

ALANCO TECHNOLOGIES INC  
Form 10-Q  
February 14, 2012

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 December 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.)

7950 E. Acoma Drive, Suite 111, 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. X Yes \_\_\_ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). X 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

Accelerated filer

Non-accelerated  
filer  
(Do not check if a smaller reporting company)

Smaller  
reporting company

X

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 February 10, 2012 there were 4,984,800 shares of common stock outstanding.

## ALANCO TECHNOLOGIES, INC.

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ALANCO TECHNOLOGIES, INC.

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,” “potential,” “is likely,” “will,” “ex” 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; 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; 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 current and future suppliers; federal and/or state regulatory and legislative action; 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.

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

	December 31, 2011 (unaudited)	June 30, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,467,300	\$ 783,200
Accounts receivable, net	48,000	149,900
Marketable securities - restricted	5,117,700	6,637,100
Prepaid expenses and other current assets	106,900	39,500
Total current assets	6,739,900	7,609,700
FURNITURE AND OFFICE EQUIPMENT, NET	5,900	6,700
<b>TOTAL ASSETS</b>	<b>\$ 6,745,800</b>	<b>\$ 7,616,400</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 373,700	\$ 553,300
Notes payable	828,000	28,000
Total current liabilities	1,201,700	581,300
LONG-TERM LIABILITIES	-	-
<b>TOTAL LIABILITIES</b>	<b>1,201,700</b>	<b>581,300</b>
Preferred Stock - Series B Convertible - 500,000 shares authorized, 0 and 122,600 issued and outstanding, respectively	-	1,213,300
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock Class A - 75,000,000 no par shares		

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authorized, 4,974,900 and 4,874,100 shares issued and 4,955,000 and 4,874,100 shares outstanding at December 31, 2011 and June 30, 2011, respectively	108,851,500	108,696,500
Class B - 25,000,000 no par shares authorized, none outstanding	-	-
Treasury Stock Class A treasury shares at cost with 19,900 and 0 shares held at December 31, 2011 and June 30, 2011, respectively	(14,100)	-
Accumulated Unrealized Gain on Marketable Securities, net of tax	137,000	466,500
Accumulated Deficit	(103,430,300)	(103,341,200)
Total shareholders' equity	5,544,100	5,821,800
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$ 6,745,800</b>	<b>\$ 7,616,400</b>

See accompanying notes to the condensed consolidated financial statements

## ALANCO TECHNOLOGIES, INC.

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

	2011	2010
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
OPERATING EXPENSES		
Corporate expenses	235,200	282,800
Amortization of stock-based compensation	-	3,500
Depreciation and amortization	600	200
	235,800	286,500
OPERATING LOSS	(235,800)	(286,500)
OTHER INCOME & EXPENSES		
Interest income (expense), net	1,000	(86,300)
Gain on sale of marketable securities, net	38,700	-
Other income (expense), net	-	(9,000)
LOSS FROM CONTINUING OPERATIONS	(196,100)	(381,800)
LOSS FROM DISCONTINUED OPERATIONS	-	(387,000)
NET LOSS	(196,100)	(768,800)
Preferred stock dividends	-	(79,900)
Gain on redemption of Series B Preferred Stock	443,200	-
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 247,100	\$ (848,700)
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ (0.04)	\$ (0.07)
	\$ 0.00	\$ (0.07)



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Discontinued operations			
Preferred stock dividends	\$	0.00	\$ (0.02)
Gain on redemption of Series B Preferred Stock	\$	0.09	\$ -
Net income (loss) per share attributable to common shareholders	\$	0.05	\$ (0.16)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		4,973,100	5,437,400

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME (LOSS)  
FOR THE THREE MONTHS ENDED DECEMBER 31, (unaudited)

	2011	2010
Net Loss	\$ (196,100)	\$ (768,800)
Unrealized Gain on Marketable Securities, Net of Tax	939,100	-
Less: Reclassification Adjustment for Gains Included in Net Loss	(38,700)	-
Comprehensive Income (Loss)	\$ 704,300	\$ (768,800)

See accompanying notes to the condensed consolidated financial statements

## ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF  
OPERATIONS  
FOR THE SIX MONTHS ENDED DECEMBER 31, (unaudited)

	2011	2010
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
OPERATING EXPENSES		
Corporate expenses	532,200	585,500
Amortization of stock-based compensation	7,800	193,300
Depreciation and amortization	1,300	400
	541,300	779,200
OPERATING LOSS	(541,300)	(779,200)
OTHER INCOME & EXPENSES		
Interest income (expense), net	800	(254,100)
Gain on sale of marketable securities, net	38,700	-
Other income (expense), net	-	(9,300)
LOSS FROM CONTINUING OPERATIONS	(501,800)	(1,042,600)
LOSS FROM DISCONTINUED OPERATIONS	-	(1,009,500)
NET LOSS	(501,800)	(2,052,100)
Preferred stock dividends	(30,500)	(159,600)
Gain on redemption of Series B Preferred Stock	443,200	-
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (89,100)	\$ (2,211,700)
NET LOSS PER SHARE - BASIC AND DILUTED		

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Continuing operations	\$	(0.10)	\$	(0.20)
Discontinued operations	\$	0.00	\$	(0.19)
Preferred stock dividends	\$	(0.01)	\$	(0.03)
Gain on redemption of Series B Preferred Stock	\$	0.09	\$	0.00
Net loss per share attributable to common shareholders	\$	(0.02)	\$	(0.42)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		<b>4,962,500</b>		<b>5,265,800</b>

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME (LOSS)  
FOR THE SIX MONTHS ENDED DECEMBER 31, (unaudited)

	2011	2010
Net Loss	\$ (501,800)	\$ (2,052,100)
Unrealized Loss on Marketable Securities, Net of Tax	(290,800)	-
Less: Reclassification Adjustment for Gains Included in Net Loss	(38,700)	-
Comprehensive Income (Loss)	\$ (831,300)	\$ (2,052,100)

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.

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

	COMMON STOCK	TREASURY STOCK	ACCUMULATED	ACCUMULATED	
	SHARES	SHARES	UNREALIZED	DEFICIT	TOTAL
	AMOUNT	AMOUNT	GAIN		
			ON		
			MARKETABLE		
			SECURITIES,		
			NET OF TAX		
Balance	4,874,100 \$	108,696,500	- \$		
June					
30,					
2011					