	20,000	1,544,490	—	—	1,564,490
Shares received from officer in connection with settlement	—	—	(31,675)	—	31,675	—
Unrealized gain on investment in 3CI	—	—	—	—	35,093	35,093
Issuance of warrants in connection with debt with beneficial conversion premium on convertible debt	—	—	723,198	—	—	723,198
Balances, September 30, 2005	20,677,210	206,772	30,962,187	(28,905,810)	169	2,263,318
Net income	—	—	—	4,862,093	—	4,862,093
Issuance of shares subject to redemption	18,000,000	180,000	(180,000)	—	—	—
Unrealized gain on marketable securities available-for-sale	—	—	—	—	551,939	551,939
Disposal of investment in 3CI pursuant to class-action settlement	—	—	—	—	(169)	(169)
Balances, September 30, 2006	38,677,210	386,772	30,782,187	(24,043,717)	551,939	7,677,181
Net income	—	—	—	6,267,689	—	6,267,689
Redemption of shares from Laurus	(19,251,000)	(192,510)	(952,830)	—	—	(1,145,340)
Cancellation of shares received from officer in connection with settlement	(90,500)	(905)	905	—	—	—
	—	—	—	—	(346,439)	(346,439)

Unrealized loss on marketable securities available-for-sale						
Issuance of stock options to officers	—	—	139,491	—	—	139,491
Issuance of shares pursuant to consulting agreement	21,739	217	9,783	—	—	10,000
Issuance of shares on exercise of warrants and options	84,075	841	28,472	—	—	29,313
Balances, September 30, 2007	$ 19,441,524	$ 194,415	$ 30,008,008	$ (17,776,028)	$ 205,500	$ 12,631,895

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2007, 2006 and 2005

	Years Ended September 30, 2007	2006	2005
Cash flows from operating activities:			
Net income (loss)	$ 6,267,689	$ 4,862,093	$ (3,285,922)
Amortization of stock options issued to officers	139,491	—	—
Expenses related to issuance of stock pursuant to consulting agreement	10,000	—	—
Adjustments to reconcile net income (loss) to net cash used in continuing operating activities:			
Reorganization fee expense	6,508,963	—	—
Depreciation and amortization	—	2,678	4,977
Amortization of debt discount and financing costs	—	4,078,738	3,816,178
Gain on disposal of investment in 3CI pursuant to class-action settlement	—	(5,380,021)	—
Loss on disposal of fixed assets	—	7,455	—
Changes in assets and liabilities:			
Trade accounts receivable, net	—	250,000	—
Interest and other receivables	16,576	(207,724)	1,022,433
Prepaid expenses and other assets	132,036	38,196	(131,140)
Accounts payable and accrued liabilities	(174,478)	(487,110)	2,013,106
Net cash flows used in discontinued operations	(13,605,066)	(5,935,675)	(3,901,956)
Net cash used in operating activities	(707,789)		