

ALANCO TECHNOLOGIES INC
Form 10-Q
May 14, 2012

ALANCO TECHNOLOGIES, INC.

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

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

For the quarterly period ended March 31, 2012

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

For the transition period from _____ to _____

Commission file number 0-9347

ALANCO TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Arizona

(State or other jurisdiction of incorporation or organization)

86-0220694

(I.R.S. Employer Identification No.)

7950 E. Acoma Drive, Suite 111, Scottsdale, Arizona 85260

(Address of principal executive offices) (Zip Code)

(480) 607-1010

(Registrant's telephone number)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). X Yes ___ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer
accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes X No

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

As of May 8, 2012 there were 5,022,000 shares of common stock outstanding.

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ALANCO TECHNOLOGIES, INC.

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

ALANCO TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2012 AND JUNE 30, 2011

	March 31, 2012 (unaudited)	June 30, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,022,100	\$ 783,200
Accounts receivable, net	48,000	149,900
Interest receivable	5,500	-
Note receivable	75,000	-
Marketable securities - restricted	4,511,600	6,637,100
Prepaid expenses and other current assets	201,800	39,500
Total current assets	6,864,000	7,609,700
FURNITURE AND OFFICE EQUIPMENT, NET	6,300	6,700
NOTE RECEIVABLE, LONG-TERM	225,000	-
TOTAL ASSETS	\$ 7,095,300	\$ 7,616,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 278,800	\$ 553,300
Notes payable	228,000	28,000
Total current liabilities	506,800	581,300
LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	506,800	581,300

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Preferred Stock -
 Series B
 Convertible -
 500,000 shares
 authorized,
 0 and 122,600
 issued and
 outstanding,
 respectively

SHAREHOLDERS'
 EQUITY

Common Stock		
Class A -		
75,000,000 no		
par shares		
authorized,		
4,984,800 and		
4,874,100		
shares issued		
and		
outstanding at		
March 31,		
2012		
and June 30,	108,857,300	108,696,500
2011,		
respectively		
Class B -		
25,000,000 no		
par shares		
authorized,		
none		
outstanding	-	-
Accumulated	1,101,700	466,500
Unrealized Gain		
on Marketable		
Securities, net of		
tax		
Accumulated	(103,370,500)	(103,341,200)
Deficit		
Total	6,588,500	5,821,800
shareholders'		
equity		

TOTAL	\$	7,095,300	\$	7,616,400
LIABILITIES &				
SHAREHOLDERS'				
EQUITY				

See accompanying notes to the condensed consolidated financial
 statements

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

	2012	2011
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
OPERATING EXPENSES		
Corporate expenses	270,200	262,100
Depreciation and amortization	600	100
	270,800	262,200
OPERATING LOSS	(270,800)	(262,200)
OTHER INCOME & EXPENSES		
Interest income (expense), net	6,300	(130,400)
Gain on sale of marketable securities, net	321,700	-
Other income, net	2,700	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	59,900	(392,600)
INCOME FROM DISCONTINUED OPERATIONS	-	800
NET INCOME (LOSS)	59,900	(391,800)
Preferred stock dividends	-	(79,400)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 59,900	\$ (471,200)
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ 0.01	\$ (0.07)
Discontinued operations	\$ 0.00	\$ 0.00
Preferred stock dividends	\$ 0.00	\$ (0.02)
Net income (loss) per share attributable to common shareholders	\$ 0.01	\$ (0.09)

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	4,966,300	5,528,800
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See accompanying notes to the condensed consolidated financial
statements

ALANCO TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (LOSS)
 FOR THE THREE MONTHS ENDED MARCH 31, (unaudited)

		2012	2011
Net Income (Loss)	\$	59,900	\$ (391,800)
Unrealized Gain on Securities Held at March 31, 2012, Net of Tax		1,007,800	-
Less: Adjustment for Unrealized Gains Previously Recorded on Marketable Securities Sold During the Period		(43,100)	-
Comprehensive Income (Loss)	\$	1,024,600	\$ (391,800)

See accompanying notes to the condensed consolidated financial
 statements

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

	2012	2011
NET SALES	\$ -	\$ -
Cost of goods sold	-	-
GROSS PROFIT	-	-
OPERATING EXPENSES		
Corporate expenses	802,400	847,400
Amortization of stock-based compensation	7,800	193,400
Depreciation and amortization	2,000	500
	812,200	1,041,300
OPERATING LOSS	(812,200)	(1,041,300)
OTHER INCOME & EXPENSES		
Interest income (expense), net	7,100	(384,400)
Gain on sale of marketable securities, net	360,400	-
Other income (expense), net	2,700	(9,300)
LOSS FROM CONTINUING OPERATIONS	(442,000)	(1,435,000)
LOSS FROM DISCONTINUED OPERATIONS	-	(1,008,900)
NET LOSS	(442,000)	(2,443,900)
Preferred stock dividends	(30,500)	(239,000)
Gain on redemption of Series B Preferred Stock	443,200	-
	\$ (29,300)	\$ (2,682,900)

NET LOSS
ATTRIBUTABLE TO
COMMON
SHAREHOLDERS

NET LOSS PER SHARE -
BASIC AND DILUTED

Continuing operations	\$	(0.09)	\$	(0.27)
Discontinued operations	\$	0.00	\$	(0.19)
Preferred stock dividends	\$	(0.01)	\$	(0.04)
Gain on redemption of Series B Preferred Stock	\$	0.09	\$	0.00
Net loss per share attributable to common shareholders	\$	(0.01)	\$	(0.50)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		4,994,100		5,352,400

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (LOSS)
 FOR THE NINE MONTHS ENDED MARCH 31, (unaudited)

		2012	2011
Net Loss	\$	(442,000)	\$ (2,443,900)
Unrealized Gain on Securities Held at March 31, 2012, Net of Tax		843,800	-
Less: Adjustment for Unrealized Gains Previously Recorded on Marketable Securities Sold During the Period		(208,600)	-
Comprehensive Income (Loss)	\$	193,200	\$ (2,443,900)

See accompanying notes to the condensed consolidated financial
 statements

ALANCO TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE NINE MONTHS ENDED MARCH 31, 2012 (unaudited)

	COMMON STOCK		TREASURY STOCK		ACCUMULATED UNREALIZED GAIN ON MARKETABLE SECURITIES, NET OF TAX	ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
balances, June 30,	4,874,100	\$ 108,696,500	-	\$ -	466,500	\$ (103,341,200)	5,821,000
Change in fair value of marketable securities	-	7,800	-	-	-	-	7,800
Stock-based compensation	-	-	-	-	-	-	-
Shares issued in connection with the exercise of options	100,800	151,200	-	-	-	-	151,200
Shares issued for services	39,600	26,500	-	-	-	-	26,500
Shares of Series B preferred stock	-	-	-	-	-	(30,500)	(30,500)
Dividends, paid in cash	-	-	-	-	-	-	-
Share repurchase in connection with the redemption of Series B preferred Stock	-	-	-	-	-	443,200	443,200
Change in fair value of marketable securities, net of tax	-	(4,000)	-	-	-	-	(4,000)
Share repurchase of treasury shares	-	-	29,700	20,700	-	-	20,700
Cancellation of treasury shares	(29,700)	(20,700)	(29,700)	(20,700)	-	-	(41,400)
Change in fair value of marketable securities, net of tax	-	-	-	-	635,200	-	635,200
Net loss	-	-	-	-	-	(442,000)	(442,000)
balances, March 31, 2012	4,984,800	\$ 108,857,300	-	\$ -	1,101,700	\$ (103,370,500)	6,588,000

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH
 FLOWS
 FOR THE NINE MONTHS ENDED MARCH 31, (unaudited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (442,000)	\$ (2,443,900)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,000	394,600
Gain on sale of marketable securities	(360,400)	-
Stock and warrants issued for services	26,500	5,300
Stock-based compensation	7,800	498,600
Changes in operating assets and liabilities:		
Accounts receivable	101,900	796,100
Inventories	-	(841,700)
Interest receivable	(5,500)	-
Prepaid expenses and other current assets	(162,300)	133,300
Accounts payable and accrued expenses	(174,500)	241,000
Deferred revenue	-	52,400
Costs and estimated earnings in excess of billings on uncompleted contracts	-	12,800
Billings in excess of costs and estimated earnings on uncompleted contracts	-	7,300
	-	(4,500)

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Customer advances		
Other assets	-	42,600
Net cash used in operating activities	(1,006,500)	(1,106,100)

CASH FLOWS FROM INVESTING ACTIVITIES

Issuance of note receivable to American Citizenship Center, LLC	(300,000)	-
Purchase of property, plant, and equipment	(1,600)	(21,500)
Proceeds from sale of marketable securities	3,021,100	-
Proceeds from sale of net RFID Technology segment assets	-	2,000,000
Net cash provided by investing activities	\$ 2,719,500	\$ 1,978,500

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH
FLOWS (unaudited)
FOR THE NINE MONTHS ENDED MARCH 31, (continued)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings\$	-	\$ 784,800
Repayment on borrowings	(600,000)	(2,382,800)
Repayment on capital leases	-	(13,200)
Proceeds from exercise of stock options	151,200	-
Proceeds from sale of equity instruments, net	-	947,200
Cash dividends paid	-	(39,200)
Payment for listing fees	(4,000)	(17,900)
Purchase of treasury shares	(20,700)	-
Other	(600)	-
Net cash used in financing activities	(474,100)	(721,100)
NET INCREASE IN CASH	1,238,900	151,300
CASH AND CASH EQUIVALENTS, beginning of period	783,200	400,500
CASH AND CASH EQUIVALENTS, end of period	\$ 2,022,100	\$ 551,800
 SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Net cash paid during the period for interest	\$ -	\$ 376,000
 Non-Cash Activities:		
Unrealized gain on marketable securities	\$ 635,200	-
Value of shares issued in payment of	\$ 26,500	\$ 5,300

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interest and services			
Value of stock issued for	\$	-\$	2,100
payment of notes Series B	\$	30,500\$	85,000
preferred stock dividend, paid in kind			
Gain on redemption of Series B preferred stock, net of legal fees	\$	443,200\$	-
Series D preferred stock dividend, paid in common stock or accrued	\$	-\$	33,400
Series E preferred stock dividend, paid or accrued	\$	-\$	83,700
Series D preferred stock converted to common stock	\$	-\$	518,900
Series E preferred stock converted to common stock	\$	-\$	45,000