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

_ X 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 filer	Smaller reporting company	X

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

ALANCO TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF 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

Preferred Stock - Series B Convertible - 500,000 shares authorized,				
0 and 122,600 issued and outstanding, respectively		-		1,213,300
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, 2011, respectively		108,857,300		108,696,500
Class B - 25,000,000 no par shares authorized, none outstanding		-		-
Accumulated Unrealized Gain on Marketable Securities, net of tax		1,101,700		466,500
Accumulated Deficit		(103,370,500)		(103,341,200)
Total shareholders' equity		6,588,500		5,821,800
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$	7,095,300	$	7,616,400

See accompanying notes to the condensed consolidated financial statements

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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

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,	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	NET OF TAX	DEFICIT	TOTAL
ances, June 30, 1	4,874,100 $	108,696,500	- $	- $	466,500 $	(103,341,200) $	5,821.
lue of ck-based npensation	-	7,800	-	-	-	-	7.
ares isssued exercise of ions	100,800	151,200	-	-	-	-	151.
ares issued for vices	39,600	26,500	-	-	-	-	26.
ies B ferred idends, paid in d	-	-	-	-	-	(30,500)	(30,5
in on emption of ies B ferred Stock	-	-	-	-	-	443,200	443.
SDAQ listing s	-	(4,000)	-	-	-	-	(4,0
rchase of asury shares	-	-	29,700	20,700	-	-	20.
ncellation of asury shares	(29,700)	(20,700)	(29,700)	(20,700)	-	-	(41,4
realized gain marketable urities, net of	-	-	-	-	635,200	-	635.
t loss	-	-	-	-	-	(442,000)	(442,0
ances, March 2012	4,984,800 $	108,857,300	- $	- $	1,101,700 $	(103,370,500) $	6,588.

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)

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

interest and services			
Value of stock issued for payment of notes	$	-$	2,100
Series B preferred stock dividend, paid in kind	$	30,500$	85,000
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
Marketable securities paid for services	$	100,000$	-
Settlement of Series B Preferred Stock for a note payable	$	800,000$	-
Financing costs paid with debt	$	-$	30,000

See accompanying notes to the condensed consolidated financial statements

ALANCO TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A – Basis of Presentation and Recent Accounting Pronouncements

Alanco Technologies, Inc., an Arizona corporation ("Alanco" or "Company"), had previously reported up to three business segments: Data Storage, Wireless Asset Management and RFID Technology. In 2009, the Company announced a plan to divest certain operations of the Company and reinvest the proceeds into the remaining operating units. The divestiture plan continued to be expanded until May 16, 2011, when the Company completed the sale of its final business segment, Wireless Asset Management. As a result, as of June 30, 2011 all segment operations had been sold. Prior period activity has been reclassified to report operating segments as discontinued operations and certain balances have been reclassified in the accompanying consolidated financial statements to conform to current year's presentation.

As was discussed in our Form 10-K for the year ended June 30, 2011, the sale of the Company's last operating unit, the Wireless Asset Management segment, in May of 2011, resulted in Alanco effectively becoming a holding company without operating entities. The Company believes that status to be temporary and has stated its objective to complete an appropriate merger and again become an operating company. See Note K – Subsequent Events for a discussion on current investment activities of the Company. The Marketable Securities received in the sale of the Wireless Asset Management segment are restricted in trading and are therefore not immediately available for shareholder distribution.

The unaudited condensed consolidated financial statements 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-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. 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, 2011 Annual Report filed on Form 10-K. 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 income (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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company has stock-based compensation plans and reports stock-based compensation expense for all stock-based compensation awards based on the estimated grant date fair value. The value of the compensation cost is amortized on a straight-line basis over the requisite service periods of the award (generally the option vesting term).

The Company estimates fair value using the Black-Scholes valuation model. Assumptions used to estimate compensation expense are determined as follows:

- Expected term is determined under the simplified method using an average of the contractual term and vesting period of the award as appropriate statistical data required to properly estimate the expected term was not available;

- Expected volatility of award grants made under the Company’s plans is measured using the historical daily changes in the market price of the Company’s common stock over the expected term of the award;

ALANCO TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

- Risk-free interest rate is the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards; and,

- Forfeitures are based on the history of cancellations of awards granted by the Company and management's analysis of potential future forfeitures.

Fair Value of Financial Instruments – The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. The Accounting Standards Codification ("ASC") prioritizes inputs used in measuring fair value into a hierarchy of three levels: Level 1 – unadjusted quoted prices for identical assets or liabilities traded in active markets, Level 2 – observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability; and Level 3 – unobservable inputs in which little or no market activity exists that are significant to the fair value of the assets or liabilities, therefore requiring an entity to develop its own assumptions that market participants would use in pricing. The Company measures and discloses its investments in marketable securities, which are classified as available for sale, at fair value on a recurring basis, in accordance with the ASC. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of accounts receivable, note receivable, accounts payable, accrued liabilities, and notes payable approximate fair value given their short-term nature and borrowing rates currently available to the Company for loans with similar terms and maturities.

Marketable Securities – The Company determines the appropriate classification of its investments in marketable equity securities at the time of acquisition and reevaluates such determinations at each balance sheet date. Marketable securities are classified as held to maturity when the Company has the positive intent and ability to hold securities to maturity. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with the unrealized gains and losses recognized in earnings. Marketable securities not classified as held to maturity or as trading, are classified as available for sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in shareholders' equity. The Company has classified all of its marketable securities as available for sale. The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

Other than temporary decline in market value – The Company reviews its marketable securities on a regular basis to determine if any security has experienced an other-than-temporary decline in fair value. The Company considers the investee company's cash position, earnings and revenue outlook, stock price performance, liquidity and management ownership, among other factors, in its review. If it is determined that an other-than-temporary decline exists in a marketable security, the Company writes down the investment to its market value and records the related write-down as an investment loss in its Statement of Operations.

Recent Accounting Pronouncements

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2012, that are of significance, or potential significance, to us.

In April 2011, the FASB issued guidance which addresses agreements that entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The guidance is effective for the first interim or annual period on or after December 15, 2011. The Company has adopted the guidance, which had no material impact on its financial position and results of operations, effective during the current quarter.

ALANCO TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

In May 2011, the FASB issued guidance which applies to measurement and disclosure of fair value of assets, liabilities, or instruments in shareholder’s equity. The guidance is effective for the first interim or annual period on or after December 15, 2011. The Company has adopted the guidance, which had no material impact on its financial position and results of operations, effective during the current quarter.

Note B – Stock-Based Compensation and Warrants

The Company has several employee stock option and officer and director stock option plans that have been approved by the shareholders of the Company. The plans require that options be granted at a price not less than market on the date of grant and are more fully discussed in our Form 10-K for the year ended June 30, 2011.

The Company uses the Black-Scholes option pricing model to estimate fair value of stock-based awards. Valuation assumptions include dividend yield, expected stock volatility, risk free interest rate, and expected life of options.

The following table summarizes the Company’s stock option activity during the first nine months of fiscal 2012.

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (1)		Aggregate Fair Value	Aggregate Instrinsic Value (2)
Outstanding July 1, 2011 (4)	661,800	$1.62	1.78	$	394,100	$ 210,700
Granted	-	-	-		-	-
Exercised	(100,800)	$1.50	-		(60,000)	45,600 (3)
Forfeited or expired	(110,700)	$1.96	-		(65,900)	-
Outstanding March 31, 2012	450,300	$1.56	1.51	$	268,200	$ -
Exercisable March 31, 2012	450,300	$1.56	1.51	$	268,200	$ -

(1) Remaining contractual term presented in years.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing price of the Company's common stock as of March 31, 2012, for those awards that

have an exercise price below the closing price as of March 31, 2012 of $.74.

(3) This value is calculated as the difference between the exercise price and the market price of the stock on the date of exercise. The Company's common stock as of the various exercise dates ranged from $1.77 to $2.02.

(4) Includes 23,400 options previously excluded.

As of March 31, 2012, the Company had 150,400 warrants outstanding with a weighted average exercise price of $6.24. The life of the outstanding warrants extends through July 9, 2013. The following table summarizes the Company’s warrant activity during the first nine months of fiscal 2012:

ALANCO TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Number of Shares	Weighted Average Exercise Price
Warrants Outstanding, June 30, 2011	201,100	$ 5.77
Granted	-	-
Exercised	-	-
Canceled/Expired	(50,700)	4.38
Warrants Outstanding, March 31, 2012	150,400	$ 6.24

Note C – Marketable Securities – Restricted

At March 31, 2012, the Company had Marketable Securities - Restricted in the amount of $4,511,600 representing the March 31, 2012 market value ($3.85 per share) of 1,171,884 ORBCOMM Common Shares (NASDAQ: ORBC) received as partial consideration in the May 16, 2011 sale of StarTrak, net of an estimated 116,628 shares to be returned to ORBCOMM for settlement of obligations under the escrow agreements more fully discussed in our Form 10-K filed for the fiscal year ended June 30, 2011. The net cost basis of these shares at March 31, 2012 and June 30, 2011 is $2.91 per share.

The ORBCOMM common shares are registered under a currently effective ORBCOMM Form S-3 registration statement, however under the terms of the Agreement, the Company is limited to selling up to 279,600 shares (12 ½% of the shares received) monthly. The Company has classified these securities as available-for-sale at March 31, 2012. The fair value measurement at March 31, 2012 is based upon quoted prices from similar assets in active markets and thus represents a Level 2 measurement. The restriction discussed above is why ORBCOMM's Common Stock trading price is deemed a Level 2 input. However, management does not believe the restriction will interfere with any plans to market their stock holdings. As such, the trading price is used as fair value with no further adjustment.

The shares held are revalued at the end of each reporting period with per share market value fluctuations reported as Comprehensive Income (Loss) for the period. Based upon the change in market value of $3.13 per share at June 30, 2011 to $3.85 per share at March 31, 2012, the Company recorded an unrealized gain on marketable securities held at March 31, 2012 (presented in the Condensed Consolidated Statements of Comprehensive Income (Loss)), of $843,800, offset by an adjustment for unrealized gains previously recorded related to securities sold during the period. The actual gain or loss of securities sold is reported in the Net Income (Loss). At March 31, 2012, the Accumulated Unrealized Gain on Marketable Securities, net of tax, of $1,107,700 was presented in the Shareholders' Equity section of the Condensed Consolidated Balance Sheet.

The Company's Marketable Securities at both March 31, 2012 and June 30, 2011 consist of investments in common stock of ORBCOMM, Inc. (NASDAQ: "ORBC") acquired in May 2011 as partial consideration in the sale of the Company's Wireless Asset Management business segment. The Company reviews its marketable equity holdings in ORBCOMM on a regular basis to determine if its investment has experienced an other-than-temporary decline in fair value. The Company considers ORBCOMM's cash position, earnings and revenue outlook, stock price performance, liquidity and management ownership, among other factors, in its review. If it is determined that an other-than-temporary decline exists, the Company writes down the investment to its market value and records the related write-down as an investment loss in its Statement of Operations. As of close of market on May 8, 2012, the per share value of the ORBCOMM Common Stock was $3.06, $.15 per share above the cost basis of $2.91 per share and below the March 31, 2012 valuation of $3.85 per share as presented on the attached balance sheet.

The Company sold a total of 539,809 shares of ORBCOMM, Inc. Common Stock during the quarter ended March 31, 2012 for total proceeds of $1,892,600, and an average selling price of approximately $3.51 per share, resulting in a net gain of $321,700.

ALANCO TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

During the nine month period ended March 31, 2012, the Company sold a total of 914,329 shares of ORBCOMM, Inc. Common Stock for a total net gain of $360,400. In addition, the Company transferred 34,270 shares, valued at $100,000, or the Company's cost basis of $2.91 per share, in payment of obligations related to the sale to past employees and officers of StarTrak Systems, LLC. Considering shares transferred and sold during the nine months ended March 31, 2012, the Company disposed of 948,599 shares.

The following table summarizes the activities related to investment in Marketable Securities for the nine months ended March 31, 2012.

Marketable Securities

	Net Shares	Cost Basis Per Share	Cost Basis Total Cost	Market Value Per Share	Market Value Total Value	Accumulated Unrealized Gain	Accumulated Unrealized (Loss)
June 30, 2011	2,120,483$	2.91$	6,170,600$	3.13$	6,637,100$	466,500$	-
Shares sold	-	-	-				
September 30, 2011	2,120,483	2.91	6,170,600	2.55	5,407,200	-	(763,400)
Shares sold or transferred	(408,790)	2.91	(1,189,900)				
December 31, 2011	1,711,693	2.91	4,980,700	2.99	5,177,700	197,000	-
Shares sold	(539,809)	2.91	(1,570,800)				
March 31, 2012	1,171,884$	2.91$	3,409,900$	3.85$	4,511,600$	1,101,700$	-

Note D – Discontinued Operations

In SEC filings for the nine months ended March 31, 2011, the Company reported operating results for its Data Storage, RFID Technology and Wireless Asset Management business segments. In compliance with a formally adopted divestiture plan, the Data Storage segment was sold in February 2010, the RFID Technology segment was sold in August 2010 and the Wireless Asset Management segment was sold in May 2011. As a result, as of June 30, 2011 the Company had divested all segment operations and the operating results were reported as Discontinued Operations. Prior period activity has been reclassified to report operating segments as discontinued operations and certain balances have been reclassified in the accompanying condensed consolidated financial statements to conform to current year's presentation.

The following table is a summary of the results of discontinued operations and other financial information by major segment:

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Data	RFID	Wireless Asset