

ALANCO TECHNOLOGIES INC
Form PREM14A
March 08, 2011

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 May 10, 2011

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 May 10, 2011, 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 RATIFICATION OF RE-APPOINTMENT OF THE INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

Proposal No. 3 APPROVAL OF THE ALANCO 2011 STOCK INCENTIVE PLAN

Proposal No. 4 APPROVAL TO SELL SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY BY
SELLING SUBSTANTIALLY ALL THE ASSETS OF STARTRAK
SYSTEMS, LLC, A WHOLLY OWNED SUBSIDIARY OF THE COMPANY, TO ORBCOMM
INC. PURSUANT TO TERMS AND CONDITIONS OF THE ASSET
PURCHASE AGREEMENT AMONG THE COMPANY, STARTRAK AND ORBCOMM.

Holders of the outstanding Common Stock and Preferred Stock of the Company of record at the close of business on March 28, 2011, 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 fiscal year end 2010 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 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
date _____

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

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(480) 607-1010

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 10, 2011

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 10th day of May 2011, 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 April 9, 2011, 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 March 28, 2011. 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, 2010, is available to shareholders via the Internet or through request for a printed copy. The Annual Report includes a copy of Form 10-K, which constitutes part of this proxy. All other information included in the Annual Report does not constitute part of these proxy soliciting materials.

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PROPOSALS TO BE ACTED UPON AT THE MEETING

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Proposal No. 4 APPROVAL TO SELL SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY BY SELLING SUBSTANTIALLY ALL THE ASSETS OF STARTRAK SYSTEMS, LLC, A WHOLLY OWNED SUBSIDIARY OF THE COMPANY, TO ORBCOMM INC. PURSUANT TO TERMS AND CONDITIONS OF THE ASSET PURCHASE AGREEMENT AMONG THE COMPANY, STARTRAK AND ORBCOMM.

SUMMARY OF TERMS OF PROPOSAL No. 4

The summary that follows highlights selected information contained elsewhere in this Proxy Statement. It may not contain all of the information that is important to you. To fully understand the sale of substantially all of the Company's assets, and for a more complete description of the Asset Sale and related matters, you should carefully read this entire Proxy Statement, including the Asset Purchase Agreement and other documents, included in the exhibits and incorporated by reference.

- Alanco Technologies, Inc. was incorporated in 1969 under the laws of the State of Arizona. Unless otherwise noted, the "Company" or "Alanco" refers to Alanco Technologies, Inc.
- Alanco provides wireless monitoring and asset management solutions through its StarTrak Systems subsidiary.
- StarTrak Systems, LLC, or "StarTrak," located in Morris Plains, NJ, is the dominant provider of tracking, monitoring and control services to the refrigerated or "Reefer" segment of the transportation marketplace, enabling customers to increase efficiency and reduce costs of the refrigerated supply chain. As an innovator and leader in tracking, monitoring and controlling refrigerated trucks, trailers, containers and container gensets, StarTrak's ReeferTrak® RT6000 and GenTrak™ RT6000 deliver unmatched capabilities for wireless active control of the reefer environment using satellite and/or cellular wireless communication networks.
- ORBCOMM Inc. ("ORBCOMM"), a Delaware corporation, is a satellite-based data communications company that operates a two-way global wireless data messaging system optimized for narrowband data communication. ORBCOMM also provides terrestrial-based cellular communication services through reseller agreements with major cellular wireless providers. ORBCOMM provides services through a constellation of 28 owned and operated low-Earth orbit satellites and accompanying ground infrastructure through which small, low power, fixed or mobile satellite subscriber communicators and cellular wireless subscriber identity modules, or SIMS, connected to the cellular wireless provider's network, that can be connected to other public or private networks, including the Internet (collectively, the "ORBCOMM System").
- In the event that a majority of the stockholders approve Proposal No. 4, Alanco intends to complete the transaction as detailed in the Agreement, which provides that ORBCOMM will purchase substantially all of StarTrak's assets for acquisition consideration valued at approximately \$18.2 million plus a contingent earn out of up to approximately \$1.2 million.

- Total consideration payable to Alanco by ORBCOMM at the closing for substantially all of the net assets of StarTrak of approximately \$18.2 million is composed of cash, stock of ORBCOMM, stock of Alanco and discharge of certain debt of Alanco. The consideration may also include up to approximately \$1.2 million in additional payments of cash or ORBCOMM stock, at ORBCOMM's option, contingent on StarTrak's calendar year 2011 revenue milestones. The Agreement also provides for a working capital adjustment based upon the change in working capital (as defined) of StarTrak from November 30, 2010 through the Effective Date of the closing that is not considered in the \$18.2 million of total consideration.
- The Agreement provides that Alanco's obligation to close is contingent upon obtaining approval of Alanco's shareholders of the transactions contemplated by the Agreement.
- Both ORBCOMM's and Alanco's obligation to close under the Asset Purchase Agreement is conditioned on customary closing conditions.

SHARES OUTSTANDING AND VOTING RIGHTS

Effective August 26, 2010, the Company effected a 1:8 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.

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 March 28, 2011, are entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof. As of March 28, 2011, the Company had 5,620,000 shares of Class A Common Stock issued and outstanding, 116,748 shares of Series B Convertible Preferred Stock issued and outstanding, 82,300 shares of Series D Preferred Stock issued and outstanding, and 735,000 shares of Series E 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 .65 votes (the equivalent number of common shares into which the Series B Convertible Preferred Stock is convertible), each share of Series D Preferred Stock is entitled to 2.5 votes, and each share of Series E Convertible Preferred Stock is entitled to 1.5 votes. If the number of common shares into which the Series B Preferred Stock is convertible and the voting rights of the Series D Preferred Stock and Series E Convertible Preferred Stock are considered, the total shares eligible to vote on the record date are 7,586,014 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, except Proposal No. 4 which must receive a majority of the total votes eligible to vote for approval.

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 five nominees receiving the highest number of votes will be elected to the Board of Directors. There is 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 five 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 March 28, 2011. Information regarding the stock ownership of Robert R. Kauffman, Alanco Chairman and Chief Executive Officer and Timothy P. Slifkin, Director and StarTrak Chief Technology Officer, is also shown in the table in the following section, Current Directors and Executive Officers.

Five Percent Owners

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	Class A Common Shares Owned	Series D and E Preferred Shares Owned	Preferred Shares Owned	Total Voting Rights Owned	Total Voting Rights Percent of Class	Exercisable Stock Options and Warrants	Total Voting Rights and Options & Warrants	Total Stock, Options & Warrants Percent of Voting Rights (8)	
Class A Common Shares Owned	Percent of Class (6)	Preferred Shares Owned (7)	Percent Of Class (7)	Total Voting Rights (8)	Percent of Class		Options & Warrants	Percent of Voting Rights (8)	
ORBCOMM Inc (1)	53,906	0.97%	500,000	68.97%	803,906	11.64%	-	803,906	11.64%
Donald E. Anderson (2)	597,106	10.79%	--		597,106	8.65%	773,002	1,370,108	17.85%
Robert R. Kauffman (3)	232,914	4.21%	15,000	2.07%	255,414	3.70%	191,250	446,664	6.30%
Timothy P. Slifkin (4)	290,098	5.24%	13,402	16.27%	323,603	4.69%	50,313	373,916	5.38%
The Rhino Fund, LLP (5)	234,870	4.24%	50,000	60.68%	359,870	5.21%	-	359,870	5.21%

- (1) Per Schedule SC 13D/A filed with the SEC on February 28, 2011, ORBCOMM Inc. is the owner of 500,000 shares of the Company's Series E Convertible Preferred Stock with voting rights of 750,000 shares and an additional 53,906 shares of Class A Common Stock. The address for ORBCOMM Inc. is 2115 Linwood Avenue, Suite 100, Fort Lee, NJ 07024.
- (2) The number of shares, options and warrants owned includes: The Anderson Family Trust, owner of 394,043 shares of Alanco Class A Common Stock, rights to 729,927 shares of Class A common Stock upon election to convert \$1 million of the Line of Credit, at \$1.37 per share, provided by the Anderson Family Trust to the Company; Programmed Land, Inc., owner of 202,063; all of which Mr. Anderson claims beneficial ownership; and 1,000 shares of Alanco Class A Common Stock and 43,075 exercisable options owned by Mr. Anderson. Mr. Anderson's address is 12000 North 90th Street, #1027, Scottsdale, Arizona 85260.
- (3) The 15,000 shares of Series E Convertible Preferred Stock owned by Mr. Kauffman represent 2.07% of the total Series E Convertible Preferred shares outstanding. 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, Chief Technology Officer of StarTrak Systems, LLC, has 8,437 non-vested options with a vesting schedule ranging from July 13, 2011 to July 13, 2013. The 13,402 shares of Series D Preferred Stock beneficially owned by Mr. Slifkin represent 16.27% of the total Series D Preferred shares outstanding. The address for Mr. Slifkin is: c/o StarTrak Systems, LLC, 408 The American Road, Morris Plains, NJ 07950.
- (5) The 50,000 shares of Series D Preferred Stock owned by The Rhino Fund, LLLP, managed by Rhino Capital, Inc., a private capital management company, represent 60.68% of the total Series D Preferred shares outstanding. The address for Rhino Capital, Inc. is 32065 Castle Court, Suite 100, Evergreen, CO 80439.
- (6) The percentages for Class A Common Stock shown are calculated based upon 5,534,364 shares of Class A Common Stock outstanding on March 28, 2011. The percentages for Total Voting Rights are calculated based upon 6,903,766 voting rights on March 28, 2011.
- (7) Preferred Shares include Series D Preferred Stock, each share of which has 2.5 votes in matters submitted to shareholders for a vote. As of March 28, 2011, there are 82,393 shares of Series D Preferred Stock outstanding. Preferred Shares also include Series E Convertible Preferred Stock, each share of which has 1.5 votes in matters submitted to shareholders for a vote. As of March 28, 2011, there are 725,000 shares of Series E Convertible Preferred Stock outstanding. The 5% owners do not own any shares of the Series B Convertible Preferred Stock.
- (8) 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 Class A Common Stock and Preferred Stock beneficially owned as of March 28, 2011, by individual directors and executive officers and by all directors and executive officers of the Company as a group.

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 Common Stock Shares Owned	Shares Owned Percent of Class (7)	Series D And E Shares Owned Percent Preferred Shares Owned (7)	Shares Owned Percent of Class (7)	Total Voting Rights Owned (7)	Shares Owned Percent of Class (7)	Stock Options & Warrants @ 03/28/11 + 60 days (8)	Total Voting Rights & Options & Warrants Class (9)	Total Stock, Options & Warrants Percent of Class (9)
	Robert R. Kauffman (3) Director/COB/CEO	232,914	4.21%	15,000	2.07%	255,414	143.70%	191,250	446,664
John A. Carlson Director/EVP/CFO	37,917	0.69%	0	0.00%	37,917	5.55%	102,875	140,792	2.01%
Harold S. Carpenter Director	329(5)	0.01%	0	0.00%	329	0.00%	41,750	42,079	0.61%
James T. Hecker Director	12,187(6)	0.22%	0	0.00%	12,187	0.18%	39,000	51,187	0.74%
Timothy P. Slifkin Director	290,098	5.24%	13,402	16.27%	323,603	4.69%	50,313	373,916	5.38%
Thomas C. LaVoy Director	19,310	0.35%	10,378	12.60%	45,255	0.66%	37,750	83,005	1.20%