

ALANCO TECHNOLOGIES INC
Form 10-Q
May 16, 2011

ALANCO TECHNOLOGIES, INC.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-9347

ALANCO TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Arizona
(State or other jurisdiction of incorporation or organization)

86-0220694
(I.R.S. Employer Identification No.)

15575 N. 83rd Way, Suite 3, Scottsdale, Arizona 85260
(Address of principal executive offices) (Zip Code)

(480) 607-1010
(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements in the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated file	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 4, 2011 there were 5,567,700 shares of common stock outstanding.

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ALANCO TECHNOLOGIES, INC.

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ALANCO TECHNOLOGIES, INC.

Forward-Looking Statements: Except for historical information, the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potentially,” “will,” “expect” and similar expressions, as they relate to the Company are intended to identify forward-looking statements within the meaning of the “safe harbor” provisions of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such forward-looking statements are based on the expectations of management when made and are subject to, and are qualified by, risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. These risks and uncertainties include, but are not limited to, the following factors, among others, that could affect the outcome of the Company's forward-looking statements: general economic and market conditions; reduced demand for information technology equipment; competitive pricing and difficulty managing product costs; development of new technologies which make the Company's products obsolete; rapid industry changes; failure by the Company's suppliers to meet quality or delivery requirements; the inability to attract, hire and retain key personnel; failure of an acquired business to further the Company's strategies; the difficulty of integrating an acquired business; undetected problems in the Company's products; the failure of the Company's intellectual property to be adequately protected; unforeseen litigation; unfavorable result of current pending litigation; the ability to maintain sufficient liquidity in order to support operations; the ability to maintain satisfactory relationships with lenders and to remain in compliance with financial loan covenants and other requirements under current banking agreements; the ability to maintain satisfactory relationships with suppliers; federal and/or state regulatory and legislative actions; customer preferences and spending patterns; the ability to implement or adjust to new technologies and the ability to secure and maintain key contracts and relationships. New risk factors emerge from time to time and it is not possible to accurately predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause results to differ materially from those contained in any forward-looking statements. Except as otherwise required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Quarterly Report or in the documents we incorporate by reference, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report on Form 10-Q.

ALANCO TECHNOLOGIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2011 AND JUNE 30, 2010

	March 31, 2011 (unaudited)	June 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 183,600	\$ 152,100
Assets held for sale	17,873,000	20,243,200
Prepaid expenses and other current assets	221,800	100,000
Total current assets	18,278,400	20,495,300
PROPERTY AND EQUIPMENT, NET		
	400	900
TOTAL ASSETS	\$ 18,278,800	\$ 20,496,200
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 602,100	\$ 581,700
Dividends payable	50,400	56,400
Notes payable, current	4,757,900	6,328,000
Liabilities related to assets held for sale	3,926,000	3,545,900
TOTAL LIABILITIES	9,336,400	10,512,000
Preferred Stock - Series B Convertible - 500,000 shares authorized, 119,700 and 111,200 issued and outstanding, respectively	1,183,600	1,098,500
SHAREHOLDERS' EQUITY		
Preferred Stock - Series D Convertible - 500,000 shares authorized, 82,300 and 134,200 shares issued and outstanding, respectively	814,900	1,333,800
Preferred Stock - Series E Convertible - 750,000 shares		

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authorized, 725,000 and 735,000 shares issued and outstanding, respectively	3,165,900	3,210,900
Common Stock - 75,000,000 authorized, 5,534,500 and 4,665,500 shares outstanding, net of 2,000 shares of Treasury Stock, at a cost of \$30,000, outstanding at June 30, 2010	109,475,600	107,355,700
Accumulated deficit	(105,697,600)	(103,014,700)
Total shareholders' equity	7,758,800	8,885,700
 TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	 \$ 18,278,800	 \$ 20,496,200

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, (unaudited)

	2011	2010
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
Corporate expense	262,100	227,100
Amortization of stock-based compensation	-	400
Depreciation and amortization	100	200
OPERATING LOSS	(262,200)	(227,700)
OTHER INCOME & (EXPENSES)		
Interest expense, net	(130,400)	(277,400)
Other income (expense), net	-	(800)
LOSS FROM CONTINUING OPERATIONS	(392,600)	(505,900)
INCOME (LOSS) LOSS FROM DISCONTINUED OPERATIONS	800	(514,900)
NET LOSS	(391,800)	(1,020,800)
Preferred stock dividends	(79,400)	(43,600)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (471,200)	\$ (1,064,400)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED		
- Continuing operations	\$ (0.07)	\$ (0.12)
- Discontinued operations	\$ 0.00	\$ (0.12)
- Preferred stock dividends	\$ (0.02)	\$ (0.01)
	\$ (0.09)	\$ (0.25)

- Net loss per share
attributable to common
shareholders
WEIGHTED AVERAGE
COMMON SHARES
OUTSTANDING

- Basic and diluted	5,528,800	4,331,800
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See accompanying notes to the condensed consolidated financial
statements

ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED MARCH 31, (unaudited)

	2011	2010
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
Corporate expense	847,400	657,700
Amortization of stock-based compensation	193,400	99,400
Depreciation and amortization	500	600
OPERATING LOSS	(1,041,300)	(757,700)
OTHER INCOME & (EXPENSES)		
Interest expense, net	(384,400)	(657,300)
Other income (expense), net	(9,300)	(2,700)
LOSS FROM CONTINUING OPERATIONS	(1,435,000)	(1,417,700)
LOSS FROM DISCONTINUED OPERATIONS	(1,008,900)	(1,858,800)
NET LOSS	(2,443,900)	(3,276,500)
Preferred stock dividends	(239,000)	(301,800)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (2,682,900)	\$ (3,578,300)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED		
- Continuing operations	\$ (0.27)	\$ (0.34)
- Discontinued operations	\$ (0.19)	\$ (0.44)
- Preferred stock dividends	\$ (0.04)	\$ (0.07)
- Net loss per share attributable to common	\$ (0.50)	\$ (0.85)

shareholders

WEIGHTED AVERAGE

COMMON SHARES

OUTSTANDING

- Basic and diluted

5,352,400

4,215,000

See accompanying notes to the condensed consolidated financial
statements

ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2011 (unaudited)

	COMMON STOCK		SERIES D PREFERRED STOCK		SERIES E PREFERRED STOCK		ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT		
Balances, June 30, 2010	4,665,500	\$ 107,355,700	134,200	\$ 1,333,800	735,000	\$ 3,210,900	\$(103,014,700)	\$ 8,885,700
Shares issued for services	3,100	5,300	-	-	-	-	-	5,300
Shares issued for payment on notes and interest	1,100	2,100	-	-	-	-	-	2,100
Shares issued for exercise of warrants	256,200	304,800	-	-	-	-	-	304,800
Value of stock based compensation	-	498,600	-	-	-	-	-	498,600
Private offering, net of expenses	384,300	612,400	-	-	-	-	-	612,400
Series D Preferred dividends, paid as indicated	23,700	37,500	-	-	-	-	-	37,500
Series B Preferred dividends, paid in kind	-	-	-	-	-	-	-	-