

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

ALANCO TECHNOLOGIES INC
Form 10QSB
February 17, 2004

ALANCO TECHNOLOGIES, INC.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2003

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 small business issuer 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
(Issuer's telephone number)

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

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

As of February 1, 2004 there were 18,329,300 shares, net of treasury

shares, of common stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No X

Forward-Looking Statements: Some of the statements in this Form 10-QSB Quarterly
Report, as well as statements by the Company in periodic press releases, oral
statements made by the Company's officials to analysts and shareholders in the
course of presentations about the Company, constitute "forward-looking
statements" within the meaning of the Private Securities Litigation Reform Act
of 1995. Words or phrases denoting the anticipated results of future events such
as "anticipate," "believe," "estimate," "will likely," "are expected to," "will
continue," "project," "trends" and similar expressions that denote uncertainty
are intended to identify such forward-looking statements. Such forward-looking
statements involve known and unknown risks, uncertainties and other factors that

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (i) general economic and business conditions; (ii) changes in industries in which the Company does business; (iii) the loss of market share and increased competition in certain markets; (iv) governmental regulation including environmental laws; and (v) other factors over which the company has little or no control.

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets December 31, 2003 (unaudited) and June 30, 2003.....	3
Condensed Consolidated Statements of Operations (Unaudited) For the three months ended December 31, 2003 and 2002.....	4
Condensed Consolidated Statements of Operations (Unaudited) For the six months ended December 31, 2003 and 2002.....	5
Changes in Certain Equity and Preferred Stock Accounts (unaudited) For the six months ended December 31, 2003 and 2002.....	6
Condensed Consolidated Statements of Cash Flows (Unaudited) For the six months ended December 31, 2003 and 2002.....	7
Notes to Condensed Consolidated Financial Statements (Unaudited).....	9
Note A - Basis of Presentation	
Note B - Inventories	
Note C - Contracts in Process	
Note D - Deferred Revenue	
Note E - Loss per Share	
Note F - Sale of Common Shares	
Note G - IndustrySegment Data	
Note H - Related Party Transactions	
Note I - Line of Credit	
Note J - Litigation	
Note K - Subsequent Event	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

PART II. OTHER INFORMATION

Item 6. Exhibits17
 Signature16

CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF DECEMBER 31, 2003 AND JUNE 30, 2003

ASSETS	Dec 31, 2003	June 30, 2003
	-----	-----
CURRENT ASSETS	(unaudited)	
Cash	\$ 59,100	\$ 97,700
Accounts receivable, net	808,600	808,500
Subscription receivable	--	899,200
Inventories, net	1,645,400	1,278,700
Prepaid expenses and other current assets	129,900	53,100
	-----	-----
Total current assets	2,643,000	3,137,200
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	290,800	343,800
	-----	-----
OTHER ASSETS		
Goodwill, net	5,356,300	5,351,300
Other intangible assets	801,700	911,700
Long-term notes receivable, net	148,500	291,000
Net assets held for sale	187,900	223,200
Other assets	55,100	61,200
	-----	-----
Total other assets	6,549,500	6,838,400
	-----	-----
TOTAL ASSETS	\$ 9,483,300	\$ 10,319,400
	=====	=====
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,450,600	\$ 1,636,100
Credit line	61,000	874,000
Capital leases, current	11,800	24,600
Deferred revenue, current	59,400	76,000
	-----	-----
Total Current Liabilities	1,582,800	2,610,700
	-----	-----
LONG TERM LIABILITIES		
Notes payable and capital leases, long term	1,170,100	1,170,100
Deferred revenue, long term	25,200	25,200
	-----	-----

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

TOTAL LIABILITIES	2,778,100	3,806,000
	-----	-----
Preferred Stock - Series B, 500,000 shares authorized, 57,300 and 54,500 shares issued and outstanding, respectively	572,900	545,900
	-----	-----
SHAREHOLDERS' EQUITY		
Preferred Stock - Series A Convertible, 5,000,000 shares authorized, 2,509,400 and 2,248,400 shares issued and outstanding, respectively	2,954,000	2,653,200
Common Stock, 18,290,400 and 20,609,100 shares issued and 17,790,400 and 15,612,200 shares outstanding, respectively	64,665,300	65,014,000
Treasury Stock, 500,000 and 4,996,900 shares at cost	(375,200)	(2,084,000)
Accumulated deficit	(61,111,800)	(59,615,700)
	-----	-----
Total shareholders' equity	6,132,300	5,967,500
	-----	-----
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 9,483,300	\$ 10,319,400
	=====	=====

See accompanying notes to the consolidated financial statements

3

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

	2003	2002
	-----	-----
NET REVENUES	\$ 1,234,100	\$ 2,915,600
Cost of goods sold	755,900	1,889,800
	-----	-----
ROSS PROFIT	478,200	1,025,800
Selling, general and administrative expense	1,144,700	1,377,600
	-----	-----
LOFF FROM OPERATIONS	(666,500)	(351,800)
OTHER INCOME & EXPENSES		
Interest income (expense), net	(32,000)	(26,700)
Other income (expense), net	37,100	(1,300)
	-----	-----
	(661,400)	(379,800)

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Preferred stock dividend	(14,500)	(12,000)
	-----	-----
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (675,900)	\$ (391,800)
	=====	=====
NET LOSS PER SHARE - BASIC AND DILUTED		
Net loss attributable to common shareholders	\$ (0.04)	\$ (0.02)
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	16,402,100	17,605,500
	=====	=====

See accompanying notes to the consolidated financial statements

4

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

	2003	2002
	-----	-----
NET REVENUES	\$ 2,271,500	\$ 5,307,200
Cost of goods sold	1,400,600	3,387,300
	-----	-----
GROSS PROFIT	870,900	1,919,900
Selling, general and administrative expense	2,264,500	2,711,300
	-----	-----
LOSS FROM OPERATIONS	(1,393,600)	(791,400)
OTHER INCOME & EXPENSES		
Interest income (expense), net	(114,700)	(53,700)
Other income (expense)	39,200	6,000
	-----	-----
	(1,469,100)	(839,100)
Preferred stock dividend	(27,000)	(24,600)
	-----	-----
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (1,496,100)	\$ (863,700)
	=====	=====
NET LOSS PER SHARE - BASIC AND DILUTED		
Net loss attributable to common shareholders	\$ (0.09)	\$ (0.05)
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	15,789,200	17,319,200
	=====	=====

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

See accompanying notes to the consolidated financial statements

5

CONSOLIDATED STATEMENT OF CHANGES IN CERTAIN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED DECEMBER 31, 2003 (unaudited)

	Common Stock		Preferred Stock Series A		Preferred Series
	Shares	Dollars	Shares	Dollars	Shares
Balance @ 6/30/03	20,609,100	\$65,014,000	2,248,400	\$ 2,653,200	54,500
Ser. B Pfd dividends in kind, accrual					2,800
Shares issued for services and cancellation of put option	171,700	60,200			
Private Offerings	2,438,500	1,465,000	261,000	300,800	
Options exercised	90,000	33,300			
Cancelled Treasury Stock	(5,018,900)	(1,907,200)			
Balances @ 12/31/03	18,290,400	\$64,665,400	2,509,400	\$ 2,954,000	57,300

6

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) FOR THE SIX MONTHS ENDED DECEMBER 31,

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	\$ (1,469,100)	\$ (839,100)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	172,800	219,900
Stock and warrants issued for services and cancellation of stock put options charged to interest expense	60,200	27,200
Income from assets held for sale	(8,600)	(7,500)
Gain on disposal of asset	(1,000)	--
Changes in:		
Accounts receivable, net	(100)	(42,200)
Costs and estimated earnings in excess of billings on uncompleted contracts	--	(825,200)
Inventories, net	(366,700)	(67,800)
Prepaid expenses and other current assets	(76,800)	(145,300)
Accounts payable and accrued expenses	(185,500)	883,000
Deferred revenue	(16,600)	--
Billings and estimated earnings in excess of costs on uncompleted contracts	--	(54,100)

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Other assets	6,100	--
Net cash provided by (used in) continuing operations	(1,885,300)	(851,100)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash from assets held for sale	43,900	26,200
Collection of notes receivable	142,500	3,300
Purchase of property, plant and equipment	(14,000)	(41,100)
Proceeds from the sale of property, plant and equipment	5,200	--
Goodwill, acquisition	(5,000)	(30,700)
Net cash used in investing activities	172,600	(42,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on borrowings	1,205,000	1,366,000
Repayment on borrowings	(1,780,800)	(1,957,100)
Subscriptions receivable	899,200	--
Proceeds from sale of Preferred Stock	102,400	--
Proceeds from sale of Common Stock	1,248,300	1,395,000
Net cash provided by (used in) financing activities	1,674,100	803,900
NET INCREASE (DECREASE) IN CASH	(38,600)	(89,500)
CASH AND CASH EQUIVALENTS, beginning of period	97,700	328,400
CASH AND CASH EQUIVALENTS, end of period	\$ 59,100	\$ 238,900

See accompanying notes to the consolidated financial statements

7

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS ENDED DECEMBER 31, (Continued)

	2003	2002
	-----	-----
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Net cash paid during the period for interest	\$ 114,700	\$ 53,700
	=====	=====
Non-Cash Activities:		
Value of stocks and warrants issued for services	\$ 60,200	\$ 27,200
	=====	=====
Preferred stock dividend, in kind	\$ 27,000	\$ 24,600
	=====	=====
Value of treasury stock redeemed in preferred stock and warrant issuance	\$ 198,400	\$ --
	=====	=====
Value of treasury stock cancelled	\$ 1,907,200	\$ --

7

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Conversion of debt to equity	=====	=====
	\$ 250,000	--
	=====	=====

See accompanying notes to the consolidated financial statements

8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

Note A - Basis of Presentation

Alanco Technologies, Inc., an Arizona corporation ("Alanco" or "Company"), operates in two business Segments: Computer Data Storage Segment and RFID Technology Segment.

The unaudited condensed consolidated balance sheet as of December 31, 2003 and the related unaudited condensed consolidated statements of operations and cash flows for the six months ended December 31, 2003 presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-QSB. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accounting principles assume the continuation of the Company as a going concern. The Company's auditors, in their opinion on the financial statements for the year ended June 30, 2003, expressed a concern about this uncertainty. The accompanying financial statements do not include any adjustment that might arise from the outcome of this assumption. In our opinion, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation of such condensed consolidated financial statements. Such necessary adjustments consist of normal recurring items and the elimination of all significant intercompany balances and transactions.

These interim condensed consolidated financial statements should be read in conjunction with the Company's June 30, 2003, Annual Report on Form 10-KSB. Interim results are not necessarily indicative of results for a full year.

Certain reclassifications have been made to conform prior period financials to the presentation in the current reporting period. The reclassifications had no effect on net loss.

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

All stock options issued to employees have an exercise price not less than the fair market value of the Company's Common Stock on the date of grant. In accordance with accounting for such options utilizing the intrinsic value method under APB 25, there is no related compensation expense recorded in the Company's financial statements for the three and six months ended December 31, 2003 and 2002. Had compensation cost for stock-based compensation been determined based on the fair value of the options at the grant dates consistent with the method of SFAS 123, the Company's net loss and loss per share would

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

have been increased to the pro forma amounts presented below:

9

	6 months ended December 31, 3 months		
	2003	2002	2003
Net loss, as reported	\$ (1,496,100)	\$ (863,700)	\$ (675,900)
Add: Stock-based Employee compensation expense included in reported income, net of related tax effects	--	--	--
Deduct: Total stock-based Employee compensation expense determined under fair value based methods for all awards, net of related tax effects	\$ (294,300)	\$ (93,700)	\$ (39,000)
Pro forma net loss	\$ (1,790,400)	\$ (957,400)	\$ (714,900)
Net loss per common share, basic and diluted			
As reported	\$ (0.09)	\$ (0.05)	\$ (0.05)
Pro forma	\$ (0.11)	\$ (0.06)	\$ (0.06)

During the quarter ended December 31, 2003, the Company granted employee stock options to purchase 150,000 shares of the Company's Class A Common Stock at an average purchase price of \$0.58, granted. The fair value of option grants is estimated as of the date of grant, in accordance with SFAS 123, utilizing the Black-Scholes option-pricing model, with the assumptions utilized in the year end financial statements.

Recent Accounting Pronouncements

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). This statement affects the classification, measurement and disclosure requirements of the following three types of freestanding financial instruments: 1) mandatory redeemable shares, which the issuing company is obligated to buy back with cash or other assets; 2) instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets, which includes put options and forward purchase contracts; and 3) obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. In general, SFAS 150 is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have an impact on the Company's consolidated financial position or disclosures.

10

Note B - Inventories

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Inventories have been recorded at the lower of cost or market. The composition of inventories as of December 31, 2003, and June 30, 2003, are summarized as follows:

	December 31, 2003	June 30, 2003
	-----	-----
	(unaudited)	
Raw materials and purchased parts	\$ 1,313,400	\$ 1,007,000
Work-in-progress	311,900	260,400
Finished goods	197,900	199,700
	-----	-----
	1,823,200	1,467,100
Less reserves for obsolescence	(177,800)	(188,400)
	-----	-----
	\$ 1,645,400	\$ 1,278,700
	=====	=====

Note C -Contracts In Process

As of December 31, 2003 the Company has no fixed price contracts in progress that qualified for percentage-of-completion method of accounting.

Note D - Deferred Revenue

Deferred Revenues at December 31, 2003 and June 30, 2003 consist of the following:

	December 31, 2003	June 30, 2003
	-----	-----
	(unaudited)	
Extended warranty revenue	\$ 84,600	\$ 101,200
Less - current portion	(59,400)	(76,000)
	-----	-----
Deferred revenue - long term	\$ 25,200	\$ 25,200
	=====	=====

Note E- Loss Per Share

Basic loss per share of common stock was computed by dividing net loss by the weighted average number of shares outstanding of common stock.

Diluted earnings per share are computed based on the weighted average number of shares of common stock and dilutive securities outstanding during the period. Dilutive securities are options and warrants that are freely exercisable into common stock at less than the prevailing market price. Dilutive securities are not included in the weighted average number of shares when inclusion would increase the earnings per share or decrease the loss per share. As of December 31, 2003 there were 6,918,657 potentially dilutive securities outstanding.

Note F - Sale of Common Shares

During the six months ended December 31, 2003, the Company raised a total of \$1.56 million from institutional and other accredited investors through the sale of Class A Common Shares. \$250,000 of the amount was raised by the conversion of a portion of the Company's credit line into Class A Common Shares at \$.50 per share, as provided in the line of credit agreement. \$1 million was

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

raised by the sale of units consisting of one share of Class A Common Stock and a warrant to purchase .5 shares at \$.65 per unit. The warrants have a strike

11

price of \$.75 per share and expire 120 days after the appropriate S-3 registration statement, which the Company has agreed to file, is effective. The balance of the equity was raised from employees by exercising options under the Company's option plans and other accredited investors, with the accredited investors purchasing the Class A Common Shares at \$.65 per share. Expense incurred during the six months that were associated with the sale of common shares amounted to approximately \$61,000, resulting in net proceeds from the sale of Class A Common Shares of \$1.5 million.

Note G -Segment Data

Information concerning operations by industry segment follows (unaudited):

	Six Months Ended 12/31		Three Months Ended 12/31	
	2003	2002	2003	2002
Revenue				
Data Storage	\$ 2,246,700	\$ 2,092,400	\$ 1,211,300	\$ 1,183,300
TSI PRISM	24,800	3,214,800	22,800	1,732,300
Total Revenue	2,271,500	5,307,200	1,234,100	2,915,600
Gross profit				
Data Storage	863,900	894,500	468,000	494,600
TSI PRISM	7,000	1,025,400	10,200	531,200
Total Gross Profit	870,900	1,919,900	478,200	1,025,800
Operating Profit/Loss				
Data Storage	41,800	(221,100)	64,000	(52,000)
TSI PRISM	(986,700)	(111,900)	(487,200)	(68,500)
Corporate Expense	(448,700)	(458,400)	(243,300)	(231,300)
Operating Loss	\$(1,393,600)	\$ (791,400)	\$ (666,500)	\$ (351,800)
Depreciation and Amortization				
Data Storage	\$ 15,500	\$ 64,100	\$ 7,500	\$ 27,800
TSI PRISM	153,800	151,000	76,900	76,400
Corporate	3,500	4,800	1,200	2,100
Total Depreciation and Amortization	\$ 172,800	\$ 219,900	\$ 85,600	\$ 106,300

Note H- Related Party Transactions

The Company has a line of credit agreement ("Agreement"), more fully discussed in the Company's Form 10-KSB for the year ended June 30, 2003, with a

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

private trust controlled by Mr. Donald Anderson, a greater than five percent stockholder and a member of the Company's Board of Directors. During the current quarter, the Company entered into an amendment to the Agreement with the private trust that modified the Agreement and extended the existing line of credit to July 1, 2005. See Note I below for additional discussion of the amendment to the line of credit agreement.

Note I - Line of Credit

At December 31, 2003, the Company has an outstanding balance of \$561,000, of which \$61,000 is presented as line of credit balance due and \$500,000 is presented as notes payable - long term portion. The outstanding balance is under a \$1.55 million line of credit agreement with a private trust ("Lender"), entered into in June 2002 and modified in April and October of 2003 (the "Agreement"). During the October 2003 negotiations, the Lender indicated a

12

desire to convert \$250,000 of debt into equity as provided for in the Agreement and agreed to complete the conversion by November 14, 2003. As compensation to the Lender for amending and extending the Agreement, the Company agreed to continue maintaining a \$500,000 minimum outstanding balance subsequent to the \$250,000 conversion of debt to equity and to issue the Lender warrants to purchase 50,000 shares of the Company's Class A Common Stock at \$.60 per share, the fair market value on the date of the Agreement.

Note J - Litigation

The Company continues to be a defendant in litigation that relates to the acquisition, in May of 2002, of substantially all the assets of Technology Systems International, Inc. a Nevada corporation, and to litigation arising from an expired property lease between the Company's subsidiary, Arraid, Inc. and Arraid Property L.L.C., a Limited Liability Company. No significant new activity has occurred subsequent to our report of litigation in our Form 10-KSB filed for the year ended June 30, 2003. The Company's management, in consultation with legal counsel, believes the plaintiffs' claims are without merit and the Company will aggressively defend the actions.

Note K - Subsequent Events

During January 2004, the Company entered into an agreement with EMS Technologies, Inc. ("EMS") whereby TSI purchased various inventory and tooling from EMS, resolved various obligations of both EMS and TSI, and converted approximately \$539,000 of notes payable and accounts payable into equity through the issuance of Class A Common Stock valued at \$1 per share. As part of the agreement, the Company committed to file an appropriate Form S-3 registration statement pertaining to the 539,000 shares within the next 30 days.

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. All such forward-looking statements are subject to 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: 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

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

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; 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; and the ability to maintain satisfactory relationships with suppliers and customers.

General

Information on industry segments is incorporated by reference from Note G - Segment Reporting to the Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires the use of estimates and judgments that affect the reported

13

amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an ongoing basis, estimates are revalued, including those related to areas that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. These areas include allowances for doubtful accounts, inventory valuations, carrying value of goodwill and intangible assets, estimated profit on uncompleted TSI PRISM contracts in process, income and expense recognition, income taxes and commitments and contingencies. Our estimates are based upon historical experience, observance of trends in particular areas, information and/or valuations available from outside sources and on various other assumptions that we believe to be reasonable under the circumstances and which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions and conditions.

Accounting policies are considered critical when they are significant and involve difficult, subjective or complex judgments or estimates. We considered the following to be critical accounting policies:

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Revenue recognition - The Company recognizes revenue from the Data Storage Segment, net of anticipated returns, at the time products are shipped to customers, or at the time services are provided. Revenue from material long-term contracts (in excess of \$250,000 and over a 90-day completion period) in both the Data Storage Segment and the RFID Technology Segment are recognized on the percentage-of-completion method for individual contracts, commencing when significant costs are incurred and adequate estimates are verified for substantial portions of the contract to where experience is sufficient to estimate final results with reasonable accuracy. Revenues are recognized in the ratio that costs incurred bear to total estimated costs. Changes in job

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

performance, estimated profitability and final contract settlements would result in revisions to cost and income, and are recognized in the period in which the revisions were determined. Contract costs include all direct materials, subcontracts, labor costs and those direct and indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

Long-lived assets and intangible assets - The Company reviews carrying values at least annually or whenever events or circumstances indicate the carrying values may not be recoverable through projected discounted cash flows.

Results of Operations

(A) Three months ended 12/31/2003 versus 12/31/2002

Consolidated revenue for the quarter ended December 31, 2003 was \$1,234,100, compared to \$2,915,600 for the comparable quarter of the previous year, a decrease of \$1,681,500, or 57.7%. The decrease is attributed to a decrease of the RFID Technology revenue, which decreased from \$1,732,300 for the quarter ended December 31, 2002 to \$22,800 in the comparable current quarter. The Data Storage Segment revenues increased to \$1,211,300, a 2.4% increase compared to \$1,183,300 reported in the quarter ended December 31, 2002. The decrease in RFID Technology revenue resulted from prison contract award and funding postponements caused by fiscal budgetary constraints and the aftermath of the November 2002 elections where several new administrations were elected that added further delays to the already lengthy state contract procurement process. The increase in Data Storage Segment revenues resulted from increased demand for the Company's data storage products.

The Loss from Operations for the quarter was \$666,500, compared to a loss of \$351,800 for the same quarter of the prior year, an increase of 89.5%. The increased operating loss resulted from a \$487,200 operating loss generated by the RFID Technology Segment, an increase of \$418,700 compared to an operating loss of \$68,500 reported for the same quarter of the prior year. Reflecting a significant turnaround from prior quarters, the Data Storage Segment reported an operating profit of \$64,000, a \$116,000 increase from the \$52,000 operating loss reported for the quarter ended December 31, 2002. The Data Storage improvement in operating income resulted from increased Data Storage revenues and cost reduction programs instituted by the Company.

14

Interest expense for the quarter amounted to \$32,000, an increase of \$5,300 when compared to interest expense of \$26,700 for the same quarter in the prior year. The Company also paid in-kind preferred stock dividends with values of \$14,500 and \$12,000 in fiscal year 2003 and 2002, resulting in the Net Loss Attributable to Common Stockholders of \$675,900, or (\$.04) per share, compared to a loss of \$391,800, or (\$.02) per share, in the comparable quarter of the prior year. Although the Company has initiated cost control measures that have impacted the current quarter, operating results have continued to be affected by unfavorable economic conditions and reduced capital spending that have adversely affected Alanco's business in recent quarters. If the economic conditions in the United States worsen or if a wider or global economic slowdown occurs, Alanco may experience a material adverse impact on its operating results and business conditions.

Selling, general and administrative expenses for the current quarter decreased to \$1,144,700, a \$232,900 decrease, or 16.9%, when compared to \$1,377,600 incurred in the comparable quarter of fiscal year 2002. The decrease is attributable to reduced sales commissions in the RFID Technology Segment and

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

cost control measures initiated by the Company in the Data Storage Segment.

(B) Six months ended 12/31/2003 versus 12/31/2002

Consolidated revenue for the six months ended December 31, 2003 was \$2,271,500, compared to \$5,307,200 for the comparable period of the previous year, a decrease of \$3,035,700, or 57.2%. The decrease in revenue is attributed to a decrease of the RFID Technology revenue, which decreased from \$3,214,800 for the six months ended December 31, 2002 to \$24,800 in the comparable current year six-month period. The Data Storage Segment revenues increased to \$2,246,700, a 7.4% increase compared to \$2,092,400 reported for the period ended December 31, 2002. The decrease in RFID Technology revenue resulted from prison contract award and funding postponements caused by fiscal budgetary constraints and the aftermath of the November 2002 elections where several new administrations were elected that added further delays to the already lengthy state contract procurement process. The increase in Data Storage Segment revenues resulted from increased demand for the Company's data storage products.

The Loss from Operations for the period was \$1,393,600, compared to a loss from operations of \$791,400 for the same quarter of the prior year, an increase of 76.1%. The increased operating loss from operations resulted from a \$986,700 operating loss generated by the RFID Technology Segment, an increase of \$874,800 compared to an operating loss of \$111,900 reported for the same period of the prior year. The Data Storage Segment operating income of \$41,800 was a significant improvement over the \$221,100 operating loss reported for the six-month period ended December 31, 2002.

Interest expense for the six-month period amounted to \$114,700, an increase of \$61,000 when compared to interest expense of \$53,700 for the same period in the prior year. Included in interest expense for the current period is \$49,900, reflecting the value of shares issued to terminate a Common Stock put option.

For the six-month period the Company paid an in-kind preferred stock dividend with a value of \$27,000, compared to \$24,600 paid in the previous fiscal year, resulting in the Net Loss Attributable to Common Stockholders of \$1,496,100, or (\$.09) per share, compared to a loss of \$863,700, or (\$.05) per share, in the comparable period. Although the Company has initiated cost control measures that have impacted the current six-month period, operating results, especially in the RFID Technology Segment, have continued to be affected by unfavorable economic conditions and reduced capital spending that have adversely affected Alanco's business in recent quarters. If the economic conditions in the United States worsen or if a wider or global economic slowdown occurs, Alanco may experience a material adverse impact on its operating results and business conditions.

Selling, general and administrative expenses for the current six-month period decreased to \$2,264,500, a \$446,800 decrease, or 16.5%, when compared to \$2,711,300 incurred in the comparable six-month period of fiscal year 2002. The decrease is attributable to reduced sales commissions in the RFID Technology Segment and cost control measures initiated by the Company in the Data Storage Segment.

15

Liquidity and Capital Resources

The Company's current assets at December 31, 2003 exceeded current liabilities by \$1,060,200, resulting in a current ratio of 1.67 to 1. At June 30, 2003 the Company's current assets exceeded current liabilities by \$526,500, reflecting a current ratio of 1.20 to 1. The increase in the current ratio for

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

the period resulted from additional equity raised that was used to reduce the credit line, offset by continuing operating losses. Accounts receivable of \$808,600 at December 31, 2003, reflects a status quo when compared to the \$808,500 reported as consolidated accounts receivables at June 30, 2003. The accounts receivable balance at December 31, 2003 represented forty-six days' sales in receivables compared to twenty-nine days' sales at June 30, 2003. The increase in days' sales in receivables resulted from a delay in final contract payments in the RFID Technology Segment that had recognized the revenue during the previous quarter.

Consolidated inventories at December 31, 2003 amounted to \$1,645,400, an increase of \$366,700 when compared to \$1,278,700 at June 30, 2003. \$279,400 of the increase resulted from Data Storage Segment increases required for anticipated increases in Data Storage sales, and the RFID Technology inventory increase was the result of increases in inventory in anticipation of contract awards.

At December 31, 2003, the Company had a balance of \$561,000 (including \$500,000 classified as long term notes payable) under a \$1.55 million formula-based revolving bank line of credit agreement with interest calculated at prime plus 4%. The line of credit agreement formula is based upon current asset values and is used to finance working capital. At December 31, 2003, the Company had \$989,000 available under the line of credit. See Line of Credit Footnote I above for a discussion of certain modifications and extension of the existing line of credit agreement executed during the quarter ended December 31, 2003.

Cash used in operations for the six-month period was \$1,885,300, an increase of \$1,024,200 when compared to cash used in operations of \$851,100 for the comparable period ended December 31, 2002. The increase in cash used in operations was due primarily to increases in the loss from operations for the period, increase in inventory balances and a reduction in accounts payable and accrued expenses.

During the six-month period ended December 31, 2003, the Company collected \$899,200 in subscription receivables and purchased \$14,000 of additional equipment, compared to equipment purchases of \$41,100 in the comparable period of the prior year. Net proceeds from stock sales for the six-month period amounted to \$1,450,700, compared to \$1,395,000 in the comparable prior period. Repayment on borrowings during the period amounted to \$1,780,800, while advances from borrowings amounted to \$1,205,000.

The Company believes that additional cash resources may be required for working capital to achieve planned operating results for fiscal year 2004 and, if working capital requirements exceed current availability, the Company anticipates raising capital through additional borrowing or sale of stock. The additional capital would supplement the projected cash flows from operations and the line of credit agreement in place at December 31, 2003. If additional working capital was required and the Company was unable to raise the required additional capital, it may materially affect the ability of the Company to achieve its financial plan. See Footnote F - Sale of Common Stock and Footnote K - Subsequent Events, for additional information related to working capital raised by the Company during the six-months ended December 31, 2003, necessary to achieve planned operating results for the current fiscal year.

CONTROL AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that it is able to collect the information it is required to disclose in

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

the reports it files with the Securities and Exchange Commission (SEC), and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on various evaluations of the Company's disclosure controls and procedures, some of which occurred during the 90 days prior to the filing date of this report, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required periods.

The Company also maintains a system of internal controls designed to provide reasonable assurance that: transactions are executed in accordance with management's general or specific authorization; transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles, and (2) to maintain accountability for assets. Access to assets is permitted only in accordance with management's general or specific authorization; and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Since the date of the most recent evaluation of the Company's internal controls by the Chief Executive and Chief Financial Officers, there have been no significant changes in such controls or in other factors that could have significantly affected those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1 - LEGAL PROCEEDINGS

The Company continues to be a defendant in litigation that relates to the acquisition, in May of 2002, of substantially all the assets of Technology Systems International, Inc., a Nevada corporation, and to litigation arising from an expired property lease between the Company's subsidiary, Arraid, Inc. and Arraid Property L.L.C., a Limited Liability Company. No significant new activity has occurred subsequent to our report of litigation in our Form 10-KSB filed for the year ended June 30, 2003. The Company's management, in consultation with legal counsel, believes the plaintiffs' claims are without merit and the Company will aggressively defend the actions.

Item 2 - CHANGES IN SECURITIES

During the six months ended December 31, 2003, the Company issued 261,000 shares of Series A Preferred Stock related to the offering more fully discussed in Note F, 2,528,500 shares of Class A Common Stock in private transactions and employee stock options exercised, and 171,700 shares of Common Stock for services rendered and cancellation of put options.

Item 6. EXHIBITS

- 10.1 EMS Supply Agreement
- 10.2 EMS Supply Agreement Amendment
- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Chief Financial Officer
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

SIGNATURE

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

ALANCO TECHNOLOGIES, INC.
(Registrant)

/s/ John A. Carlson
John A. Carlson
Executive Vice President and
Chief Financial Officer

18

EXHIBIT 31.1

Certification of
Chairman and Chief Executive Officer
of Alanco Technologies, Inc.

I, Robert R. Kauffman, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Alanco Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004

/s/ Robert R. Kauffman

Robert R. Kauffman
Chairman and Chief Executive Officer

19

EXHIBIT 31.2

Certification of
Vice President and Chief Financial Officer
of Alanco Technologies, Inc.

I, John A. Carlson, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Alanco Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004
/s/ John A. Carlson

John A. Carlson
Vice President and Chief Financial Officer

20

EXHIBIT 32.1

Certification of
Chief Executive Officer and Chief Financial Officer
of Alanco Technologies, Inc.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies this quarterly report of Form 10-QSB (the "Report") for the period ended December 31, 2003 of Alanco Technologies, Inc. (the "Issuer").

Each of the undersigned, who are the Chief Executive Officer and Chief Financial Officer, respectively, of Alanco Technologies, Inc., hereby certify that, to the best of each such officer's knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: February 17, 2004

/s/ Robert R. Kauffman

Robert R. Kauffman
Chief Executive Officer

/s/ John A. Carlson

John A. Carlson

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Chief Financial Officer

21

EXHIBIT 10.1

EMS Assignment Agreement

This Assignment Agreement is made this 15th day of March, 2002, by and among EMS Technologies, Inc., a Georgia corporation ("EMS"), Technology Systems International, Inc., a Nevada corporation ("TSI"), and Alanco Technologies, Inc., an Arizona corporation ("Alanco").

Whereas, EMS holds a promissory note in the principal amount of \$1,167,000 dated December 23, 2000 and maturing December 31, 2001, executed to its order by TSI (the "TSI Note"), which TSI Note was issued to EMS to evidence amounts owed by TSI for products heretofore delivered by EMS to TSI;

Whereas, Alanco and TSI are parties to an Acquisition Agreement, of even date herewith, providing for the acquisition by Alanco of all assets and assumption of certain identified liabilities of TSI (the "Acquisition Agreement"), subject to, among other things, the negotiation of arrangements acceptable to Alanco concerning TSI's rights and obligations under supply arrangement between EMS and TSI and the TSI Note; and

Whereas, the parties have agreed to the transfer of the TSI Note to Alanco, all on the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the mutual promises and benefits set forth herein, the parties hereby agree as follows:

1. Assignment of TSI Note. Effective simultaneously with and subject to the closing of the Acquisition Agreement following the approval thereof by the shareholders of Alanco (the "Closing"), EMS hereby assigns and transfers the TSI Note to Alanco, free and clear of any liens, encumbrances or other interests of any third party. Such transfer shall be further evidenced by delivery to Alanco of the TSI Note, duly endorsed for transfer to the order of Alanco.

2. Consideration to EMS. In consideration of the assignment of the TSI Note, Alanco shall:

a. Deliver to EMS, at the Closing, 1,000,000 shares of Alanco Common Stock, no par value (the "Alanco Stock");

b. Deliver to EMS, at the Closing, its promissory notes (the "Alanco Notes"), on the terms and in the forms attached as Annexes A and B to this Agreement; and

c. Deliver to EMS, not later than the seventh calendar day after the Closing, \$25,000 paid by check or wire transfer.

3. Restricted Status of Alanco Common Stock. EMS acknowledges that the Alanco Stock, together with any shares of Alanco Common Stock issued upon conversion of the Alanco Note in the form attached as Annex B, will be "restricted securities" under the Securities Act of 1933, as amended (the "1933 Act"), and will bear a legend worded substantially as follows:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR THE SECURITIES LAWS OF ARIZONA OR ANY OTHER STATE, PURSUANT TO EXEMPTIONS THEREUNDER. SUCH SHARES MAY NOT BE TRANSFERRED OTHER THAN IN A TRANSACTION THAT IS REGISTERED UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR AS TO WHICH IT

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

IS ESTABLISHED TO THE SATISFACTION OF COUNSEL TO THE ISSUER THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION THEREUNDER.

The foregoing legend on the certificates representing Alanco Common Stock shall be removed by delivery of substitute certificates without such legend, at such time as such legend is not required for purposes of the 1933 Act. It is agreed that such restrictive legends and related stop orders will be removed if (i) Alanco has received either a written opinion of counsel, which such counsel and opinion shall be reasonably satisfactory to Alanco, or a "no action" letter obtained from the SEC, to the effect that the Alanco Common Stock subject thereto may be transferred free of the restrictions imposed by Rule 144, or (ii) in the event of a sale of the Alanco Common Stock which has been registered under the Securities Act or made in conformity with the provisions of Rule 144.

4. Registration of Alanco Stock. Alanco and EMS agree that the rights and obligations of Alanco and EMS with respect to the registration by Alanco of the Alanco Stock, under the 1933 Act and applicable state laws, for resale by EMS shall be as set forth in Exhibit B to the Acquisition Agreement.

5. Representations and Warranties of Alanco. Alanco represents and warrants to EMS that each of the following statements is true and accurate on the date hereof and will be true and accurate as of the Closing:

a. Corporate Status. Alanco is a corporation duly incorporated, organized, subsisting and in good standing under the laws of the State of Arizona, and is duly qualified to transact business in all jurisdictions in which such qualification is required, except where the failure to qualify could not be reasonably expected to have a material adverse effect on the business operations or financial condition of Alanco.

b. Authority. Alanco has all necessary power and authority (corporate and otherwise) to own, lease and operate its assets and other properties and to carry on business as it is now being conducted. Alanco is duly authorized to enter into this Agreement and to perform all its obligations and do all other things and take all other actions required or contemplated hereby or thereby. This Agreement has been duly executed and delivered by Alanco and, assuming the due authorization, execution and delivery hereof by the other parties to this Agreement, constitutes the legal, valid and binding obligation of Alanco, enforceable against Alanco in accordance with its terms.

c. Authorized Alanco Stock. The authorized capital stock of Alanco consists of 100,000,000 shares of common stock, no par value, of which there are (i) 10,220,100 shares issued and outstanding, (ii) 5,000,000 shares of Class A Cumulative Convertible Preferred Shares, of which there are no shares issued and outstanding, and (iii) 20,000,000 shares of Class B Cumulative Convertible Preferred Shares, of which there are no shares issued and outstanding. Upon delivery pursuant to this Agreement, the Alanco Stock, together with any shares of the Alanco Common Stock issued upon conversion of the Alanco Note in the form attached as Annex B, will be duly authorized, validly issued, fully-paid and non-assessable shares of the Common Stock, no par value per share, of Alanco, free of preemptive rights.

d. No Violations. Neither this Agreement nor Alanco's performance of its obligations hereunder will contravene, violate or result in a breach of (i) the Articles of Incorporation, Bylaws or other organizational documents of Alanco, (ii) any agreement, obligation or commitment to which Alanco is a party or by which it is bound, or (iii) any applicable requirement, judgment, order or restriction of any court or other governmental entity, and no consent of, notice to or filing with any person is required for the performance by Alanco of the transactions contemplated by or its obligations under this Agreement, other than filings under the Securities Act of 1933, as amended (the "1933 Act"), the

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Securities Exchange Act of 1934, as amended (the "1934 Act"), or as required by the rules and regulations of the National Association of Securities Dealers, Inc.

e. Alanco Public Filings; Financial Statements.

(i) Since December 31, 1999, Alanco has filed all forms, reports, statements and other documents required to be filed with the SEC, including without limitation (i) all Annual Reports on Form 10-K, (ii) all Quarterly Reports on Form 10-Q, (iii) all proxy statements relating to meetings of shareholders (whether annual or special), (iv) all Current Reports on Form 8-K and (v) all other reports, schedules, registration statements or other documents (collectively referred to as the "Alanco Public Filings"). The Alanco Public Filings were prepared in all material respects in accordance with the requirements of applicable legal requirements (including the 1933 Act or 1934 Act, as the case may be, and the applicable rules and regulations of the SEC thereunder, and the Alanco Public Filings did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(ii) Each of the historical consolidated financial statements (including, in each case, any related notes thereto) contained in the Alanco Public Filings (i) have been prepared in accordance with the published rules and regulations of the SEC and GAAP applied on a consistent basis throughout the periods involved (except (A) to the extent disclosed therein or required by changes in GAAP, (B) as may be indicated in the notes thereto and (C) in the case of the unaudited financial statements, as permitted by the rules and regulations of the SEC) and (ii) fairly present the consolidated financial position of Alanco and its subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows for the periods indicated (subject, in the case of unaudited consolidated financial statements for interim periods, to adjustments, consisting only of normal, recurring accruals, necessary to present fairly such results of operations and cash flows).

(iii) Except as disclosed in the Alanco Public Filings filed prior to the date of this Agreement or as contemplated by this Agreement, since June 30, 2001, Alanco and its subsidiaries have conducted their respective businesses only in the ordinary course and in a manner consistent with past practice and there has not been any event causing or constituting a material adverse effect on the business operations or financial condition of Alanco, other than issuance of shares of Alanco common stock in connection with a private offering thereof, and general market conditions in Alanco's computer storage businesses.

6. Representations and Warranties of EMS. EMS represents and warrants to Alanco that each of the following statements is true and accurate on the date hereof and will be true and accurate as of the Closing:

a. Corporate Status. EMS is a corporation duly incorporated, organized, subsisting and in good standing under the laws of the State of Georgia, and is duly qualified to transact business in all jurisdictions in which such qualification is required, except where the failure to qualify could not be reasonably expected to have an material adverse effect on the business operations or financial condition of EMS.

b. Authority. EMS is duly authorized to enter into this Agreement and to perform all its obligations and do all other things and take all other actions required or contemplated hereby or thereby. This Agreement has been duly executed and delivered by EMS and, assuming the due authorization, execution and delivery hereof by the other parties to this Agreement, constitutes the legal, valid and binding obligation of EMS, enforceable against EMS in accordance with

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

its terms.

c. No Violations. Neither this Agreement nor EMS's performance of its obligations hereunder will contravene, violate or result in a breach of (i) the Articles of Incorporation, Bylaws or other organizational documents of EMS, (ii) any agreement, obligation or commitment to which EMS is a party or by which it is bound, or (iii) any applicable requirement, judgment, order or restriction of any court or other governmental entity, and no consent of, notice to or filing with any person is required for the performance by EMS of the transactions contemplated by or its obligations under this Agreement, other than filings under the 1933 Act, 1934 Act or as required by the rules and regulations of the National Association of Securities Dealers, Inc.

d. Purchase for Investment; Accredited Investor Status. EMS is acquiring the Alanco Stock, the Alanco Notes, and any share of Alanco Common Stock issued upon conversion of the Alanco Note in the form of Annex B, for investment for its own account and not with a view to, or in connection with, a distribution thereof within the meaning of Section 2(11) of the 1933 Act, other than in transactions registered under or exempt from registration under such Act. EMS acknowledges that such shares of Alanco Common Stock have not been registered under the 1933 Act, or the securities laws of any state. EMS confirms that Alanco has given EMS and its representatives the opportunity to ask questions of the directors, officers and management employees of Alanco, and to acquire such additional information about the business and financial condition of Alanco as EMS has requested, and that all such information has been received by EMS. EMS further confirms that it constitutes and "accredited investor" as such term is defined for the purposes of Regulation D under the 1933 Act.

In Witness Whereof, the parties have caused this Assignment Agreement to be executed and delivered on their respective behalves by their duly authorized officers, on the date set forth above.

EMS TECHNOLOGIES, INC.

ALANCO TECHNOLOGIES, INC.

By: _____
Name: Don T. Scartz
Title: Senior Vice President and
Chief Financial Officer

By: _____
Name:
Title:

TECHNOLOGY SYSTEMS INTERNATIONAL, INC.

By: _____
Name: Greg M. Oester
Title: Chief Executive Officer

Exhibit A
Promissory Note

Principal
\$250,000

Scottsdale, Arizona

FOR VALUE RECEIVED, the undersigned, Alanco Technologies, Inc. an Arizona corporation (hereafter referred to as "Borrower"), promises to pay to the order of EMS Technologies, Inc., a Georgia corporation (hereinafter, together with any holder hereof, referred to as "Lender"), the principal sum of

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Two Hundred Fifty Thousand Dollars (\$250,000), said sum being payable on the earlier of (i) the third anniversary of the date hereof; and (ii) to the extent of funds received by Borrower from the State of California with respect to installation of Borrower's system in the Calipatria prison, net of any expenses incurred after the date of this note in completing said installation or collecting said funds.

Interest shall accrue and be payable on the principal amount of this Promissory Note outstanding from time to time at the rate of 5% per annum. Accrued interest hereunder shall be payable on March 31, 2003, at the last day of each calendar quarter thereafter, and at maturity.

Amounts due hereunder are payable to Lender at the Lender's offices at 660 Engineering Drive, Norcross, Georgia 30092, or at such other place as the Lender may designate in writing.

The entire unpaid principal balance of this Promissory Note, or partial payments in even thousands of dollars, may be paid at any time prior to maturity without penalty.

If for any reason the principal balance together with all accrued interest is not paid promptly on or before the due date, the Borrower shall be in default hereunder. The Borrower shall also be in default hereunder if the Borrower (i) files a voluntary petition in bankruptcy, (ii) is adjudicated as bankrupt or insolvent, (iii) files a petition or answer seeking or acquiescing in any reorganization or arrangement under the bankruptcy laws, (iv) seeks or acquiesces in the appointment of a trustee or receiver, (v) makes a general assignment for the benefit of creditors, (vi) admits in writing of its inability to pay debts generally as they become due, or (vii) is the subject of an involuntary petition in bankruptcy that is not withdrawn or dismissed within sixty (60) days from the filing thereof.

Upon default and at any time thereafter, the Lender may declare the entire unpaid balance of this Promissory Note immediately due and payable without presentment, demand, protest, notice of default, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived. Upon default, said principal sum, or so much thereof as may remain unpaid at the time of such default, shall thereafter bear interest at the lesser of the maximum rate allowed by applicable law or the rate of 12% per annum.

If this Promissory Note is placed in the hands of an attorney for collection, the borrower shall pay all costs of collection incurred by the Lender, including reasonable attorneys' fees.

This Promissory Note is to be construed in all respects and enforced according to the laws of the State of Arizona.

Notwithstanding any provision contained in this Note or any other document executed or delivered in connection with this Note, the Lender shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on this Note, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, if the Lender ever receives, collects or applies as interest any such excess, then the amount that would be excessive interest shall be applied to reduce the unpaid principal balance of this Note, and, if the principal balance of this Note is paid in full by that application, then any remaining excess shall promptly be paid to Borrower. In determining whether the interest paid or payable under any specific contingency exceeds the highest lawful rate, Borrower and the Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment (other than payments expressly designated as interest payments hereunder) as an expense or fee rather than as interest, (ii) exclude

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

voluntary prepayments and the effect thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of this Note so that interest rate is uniform throughout that term.

Executed this ____ day of _____, 2002.

Signed, sealed and delivered
in the presence of:

BORROWER

ALANCO TECHNOLOGIES, INC.

By: _____
Chief Executive Officer

Exhibit B
Promissory Note

Principal
\$100,000

Scottsdale, Arizona

FOR VALUE RECEIVED, the undersigned, Alanco Technologies, Inc. an Arizona corporation (hereafter referred to as "Borrower"), promises to pay to the order of EMS Technologies, Inc., a Georgia corporation (hereinafter, together with any holder hereof, referred to as "Lender"), the principal sum of One Hundred Thousand Dollars (\$100,000), said sum being payable on the fifth anniversary of the date hereof.

Interest shall accrue and be payable on the principal amount of this Promissory Note outstanding from time to time at the rate of 5% per annum. Accrued interest hereunder shall be payable on March 31, 2003, on the last day of each calendar quarter thereafter, and at maturity.

Amounts due hereunder are payable to Lender at the Lender's offices at 660 Engineering Drive, Norcross, Georgia 30092, or at such other place as the Lender may designate in writing.

The entire unpaid principal balance of this Promissory Note, or partial payments in even thousands of dollars, may be paid at any time prior to maturity without penalty.

Lender may at its option, exercised at any time and from time to time prior to payment in full of all amounts owed under this Promissory Note, and Borrower may at its option, exercised on any date on which the shares of the common stock, no par value, of the Borrower (the "Common Shares") shall have traded on the five preceding trading days at a closing price equal to or exceeding \$1.10 per share, as reported on NASDAQ, convert all or any portion of the outstanding principal balance of, and unpaid accrued interest under, this Promissory Note into the Common Shares, at a conversion rate of \$1.00 per Share, subject as to both conversion rate and the closing price triggering Borrower's option to (i) proportionate adjustment to prevent any dilution of Lender's potential interest in the equity of Borrower caused by any share split or share dividend, and (ii) reduction equal to the per-Share value of any other distribution (whether as a dividend or otherwise, and whether in cash or in kind) to shareholders of record on a date prior to the date of conversion and issuance of Shares pursuant thereto. In the event of any merger, reorganization or other transaction resulting in the holders of the Common Shares receiving or holding any security or other property different from or in addition to the Common Shares, this conversion right shall entitle the Lender to receive, at the adjusted conversion price then in effect, such security or a Common Share and

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

such other property received or held as a result of such transaction with respect to each Common Share.

If for any reason the principal balance together with all accrued interest is not paid promptly on or before the due date, the Borrower shall be in default hereunder. The Borrower shall also be in default hereunder if the Borrower (i) files a voluntary petition in bankruptcy, (ii) is adjudicated as bankrupt or insolvent, (iii) files a petition or answer seeking or acquiescing in any reorganization or arrangement under the bankruptcy laws, (iv) seeks or acquiesces in the appointment of a trustee or receiver, (v) makes a general assignment for the benefit of creditors, (vi) admits in writing of its inability to pay debts generally as they become due, or (vii) is the subject of an involuntary petition in bankruptcy that is not withdrawn or dismissed within sixty (60) days from the filing thereof.

Upon default and at any time thereafter, the Lender may declare the entire unpaid balance of this Promissory Note immediately due and payable without presentment, demand, protest, notice of default, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived. Upon default, said principal sum, or so much thereof as may remain unpaid at the time of such default, shall thereafter bear interest at the lesser of the maximum rate allowed by applicable law or the rate of 12% per annum.

If this Promissory Note is placed in the hands of an attorney for collection, the borrower shall pay all costs of collection incurred by the Lender, including reasonable attorneys' fees.

This Promissory Note is to be construed in all respects and enforced according to the laws of the State of Arizona.

Notwithstanding any provision contained in this Note or any other document executed or delivered in connection with this Note, the Lender shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on this Note, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, if the Lender ever receives, collects or applies as interest any such excess, then the amount that would be excessive interest shall be applied to reduce the unpaid principal balance of this Note, and, if the principal balance of this Note is paid in full by that application, then any remaining excess shall promptly be paid to Borrower. In determining whether the interest paid or payable under any specific contingency exceeds the highest lawful rate, Borrower and the Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment (other than payments expressly designated as interest payments hereunder) as an expense or fee rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of this Note so that interest rate is uniform throughout that term.

Executed this ____ day of _____, 2002.

Signed, sealed and delivered
in the presence of:

BORROWER

ALANCO TECHNOLOGIES, INC.

By:

Chief Executive Officer

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

EXHIBIT 10.2

ASSET PURCHASE AGREEMENT AND SECOND AMENDMENT TO SUPPLY AND LICENSE AGREEMENT

THIS ASSET PURCHASE AGREEMENT AND SECOND AMENDMENT TO SUPPLY AND LICENSE AGREEMENT ("Second Amendment") is made this 16th day of January, 2004, between EMS TECHNOLOGIES, INC., a Georgia corporation ("EMS"), and TECHNOLOGY SYSTEMS INTERNATIONAL, INC., an Arizona corporation ("TSI").

RECITALS:

EMS and Technology Systems International, Inc., a Nevada corporation ("Old TSI"), were parties to that certain Exclusive Supply Agreement, dated December 23, 1998 (the "Original Supply Agreement"), providing for the supply by EMS to Old TSI of certain products for use in personnel locator systems offered by Old TSI for installation in prison systems.

TSI acquired substantially all of the assets and business of Old TSI effective May 14, 2002, and Old TSI, EMS and TSI agreed to amend the Original Supply Agreement pursuant to that certain Supply and License Agreement, dated May 14, 2002, among said parties (the "First Amendment"). The Original Supply Agreement, as amended by the First Amendment is referred to herein as the "Supply Agreement".

TSI has purchased certain products from EMS for incorporation into the prison monitoring system sold to the state of Illinois for installation at a prison facility known as the Logan Facility, and TSI currently owes EMS a disputed amount for said products of EMS.

The parties hereto wish to transfer to TSI assets currently held by EMS and used in the production of the prison monitoring systems marketed by TSI, and to resolve their disagreements and further amend the Supply Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the parties agree as follows:

1. Payment of Logan Facility Product Invoices. TSI shall pay \$200,000 to EMS in full satisfaction of amounts due to EMS for all products previously delivered by EMS for the Logan Facility, in the manner set forth in section 6 below.

2. MCAE Tooling. In satisfaction of TSI's obligations under section 2.c. of the First Amendment, TSI shall pay EMS the fixed amount of \$50,000 for the molds and related tooling located at the facilities of MCAE (or located at the facilities of MCAE's subcontractor) used in connection with the housings and related components for PASS and PAL units for TSI's monitoring systems ("Tooling"). Said amount shall be paid by TSI in the manner set forth in section 6 below. In addition to the fixed amount specified in the previous sentence, TSI shall also pay to EMS for the Tooling the sum of \$2.00 for each set of PASS or PAL housing components produced from the Tooling after the first 2,000 of such housing sets produced

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

following the date hereof, but not more than \$10,000 aggregately. Said per-housing set amount shall be paid by TSI to EMS with respect to particular housing sets within 30 days after TSI takes delivery of such housing sets. EMS warrants that upon receipt of such payment, TSI will have full title to the Tooling, with the right to possess the Tooling free and clear of any claims or liens by MCAE or others.

3. Warranty Credit. Without admitting any liability whatsoever, EMS hereby grants TSI a credit against amounts due from TSI hereunder in the amount of \$50,000 in full satisfaction of any and all warranty or similar product claims with respect to all products previously delivered by EMS under the Supply Agreement. Said amount shall be credited in the manner set forth in section 6 below.

4. Purchase Obligation Fulfillment; C-Nodes. In satisfaction of the parties' remaining obligations under section 1.a of the First Amendment concerning the dollar amount of products to be purchased by TSI from EMS, TSI shall pay to EMS the aggregate sum of \$137,000 in the manner described in this section. The parties anticipate that TSI will, as soon as practicable, take over the responsibility to manufacture c-nodes for its requirements. Until such time, EMS will continue to manufacture and sell c-nodes to TSI. For each c-node manufactured by EMS and delivered as directed by TSI after the date hereof (at the existing contract price of \$15,790 per c-node), the amount of \$4,000 shall be credited against said \$137,000 obligation. Thereafter, for each c-node manufactured by TSI and installed in a prison monitoring system, TSI will pay to EMS the sum of \$1,250 as a royalty until the balance of the \$137,000 obligation is fully paid. The royalty amount shall be paid to EMS within fifteen days following receipt of payment for the c-node from TSI's customer. With respect to c-nodes purchased from EMS that are not purchased for installation at a particular site (i.e., inventory c-nodes), TSI shall pay for the same on a net-30 day basis.

5. Purchase of Inventory.

a. TSI shall purchase certain of EMS' inventory of non-defective prison monitoring system parts, including the remaining c-node inventory once TSI assumes manufacturing responsibility for c-nodes. The inventory to be initially purchased, as well as the purchase price for the same, is set forth on Exhibit "A" attached hereto (excluding c-node inventory), with an aggregate purchase price of \$289,893 (the sum of the individual parts prices reflected on said Exhibit A plus \$12,000,00), to be paid in the manner set forth in section 6 below. The deferred balance for the inventory will be paid as the inventory is consumed on a pro-rata basis, that is, the deferred balance to be paid for each inventory part shall be determined by multiplying the price for said part shown on Exhibit "A" by the fraction $\frac{125,910}{289,893}$ (or 0.434). TSI shall produce a quarterly report of what inventory remains, and shall pay for any inventory used in the quarter in three equal quarterly installments commencing 15 days after the end of the quarter. The initial payment trigger is removing parts from the shelf, not when TSI's customer pays for the system. Any balance owed with respect to the inventory would be due in full two years following the date hereof, regardless of whether the inventory has at that time been consumed by TSI. The inventory must be of good quality. Any inventory found to be defective as it is used will be returned to EMS and the balance of the obligation for the inventory reduced by TSI's purchase price for such returned inventory. In addition, if the defective

inventory makes other inventory purchased from EMS obsolete because of the

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

unavailability of parts to produce components, then such other obsolete inventory may also be returned to EMS for credit.

b. When TSI assumes production responsibility for c-nodes, the remaining EMS c-node inventory shall also be purchased by TSI upon the same conditions set forth in paragraph 5.a above; provided, however, the aggregate purchase price for such inventory shall not be greater than \$50,000. The full purchase price for the c-node inventory shall be added to the deferred balance for the initial inventory purchased, to be paid for when used in the manner described above for the initial inventory purchased. EMS's current c-node inventory, with the unit pricing to be paid by TSI hereunder, is attached hereto as Exhibit "B". Said inventory list may be reduced as components are used by EMS in producing c-nodes for sale to TSI as described in section 4 above, and may be increased for any extra parts acquired by EMS due to quantity purchasing obligations as EMS produces c-nodes for TSI.

6. The following table summarizes the payment obligations of TSI to EMS set forth above:

Item	Fixed Amount	Contingent Amount
Illinois Invoices	\$200,000	
MCAE Tooling	\$50,000	Plus additional \$10,000 payable \$2.00 per housing set after first 2,000 sets
Warranty Credit	(\$50,000)	
C-Nodes		\$137,000 to be "paid" by crediting \$4,000 per c-node manufactured by EMS, and \$1,250 royalty for each c-node manufactured by TSI
Inventory	\$289,893	Plus additional amount for remaining c-node inventory when TSI assumes c-node manufacturing obligation
TOTAL FIXED AMOUNT PAYABLE	\$489,893	

The total fixed initial amount payable of \$489,893 shall be paid as follows:

\$75,000	cash upon the execution hereof
\$125,946	cash on a deferred basis as the inventory is employed in accordance with section 5 above
\$288,947	balance in the form of 288,947 shares Class A common stock of Alanco Technologies, Inc. to be issued upon the execution hereof.

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

7. Conversion of Existing Promissory Note. Upon the date hereof, the existing promissory note of Alanco Technologies, Inc in favor of EMS, dated May 14, 2002, in the principal amount of \$250,000 shall be satisfied in full by Alanco Technologies issuing 250,000 shares of its Class A common Stock to EMS, plus unpaid interest accrued to the date of conversion.

8. EMS Representations; Registration of Stock. EMS restates for the purposes of this Amendment the representations set forth in Section 9 of the First Amendment. Alanco Technologies, Inc shall file an S-3 registration statement with the SEC for the resale in over-the-counter or privately negotiated transactions of the shares of its Class A common stock issued to EMS under sections 6 and 7 above within 45 days following the date hereof, without cost to EMS, and shall use its best reasonable efforts to cause said registration to become effective as soon as possible thereafter.

9. Access to Information. As long as EMS is owed monies by TSI hereunder, EMS shall have the right to such information and reports concerning the operations of TSI as set forth in the Original Supply Agreement.

10. Supply Agreement. Except as expressly modified by this Second Amendment, the Supply Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Second Amendment effective the date first above written.

EMS TECHNOLOGIES, INC.
a Georgia corporation

By: _____

Its: _____

TECHNOLOGY SYSTEMS INTERNATIONAL, INC.
an Arizona corporation

By: _____
Greg E. Oester
President

For the purpose of agreeing to sections 7 and 8 only:

ALANCO TECHNOLOGIES, INC.
an Arizona corporation

By: _____
John A. Carlson, Chief Financial Officer

Summary EMS Non C-Node Inventory

PASS, PAL, Aetec Return Stock Inventory - (Subtotal from Page 5)
Aetec Furnished Pass Material Inventory - (Subtotal from Page 7)

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

Grand Total

PASS, PAL, Aetec Return Stock Inventory				
Part Number	Description	Qty	Cost	Extension
524001-226	IC, MONITOR, VOLT, MAX811	800	\$1.00	\$800.00
524000-34	IC, INV, SGL, 7SHU04FU	6244	\$0.30	\$1,873.20
526000-106	DIO, RECT, 600V, 1SR154-600	5000	\$0.10	\$500.00
525003-8	CAP, CHIP, TRIM., 25V, 5-40 PF	2401	\$0.40	\$960.40
524001-601	IC, XMTR, UHF, 13176	3840	\$1.62	\$6,220.80
525000BP3R3ACTA	CAP, C0603, 50V, NPO, + -.25PF, 3.30P	20	\$0.01	\$0.20
535003B6R8JT1	IDCTR, CHIP, 0603, 6.8NH, 5%	3614	\$0.25	\$903.50
535003C151KT1	IDCTR, CHIP, 0805, 150NH, 10%	6801	\$0.25	\$1,700.25
577001-28	CONN, SMA, PCB SMT, JACK RCPT	253	\$0.96	\$242.88
546001-201	IC, SW, R.F., GAAS, 2.5GHZ, SW338	227	\$2.50	\$567.50
525000AP560AJTA	CAP, C0402, 50V, NPO, 5%, 56.0PF	40893	\$0.01	\$408.93
525000AP820AJTA	CAP, C0402, 50V, NPO, 5%, 82.0PF	2867	\$0.01	\$28.67
529000AL104JTA	RES, R0402, .063W, 5%, 100K	30114	\$0.01	\$301.14
529000AL225JTA	RES, R0402, .063W, 5%, 2.20M	12178	\$0.01	\$121.78
529000AL113JTA	RES, R0402, .063W, 5%, 11.0K	10401	\$0.01	\$104.01
529000AL273JTA	RES, R0402, .063W, 5%, 27.0K	9493	\$0.01	\$94.93
529000AL242JTA	RES, R0402, .063W, 5%, 2.40K	726	\$0.02	\$14.52
529000AL133JTA	RES, R0402, .063W, 5%, 13.0K	11710	\$0.02	\$234.20
525000AP271AKTA	CAP, C0402, 50V, NPO, 10%, 270PF	10000	\$0.02	\$200.00
525000AX821AKTA	CAP, C0402, 50V, X7R, 10%, 820PF	10,004	\$0.02	\$200.08
525000AP4R7ACT2	CAP, C0402, 50V, NPO, + -.25PF, 4.70P	9957	\$0.03	\$298.71
525000AX102AKTA	CAP, C0402, 50V, X7R, 10%, 1000PF	8860	\$0.03	\$265.80
525000BY104DLTA	CAP, C0603, 16V, Y5V, +80%, .10UF	9630	\$0.07	\$674.10
525000AP101AJTA	CAP, C0402, 50V, NPO, 5%, 100PF	19152	\$0.07	\$1,340.64
525000AP120AJTA	CAP, C0402, 50V, NPO, 5%, 12.0PF	12192	\$0.07	\$853.44
525000AX103DKTA	CAP, C0402, 16V, X7R, 10%, .010UF	37475	\$0.08	\$2,998.00
525000AY333DLTA	CAP, C0402, 16V, Y5V, +80%, .033UF	17550	\$0.09	\$1,579.50
527002-11	XSTR, N-CH, 3.5, .8A, BSS138	24229	\$0.16	\$3,876.64
535004-0906-5	IDCTR, AIR CORE, 5.45 nH, 5%	3884	\$0.29	\$1,126.36
524000-209	IC, EEPROM, SER, 64X16, 93LC46	6557	\$0.31	\$2,032.67
525003-3	CAP, CHIP, TRIM., 25V, 1-3 PF	5826	\$0.40	\$2,330.40
527002-7	XSTR, P-CH, MIC94031BM4	8932	\$0.49	\$4,376.68
524001-500	IC, DRVR, CRYSTAL OSC, 7210	3489	\$0.59	\$2,058.51
546001-9	AMPL, R.F., SIL., MIC, SO-8	2114	\$1.73	\$3,657.22
524002-2	ASIC, PRISM	10677	\$4.46	\$47,619.42
525000CX104AKTA	CAP, C0805, 50V, X7R, 10%, .10UF	8813	\$0.01	\$88.13
535000-3	IDCTR, RADIAL LEAD, 100uH, 10%	799	\$0.30	\$239.70
524001-200	IC, OP AMP, JFET, QUAD, LF347	102	\$0.43	\$43.86
524001-201	IC, OP AMP, JFET, QUAD, LF347	75	\$0.60	\$45.00
525000CP101AJTA	CAP, C0805, 50V, NPO, 5%, 100PF	108	\$0.01	\$1.08
529000BL332JTA	RES, R0603, .100W, 5%, 3.30K	220	\$0.01	\$2.20
529000BL471JTA	RES, R0603, .100W, 5%, 470	188	\$0.01	\$1.88
529000BL104JTA	RES, R0603, .100W, 5%, 100K	155	\$0.01	\$1.55
529000BL1001FTA	RES, R0603, .100W, 1%, 1.00K	4998	\$0.01	\$49.98
564001-110	WSHR, LK, EXT TOOTH 2.5MM	71	\$0.08	\$5.68
579001-7	WSHR, LK, INT TOOTH, BNC CONN	333	\$0.08	\$26.64
579001-6	NUT, JAM, BNC CONN	415	\$0.10	\$41.50
525001D106K35TA	CAP, TANT, C7343, 35V, 10%, 10UF	313	\$0.25	\$78.25
526000-508	DIO, LED, RED, 5V, 3.5MA, INT. RES.	791	\$0.54	\$427.14

PASS PAL, Aetec Return Stock Inventory				
Part Number	Description	Qty	Cost	Extension
577000-1	CONN, BNC, RT ANGLE, 50 OHM, WHT	402	\$0.59	\$237.18
524001-2	IC, OP AMP, JFET, QUAD, LF347	137	\$0.85	\$116.45
524000-9	IC, BFR, OCTAL, 74FCT244	10	\$0.88	\$8.80
564001-100	HDW, MNTG, FOR 564001-1 &-2	223	\$0.91	\$202.93

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

577000-2	CONN, ROW, RT ANGLE, 96PIN, 3 ROW	17	\$1.39	\$23.63
564001-103	NUT, CPTV, 19"RK, M-6	300	\$1.48	\$444.00
524001-101	IC, OP AMP, QUAD, 100MHZ, LT1230	9	\$1.84	\$16.56
564001-1	HDL, EJCTR, BOT, BLK	15	\$2.23	\$33.45
564001-2	HDL, EJCTR, TOP, BLK	15	\$2.23	\$33.45
524001-100	IC, COMPTR, ULTRAFAS, AD9698	157	\$3.30	\$518.10
524000-301	IC, FPGA, 22V10	27	\$3.50	\$94.50
564001-107	TAPPED STRIPS	4	\$5.41	\$21.64
564001-204	PNL, BLK, PCB, NO HDL, 6U 4HP	2	\$5.69	\$11.38
524000-100	IC, GATE, OCTAL , 74F641	45	\$6.06	\$272.70
524001-1	IC, OP AMP, QUAD, 100MHZ, LT1230	60	\$9.13	\$547.80
564001-102	BLT, SLTD, FOR 19"RACK	264	\$11.48	\$3,030.72
524000-302	IC, FPGA, ISPLSI1024	3	\$12.50	\$37.50
524000-300	IC, FPGA, 2000 GATES, 3042	45	\$13.78	\$620.10
554000-40W	HEADER, DIP, LOW PROFILE, 40 SCKT	43	\$0.15	\$6.45
554000-32W	HEADER, DIP, LOW PROFILE, 32 SCKT	2	\$0.36	\$0.72
524000-8	IC, XCVR, BI-DIR, OCTAL, 74ABT245	15	\$0.79	\$11.85
553000-1	TERM STRIP, 1ROW, 36PIN, ST, .110	50	\$0.94	\$47.00
524000-200	IC, FIFO, 512X9, 50MHZ, 7201	52	\$2.23	\$115.96
539003-1	OSC, XTAL, CLK, 80 MHZ, 14PDIP	27	\$5.35	\$144.45
524000-10	IC, GATE, OCTAL , 74F641	2	\$5.50	\$11.00
524000-108	IC, GATE, OCTAL , 74F641	5	\$6.55	\$32.75
524000-101	IC, MIC CTLR, 8-BIT, 16C74-20	5	\$7.82	\$39.10
602115-2	PWB DETAIL-MAST TIMING GENERAT	30	\$51.97	\$1,559.10
529000BL000JTA	RES, R0603, 1AMP, 0.0	5000	\$0.003	\$15.00
535000-15	IDCTR, CHIP, 32CS, 1uH, 10%	3308	\$1.00	\$3,308.00
529000BL106JTA	RES, R0603, .100W, 5%, 10M	114	\$0.003	\$0.34
529000BL331JTA	RES, R0603, .100W, 5%, 330	294	\$0.003	\$0.88
529000BL333JTA	RES, R0603, .100W, 5%, 33.0K	4992	\$0.003	\$14.98
529000BL2490FTA	RES, R0603, .100W, 1%, 249	246	\$0.004	\$0.98
529000BL112JTA	RES, R0603, .100W, 5%, 1.10K	212	\$0.01	\$2.12
529000BL220JTA	RES, R0603, .100W, 5%, 22.0	5000	\$0.01	\$50.00
529000BL4990FTA	RES, R0603, .100W, 1%, 499	112	\$0.02	\$2.24
525000CP221AJTA	CAP, C0805, 50V, NPO, 5%, 220PF	3394	\$0.02	\$67.88
526000-104	DIO, SHTKY, 200nA@25V, MMBD301	4647	\$0.03	\$139.41
525000EP121AJTB	CAP, C1206, 50V, NPO, 5%, 120PF	200	\$0.05	\$10.00
554000-28S	HEADER, DIP, LOW PROFILE, 28 SCKT	42	\$0.12	\$5.04
526000-1	DIO, SHTKY, 200nA@25V, MMBD301	461	\$0.15	\$69.15
525000CP681AJTA	CAP, C0805, 50V, NPO, 5%, 680PF	3992	\$0.17	\$678.64
524000-3	IC, GATE, AND, QUAD, 74ACT08	35	\$0.19	\$6.65
524000-4	IC, GATE, OR, QUAD, 74ACT32	46	\$0.19	\$8.74
524000-5	IC, FLIP FLOP, D, DUAL, 74AC74	191	\$0.21	\$40.11
535000-1	IDCTR, CHIP, 32CS, 1uH, 10%	178	\$0.35	\$62.30
524000-6	IC, FLIP FLOP, D, OCTAL, 74ABT374	96	\$0.59	\$56.64
551000-1	FUSE, .75A, SURFSCE MT	2000	\$0.72	\$1,440.00
527000-102	XSTR, PNP, QD, EP2015	79	\$1.65	\$130.35

Part Number	Description	Qty	Cost	Extension
524001-400	IC, SWITCH, SPST, QUAD, MAX352	378	\$1.76	\$665.28
524001-300	IC, CONV, D/A, 6-BIT, 8444	28	\$1.78	\$49.84
535000-2	IDCTR, AXIAL LEAD, 100uH, 10%	319	\$1.93	\$615.67
602232-1	PNL, FRNT, MOD., TOA BD.	30	\$5.83	\$174.90
602113-3	PWB DETAIL - TOA BOARD	50	\$37.80	\$1,890.00
524000-314	IC, GATE, AND, QUAD, 74ACT08	9	\$45.10	\$405.90
535003A330JTA	IDCTR, CHIP, 0402, 33NH, 5%	15243	\$0.10	\$1,524.30
525000BP1R8ACTA	CAP, C0603, 50V, NPO, + -.25PF, 1.80P	154	\$0.01	\$1.54
525000BP2R2ACTA	CAP, C0603, 50V, NPO, + -.25PF, 2.20P	500	\$0.01	\$5.00
525000BP360AJTA	CAP, C0603, 50V, NPO, 5%, 36.0PF	3784	\$0.01	\$37.84
525000BX103AKTA	CAP, C0603, 50V, X7R, 10%, .010UF	3000	\$0.01	\$30.00
529000BL561JTA	RES, R0603, .100W, 5%, 560	4999	\$0.01	\$49.99

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

525000BP101AJTA	CAP,C0603,50V,NPO,5%,100PF	100	\$0.02	\$2.00
571003PC21SFP	SCR,SELF TAP,B4-24X.380 18-8SS	2357	\$0.04	\$94.28
567001-403	SPCR,CMPNT,SLBL,.070X.030X.025	45	\$0.04	\$1.80
525000BP100AJTA	CAP,C0603,50V,NPO,5%,10.0PF	13	\$0.06	\$0.78
529002-1	RES,VAR,50,20%,4MM SMT	528	\$0.20	\$105.60
525003-6	CAP,CHIP,TRIM.,100V,4.5-20 PF	941	\$0.40	\$376.40
525003-7	CAP,CHIP,TRIM.,100V,6.5-30 PF	38	\$0.40	\$15.20
526000-2	DIO,SHTKY,200nA,50V,HSMS-2804	92	\$0.50	\$46.00
546001-2	AMPL,RF,86,MMIC,BIPLR,0-.8GHZ	1300	\$1.00	\$1,300.00
525000EY105ELTA	CAP,C1206,25V,Y5V,+80PF,1UF	211	\$1.00	\$211.00
546001-3	LNA/MIXER,,MMIC,8-12GHZ	319	\$1.00	\$319.00
602126-1	SHIELD-A,AP RF	998	\$1.50	\$1,497.00
602127-1	SHIELD-B,AP RF	665	\$1.50	\$997.50
524001-600	IC,RCVR,WIDE BAND,13155	144	\$2.17	\$312.48
577005-1	CONN,BNC,JACK,P.C. BD MT	304	\$3.00	\$912.00
577001-2	CONN,BNC,JACK,P.C. BD MT	418	\$3.00	\$1,254.00
546000-1	FLTR,BP,3POLE SMD 915MHZ	444	\$3.00	\$1,332.00
539000-1	IC,CORRELATOR,SAW,140MHZ	150	\$5.00	\$750.00
539002-1	FILTR,SAW,140MHZ	275	\$33.00	\$9,075.00
562001-18	BSHG,STRN RLF	7	\$1.13	\$7.91
564001-406	KEYLOCK,PUSH BTN,INSR	35	\$2.05	\$71.75
564001-404	KEYLOCK,PUSH BTN,INSR	47	\$7.00	\$329.00
529000AL202JTA	RES,R0402,.063W,5%,2.00K	4494	\$0.02	\$89.88
553001-6	CONT,PL	138	\$0.06	\$8.28
525000AP470AJTA	CAP,C0402,50V,NPO,5%,47.0PF	6994	\$0.08	\$559.52
529000AL6493FTA	RES,R0402,.063W,1%,649K	9394	\$0.10	\$939.40
M16878/1BFE90	WIRE,STRD,PVC,22 AWG,WHT/BLK	90	\$0.17	\$15.30
193002-1	PIN,PASS TAPERED STRAP	7876	\$0.17	\$1,338.92
577004-1	CONN,D,PNL RCPT SHL,INSULD	23	\$0.19	\$4.37
525001E477M06T4	CAP,TANT,7343H,6.3V,470UF,20%	967	\$0.98	\$947.66
539001-2	FILTR,SAW,914MHZ	5126	\$1.67	\$8,560.42
539008-1	XTAL,QTZ,28.59375 MHZ	432	\$8.75	\$3,780.00
MS16995-2	SCR,CAP,SKT HD,.086-56X.250	1180	\$0.06	\$70.80
NAS1352C02-4	SCR,CAP,SKT HD,.0860-56X.250	988	\$0.07	\$69.16
190957-1	PRISM PASS ANTENNA	694	\$0.87	\$603.78
193075-1	ANTENNA HOLDER,PRISM PASS 2K	721	\$1.00	\$721.00
193074-1	BATTERY HOLDER,PRISM PASS 2K	523	\$1.00	\$523.00
191511-1	SHIELD COVER, PRISM PASS	779	\$1.90	\$1,480.10
193214-1	SHIELD COVER,PRISM PASS	1650	\$1.95	\$3,217.50
193072-1	MAIN HOUSING,PRISM PASS 2K	76	\$6.00	\$456.00
193594-1	BACK COVER,REV-E WITH-SENSE	488	\$7.00	\$3,416.00
N/A	AETEC #100-19077-35 PWB	1648	\$4.02	\$6,624.96
525000AP2R2ACTA	CAP,C0402,50V,NPO,+/- 325PF,2.20P	3264	\$0.02	\$75.07
525000CAP150AJTA	CAP,C0402,50V,NPO,5%.15.0PF	18157	\$0.02	\$334.09
525000CY334DLTA	CAP,CHIP,C0805,16V,.33uF+80	3201	\$0.06	\$176.06
526000-207	DIO,SIG,SILICON,100V, LOW LEAK	4003	\$0.14	\$540.41
553001-24	CONT,PIN,FEMALE,0.030	21	\$0.64	\$13.44
535003A100JTA	IDCTR,CHIP,0402,10NH,5%	3350	\$0.30	\$1,000.98
524001-111	IC,COMPTR,SNGL SPLY, MAX921	5004	\$1.75	\$8,757.00
546015-200	AMP,SILICON,MMIC,3V	1574	\$0.97	\$1,526.78
529002-11	RES,VAR,10K,25%,2MM	1715	\$0.02	\$35.50
529000AL3013FTA	RES,R0402,.063W,1%,301K	9046	\$0.01	\$63.32
529000AL1004FTA	RES,R0402,.063W,1%,1M	9110	\$0.01	\$63.77
529000AL8252FTB	RES,R0402,.063W,1%,82.5K	16843	\$0.00	\$77.48
529000AL4753FTA	RES,R0402,.063W,1%,475K	3076	\$0.12	\$353.74
529000AL1503FTA	RES,R0402,.063W,1%,150K	3978	\$0.02	\$91.49
529000AL331JTA	RES,R0402,.063W,5%,330	9078	\$0.01	\$45.39
529000AL9R1JTA	RES,R0402,.063W,5%,9.1	6410	\$0.02	\$147.43
529000AL131JTA	RES,R0402,.063W,5%,130	3362	\$0.01	\$38.66
529000AL103JTA	RES,R0402,.063W,5%,10.0K	8846	\$0.01	\$44.23
529000AL5493FTA	RES,R0402,.063W,1%,549K	9366	\$0.44	\$4,158.50
546015-101	R.F.,SW,L-BAND,SPDT,GaSa,MMIC	1643	\$2.10	\$3,444.06

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

539009-1	XTAL,QTZ,10.000000 MHZ	407	\$5.00	\$2,033.01
539010-1	XTAL,QTZ,32.768 KHZ	596	\$3.19	\$1,898.86
529000AL6192FTA	RES,R0402,.063W,1%,61.9K	2256	\$0.02	\$52.11
191115-3	PWB PRISM PASS	4237	\$2.05	\$8,685.85
191510-1	SHIELD FRAME, PRISM PASS	4	\$0.00	\$0.00
529002-12	RES, VAR, 100K, 25%, 2MM	2244	\$0.31	\$700.13
552000-13	SW, SEALED, SELECTOR, 3MM SQ	3675	\$1.72	\$6,306.30
	Subtotal PAL PASS Aetec Return Stock			\$204,517.06

Part Number	Description	Qty	Cost	Extension
None	PCB BOARD	1648	\$4.02	\$6,632.39
524000-209	IC,EEPROM,SER,64X16,93LC46	1693	\$0.48	\$812.64
524002-2	ASIC,PRISM	7	\$4.46	\$31.22
527002-11	XSTR,N-CH,3.5,.8A,BSS138	12339	\$0.16	\$1,974.24
525000AX103DKTA	CAP,C0402,16V,X7R,10%,.010UF	14726	\$0.10	\$1,413.70
525000AP560AJTA	CAP,C0402,50V,NP0,5%,56.0PF	30000	\$0.01	\$276.00
525000AP560AJTA	CAP,C0402,50V,NP0,5%,56.0PF	6504	\$0.01	\$59.84
525000AP560AJTA	CAP,C0402,50V,NPO,5%,56.0PF			\$0.00
				\$0.00
525000AY333DLTA	CAP,C0402,16V,Y5V,+80%,.033UF	16442	\$0.09	\$1,479.78
525000AY333DLTA	CAP,C0402,16V,Y5V,+80%,.033UF			\$0.00
525000AP101AJTA	CAP,C0402,50V,NP0,5%,100PF	6300	\$0.01	\$81.90
525000AP101AJTA	CAP,C0402,50V,NP0,5%,100PF			\$0.00
525000AP4R7ACT2	CAP,C0402,50V,NPO,t.25PF,4.70P	2808	\$0.03	\$96.88
525000AP2R2ACTA	CAP,C0402,50V,NPO,+ -.25PF,2.20P	3264	\$0.02	\$75.07
525000AP271AKTA	CAP,C0402,50V,NP0,10%,270PF		\$0.23	\$0.00
52500CAP150AJTA	CAP,C0402,50V,NPO,5%,15.0PF	8157	\$0.00	\$0.00
52500CAP150AJTA	CAP,C0402,50V,NPO,5%,15.0PF	10000	\$0.02	\$184.00
525000AX821AKTA	CAP,C0402,50V,X7R,10%,820PF	8314	\$0.02	\$191.22
525000AP820AJTA	CAP,C0402,50V,NPO,5%,82.0PF	1136	\$0.03	\$39.31
525000AP820AJTA	CAP,C0402,50V,NPO,5%,82.0PF	508	\$0.13	\$64.67
525000AX102AKTA	CAP,C0402,50V,X7R,10%,1000PF	6996	\$0.08	\$531.70
525000AP120AJTA	CAP,C0402,50V,NP0,5%,12.0PF	8424	\$0.08	\$640.22
525000AP470AJTA	CAP,C0402,50V,NPO,5%,47.0PF	6036	\$0.01	\$62.77
525000BY104DLTA	CAP,C0603,16V,Y5V,+80%,.10UF	3862	\$0.02	\$84.96
525000CY334DLTA	CAP,CHIP,C0805,16V,.33uF+80	3201	\$0.06	\$176.06
525000CY334ELTA	CAP,CHIP,C0805,25V,.33uF,+80			\$0.00
ALTERNATE PART FOR	ITEM #0018			\$0.00
525001E477M06T4	CAP,TANT,7343H,6.3V,470UF,20%	877	\$0.98	\$859.46
525003-3	CAP,CHIP,TRIM.,25V,1-3 PF	5738	\$0.47	\$2,672.76
525003-8	CAP,CHIP,TRIM.,25V,5-40 PF	2301	\$0.48	\$1,095.28
526000-207	DIO,SIG,SILICON,100V,LOW LEAK	3000	\$0.14	\$405.00
526000-207	DIO,SIG,SILICON,100V,LOW LEAK	1003	\$0.12	\$115.35
553001-24	CONT,PIN,FEMALE,0.030	21	\$0.64	\$13.44
524001-500	IC,DRV,CRYSTAL OSC,7210	1664	\$1.02	\$1,693.62
524000-34	IC,INV,SGL,7SHU04FU	6214	\$0.18	\$1,118.52
524000-34	IC,INV,SGL,7SHU04FU			\$0.00
535003A330JTA	IDCTR,CHIP,0402,33NH,5%	15222	\$0.12	\$1,758.14
535003A330JTA	IDCTR,CHIP,0402,33NH,5%			\$0.00
535003A100JTA	IDCTR,CHIP,0402,10NH,5%	3350	\$0.30	\$1,000.98
535004-0906-5	IDCTR,AIR CORE,5.45 nH,5%	1744	\$0.41	\$715.04
524001-226	IC,MONITOR,VOLT,MAX811	687	\$1.37	\$944.49
524001-111	IC,COMPTR,SNGL SPLY,MAX921	5004	\$1.75	\$8,757.00
524001-601	IC,XMTR,UHF,13176	1678	\$1.49	\$2,500.89
527002-7	XSTR,P-CH,MIC94031BM4	6772	\$0.57	\$3,860.04
546015-200	AMP,SILICON,MMIC,3V	842	\$0.52	\$433.80
546015-200	AMP,SILICON,MMIC,3V	732	\$0.97	\$710.04
546001-9	AMPL,R.F.,SIL.,MIC,SO-8	1369	\$2.50	\$3,428.52
193002-1	PIN,PASS TAPERED STRAP	4861	\$0.35	\$1,677.53

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

529002-11	RES, VAR, 10K, 25%, 2MM	1715	\$0.02	\$35.50
529000AL225JTA	RES, R0402, .063W, 5%, 2.20M	8352	\$0.01	\$96.05
529000AL104JTA	RES, R0402, .063W, 5%, 100K	16510	\$0.01	\$82.55
529000AL3013FTA	RES, R0402, .063W, 1%, 301K	9046	\$0.01	\$63.32
529000AL1004FTA	RES, R0402, .063W, 1%, 1M	9110	\$0.01	\$63.77
529000AL6493FTA	RES, R0402, .063W, 1%, 649K	7914	\$0.03	\$258.00
529000AK8252FTB	RES, R0402, .063W, 1%, 82.5K	16843	\$0.00	\$77.48
529000AL4753FTA	RES, R0402, .063W, 1%, 475K	3076	\$0.12	\$353.74
529000AL273JTA	RES, R0402, .063W, 5%, 27.0K	8923	\$0.01	\$44.62
529000AL202JTA	RES, 0402, .063W, 5%.2.00K	3576	\$0.02	\$82.25
529000AL1503FTA	RES, R0402, .063W, 1%, 150K	3978	\$0.02	\$91.49
529000AL331JTA	RES, R0402, .063W, 5%, 330	9078	\$0.01	\$45.39
529000AL9R1JTA	RES, R0402, .063W, 5%, 9.1	6410	\$0.02	\$147.43
529000AL131JTA	RES, R0402, .063W, 5%, 130	3362	\$0.01	\$38.66
529000AL113JTA	RES, R0402, .063W, 5%, 11.0K	9270	\$0.01	\$46.35
529000AL133JTA	RES, R0402, .063W, 5%, 13.0K	8854	\$0.01	\$44.27
529000AL242JTA	RES, R0402, .063W, 5%, 2.40K	1856	\$0.02	\$42.69
529000AL103JTA	RES, R0402, .063W, 5%, 10.0K	8846	\$0.01	\$44.23
529000AL5493FTA	RES, R0402, .063W, 1%, 549K	1780	\$0.40	\$719.12
529000AL5493FTA	RES, R0402, .063W, 1%, 549K	7586	\$0.04	\$303.44
546015-101	R.F., SW, L-BAND, SPDT, GaSa, MMIC	1643	\$2.10	\$3,444.06
539001-2	FILTR, SAW, 914MHZ	20	\$1.66	\$33.20
539009-1	XTAL, QTZ, 10.000000 MHZ	407	\$5.00	\$2,033.01
539008-1	XTAL, QTZ, 28.59375 MHZ	121	\$8.75	\$1,058.75
539010-1	XTAL, QTZ, 32.768 KHZ	596	\$3.19	\$1,898.86
529000AL6192FTA	RES, R0402, .063W, 1%, 61.9K	2256	\$0.02	\$52.11
191115-3	PWB, PRISM PASS	4237	\$2.05	\$8,685.85
191510-1	SHIELD FRAME, PRISM PASS	4	\$0.00	\$0.00
529002-12	RES, VAR, 100K, 25%, 2MM	244	\$0.30	\$73.69
529002-12	RES, VAR, 100K, 25%, 2MM	2000	\$0.31	\$622.00
552000-13	SW, SEALED, SELECTOR, 3MM SQ	40	\$1.05	\$41.84
552000-13	SW, SEALED, SELECTOR, 3MM SQ	3000	\$1.16	\$3,465.00
552000-13	SW, SEALED, SELECTOR, 3MM SQ	20	\$1.72	\$34.32
552000-13	SW, SEALED, SELECTOR, 3MM SQ	615	\$0.95	\$584.25
	Subtotal Aetec Furnished PASS Material			\$73,375.72

EXHIBIT B

C-Node Inventory

Part Number	Description	Qty	Cost	Extension
193786-1	ENCLOSURE, AC INLET	6	\$5.00	\$30.00
193787-1	COVER, AC INLET ENCLOSURE	7	\$5.00	\$35.00
46700108W3P3WB	SLDR, SN63, WIRE, RMA, .15 DIA	2	\$0.00	\$0.00
524000-100	IC, MIC CTRLR, 8-BIT, 16C73A-20	60	\$6.06	\$363.60
524000-200	IC, FIFO, 512X9, 50MHZ, 7201	52	\$2.23	\$115.96
524000-300	IC, FPGA, 22V10	45	\$13.78	\$620.02
524000-302	IC, FPGA, ISPLSI1024	3	\$12.50	\$37.50
524000-4	IC, GATE, OF, QUAD, 74ACT32	46	\$0.19	\$8.74
524000-5	IC, FLIP FLOP, D, DUAL, 74AC74	145	\$0.21	\$30.45
524000-8	IC, XCVR, BI-DIR, OCTAL, 74ABT245	15	\$0.79	\$11.85
524000-9	IC, BFR, OCTAL, 74FCT244	10	\$0.88	\$8.80
524001-1	IC, OP AMP, QUAD, 100MHZ, LT1230	60	\$9.13	\$547.80
524001-100	IC, COMPTR, ULTRAFAS, AD9698	157	\$3.30	\$518.10
524001-2	IC, OP AMP, JFET, QUAD, LF347	126	\$0.85	\$107.47
524001-300	IC, CONV, D/A, 6-BIT, 8444	28	\$1.78	\$49.84
524001-400	IC, SWITCH, SPST, QUAD, MAX352	378	\$1.76	\$665.28
525000CP101AJTA	CAP, C0805, 50V, NPO, 5%, 100PF	108	\$0.02	\$2.27
525000CP221AJTA	CAP, C0805, 50V, NPO, 5%, 221PF	3394	\$0.02	\$73.99

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

525000CP681AJTA	CAP, C0805, 50, NPO, 5%, 680PF	3392	\$0.20	\$690.61
525000CX104AJTA	CAP, C0805, 50V,X7R, 5%, .10UF	6500	\$0.04	\$260.00
525000EP121AJTB	CAP, C1206, 50V, NPO, 5%, 120PF	200	\$0.05	\$10.20
525001D106K35TA	CAP, TANT, C7343, 35V, 10%, 10UF	313	\$0.25	\$79.22
526000-1	DIO, SHTKY,200NA@25V, MMBD301	330	\$0.15	\$49.50
526000-508	DIO, LED, RED, 5V, 3.5MA, INT. RES.	691	\$0.54	\$369.82
526000-510	DIO, LED, RED, METAL CASE	60	\$3.55	\$213.00
527000-102	XSTR, PNP,QD, EP2015	79	\$1.65	\$130.35
529000BL000JTA	RES, R0603, 1AMP,0.0	5000	\$0.00	\$15.00
529000BL1001FTA	RES, R0603, .100W, 1%, 1.00K	4998	\$0.01	\$59.48
529000BL104JTA	RES, R0603, .100W, 5%, 100K	155	\$0.01	\$1.63
529000BL106JTA	RES, R0603, .100W, 5%, 10M	281	\$0.00	\$0.84
529000BL112JTA	RES, R0603, .100W, 5%, 1.10K	208	\$0.01	\$1.04
529000BL220JTA	RES, R0603, .100W, 5%, 22.0	2763	\$0.01	\$13.82
529000BL222JTA	RES, R0603, .100W, 5%, 2.20K	50	\$0.01	\$0.25
529000BL2490FTA	RES, R0603,.100W, 1%, 249	90	\$0.00	\$0.35
529000BL331JTA	RES, R0603, .100W, 5%, 330	327	\$0.00	\$0.95
529000BL332JTA	RES, R0603,.100W, 5%, 3.30K	111	\$0.01	\$1.11
529000BL333JTA	RES, R0603, .100W,5%, 33.0K	5084	\$0.00	\$14.74
529000BL4990FTA	RES, R0603, .100W, 1%, 499	111	\$0.02	\$1.89
529001-104	RES, NTWK, 10 PIN, 220/330 OHM, 2%	89	\$0.39	\$34.91
529001-105	RES, NTWK, 10 PIN, 56/220 OHM, 5%	28	\$0.40	\$11.20
535000-1	IDCTR, CHIP, 32CS, 1UH, 10%	148	\$0.35	\$51.36
535000-2	IDCTR, AXIAL LEAD, 100UH, 10%	167	\$1.93	\$322.31
535000-3	IDCTR, RADIAL LEAD, 100UH, 10%	799	\$1.93	\$1,542.07
537001-3	PWR SPLY, MULTI O/PUT, MDLR	11	\$1,372.00	\$15,092.00
539003-1	OSC, XTAL, CLK, 80 MHZ, 14PDIP	26	\$5.34	\$138.84
540002-4	FLTR, EMI, LEADED	1	\$51.00	\$51.00
542001-1	PWR CD, 3 PRNG, SJT VINYL, 8FT	61	\$2.49	\$151.89
551000-1	FUSE, .75A, SURFSCE MT	1754	\$0.72	\$1,258.32
551001-1	CKT BKR, 15 AMP, RD LED	26	\$14.92	\$387.92
551001-4	CKT BKR, 8 AMP, RD LED	12	\$16.00	\$192.00
553000-1	BTN, EXT., TACTILE SW, RED	50	\$0.09	\$4.50
553001-11	TERM, LUG	260	\$0.38	\$99.74
553001-12	CONT, PL	139	\$0.04	\$5.56
553001-13	CONT, RCPT	932	\$0.02	\$15.75
553001-15	CONT, SKT	255	\$0.07	\$17.85
553001-4	CONT, RCPT	877	\$0.11	\$94.72
553001-5	CONT, PL	76	\$0.06	\$4.56
553001-6	CONT, PL	222	\$0.06	\$13.32
553001-8	CONT, PL	262	\$0.08	\$20.96
554000-28S	HEADER, DIP, LOW PROFILE, 28 SCKT	53	\$0.12	\$6.36
554000-32W	HEADER, DIP, LOW PROFILE, 32 SCKT	2	\$0.36	\$0.72
554000-40W	HEADER, DIP, LOW PROFILE, 40 SCKT	43	\$0.15	\$6.45
562001-9	CLP, CVL, NYL, 10/32, 3/8X.500	279	\$0.09	\$24.38
564001-1	HDL, EJCTR, BOT, BLK	15	\$2.23	\$33.45
564001-100	HDW, MNTG, FOR 564001-1 &2	131	\$0.91	\$119.21
564001-102	BLT. SLTD, FOR 19" RACK	264	\$11.48	\$3,030.72
564001-104	HDW, INSL, M2.5 X 12 SCR W/ WSR	300	\$0.95	\$285.00
564001-107	TAPPED STRIPS	60	\$5.41	\$324.60
564001-2	HDL, EJCTR, TOP, BLK	14	\$2.23	\$31.22
564001-204	PNL, BLK, PCB, NO HDL, 6U 4HP	68	\$7.64	\$519.52
564001-408	FAN, COOLING, DC, 4.72" X 4.72" X 1.0	25	\$12.00	\$300.00
564001-409	FAN, GUARD, METAL 4.72" SQ	56	\$1.01	\$56.56
564001-411	FAN, TUBEAXIAL, 105CFM, 115VAC	4	\$13.50	\$54.00
564001-413	FAN, FILTER, AL, 4.25", CLR COAT	4	\$4.50	\$18.00
564001-415	FLTR, PANEL, EMI/DUST	8	\$50.59	\$404.72
564001-501	GDE R, PCB, ESD CONT, PLASTIC	705	\$0.27	\$190.35
564001-504	MTG KIT, 19" RK W/HDL, B, P SER.	14	\$16.38	\$229.32
571000PP1624PAZ	SCR, PAN PH PL ST, 10-24 X .750,	78	\$0.15	\$11.70
571000PP1724PAZ	SCR, PAN, PH, PL ST, 10-32 X .750	67	\$0.15	\$10.05
573000N17PAZ	NUT, PL HEX/LCKWSR, PL ST, 10-32	38	\$0.20	\$7.60

Edgar Filing: ALANCO TECHNOLOGIES INC - Form 10QSB

573002-1	NUT, TINNERMAN, F TYPE, 10-24	129	\$0.73	\$94.49
577000-1	CONN, BNC, RT ANGLE, 50 OHM, WHT	191	\$0.59	\$111.74
577000-2	CONN, ROW, RT ANGLE, 96PIN, 3 ROW	17	\$1.39	\$23.63
577000-3	CONN, PCB MT, CPL,, 8 CKT	57	\$0.35	\$19.95
577000-4	CONN, PCV MT, RCPT, 8 CKY	92	\$1.19	\$109.48
577001-50	CONN, BNC, ADPTR, JACK TO JACK	198	\$5.72	\$1,132.56
577003-10	CONN, PIN, .093, LOOSE PIECE	1001	\$0.05	\$47.15
577003-2	CONN, ROW, SGL, HSG, .100 CTRS	2	\$3.50	\$7.00
577003-3	CONN, RCPT SHELL, INSULD	1999	\$0.07	\$133.73
577003-4	CONN, CBL, HSG	71	\$0.19	\$13.62
577004-1	CONN, D, PNL RCPT SHL, INSULD	23	\$0.19	\$4.37
577004-2	CONN, PNL PL SHL, INSULD	20	\$3.25	\$65.00
577004-3	CONN, PNL RCPT SHL	81	\$0.23	\$18.53
577004-4	CONN, PNL, PL, SHL	6	\$0.34	\$2.04
577004-6	CONN, PNL, HSG	76	\$0.11	\$8.36
579001-6	NUT, JAM, BNC CONN	415	\$0.10	\$40.67
579001-7	WSHR, LK, INT TOOTH, BNC CONN	333	\$0.08	\$27.91
602037-1	BRACKET, SUB RACK COVER	45	\$4.75	\$213.75
602038-1	PANEL SUB RACK COVER	26	\$11.50	\$299.00
602110-1	BACKPLANE, 4 SLOT, VME P1	1	\$211.85	\$211.85
602113-3	PWB DETAIL - TOA BOARD	46	\$37.80	\$1,738.80
602115-2	PWB DETAIL-MAST TIMING GENERAT	2	\$84.00	\$168.00
602232-1	PNL, FRNT, MOD., TOA BD.	4	\$5.83	\$23.32
602274-3	JUMPER CBL DUAL TERM	1	\$0.19	\$0.19
M16878/1BKE3	WIRE, STRD, PVC, 14 AWG, ORN	200	\$0.10	\$20.00
MS15795-806	WSHR, FL, CRES, #6, .156ID X .375OD	244	\$0.20	\$48.80
MS35649-264	NUT, PL HEX, CRES, .138-32	330	\$0.19	\$62.70
MS51957-17	SCR, PAN HD, XRCSS, .112-40 X .500	23	\$0.15	\$3.45
MS51957-30	SCR, PAN HD, XRCSS, .138-32 X .500	790	\$0.09	\$71.10
MS51957-36	SCR, PAN HD, XRCSS, .138-32 X 1.500	97	\$0.14	\$13.58
529000BL101JTA	RES, R0603, .100W, 5%, 100	20	\$0.50	\$10.00
529000BL102JTA	RES, R0603, .100W, 5%, 1.00K	102	\$0.50	\$51.00
564001-108	SCR, CHEESEHEAD, 2.5MM X 12MM	218	\$1.20	\$261.60
M16878/1BKE5	WIRE, STRD, PVC, 14 AWG, GRN	150	\$0.45	\$67.50
577000-10	CONN, ROW, RCPT, 96P, 3R, .180LG	3	\$3.50	\$10.50
527000-100	XSTR, PNP, 2N2907A	28	\$0.02	\$0.53
193686-1	CCA, CNODE INTERFACE	1	\$234.00	\$234.00
553001-10	TERM, RING TONGUE, INSLTD	8	\$0.20	\$1.60
577003-8	CONN, SHELL, PLUG, .093 PIN &SKT	90	\$1.69	\$152.10
553001-13	CONT, RCPT	7	\$0.02	\$0.12
	Total C-Node Inventory			\$37,397.68