

ALANCO TECHNOLOGIES INC
Form DEF 14A
December 04, 2008
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(A)

Of the

Securities Exchange Act of 1934

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

Alanco Technologies, Inc.

(Name of Registrant as Specified in its Charter)

Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ALANCO TECHNOLOGIES, INC.

15575 North 83rd Way, Suite 3

Scottsdale, Arizona 85260

(480) 607-1010

PROXY STATEMENT

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held January 16, 2009

TO THE SHAREHOLDERS OF ALANCO TECHNOLOGIES, INC.

NOTICE HEREBY IS GIVEN that the Annual Meeting of Shareholders of Alanco Technologies, Inc., an Arizona corporation ("Alanco" or the "Company"), will be held at 15575 North 83rd Way, Suite 3, Scottsdale, Arizona 85260, on January 16, 2009, at 10:00 a.m., Mountain Standard Time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the following Proposals:

Proposal No. 1 ELECTION OF DIRECTORS

Proposal No. 2 APPROVAL OF A PROPOSAL TO AUTHORIZE THE BOARD OF DIRECTORS, ONLY IF NECESSARY, TO REVERSE SPLIT THE COMPANY'S OUTSTANDING CLASS A COMMON STOCK ON A BASIS NOT TO EXCEED ONE SHARE OF CLASS A COMMON STOCK FOR UP TO TEN SHARES OUTSTANDING. IF THE BOARD OF DIRECTORS HAS NOT EFFECTED THE ACTION CONTEMPLATED HEREUNDER BY DECEMBER 31, 2011, THIS AUTHORIZATION WILL CEASE.

Holders of the outstanding Common Stock and Preferred Stock of the Company of record at the close of business on November 21, 2008, will be entitled to notice of and to vote at the Meeting or at any adjournment or postponement thereof.

As permitted by the rules adopted by the Securities and Exchange Commission ("SEC"), this year we are furnishing proxy materials to our stockholders over the Internet. We believe that this e-proxy process expedites stockholders' receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our annual meeting. We are mailing our stockholders a notice containing instructions on how to access our 2008 proxy statement and annual report and how to vote online. The notice also provides instructions on how you can request a paper copy of these documents if you desire, and how you can enroll in e-delivery. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive

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proxy materials by e-mail will remain in effect until you terminate it.

All shareholders, whether or not they expect to attend the Annual Meeting of Shareholders in person, are urged to vote. Instructions regarding the various methods of voting are contained on the proxy card, including voting by toll-free telephone number or the Internet. If you received a paper copy of the proxy card by mail, you may still vote your shares by marking your votes on the proxy card, signing and dating it, and mailing it in the envelope provided. The giving of a proxy will not affect your right to vote in person if you attend the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS.

Scottsdale, Arizona
November 24, 2008

ADELE L. MACKINTOSH
SECRETARY

ALANCO TECHNOLOGIES, INC.

15575 North 83rd Way, Suite 3

Scottsdale, Arizona 85260

(480) 607-1010

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD JANUARY 16, 2009

GENERAL INFORMATION

The enclosed Proxy is solicited by and on behalf of the Board of Directors of Alanco Technologies, Inc., an Arizona corporation (the "Company"), for use at the Company's Annual Meeting of Shareholders to be held at 15575 North 83rd Way, Suite 3, Scottsdale, Arizona 85260, on the 16th day of January, 2009, at 10:00 a.m., Mountain Standard Time, and at any adjournment or postponement thereof.

In accordance with new rules approved by the SEC, it is anticipated that on or before December 5, 2008, a Notice Regarding the Availability of Proxy Materials will be mailed to the Company's shareholders of record as of the close of business on November 21, 2008. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice and to download printable versions of the proxy materials or to request and receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the Notice.

The expense of soliciting proxies, including the cost of preparing, assembling and mailing this proxy material to shareholders, will be borne by the Company. It is anticipated that solicitations of proxies for the Meeting will be made only by use of the mails; however, the Company may use the services of its Directors, Officers and employees to solicit proxies personally or by telephone without additional salary or compensation to them. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting materials to the beneficial owners of the Company's shares held of record by such persons, and the Company will reimburse such persons for their reasonable out-of-pocket expenses incurred by them in that connection.

Shares not voting as a result of a proxy not marked or marked to abstain will be counted as part of total shares voting in order to determine whether or not a quorum has been achieved at the Meeting. Shares registered in the name of a broker-dealer or similar institution for beneficial owners to whom the broker-dealer distributed notice of the Annual Meeting and proxy information and which such beneficial owners have not returned proxies or otherwise instructed the broker-dealer as to voting of their shares, will be counted as part of the total shares voting in order to determine whether or not a quorum has been achieved at the Meeting.

All shares represented by valid proxies will be voted in accordance therewith at the Meeting unless such proxies have previously been revoked. Proxies may be revoked at any time prior to the time they are voted by: (a) delivering to the Secretary of the Company a written instrument of revocation bearing a date later than the date of the proxy; or (b) duly executing and delivering to the Secretary a subsequent proxy relating to the same shares; or (c) attending the meeting and voting your proxy in person (although attendance at the Meeting will not in and of itself constitute revocation of a proxy).

The Company's Annual Report to Shareholders for the fiscal year ended June 30, 2008, is available to shareholders via the Internet or through request for a printed copy. The Annual Report includes a copy of Form 10-KSB, which constitutes part of this proxy. All other information included in the Annual Report does not constitute part of these proxy soliciting materials.

SHARES OUTSTANDING AND VOTING RIGHTS

Effective October 16, 2006, the Company effected a 2:5 reverse stock split. All references to both number of shares and price per share of Class A Common Stock issued and outstanding, options and warrants granted, and common stock equivalent shares are presented herein on a post-split basis.

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Voting rights are vested in the holders of the Company's Common Stock and Preferred Stock. Only shareholders of record at the close of business on November 21, 2008, are entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof. As of November 21, 2008, the Company had 31,969,667 shares of Class A Common Stock issued and outstanding, 93,592 shares of Series B Convertible Preferred Stock issued and outstanding, and 280,000 shares of Series D Non-Convertible Preferred Stock issued and outstanding. Each Class A Common share is entitled to one vote, each share of Series B Convertible Preferred stock is entitled to 5.2 votes (the equivalent number of common shares into which the Series B Convertible Preferred Stock is convertible), and each share of Series D Non-Convertible Preferred Stock is entitled to 7 votes. If the number of common shares into which the Series B Preferred Stock is convertible and the voting rights of the Series D Non-Convertible Preferred Stock are considered, the total shares eligible to vote on the record date are 34,416,346 shares ("Total Voting Rights"), each of which is entitled to one vote on all matters to be voted upon at the Meeting, including the election of Directors. No fractional shares are outstanding. A majority of the Company's outstanding voting stock represented in person or by proxy shall constitute a quorum at the Meeting. The affirmative vote of a majority of the votes cast, providing a quorum is present, is necessary to approve each proposal.

Each shareholder present, either in person or by proxy, will have cumulative voting rights with respect to the election of Directors. Under cumulative voting, each shareholder is entitled to as many votes as is equal to the number of Voting Rights of the Company held by the shareholder on the Record Date multiplied by the number of directors to be elected, and such votes may be cast for any single nominee or divided among two or more nominees. The seven nominees receiving the highest number of votes will be elected to the Board of Directors. There are no conditions precedent to the exercise of cumulative voting rights. Unless otherwise instructed in any proxy, the persons named in the form of proxy which accompanies this Proxy Statement (the "Proxy Holders") will vote the proxies received by them for the Company's seven nominees set forth in "Election of Directors" below. If additional persons are nominated for election as directors, the Proxy Holders intend, unless otherwise instructed in any proxy, to vote all proxies received by them in such manner in accordance with cumulative voting as will assure the election of as many of the Company's nominees as possible, and, in such event, the specific nominees for whom votes will be cast will be determined by the Proxy Holders. If authority to vote for any nominee of the Company is withheld in any proxy, the Proxy Holders intend, unless otherwise instructed in such proxy, to vote the shares represented by such proxy, in their discretion, cumulatively for one or more of the other nominees of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND OF MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information with respect to each shareholder known by Alanco to be the beneficial owner of more than 5% of the outstanding Alanco Voting Rights as of November 21, 2008. Information regarding the stock ownership of Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, Donald E. Anderson, Alanco Director, Timothy P. Slifkin, Director and StarTrak Chief Executive Officer, and Thomas A. Robinson, StarTrak Executive Vice President, is also shown in the table in the following section, Current Directors and Executive Officers.

Five Percent Owners

Class A		Preferred		Total	Total	Total	
Common		Preferred		Total	Total	Total	
Shares		Shares		Voting	Voting	Stock,	
Owned		Owned		Rights	Exercisable	Rights	
Class A	Percent	Series D	Percent	Owned	Stock	and	
Common	of	Shares	of	Total	Percent	Options	
Shares	Class	Owned	Class	Voting	of Class	and	
Owned	(8)	(9)	(9)	Rights	(8)	Warrants	
							Options & Warrants
							Percent of Voting Rights (10)

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Donald E. Anderson (1)	3,668,960	11.48%	150,000	53.57%	4,718,960	13.71%	1,385,500	6,104,460	17.05%
WSV Management, LLC (2)	2,543,869	7.96%	0	--	2,543,869	7.39%	881,579	3,425,448	9.70%
Robert R. Kauffman (3)	1,793,312	5.61%	0	--	1,793,312	5.21%	1,216,000	3,009,312	8.45%
Timothy P. Slifkin (4)	2,253,480	7.05%	12,000	4.29%	2,337,480	6.79%	307,500	2,644,980	7.62%
The Rhino Fund, LLLP (5)	1,599,847	5.00%	50,000	17.86%	1,949,847	5.67%	340,667	2,290,514	6.59%
Tom Robinson (6)	1,484,076	4.64%	8,000	2.86%	1,540,076	4.47%	337,500	1,877,576	5.40%
Technology Systems International, Inc. (7)	1,807,670	5.65%	0	--	1,807,670	5.25%	0	1,807,670	5.25%

- (1) The number of shares, options and warrants owned includes: The Anderson Family Trust, owner of 2,061,113 shares of Alanco Class A Common Stock, 50,000 shares of Alanco Series D Non-Convertible Preferred Stock and 670,000 exercisable warrants; Programmed Land, Inc., owner of 1,599,847 shares of Alanco Class A Common Stock, 50,000 shares of Alanco Series D Non-Convertible Preferred Stock and 533,500 exercisable warrants; Pine Summit Bible Camp and Conference Center, owner of 50,000 shares of Alanco Series D Non-

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Convertible Preferred Stock, all of which Mr. Anderson claims beneficial ownership; and 8,000 shares of Alanco Class A Common Stock and 182,000 exercisable options owned by Mr. Anderson. Mr. Anderson also has an additional 155,000 stock options with a vesting schedule ranging from August 15, 2009 to August 19, 2012. The 150,000 shares of Series D Non-Convertible Preferred Stock beneficially owned by Mr. Anderson represent 53.57% of the total Series D Non-Convertible Preferred shares outstanding. Mr. Anderson's address is 11804 North Sundown Drive, Scottsdale, Arizona 85260.

- (2) The number of shares and warrants owned by WSV Management, L.L.C. includes: WS Opportunity Fund, L.P., owner of 797,513 shares of Alanco Class A Common Stock and 259,513 exercisable warrants, WS Opportunity Fund Q.P., L.P., owner of 756,459 shares of Alanco Class A Common Stock and 242,219 exercisable warrants, and WS Opportunity International Fund, Ltd., owner of 989,897 shares of Alanco Class A Common Stock and 379,847 exercisable warrants. The address for WSV Management, L.L.C. is 300 Crescent Court, Suite 1111, Dallas, TX 75201.
- (3) In addition to the shares shown above, Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, also beneficially owns 455,000 shares of TSIN stock, representing an ownership position of less than 2% of the outstanding TSIN shares. If TSIN distributes the shares of Alanco common stock owned by TSIN to TSIN shareholders on a proportionate basis, Mr. Kauffman may acquire additional shares of Alanco common stock, thereby slightly increasing his percentage of Alanco common shares owned; but due to matters as discussed in Footnote 7 below, we are unable to accurately calculate the changes to Mr. Kauffman's ownership. Mr. Kauffman also has an additional 405,000 stock options with a vesting schedule ranging from August 15, 2009 to August 19, 2012. The address for Mr. Kauffman is: c/o Alanco Technologies, Inc., 15575 North 83rd Way, Suite 3, Scottsdale, Arizona 85260.
- (4) In addition to the stock options shown above, Timothy P. Slifkin, President of StarTrak Systems, LLC, has 217,500 options with a vesting schedule ranging from June 30, 2009 to August 19, 2012. The 12,000 shares of Series D Non-Convertible Preferred Stock beneficially owned by Mr. Slifkin represent 4.29% of the total Series D Non-Convertible Preferred shares outstanding. The address for Mr. Slifkin is: c/o StarTrak Systems, LLC, 106 The American Road, Morris Plains, NJ 07950.
- (5) The 50,000 shares of Series D Non-Convertible Preferred Stock owned by The Rhino Fund, LLLP, managed by Rhino Capital, Inc., a private capital management company, represent 17.86% of the total Series D Non-Convertible Preferred shares outstanding. The address for Rhino Capital, Inc. is 32065 Castle Court, Suite 100, Evergreen, CO 80439.
- (6) In addition to the stock options shown above, Thomas A. Robinson, Executive Vice President of StarTrak Systems, LLC, has 217,500 options with a vesting schedule ranging from June 30, 2009 to August 19, 2012. The 8,000 shares of Series D Non-Convertible Preferred Stock beneficially owned by Mr. Robinson represent 2.86% of the total Series D Non-Convertible Preferred shares outstanding. The address for Mr. Robinson is: c/o StarTrak Systems, LLC, 106 The American Road, Morris Plains, NJ 07950.
- (7) Technology Systems International, Inc., a Nevada corporation, (TSIN) is an independent, private company, which was issued 6,000,000 shares (equivalent to 2,400,000 as adjusted for the October 16, 2006 2 for 5 reverse stock split) of Alanco common stock in 2002 in connection with the acquisition of the assets of TSIN effective in June 2002. TSIN filed a Schedule 13G on December 31, 2006, indicating TSIN ownership of 1,807,670 Alanco common shares. TSIN has previously indicated their intention to distribute the shares of Alanco common stock in excess of certain corporate litigation and liquidation expenses on a pro-rata basis to their shareholders; however, the shares have not been distributed as of the date of filing, and there is no assurance that the shares will be distributed. The address of TSIN is c/o Jill H. Ford, Trustee, P.O. Box 5845, Carefree, AZ 85377.
- (8) The percentages for Class A Common Stock shown are calculated based upon 31,969,667 shares of Class A Common Stock outstanding on November 21, 2008. The percentages for Total Voting Rights are calculated based upon 34,416,346 voting rights on November 21, 2008.
- (9) Preferred Shares are Series D Non-Convertible Preferred Stock, each share of which has seven votes in matters submitted to shareholders for a vote. As of November 21, 2008, there are 280,000 shares of Series D Non-Convertible Preferred Stock outstanding. The 5% owners do not own any shares of the Series B Convertible Preferred Stock.

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- (10) In calculating the percentage of ownership, option and warrant shares are deemed to be outstanding for the purpose of computing the percentage of voting rights shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of voting rights shares owned by any other stockholders.

Current Directors and Executive Officers

The following table sets forth the number of exercisable stock options and the number of shares of the Company's Common Stock and Preferred Stock beneficially owned as of November 21, 2008, by individual directors and executive officers and by all directors and executive officers of the Company as a group.

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The number of shares beneficially owned by each director or executive officer is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of the beneficial ownership for any other purpose. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table.

Securities of the Registrant Beneficially Owned (1)

Name of Beneficial Owner (2)	Class A		Series D		Shares		Stock		Total
	Shares Owned	Percent Owned (7)	Shares Owned	Percent Owned (7)	Shares Owned	Total Voting Rights Owned	Options & Warrants Exercisable @ 11/21/08 + 60 days (8)	Total Voting Rights & Warrants	Stock, & Warrants Options Percent of Class (9)
Robert R. Kauffman (3) Director/COB/CEO	1,793,312	5.61%	0	0.00%	1,793,312	5.21%	1,216,000	3,009,312	8.45%
John A. Carlson Director/EVP/CFO	393,338	1.23%	0	0.00%	393,338	1.14%	615,000	1,008,338	2.88%
Harold S. Carpenter Director	725,626	2.27%	0	(5)0.00%	725,626	2.11%	379,000	1,104,626	3.17%
James T. Hecker Director	90,019	0.28%	0	(6)0.00%	90,019	0.26%	190,000	280,019	0.81%
Timothy P. Slifkin Director/CEO - StarTrak	2,253,480	7.05%	12,000	4.29%	2,337,480	6.79%	307,500	2,644,980	7.62%
Thomas C. LaVoy Director	92,573	0.29%	10,000	3.57%	162,573	0.47%	172,000	334,573	0.97%
Donald E. Anderson (4) Director	3,668,960	11.48%	150,000	53.57%	4,718,960	13.71%	1,385,500	6,104,460	17.05%
Greg M. Oester President - ATSI	46,407	0.15%	0	0.00%	46,407	0.13%	505,500	551,907	1.58%
Thomas A. Robinson EVP - StarTrak	1,484,076	4.64%	8,000	2.86%	1,540,076	4.47%	337,500	1,877,576	5.40%
Officers and Directors as a Group (9 individuals)	10,547,791	32.99%	180,000	64.29%	11,807,791	34.31%	5,108,000	16,915,791	42.80%

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally indicates voting or investment power with respect to securities. In accordance with SEC rules, shares that may be acquired upon conversion or exercise of stock options, warrants or convertible securities which are currently exercisable or which become exercisable within 60 days are deemed beneficially owned. Except as indicated by footnote, and subject to community property laws where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned.
- (2) COB is Chairman of the Board; CEO is Chief Executive Officer; EVP is Executive Vice President; CFO is Chief Financial Officer.
- (3) In addition to the shares shown above, Robert R. Kauffman, Alanco Chairman and Chief Executive Officer, also beneficially owns 455,000 shares of TSIN stock, representing an ownership position of less than 2% of the outstanding TSIN shares. If TSIN distributes the shares of Alanco common stock owned by TSIN to TSIN shareholders on a proportionate basis, Mr. Kauffman may acquire additional shares of Alanco common stock, thereby slightly increasing his percentage of Alanco common shares owned; but due to

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matters as discussed in Footnote 7 of the Five Percent Owners table above, we are unable to accurately calculate the changes to Mr. Kauffman's ownership.

- (4) The number of shares, options and warrants owned includes: The Anderson Family Trust, owner of 2,061,113 shares of Alanco Class A Common Stock, 50,000 shares of Alanco Series D Non-Convertible Preferred Stock and 670,000 exercisable warrants; Programmed Land, Inc., owner of 1,599,847 shares of Alanco Class A Common Stock, 50,000 shares of Alanco Series D Non-Convertible Preferred Stock and 533,500 exercisable warrants; Pine Summit Bible Camp and Conference Center, owner of 50,000 shares of Alanco Series D Non-Convertible Preferred Stock, all of which Mr. Anderson claims beneficial ownership; and 8,000 shares of Alanco Class A Common Stock and 182,000 exercisable options owned by Mr. Anderson.

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- (5) Excludes 928,448 shares of Class A Common Stock, 50,000 shares of Series D Non-Convertible Preferred Stock and 159,000 warrants to purchase Class A Common Stock owned by Heartland Systems Co., a company for which Mr. Carpenter serves as an officer. Mr. Carpenter disclaims beneficial ownership of such shares.
- (6) Excludes 1,174,471 shares of Class A Common Stock, 50,000 shares of Series D Non-Convertible Preferred Stock and 340,667 warrants to purchase Class A Common Stock owned by Rhino Fund LLLP. The fund is controlled by Rhino Capital Incorporated, for which Mr. Hecker serves as Treasurer and General Counsel. Mr. Hecker disclaims beneficial ownership of such shares.
- (7) The percentages for Class A Common Stock shown are calculated based upon 31,969,667 shares of Class A Common Stock outstanding on November 21, 2008. The percentages for Series D Non-Convertible Preferred Stock are calculated based upon 280,000 shares of Series D Non-Convertible Preferred Stock outstanding on November 21, 2008, each share of which has seven votes in matters submitted to shareholders for a vote. The percentages for Total Voting Rights are calculated based upon 34,416,346 voting rights as of November 21, 2008.
- (8) Represents unexercised stock options and warrants issued to named executive officers and directors. All options and warrants listed that were issued to the executive officers and directors were exercisable at November 21, 2008, or will be exercisable within 60 days following November 21, 2008. Robert Kauffman also holds the following options: 102,500 options exercisable in fiscal year 2010, 127,500 options exercisable in fiscal year 2011, 112,500 options exercisable in fiscal year 2012, and 62,500 options exercisable in fiscal year 2013. John Carlson also holds the following options: 48,000 options exercisable in fiscal year 2010, 60,000 options exercisable in fiscal year 2011, 55,000 options exercisable in fiscal year 2012, and 30,000 options exercisable in fiscal year 2013. Harold Carpenter also holds the following options: 33,750 options exercisable in fiscal year 2010, 41,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 18,750 options exercisable in fiscal year 2013. James Hecker also holds the following options: 23,750 options exercisable in fiscal year 2010, 31,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 18,750 options exercisable in fiscal year 2013. Timothy Slifkin also holds the following options: 60,000 options exercisable in fiscal year 2009, 88,750 options exercisable in fiscal year 2010, 31,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 6,250 options exercisable in fiscal year 2013. Thomas LaVoy also holds the following options: 23,750 options exercisable in fiscal year 2010, 31,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 18,750 options exercisable in fiscal year 2013. Donald Anderson also holds the following options: 48,750 options exercisable in fiscal year 2010, 56,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 18,750 options exercisable in fiscal year 2013. Greg Oester also holds the following options: 20,000 options exercisable in fiscal year 2010, 25,000 options exercisable in fiscal year 2011, 25,000 options exercisable in fiscal year 2012, and 12,500 options exercisable in fiscal year 2013. Thomas Robinson also holds the following options: 60,000 options exercisable in fiscal year 2009, 88,750 options exercisable in fiscal year 2010, 31,250 options exercisable in fiscal year 2011, 31,250 options exercisable in fiscal year 2012, and 6,250 options exercisable in fiscal year 2013.
- (9) The number and percentages shown include the voting rights shares actually owned as of November 21, 2008 and the shares of common stock that the identified person or group had a right to acquire within 60 days after November 21, 2008. The percentages shown are calculated based upon 34,416,346 voting rights as of November 21, 2008. In calculating the percentage of ownership, option and warrant shares are deemed to be outstanding for the purpose of computing the percentage of shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of shares owned by any other stockholders.

Meetings and Committees of the Board of Directors

The Board of Directors has a Compensation/Administration Committee, which was formed in 1995 and is comprised of Messrs. Harold S. Carpenter and James T. Hecker, who are independent directors of the Company. The Compensation/Administration Committee recommends to the Board the compensation of executive officers and serves as the Administrative Committee for the Company's Stock Option Plans. The Compensation/Administration Committee met three times during the fiscal year ended June 30, 2008.

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The Board of Directors also has an Audit/Corporate Governance Committee. The Audit Committee was originally formed in 1995. In September 2004, the Board of Directors approved a name change for the committee to Audit/Corporate Governance Committee to more accurately reflect the additional duties and responsibilities of the committee as required by the Sarbanes-Oxley Act of 2002. The Audit/Corporate Governance Committee, comprised of Messrs. Harold S. Carpenter, James T. Hecker, and Thomas C. LaVoy, all of whom are independent non-employee directors of the Company who have significant business experience and are deemed to be financially knowledgeable, serves as a liaison between the Board and the Company's auditor. The Audit/Corporate Governance Committee provides general oversight of the Company's financial reporting and disclosure practices, system of internal

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controls, and the Company's processes for monitoring compliance with Company policies. The Audit/Corporate Governance Committee reviews with the Company's independent auditors the scope of the audit for the year, the results of the audit when completed, and the independent auditor's fee for services performed. The Audit/Corporate Governance Committee also recommends independent auditors to the Board of Directors and reviews with management various matters related to its internal accounting controls. The Audit/Corporate Governance Committee is comprised of independent members as defined under the National Association of Securities Dealers listing standards. The Audit/Corporate Governance Committee met three times during the fiscal year ended June 30, 2008.

The final Board committee is the Nominating/Independent Directors Committee, which is comprised of Messrs. Harold S. Carpenter, James T. Hecker, Thomas C. LaVoy, and Donald E. Anderson, all members of the Company's Board of Directors who have been determined by the Board to meet the qualification as "independent" director as set forth in Rule 10A-3 of the Exchange Act. Per Board resolution, the Nominating/Independent Directors Committee approves all management nominations for members of the Company's Board of Directors. In addition, the Nominating/Independent Directors Committee meets in regularly scheduled executive sessions at which only the independent directors are present.

All meetings held by the Board of Directors' committees were attended by each of the directors serving on such committees with the following exception: Mr. LaVoy was absent from one meeting for each committee on which he serves.

The Company's Board of Directors held three meetings during the fiscal year ended June 30, 2008, at which time all Directors were present, with the exception of Mr. LaVoy, who was absent from one Board of Directors meeting. All current members of the Board of Directors' committees are expected to be nominated for reelection at a meeting of the Board of Directors following the annual meeting.

Compliance with Section 16(a) of Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Officers and Directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, Directors and greater than 10% shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to the Company, or written representations that no Form 5's were required, the Company believes that as of the date of this filing, all Section 16(a) filing requirements applicable to its officers, Directors and greater than 10% beneficial owners were satisfied.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid or accrued by the Company for the services rendered during the fiscal years ended June 30, 2008, 2007 and 2006 to the Company's Chief Executive Officer, Chief Financial Officer, President of the Company's subsidiary, Alanco/TSI PRISM, Inc. (ATSI), President of the Company's subsidiary, StarTrak Systems, LLC (STS), and Executive Vice President of the Company's subsidiary, StarTrak Systems, LLC, whose salaries and bonus exceeded \$100,000 during the last fiscal year (collectively, the "Named Executive Officers"). No stock appreciation rights ("SARs") have been granted by the Company to any of the Named Executive Officers during the last three fiscal years.

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Name and Principal Position	Annual Compensation			Long-Term Compensation
	Annual Salary	Bonus	Other (1) Annual Compensation \$	Securities (# shares) Underlying Options Granted during FY
Robert R. Kauffman, C.E.O.				
FY 2008	247,500	None	17,400	200,000
FY 2007	250,000	None	17,400	60,000
FY 2006	225,000	None		