ALANCO TECHNOLOGIES INC
Form 10QSB
November 14, 2007

ALANCO TECHNOLOGIES, INC.

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

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

EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007

____TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____________ to ____________

Commission file number 0-9347

ALANCO TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

Arizona
(State or other jurisdiction of incorporation or organization)

86-0220694
(I.R.S. Employer Identification No.)

15575 N. 83rd Way, Suite 3, Scottsdale, Arizona 85260
(Address of principal executive offices) (Zip Code)

(480) 607-1010
(Issuer's telephone number)

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

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

As of November 5, 2007 there were 22,692,500 shares, net of treasury shares, of common stock outstanding.

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

Forward-Looking Statements: Some of the statements in this Form 10-QSB Quarterly Report, as well as statements by the Company in periodic press releases, oral statements made by the Company's officials to analysts and shareholders in the course of presentations about the Company, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words or phrases denoting the anticipated results of future events such as "anticipate," "believe," "estimate," "will likely," "are expected to," "will continue," "project," "trends" and similar expressions that denote uncertainty are intended to identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among other things, (i) general economic and business conditions; (ii) changes in industries in which the Company does business; (iii) the loss of market share and increased competition in certain markets; (iv) governmental regulation including environmental laws; and (v) other factors over which the company has little or no control.

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CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2007 AND JUNE 30, 2007

	September 30, 2007	June 30, 2007
ASSETS	(unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 2,087,100	$ 615,800
Accounts receivable, net	2,149,000	2,248,600
Notes receivable, current	29,600	29,600
Cost and estimated earnings in excess of billing	248,800	122,000
Inventories, net	4,014,200	3,808,100
Prepaid expenses and other current assets	699,500	382,800
Total current assets	9,228,200	7,206,900
PROPERTY, PLANT AND EQUIPMENT, NET	239,000	250,700
OTHER ASSETS		
Goodwill, net	17,931,700	17,931,700
Other intangible assets	1,939,700	2,066,200
Other assets	385,200	427,400
Total other assets	20,256,600	20,425,300
TOTAL ASSETS	$ 29,723,800	$ 27,882,900
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expense	$ 3,324,100	$ 4,155,500
Notes payable, current	1,984,300	2,485,900
Deferred revenue, current	939,700	784,600
Total Current Liabilities	6,248,100	7,426,000
LONG TERM LIABILITIES		
Notes payable, long term	4,480,400	4,814,100
Deferred revenue, long term	119,800	129,300
TOTAL LIABILITIES	10,848,300	12,369,400
Preferred Stock - Series B, 84,800 and 82,800 shares issued and outstanding, respectively	835,600	815,000
SHAREHOLDERS' EQUITY		
Preferred Stock - Series A Convertible, 3,984,100 and 3,759,800 shares issued and outstanding, respectively	5,266,500	4,930,100
Common Stock - 22,692,500 and 20,423,100 shares outstanding, net of 200,000 Treasury Stock	92,440,300	87,595,100

Accumulated deficit	(79,666,900)	(77,826,700)
Total shareholders' equity	18,039,900	14,698,500
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 29,723,800	$ 27,882,900

See accompanying notes to the consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, (unaudited)

	2007	2006
NET SALES	$ 4,552,600	$ 5,101,100
Cost of goods sold	2,964,900	3,331,900
GROSS PROFIT	1,587,700	1,769,200
Selling, general and administrative expense	2,876,800	2,558,700
OPERATING LOSS	(1,289,100)	(789,500)
OTHER INCOME & (EXPENSES)		
Interest expense, net	(210,500)	(86,100)
Other income, net	16,400	21,900
LOSS FROM CONTINUING OPERATIONS	(1,483,200)	(853,700)
LOSS FROM DISCONTINUED OPERATIONS	0	(83,400)
Preferred stock dividends - paid in kind	(357,000)	(297,800)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,840,200)	$ (1,234,900)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED - Net loss attributable to common shareholders	$ (0.08)	$ (0.08)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	21,872,200	15,675,000

See accompanying notes to the consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQU
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 (unaudited)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	SERIES A PREFERRED STOCK SHARES	SERIES A PREFERRED STOCK AMOUNT	TREASURY ST SHARES	AM
Balances, June 30, 2007	20,423,100	$87,970,200	3,759,800	$ 4,930,100	200,000	$ (3
Shares issued for services	5,500	12,500	-	-	-	
Shares issued for credit line amendment	10,000	20,800	-	-	-	
Value of stock based compensation	-	59,200	-	-	-	
Private offering, net of expenses	2,453,900	4,752,700	-	-	-	
Preferred dividends, paid in kind - A	-	-	224,300	336,400	-	
Preferred dividends, paid in kind - B	-	-	-	-	-	
Net loss	-	-	-	-	-	
Balances, September 30, 2007	22,892,500	$92,815,400	3,984,100	$ 5,266,500	200,000	$ (3

See accompanying notes to the consolidated financial statemen

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, (unaudited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	$ (1,483,200)	$ (853,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	169,600	242,400
Gain on Sale - Data Storage Assets	0	(18,300)
Stock-based Compensation	59,200	54,100
Stock issued for services	12,500	-
Loss (Income) from discontinued operations	0	(83,400)
Income from assets held for sale	(16,400)	(3,600)
Changes in:		
Accounts receivable, net	99,600	(1,105,100)
Inventories, net	(206,100)	359,000
Costs in excess of billings and estimated earnings on uncompleted contracts	(126,800)	(97,600)
Prepaid expenses and other current assets	(316,700)	59,900
Accounts payable and accrued expenses	(810,600)	(570,800)
Deferred revenue	145,600	506,500
Billings and estimated earnings in excess of costs on uncompleted contracts	-	(43,500)
Customer Advances	-	(341,800)
Net assets of disposed operations	-	(428,000)
Other assets	42,200	(192,700)
Net cash used in operating activities	(2,431,100)	(2,516,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash from assets sold	16,400	467,400
Net cash forfeited in sale	-	(2,400)
Collection of notes receivable, net	-	2,000

Purchase of property, plant and equipment	(30,400)	(18,100)
Patent renewal and other	(1,000)	(8,600)
Net cash provided by (used in) investing activities	(15,000)	440,300

See accompanying notes to the consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, (continued)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments) advances on line of credit	-	(490,400)
Repayment on borrowings	(857,800)	(338,700)
Proceeds from notes payable	22,500	5,072,500
Proceeds from sale of equity instruments	4,752,700	409,300
Net cash provided by financing activities	3,917,400	4,652,700
NET INCREASE IN CASH	1,471,300	2,576,400
CASH AND CASH EQUIVALENTS, beginning of period	615,800	1,155,500
CASH AND CASH EQUIVALENTS, end of period	$ 2,087,100	$ 3,731,900
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Net cash paid during the period for interest	$ 132,500	$ 57,700
Non-Cash Activities:		
Value of stocks and warrants issued for services and prepayments	$ 33,300	$ 392,400
Series B preferred stock dividend, paid in kind	$ 20,600	$ 18,700
Series A preferred stock dividend, paid in kind	$ 336,400	$ 279,200

See accompanying notes to the consolidated financial statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007

Note A - Basis of Presentation and Recent Accounting Pronouncements

Alanco Technologies, Inc., an Arizona corporation ("Alanco" or "Company"), operates in three business segments: Data Storage, Wireless Asset Management and RFID Technology.

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-QSB. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. 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, 2007 Annual Report filed on Form 10-KSB. Interim results are not necessarily indicative of results for a full year. Certain reclassifications have been made to conform prior period financials to the presentation in the current reporting period. The reclassifications had no effect on net loss.

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

The Company announced on October 16, 2006 that the Board of Directors had elected to effect a 2 for 5 reverse stock split effective October 16, 2006, when the Company's common stock began trading on a post split-adjusted basis under the interim trading symbol "ALAND" for a period of 20 days, after which the Company's trading symbol returned to "ALAN." The Company had previously received authority from its shareholders to effect a reverse split at a ratio within a specified range, if and as determined by the Board of Directors, in order to maintain its Nasdaq listing.

As a result of the reverse split, each five shares of the Company's Class A Common Stock outstanding at the time of the reverse split was automatically changed into two shares of common stock, and the total number of common shares outstanding was reduced from approximately 38.7 million shares to approximately 15.5 million shares post-split. No fractional shares were issued in connection with the reverse stock split. Upon surrender of their stock certificates, shareholders received cash in lieu of the fractional shares to which they would otherwise be entitled. All per share amounts and outstanding shares, including all common stock equivalents (stock options, warrants and convertible securities) have been restated in the Condensed Consolidated Financial Statements, the Notes to the Condensed Consolidated Financial Statements and the loss per share for all periods presented to reflect the reverse stock split.

The Company has stock-based compensation plans and effective July 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), using the modified prospective transition method and therefore have not restated results for prior periods. Under this transition method, stock-based compensation expense for the first quarter period ended September 30, 2007 and 2006 includes compensation expense for all stock-based compensation awards granted during the quarters, or granted in a prior quarter if not fully vested as of July 1, 2006, based on the grant date fair value estimated in accordance with the original provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"). Stock-based compensation expense for all stock-based compensation awards granted after July, 2006 is based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. The value of the compensation cost is amortized on a straight-line basis over the requisite service periods of the award (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 using a weighted average of the contractual term and vesting period of the award;
- 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;
- Risk-free interest rate is to approximate 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 forfeitures.

Prior to the adoption of SFAS 123R, the Company recognized stock-based compensation expense in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APBO 25"). In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. The Company has applied the provisions of SAB 107 in their adoption of SFAS 123R.

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

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued a standard that addresses accounting for income taxes: FIN 48, Accounting for Uncertainty in Income Taxes. Among other things, FIN 48 requires applying an audit sustainability standard of "more likely than not" related to the recognition and de-recognition of tax positions. The new guidance will be effective for us in fiscal 2008. We are currently evaluating the requirements of FIN 48 and the impact this interpretation may have on our consolidated financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) 108 " Considering the Effects of Prior Year Misstatements in Current Year Financial Statements," which provides interpretive guidance on how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. There is currently diversity in practice, with the two commonly used methods to quantify misstatements being the "rollover" method (which primarily focuses on the income statement impact of misstatements) and the "iron curtain" method (which focuses on the balance sheet impact). SAB 108 requires registrants to use a dual approach whereby both of these methods are considered in evaluating the materiality of financial statement errors. Prior materiality assessments will need to be reconsidered using both the rollover and iron curtain methods.

In September 2006, the FASB issued SFAS 157 "Fair Value Measurements", which establishes how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS 157 are effective for the Company in July 2008. The Company is currently evaluating the impact of this Statement on our consolidated financial statements, but we do not expect SFAS 157 to have a material effect.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company has not yet determined whether it will elect the fair value option for any of its financial instruments.

Note B - Stock-Based Compensation

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 date of grant and are more fully discussed in Form 10-KSB for the year ended June 30, 2007.

The Company uses the Black-Scholes option pricing model to estimate fair value of stock-based awards with the following assumptions for prior awards of options:

Assumptions for awards of options granted during the three months ended September 30, 2007 were:

	Awards Granted Three months ended September 30, 2007
Dividend yield	0%
Expected volatility	80%
Weighted-average volatility	80%
Risk-free interest rate	4 1/2%
Expected life of options (in years)	3.2 - 3.4
Weighted average grant-date fair value	$2.50

The following table summarizes the Company's stock option activity during the first three months of fiscal 2008:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (1)	Aggregate Fair Value	Ag In V
Outstanding July 1, 2007	5,543,800	$1.97	4.95	$3,496,100	
Granted	408,000	$2.50	4.81	248,700	

Exercised	-	-	-	-	
Forfeited or expired	(12,800)	$1.82	-	(8,100)	
Outstanding September 30, 2007	5,939,000	$2.01	4.70	$3,736,700	$4
Exercisable September 30, 2007	4,663,400	$2.02	4.87	$2,934,100	$4

(1) Remaining contractual term presented in years.
(2) The aggregate intrinsic value is calculated as the difference between the exercise price of and the closing price of the Company's common stock as of September 30, 2007, for those awar exercise price currently below the closing price as of September 30, 2007 of $1.66.

Note C - Inventories

Inventories are recorded at the lower of cost or market. The composition of inventories as of September 30, 2007 and June 30, 2007 are summarized as follows:

	September 30, 2007	June 30, 2007
	(unaudited)	
Raw materials and purchased parts	$ 4,272,500	$ 4,160,400
Work-in-process	16,900	6,400
Finished goods	62,100	70,900
	4,351,500	4,237,700
Less reserves for obsolescence	(337,300)	(429,600)
	$ 4,014,200	$ 3,808,100

Note D - Contracts In Process

Costs incurred and estimated earnings and billings in the RFID Technology segment related to contracts for the installation of TSI PRISM systems in process at September 30, 2007 and June 30, 2007 consist of the following:

	September 30, 2007	June 30, 2007
	(unaudited)	
Costs incurred on uncompleted contracts	$ 358,500	$ 242,100
Estimated gross profit earned to date	206,400	161,900
Revenue earned to date	564,900	404,000
Less: Billings to date	(316,100)	(282,000)
Costs and estimated earnings/(billings) in excess of billings/(costs and estimated earnings)	$ 248,800	$ 122,000

Note E - Deferred Revenue

Deferred Revenues at September 30, 2007 and June 30, 2007 consist of the following:

September 30,	June 30,

	2007	2007
	(unaudited)	
Extended warranty revenue	$ 1,059,500	$ 913,900
Less - current portion	(939,700)	(784,600)
Deferred revenue - long term	$ 119,800	$ 129,300

Note F - Loss Per Share

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

Diluted earnings per share are computed based on the weighted average number of shares of common stock and dilutive securities outstanding during the period. Dilutive securities are options and warrants that are freely exercisable into common stock at less than the prevailing market price. Dilutive securities are not included in the weighted average number of shares when inclusion would increase the earnings per share or decrease the loss per share. As of September 30, 2007 there were 1,788,000 potentially dilutive securities outstanding.

Note G - Equity

During the three months ended September 30, 2007, the Company issued a total of 2,469,400 shares of the Company's Class A Common Stock. Included were 5,500 shares issued for services valued at $12,500 and 10,000 shares, valued at $20,800 issued as partial consideration for an amendment to the Company's line of credit agreement. In addition, the Company completed the sale, in August 2007, of a private offering to qualified investors, of 2,453,900 units consisting of one share of its Class A Common Stock together with a 3-year warrant to purchase .4 of a share of the Company's Class A Common Stock at a price of $3.00 per share. The Company received $4,752,700, net of commissions of $172,300, from the offering.

The value of employee stock-based compensation recognized for the three months ended September 30, 2007 amounted to $59,200, compared to $54,100 recognized in the same quarter of the prior fiscal year when the Company initiated the expensing of stock-based compensation on July 1, 2006. See Note A - Basis of Presentation and Recent Accounting Pronouncements for additional discussion of the Company's policies related to employee stock-based compensation.

The Company declared and paid dividends-in-kind on the Company's preferred shares through the issuance of 224,300 shares of Series A Preferred Stock valued at $336,400 and 2,000 shares of Series B Preferred Stock valued at $20,600. The Preferred Stocks are more fully discussed in the Form-10KSB for the year ended June 30, 2007.

Note H -Industry Segment Data

Information concerning operations by industry segment follows (unaudited):

	Three Months ended 9/30	
	2007	2006
Revenue		

Data Storage	$ 1,122,900	$ 824,500
Wireless Asset Management	3,127,100	4,039,900
RFID Technology	302,600	236,700
Total Revenue	$ 4,552,600	$ 5,101,100
Gross Profit		
Data Storage	$ 299,500	$ 184,300
Wireless Asset Management	1,229,700	1,535,000
RFID Technology	58,500	49,900
Total Gross Profit	$ 1,587,700	$ 1,769,200
Gross Margin		
Data Storage	26.7%	22.4%
Wireless Asset Management	39.3%	38.0%
RFID Technology	19.3%	21.1%
Overall Gross Margin	34.9%	34.7%
Selling, General and Administrative Expense		
Data Storage	$ 448,200	$ 342,500
Wireless Asset Management	1,564,100	1,344,800
RFID Technology	563,700	507,700
Total Segment Operating Expense	$ 2,576,000	$ 2,195,000
Operating Profit (Loss)		
Data Storage	$ (148,700)	$ (158,200)
Wireless Asset Management	(334,400)	190,200
RFID Technology	(505,200)	(457,800)
Corporate Expense, net	(300,800)	(363,700)
Operating Loss	$(1,289,100)	$ (789,500)
Depreciation and Amortization		
Data Storage	$ 7,700	$ 5,500
Wireless Asset Management	113,700	161,400
RFID Technology	33,700	74,400
Corporate	200	700
Total Depreciation and Amortization	$ 155,300	$ 242,000

	Sept. 30, 2007	June 30, 2007
Accounts Receivable		
Data Storage	$ 483,600	$ 327,300
Wireless Asset Management	1,286,300	1,561,300
RFID Technology	361,500	342,400
Corporate	17,600	17,600
Total Accounts Receivable	$ 2,149,000	$ 2,248,600
Inventories		
Data Storage	$ 944,800	$ 859,600
Wireless Asset Management	1,859,400	1,669,400
RFID Technology	1,210,000	1,279,100

Total Inventories	$ 4,014,200	$ 3,808,100

Note I - Related Party Transactions

The Company has a $2.0 million line of credit agreement ("Agreement"), more fully discussed in the Company's Form 10-KSB for the year ended June 30, 2007, with a private trust controlled by Mr. Donald Anderson, a greater than five percent stockholder of the Company and member of the Company's Board of Directors. During June of 2007, the Agreement was amended whereby its maturity date was extended to July 1, 2009 and the interest rate was increased from 2% over the prime rate to 3% over prime rate. As consideration for the amendment, the Company paid $15,000; committed to issue 10,000 shares of Class A Common Stock valued at $20,800 and granted a 3-year warrant to purchase 20,000 shares of Class A Common Stock at a strike price of $2.25 per share. The obligation relative to the amendment was recorded as of June 30, 2007; however, the 10,000 shares were issued and recorded into equity during the quarter ended September 30, 2007.

Note J - Line of Credit and Term Loan

At September 30, 2007, the Company had an outstanding balance under the line of credit agreement of $1,500,000. The balance is under a $2.0 million line of credit agreement with a private trust ("Lender"), entered into in June 2002 and last modified in June 2007. Under the Agreement, the Company must maintain a minimum balance due under the line of at least $1.5 million through the July 1, 2009 maturity date. At September 30, 2007, the Company had $500,000 available under the line of credit agreement.

During July 2007, the Company amended its 2006 term loan agreement with ComVest Capital LLC reducing the prepayment requirement and delaying the monthly installment payments in the event the Company raised additional equity capital. Under the amended agreement, the prepayment requirement was reduced to $828,100, or approximately 17.4% of the approximate $4.75 million of net equity raised during the quarter ended September 30, 2007 and the monthly installment payments were delayed by approximately 8 months. In addition, the Company paid approximately $13,000 in fees related to the transaction.

Note K - Litigation

The Company is a plaintiff in litigation initiated by its subsidiary, StarTrak Systems, LLC, against former employees and others for violation of certain non-disclosure covenants and for misappropriation of trade secrets. The actions are more fully described below. The Company is also a party to litigation that relates to the acquisition, in May of 2002, of substantially all the assets of Technology Systems International, Inc., a Nevada Corporation ("TSIN") and to litigation arising from an expired property lease between the Company's former subsidiary, Arraid, Inc., and Arraid Property L.L.C., an Arizona limited liability company.

StarTrak Systems Litigation - On July 12, 2007, the Company's subsidiary, StarTrak Systems, LLC, commenced a lawsuit against Brian Hester, Satamatics, Ltd., Satamatics, Inc., and Farruhk Shahzad in the United States District Court, District of New Jersey, as case number 07-3203(DRD), for misappropriation of trade secrets, violation of confidentiality agreements and contempt for violation of a previously issued court order concerning such trade secrets issued to Brian Hester. Brian Hester and Farruhk Shahzad are previous employees of StarTrak, and the Company believes that they have employed and/or are attempting to employ trade secrets of StarTrak in connection with their association with Satamatics in direct competition with StarTrak. The Company is seeking injunctive relief and damages from the defendants.

TSIN Litigation - On January 30, 2003, a shareholder of TSIN filed a derivative suit naming as defendants the Company and its wholly owned subsidiary, ATSI. The venue for this action is the Arizona Superior Court in and for Maricopa County, Arizona, as case number CV2003-001937. The complaint sets forth various allegations and seeks damages arising out of the Company's acquisition of substantially all of the assets of TSIN. This derivative suit was terminated and the action converted into a direct action by TSIN by stipulation and court order in July 2003.

TSIN is currently in Chapter 7 bankruptcy. The Chapter 7 Trustee failed to prosecute the action timely and the state court dismissed the action for lack of prosecution, but allowed the Trustee to restart the action, which the Trustee has done as case number CV2006-007398. The Company is seeking its attorney's fees with respect to the dismissed action, and has appealed the court's order allowing the Trustee to restart the action.

The parties to the lawsuit have entered into a Settlement Agreement, which was attached as an exhibit to Form 8-K filed on September 21, 2007. In place of the litigation, the Settlement Agreement provides for a valuation procedure, conducted by an independent third party valuation expert, to value (i) the assets transferred by TSIN to Alanco and TSIA in connection with the Acquisition Agreement ("Business Value"), and (ii) the consideration paid by Alanco to TSIN ("Consideration Value "). If the appraiser determines that the Consideration Value is within 15% of the Business Value, neither party shall be entitled to any damages or claims. If the Consideration Value is less than 85% of the Business Value, Alanco shall pay to the TSIN's bankruptcy estate the full difference in the values, plus interest thereon, plus the sum of $300,000 for attorneys' fees incurred by TSIN in prosecuting the various related litigation matters. Alanco's payment may be made, at Alanco's option, in cash or by an equivalent market value of additional Alanco Class A Common Stock (subject to certain conditions set forth in the Settlement Agreement). If the Consideration Value is greater than 115% of the Business Value, TSIN shall immediately pay Alanco the sum of $300,000 for Alanco's attorneys' fees and costs incurred in connection with the various litigation matters. The Settlement Agreement was approved by the bankruptcy court following a hearing for the same on September 19, 2007, and the parties are beginning the appraisal process. All of the pending litigation matters have been dismissed by the parties. The Company anticipates that the appraisal will be accomplished and the matter entirely resolved over the next few months.

Arraid Litigation - On July 18, 2003, Arraid Property L.L.C., an Arizona Limited Liability Company ("Arraid LLC"), filed a complaint in the Arizona Superior Court in and for Maricopa County, Arizona (case number CV 2003-13999) against the Company and its wholly owned subsidiary, Arraid, Inc., alleging breach of lease and seeking substantial monetary damages in excess of $3 million. The suit relates to an expired lease agreement for property previously leased by Arraid. Following a trial, the Court found in favor of Arraid LLC against the Company with respect to certain factual findings resulting in damages owed by the Company in an amount of approximately $35,000, less than one percent of the amount sought by the plaintiff. The court determined that the plaintiff was the prevailing party, and awarded the plaintiff approximately $95,000 in attorney's fees and costs. The Company's management, in consultation with legal counsel, has determined to appeal the decision of the court.

The Company may also, from time to time, be involved in litigation arising from the normal course of business. As of September 30, 2007, there was no such litigation pending deemed material by the Company.

Note L - Subsequent Events

None.

Note M - Liquidity

During the quarter ended September 30, 2007, the Company reported a loss from continuing operations of approximately $1.5 million. During Fiscal year ended June 30, 2007 the Company reported losses from continuing operations of approximately $5.1 million. Although the Company raised approximately $4.7 million in net equity during the current quarter through the sale of Class A Common Stock, the significant losses raise doubt about the ability of the Company to continue as a going concern. During fiscal 2008, the Company expects to meet its working capital and other cash requirements with its current cash reserves, cash generated from operations, its borrowing capacity under its credit facility, and other financing as required. While the Company believes that it will succeed in attracting additional capital and generate capital from operations from its StarTrak acquisition, there can be no assurance that the Company's efforts will be successful. The Company's continued existence is dependent upon its ability to achieve and maintain profitable operations. As a result, the Company's independent certified public accountants have issued a going concern opinion on the consolidated financial statements of the Company for the fiscal year ended June 30, 2007. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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

Except for historical information, the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. These risks and uncertainties include, but are not limited to, the following factors: general economic and market conditions; reduced demand for information technology equipment; competitive pricing and difficulty managing product costs; development of new technologies which make the Company's products obsolete; rapid industry changes; failure by the Company's suppliers to meet quality or delivery requirements; the inability to attract, hire and retain key personnel; failure of an acquired business to further the Company's strategies; the difficulty of integrating an acquired business; undetected problems in the Company's products; the failure of the Company's intellectual property to be adequately protected; unforeseen litigation; the ability to maintain sufficient liquidity in order to support operations; the ability to maintain satisfactory relationships with lenders and to remain in compliance with financial loan covenants and other requirements under current banking agreements; and the ability to maintain satisfactory relationships with suppliers and customers.

General

Information on industry segments is incorporated by reference from Note H - Industry Segment Data to the Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an ongoing basis, estimates are revalued, including those related to areas that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. These areas include allowances for doubtful accounts, inventory valuations, carrying value of goodwill and intangible assets, estimated profit on uncompleted contracts in process, stock-based compensation, income and expense recognition, income taxes, ongoing litigation, and commitments and contingencies. Our estimates are based upon historical experience, observance of trends in particular areas, information and/or valuations available from outside sources and on various other assumptions that we believe to be reasonable under the circumstances and which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions and conditions.

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

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

Revenue recognition - The Company recognizes revenue from the Data Storage Segment, net of anticipated returns, at the time products are shipped to customers, or at the time services are provided. Revenue from material long-term contracts (in excess of $250,000 and not completed in the reporting period) in all business segments are recognized on the percentage-of-completion method for individual contracts, commencing when significant costs are incurred and adequate estimates are verified for substantial portions of the contract to where experience is sufficient to estimate final results with reasonable accuracy. Revenues are recognized in the ratio that costs incurred bear to total estimated costs. Changes in job performance, estimated profitability and final contract settlements would result in revisions to cost and income, and are recognized in the period in which the revisions were determined. Contract costs include all direct materials, subcontracts, labor costs and those direct and indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. At the time a loss on a contract is known, the entire amount of the estimated ultimate loss is accrued.

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

Results of Operations

(A) Three months ended September 30, 2007 versus September 30, 2006

Net Sales

Consolidated net sales for the first fiscal quarter ended September 30, 2007 were $4,552,600, a decrease of $548,500, or 10.8%, compared to sales of $5,101,100 for the first quarter of the prior year. The decrease resulted from the $912,800, or 22.6%, decrease in sales of the Company's Wireless Asset Management segment due to a large hardware order that had initiated delivery in the first quarter of the prior fiscal year. Compared to the immediate preceding quarter ended June 30, 2007, Wireless Asset Management sales increased by $859,100 or 37.9%. The sales from the RFID Technology segment for the quarter increased to $302,600 from $236,700, an increase of $65,900 or 27.8% as compared to revenues for the comparable quarter of the prior year. The improvement in the RFID Technology segment reflects recent activity on execution of contracts the

Company started during the current fiscal year. Net sales from the Data Storage segment increased to $1,122,900 from $824,500, an increase of $298,400, or 36.2%, when compared to sales in the same quarter of the prior year. The increase resulted from additional product demand for the quarter and is not considered a trend.

Gross Profit

Gross profit reported during the quarter amounted to $1,587,700, a decrease of $181,500, or 10.3%, when compared to $1,769,200 reported for the comparable quarter of the prior year. The gross profit decrease is due to a reduction in gross profit of the Wireless Asset Management segment, as a result of a reduction in sales. Gross profit for the RFID Technology segment increased to $58,500, compared to $49,900 for the prior year's quarter and is a result of the additional revenue. The Data Storage segment gross profit increased $115,200 to $299,500 compared to $184,300 in the same quarter of the prior year. This increase in gross profit is a result of increased sales and an increase in gross margin from 22.4% reported for the quarter ended September 30, 2006 to 26.7% reported in the current quarter. Consolidated gross margin increased slightly from 34.7% for the quarter ended September 30, 2006 to 34.9% for the current quarter. The net improvement in gross margin resulted from the Wireless Asset Management margin and improved gross margin of the Data Storage segment. Gross margin for the RFID Technology segment decreased to 19.3% from 21.1% for the same quarter of the prior year. Gross margin can be impacted in all business segments by economic conditions and specific market pressures. As a result, the changes in gross margins reported for the current quarter are not considered to be trends.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses, excluding corporate expenses, for the current quarter increased to $2,576,000, an increase of $381,000, or 17.4%, when compared to $2,195,000 incurred in the comparable quarter of fiscal year 2007. The increase was due primarily to increases in the Company's Wireless Asset Management segment which added $219,300, or 16.3%, in SG&A expenses for the current quarter compared to the same quarter of the prior fiscal year, and the Data Storage segment that increased from $342,500 to $448,200, an increase of $105,700, or 30.9%. The RFID Technology segment increased SG&A expense $56,000, or 11.0% compared to the same quarter of the prior fiscal year. The increase in the Wireless Asset Management segment is in preparation for additional sales revenue anticipated in the third fiscal quarter due to new product introductions. The Data Storage segment increase in SG&A resulted from some temporary additional personnel costs and increased sales commissions, and the increase in RFID Technology segment resulted from increased engineering costs.

Operating Loss

The Operating Loss for the quarter was ($1,289,100) compared to a loss of ($789,500) for the same quarter of the prior year, an increase of $449,600, or 63.3%. The increase in Operating Loss is due primarily to the reported operating loss of the Wireless Asset Management segment of ($334,400), an increase of $524,600 when compared to operating profit of $190,200 reported for the Wireless Asset Management segment for the comparable quarter of the prior fiscal year. The Data Storage segment operating loss decreased to ($148,700), a decrease of $9,500, or 6%, and the RFID Technology segment operating loss increased by 10.4% to ($505,200). Corporate expenses decreased to ($300,800) from ($363,700), a decrease of $62,900, or 17.3%.

Other Income and Expense

Net interest expense for the quarter increased to $210,500 compared to interest expense of $86,100 for the same quarter in the prior year. The increase was primarily due to interest expense in the current quarter on the $4 million term loan financing the Company completed on September 28, 2006. In addition, interest expense increased due to an increase in the interest rate and an increase in the minimum borrowing limit of our credit line. Other Income was $16,400 versus $21,900 reported for the comparable quarter of the prior year. The net interest expense and other income resulted in a Loss From Continuing Operations of ($1,483,200), an increase of $629,500, or 73.7%, when compared to ($853,700) reported for the quarter ended September 30, 2006.

(Loss) Earnings before Dividends, Interest, Depreciation & Amortization (EBITDA)

The Company believes that (loss) earnings before net interest income, income taxes, depreciation, and amortization of intangible assets, (EBITDA), is an important measure used by management to measure performance. EBITDA may also be used by certain investors to compare and analyze our operating results between accounting periods. However, EBITDA should not be considered in isolation or as a substitute for net income, cash flows or other financial statement data prepared in accordance with US GAAP or as a measure of our performance or liquidity. EBITDA for Alanco's 2008 fiscal year first quarter represents a loss of ($1,117,400) compared to a loss of ($525,600) for the same quarter of the prior fiscal year, an increase of 112.6%. A reconciliation of EBITDA to Loss from Continuing Operations for the quarters ended September 30, 2007 and 2006 is presented below:

EBITDA RECONCILIATION to LOSS FROM CONTINUING OPERATIONS

	3 months ended September 30, 2007	3 months ended September 30, 2006
EBITDA	$ (1,117,400)	$ (525,600)
Net interest expense	(210,500)	(86,100)
Depreciation and amortization	(155,300)	(242,000)
LOSS FROM CONTINUING OPERATIONS	$ (1,483,200)	$ (853,700)

Dividends

The Company paid quarterly in-kind Series A and Series B Preferred Stock dividends with values of $357,000 and $297,800 in the quarters ended September 30, 2007 and 2006, respectively.

Net Loss Attributable to Common Stockholders

Net Loss Attributable to Common Stockholders for the quarter ended September 30, 2007 amounted to ($1,840,200), or ($.08) per share, compared to a loss of ($1,234,900), or ($.08) per share, in the comparable quarter of the prior year. The Company anticipates improved future operating results in all business segments. However, actual results in the Wireless Asset Management segment, Data Storage segment and the RFID Technology segment may be affected by unfavorable economic conditions and reduced capital spending budgets. If the economic conditions in the United States deteriorate or if a wider global economic slowdown occurs, Alanco may experience a material adverse impact on its operating results and business conditions.

Liquidity and Capital Resources

The Company's current assets at September 30, 2007 exceeded current liabilities by $2,980,100, resulting in a current ratio of 1.47 to 1. The comparable working capital at June 30, 2007 was negative with current liabilities exceeding current assets by ($219,100) and reflecting a current ratio of .97 to 1. The improvement in current ratio at September 30, 2007 versus June 30, 2007 resulted from the completion of a private offering to accredited investors whereby the Company issued 2,453,900 shares and granted 3-year warrants to purchase approximately 981,600 common shares at a price of $3.00, raising approximately $4.7 million.

Accounts receivable of $2,149,000 at September 30, 2007 reflects a decrease of $99,600, or 4.4%, when compared to the $2,248,600 reported as consolidated accounts receivable at June 30, 2007. The accounts receivable balance at September 30, 2007 for the Data Storage segment represents thirty-nine days' sales in receivables, an increase compared to twenty-seven days' sales at June 30, 2007. The increase was due to a past due receivable that has since been collected and a decrease in the proportion of credit card sales. The days' sales calculation of the Data Storage segment can be significantly affected by the proportion of credit card sales in the last month of the reporting period and therefore, the increase in days' sales for the Data Storage segment is not considered a trend.

The accounts receivable balance for the Wireless Asset Management segment at September 30, 2007 was $1,286,300 compared to $1,561,300 at June 30, 2007, a decrease of $275,000, or 17.6%. Days' sales in receivables for the Wireless Asset Management decreased to thirty-seven from forty-three days' sales in receivables reported at June 30, 2007. The decrease was due to a reduction in past due balances.

The accounts receivable balance at September 30, 2007 for the RFID Technology segment represents one hundred and eight days' sales in receivables as compared to one hundred and sixteen days' sales in receivables at June 30, 2007. Days' sales in receivables for the RFID Technology segment are distorted at September 30, 2007 and June 30, 2007 due to the lack of significant sales for the period.

Consolidated inventories at September 30, 2007 amounted to $4,014,200, an increase of $206,100, or 5.4%, when compared to $3,808,100 at June 30, 2007. The inventory balance at September 30, 2007 for the Data Storage segment's remaining company reflected an inventory turnover of 3.5 compared to an inventory turnover of 3.9 at June 30, 2007. The inventory balance for the Wireless Asset Management segment at September 30, 2007 was $1,859,400 compared to $1,669,400 at June 30, 2007, an increase of $190,000, or 11.4%. The inventory balance at September 30, 2007 for the Wireless Asset Management segment represents an inventory turnover of 4.1 compared to 5.1 as of June 30, 2007. The inventory balance of the RFID Technology segment at September 30, 2007 represents inventory turnover of .81 as compared to .78 at June 30, 2007.

At September 30, 2007, the Company had an outstanding balance of $1,500,000 under a $2.0 million formula-based revolving bank line of credit agreement with interest calculated at prime plus 3%. The line of credit formula is based upon current asset values and is used to finance working capital. At September 30, 2007, the Company had $500,000 available under the line of credit. See Line of Credit and Term Loan Footnote J for additional discussion of the existing line of credit agreement.

Cash used in operations for the three-month period ended September 30, 2007 was $2,431,100, a decrease of $85,500, or 3.4%, when compared to cash used in operations of $2,516,600 for the comparable period ended September 30, 2006. The increase during the three month period resulted primarily from a decrease in accounts receivable during the current quarter compared to a significant increase in accounts receivable during the comparable quarter.

During the three months ended September 30, 2007, the Company reported cash used in investing activities of $15,000, compared to cash flow provided by investing activities of $440,300 reported for the same period in the prior fiscal year. The decrease is the result of cash generated from the sale of assets in the prior fiscal year quarter ended September 30, 2006 when the

Company sold one of its Data Storage segment companies. In addition, purchases of property, plant and equipment increased to $30,400 during the current period compared to $18,100 in the comparable quarter of the prior year.

Cash provided by financing activities for the three months ended September 30, 2007 amounted to $3,917,400, a decrease of $735,300 compared to the $4,652,700 provided by financing activities for the three months ended September 30, 2006. The decrease in financing activity resulted primarily from $5.07 million in proceeds from a notes payable during the quarter ended September 30, 2006, offset by an increase of $4,343,400 through the sale of equity instruments.

The Company believes that additional cash resources may be required for working capital to achieve planned operating results for fiscal year 2008 and, if working capital requirements exceed current availability, the Company anticipates raising capital through additional borrowing, the exercise of stock options and warrants and/or the sale of stock in a private placement. The additional capital would supplement the projected cash flows from operations and the line of credit agreement in place at September 30, 2007. If additional working capital is required and the Company is unable to raise the required additional capital, it may materially affect the ability of the Company to achieve its financial plan. The Company has raised a significant amount of capital in the past and believes it has the ability, if needed, to raise the additional capital to fund the planned operating results for fiscal year 2008. While the Company believes that it will succeed in attracting additional capital and generate capital from operations from its StarTrak acquisition, there can be no assurance that the Company's efforts will be successful. The Company's continued existence is dependent upon its ability to achieve and maintain profitable operations. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Item 3 - CONTROLS AND PROCEDURES

An evaluation as of the end of the first quarter of fiscal year 2008 was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Company also maintains a system of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a plaintiff in litigation initiated by its subsidiary, StarTrak Systems, LLC, against former employees and others for violation of certain non-disclosure covenants and for misappropriation of trade secrets. The actions are more fully described below. The Company is also a party to litigation that relates to the acquisition, in May of 2002, of substantially all the assets of Technology Systems International, Inc., a Nevada Corporation ("TSIN") and to litigation arising from an expired property lease between the Company's former subsidiary, Arraid, Inc., and Arraid Property L.L.C., an Arizona limited liability company.

StarTrak Systems Litigation - On July 12, 2007, the Company's subsidiary, StarTrak Systems, LLC, commenced a lawsuit against Brian Hester, Satamatics, Ltd, Satamatics, Inc., and Farruhk Shahzad in the United States District Court, District of New Jersey, as case number 07-3203(DRD), for misappropriation of trade secrets, violation of confidentiality agreements and contempt for violation of a previously issued court order concerning such trade secrets issued to Brian Hester. Brian Hester and Farruhk Shahzad are previous employees of StarTrak, and the Company believes that they have employed and/or are attempting to employ trade secrets of StarTrak in connection with their association with Satamatics in direct competition with StarTrak. The Company is seeking injunctive relief and damages from the defendants.

TSIN Litigation - On January 30, 2003, a shareholder of TSIN filed a derivative suit naming as defendants the Company and its wholly owned subsidiary, ATSI. The venue for this action is the Arizona Superior Court in and for Maricopa County, Arizona, as case number CV2003-001937. The complaint sets forth various allegations and seeks damages arising out of the Company's acquisition of substantially all of the assets of TSIN. This derivative suit was terminated and the action converted into a direct action by TSIN by stipulation and court order in July 2003.

TSIN is currently in Chapter 7 bankruptcy. The Chapter 7 Trustee failed to prosecute the action timely and the state court dismissed the action for lack of prosecution, but allowed the Trustee to restart the action, which the Trustee has done as case number CV2006-007398. The Company is seeking its attorney's fees with respect to the dismissed action, and has appealed the court's order allowing the Trustee to restart the action.

The parties to the lawsuit have entered into a Settlement Agreement, which was attached as an exhibit to Form 8-K filed on September 21, 2007. In place of the litigation, the Settlement Agreement provides for a valuation procedure, conducted by an independent third party valuation expert, to value

(i) the assets transferred by TSIN to Alanco and TSIA in connection with the Acquisition Agreement ("Business Value"), and (ii) the consideration paid by Alanco to TSIN ("Consideration Value "). If the appraiser determines that the Consideration Value is within 15% of the Business Value, neither party shall be entitled to any damages or claims. If the Consideration Value is less than 85% of the Business Value, Alanco shall pay to the TSIN's bankruptcy estate the full difference in the values, plus interest thereon, plus the sum of $300,000 for attorneys' fees incurred by TSIN in prosecuting the various related litigation matters. Alanco's payment may be made, at Alanco's option, in cash or by an equivalent market value of additional Alanco Class A Common Stock (subject to certain conditions set forth in the Settlement Agreement). If the Consideration Value is greater than 115% of the Business Value, TSIN shall immediately pay Alanco the sum of $300,000 for Alanco's attorneys' fees and costs incurred in connection with the various litigation matters. The Settlement Agreement was approved by the bankruptcy court following a hearing for the same on September 19, 2007, and the parties are beginning the appraisal process. All of the pending litigation matters have been dismissed by the parties. The Company anticipates that the appraisal will be accomplished and the matter entirely resolved over the next few months.

Arraid Litigation - On July 18, 2003, Arraid Property L.L.C., an Arizona Limited Liability Company ("Arraid LLC"), filed a complaint in the Arizona Superior Court in and for Maricopa County, Arizona (case number CV 2003-13999) against the Company and its wholly owned subsidiary, Arraid, Inc., alleging breach of lease and seeking substantial monetary damages in excess of $3 million. The suit relates to an expired lease agreement for property previously leased by Arraid. Following a trial, the Court found in favor of Arraid LLC against the Company with respect to certain factual findings resulting in damages owed by the Company in an amount of approximately $35,000, less than one percent of the amount sought by the plaintiff. The court determined that the plaintiff was the prevailing party, and awarded the plaintiff approximately $95,000 in attorney's fees and costs. The Company's management, in consultation with legal counsel, has determined to appeal the decision of the court.

The Company may also, from time to time, be involved in litigation arising from the normal course of business. As of September 30, 2007, there was no such litigation pending deemed material by the Company.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2007, the Company issued 224,300 shares of Series A Preferred Stock and 2,000 Shares of Series B Preferred Stock as dividend in-kind payments, and a total of 2,469,400 shares of Class A Common Stock; including 10,000 shares as consideration for an amendment to the Company's line of credit agreement, 5,500 shares for services rendered, 2,453,900 in a private offering to accredited investors.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 6. EXHIBITS

3.2 Amended Bylaws of Alanco Technologies, Inc.
31.1 Certification of Chief Executive Officer
31.2 Certification of Chief Financial Officer
32.1 Certification of Chief Executive Officer
and Chief Financial Officer

SIGNATURE

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

ALANCO TECHNOLOGIES, INC.
(Registrant)
/s/ John A. Carlson
John A. Carlson
Executive Vice President and
Chief Financial Officer

EXHIBIT 3.2

Explanation: As shown below, Section 10.01 of the Bylaws of Alanco Technologies, Inc. was amended by the Board of Directors on November 13, 2007, in order to comply with NASDAQ Rule 4350(I), which requires that all NASDAQ-listed securities become eligible for direct registration by January 1, 2008. Direct registration permits an investor's ownership to be recorded and maintained on the books of the issuer or the transfer agent in electronic or book form without the issuance of a physical stock certificate.

Current Bylaws Section 10.01

10.01 Form. Each certificate representing stock of the Corporation will be in such form as may from time to time be approved by the Board of Directors, will be numbered and will exhibit the holder's name, the number of shares represented thereby and any other information required by law.

Amended Bylaws Section 10.01

10.01 Form. Shares of the Corporation need not be represented by certificates, and the rights and obligations of shareholders owning shares of any class or series are identical with respect to all shareholders owning shares of such class or series whether or not their shares are represented by certificates. If certificates are issued by the Corporation, each certificate representing stock of the Corporation will be in such form as may from time to time be approved by the Board of Directors, will be numbered and will exhibit the holder's name, the number of shares represented thereby and any other information required by law. If issued shares are not represented by certificates, within a reasonable time after issuance or transfer of such shares, the Corporation shall cause to be sent to the shareholder a written statement containing the name of the shareholder, the class or series of shares owned and the number of such shares owned, and such other information as may required by law.

BYLAWS
OF
ALANCO TECHNOLOGIES, INC.
an Arizona corporation

1.01 Principal Office. The principal office for the transaction of the business of the corporation in Arizona is hereby fixed and located at 15575 North 83rd Way, Suite 3, Scottsdale, AZ 85260. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another in said County. Any such change shall be noted on the Bylaws by the Secretary, opposite this section, or this section may be amended to state the new location.

1.02 Other Offices. The Corporation may also have offices at such other places both within or without the State of Arizona as the Board of Directors may from time to time determine or the business of the Corporation may require.

II. STATUTES AND ARTICLES

2.01 References to Articles. Any reference herein made to the Corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the Corporation with the Arizona Corporation Commission.

2.02 Seniority Thereof. The Statutes of the State of Arizona will in all respects be considered superior to the Articles of Incorporation with any inconsistency resolved in favor of said Statutes. The Statutes and Articles will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the Statutes and Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

III. SHAREHOLDERS' MEETINGS

3.01 Annual Meetings. Absent a resolution of the Board of Directors providing otherwise, the annual meeting of the shareholders will be held during the month of November of each year. The date, time of day and place of the annual meeting of shareholder shall be as stated by the Secretary, at the direction of the Board of Directors, or in the absence of action by the Board, at the direction of the President, in the notice of such meeting given pursuant to Section 3.04 hereof. If any such annual meeting is for any reason not held as aforesaid, a special meeting may thereafter be called and held in lieu thereof, and the same proceedings (including the election of directors) may be conducted thereat as at an annual meeting. Any director elected at any annual meeting, or special meeting in lieu of an annual meeting, will continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 9.01 below. The Chairman may present any question for consideration and action at an annual meeting of shareholders. Shareholders' proposals will be included in proxy solicitation materials and considered and submitted to a vote at an annual meeting only if the proponents of any such proposals comply with the rules and regulations promulgated under Section 14(a) of the Securities Exchange Act of 1934, if applicable, and the Chairman, upon advice of counsel, determines that such shareholders' proposals should be considered.

3.02 Special Meeting. Special meetings of the shareholders may be held whenever and wherever called for by the Board of Directors or by the written demand of the holders of thirty-three and one-third percent (33 1/3%) of all issued and outstanding shares of stock, regardless of class. The business which may be conducted at any such special meeting will be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of such meeting may rule to be germane to such purpose.

3.03 Action of Shareholders Without a Meeting. Any action required to be taken or that might be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by the holders of all of the shares of outstanding stock entitled to vote with respect to the subject matter of the action. Any such consent shall be filed with the corporate records or made a part of the minutes of the meeting.

3.04 Notices. Written notice stating the place, day and hour of any meeting of shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten

(10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by the Secretary of the Corporation at the direction of the person or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the first class United States Mail, addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation. When a meeting is adjourned to another time or place, unless the Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than sixty (60) days, or if after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. Whenever any notice is required to be given to any shareholder, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Any such waiver shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

3.05 Record Date for Shareholders. In order to determine the shareholders entitled to notice of or to vote at any meeting of shareholders, or entitled to express consent to corporation action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights with regard to any lawful action, the Board of Directors may fix in advance a date, not exceeding sixty (60) days nor less than ten (10) days preceding the date of such meetings, as a record date for the determination of the shareholders of record entitled to notice of, and to vote at, such meeting. The shares of stock, and the shareholders "entitled to vote" (as that or any similar term is hereinafter used) at any meeting of the shareholders will be determined as of the applicable record date if one has been fixed as aforesaid; otherwise, if no record date is fixed, the record date shall be at four o'clock in the afternoon on the day before the day on which notice is given, or, the record date for determining shareholders entitled to express consent to corporate action in writing without a meeting shall be the time of the day on which the first written consent is provided.

3.06 Quorum. A majority of the shares entitled to vote, represented in person or by proxy (including shares registered in the name of a broker-dealer or similar institution for beneficial owners to whom the broker-dealer distributed notice of the stockholders' meeting and proxy information regardless of whether such beneficial owners have returned proxies or otherwise instructed the broker-dealer as to voting their shares), shall constitute a quorum at a meeting of shareholders. All shares represented and entitled to vote on any single subject matter which may be brought before the meeting shall be counted for the purposes of a quorum. Only those shares entitled to vote on a particular subject matter shall be counted for the purposes of voting on that subject matter. Business may be conducted once a quorum is present and may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum. The affirmative vote of the majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders; provided, however, that if the shares then represented are less than required to constitute a majority if a quorum were present; provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting.

3.07 Voting Records; Election Inspectors. The Secretary of the Corporation shall obtain from the transfer agent of the Corporation a complete record of the shareholders entitled to vote at any meeting of shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

The Board of Directors, in advance of any shareholders' meeting, may appoint an Election Inspector or Inspectors to act at such meeting (and any adjournment thereof). If an Election Inspector or Inspectors are not so appointed, the chairman of the meeting may, or upon the request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an Inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the Election Inspector or Inspectors (acting through a majority of them if there be more than one) will determine the number of proxies and the number of shares represented at the meeting in person and by proxy; they will receive and count votes, ballots and consents and announce the results thereof; they will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, they will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such Election Inspector need be a shareholder of the Corporation.

3.08 Organization and Conduct of Meetings. Each shareholders' meeting will be called to order and thereafter chaired by the Chairman of the Board if there is one; or, if not, or if the Chairman of the Board is absent or so requests, then by the President; or if both the Chairman of the Board and the President are unavailable, then by such other officer of the corporation or such shareholder as may be appointed by the Board of Directors. The Corporation's Secretary will act as Secretary of each shareholders' meeting; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as Secretary thereat. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person, and the filing of all proxies, with the Election Inspector or Inspectors, if one or more have been appointed (or, if not, with the Secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If directors are to be elected, a tabulation of proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer, portions thereof).

3.09 Voting. Except as otherwise may be required by the Corporation's Articles of Incorporation or by Statute, each share of stock represented at any meeting of the shareholders shall be entitled to one vote. Except as otherwise herein provided, the record holder of each share of stock, as determined by the name appearing on the Corporation's books, shall be the person empowered to cast the vote to which such share shall be entitled. The affirmative vote of the majority of the votes cast thereon and entitled to vote on the subject matter shall be the act of the shareholders; provided however, that if the shares then represented are less than required to constitute a quorum, the affirmative vote must be such as would constitute a majority if a quorum were present; provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting. The voting will be by ballot on any question as to which a ballot vote is demanded, prior to the time the voting begins, by any person entitled to vote on such question; otherwise a voice vote will suffice. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

The following additional provisions shall apply to the voting of shares:

(a) Treasury Stock. Shares of its own stock belonging to this Corporation or to another corporation, if a majority of the shares entitled to vote in the elections of directors of such other corporation is held by this Corporation, shall neither be entitled to vote nor counted for quorum purposes. Nothing in this subparagraph shall be construed as limiting the right of this Corporation to vote its own stock held by it in a fiduciary capacity.

(b) Proxies. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. In the event any instrument granting a proxy shall designate two or more persons to act as proxy, the majority of such persons present at the meeting, or if only one should be present then that one, shall have and may exercise all the powers conferred by such instrument upon all the persons so designated, unless such instrument shall otherwise provide. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient at law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the share itself or an interest in the Corporation generally. A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted or quorum is determined, written notice of the death or incapacity is given to the Corporation. A proxy may be revoked by an instrument expressly revoking it, a duly executed proxy bearing a later date, or by the attendance of the person executing the proxy at the meeting and his voting of his shares personally. A telegram, facsimile or cablegram appearing to have been transmitted by a stockholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

(c) Entity Shareholders. Shares standing in the name of another corporation, limited liability company, partnership or other entity, domestic or foreign, may be voted by such officer, manager, agent or proxy as the governing documents of such other entity may prescribe, or, in the absence of such provision, as the governing board or person of such other entity may determine. The Secretary of the Corporation or the Election Inspectors shall have the authority to require that such documents be filed with the Secretary or Election Inspectors as they shall reasonably require in order to verify the authority and power of any such officer, manager, agent or proxy to vote the shares of the Corporation held by any such other entity.

(d) Shares Held by Fiduciary. Shares held by an administrator, executor, guardian, conservator or personal representative may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name. Shares standing in the name of a receiver, trustee in bankruptcy, or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver or trustee was appointed. The Secretary of the Corporation or the Election Inspectors shall have the authority to require that such documents be filed with the Secretary of the Corporation as the Secretary or Election Inspectors shall reasonably require in order to verify the authority and power of such representative or other fiduciary to vote the shares of the Corporation registered in the name of such other person.

(e) Pledged Shares. Unless otherwise set forth in the pledge document, a shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. The Secretary of the Corporation or the Election Inspectors shall have the authority to require that such documents be filed with the Secretary of the Corporation as the Secretary or Election Inspectors shall reasonably require in order to verify the voting rights of the pledgee or pledgor.

(f) Joint Owners. If the shares stand in names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(1) If only one votes, his acts binds.

(2) If more than one votes, the act of the majority so voting binds all.

(3) If more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

(g) Shares Held in Street Name. Shares standing in the name of a broker-dealer or similar institution for beneficial owners to whom the broker-dealer distributed notice of the stockholders' meeting and proxy information shall be voted as instructed by the beneficial owners thereof. The foregoing notwithstanding, such shares may be counted as present for purposes of determining the presence of a quorum as stated in section 3.06 above. In addition, the Corporation shall rely solely upon the proxy information returned by such broker-dealers regardless of all other proxies purported to be signed by said beneficial owner or requests to vote such shares in person.

3.10 Nominations of Directors. Nominations for election to the Board of Directors of the Corporation at a meeting of shareholders may be made by the Board of Directors or on behalf of the Board by a nominating committee appointed by the Board, or by any shareholder of the Corporation entitled to vote for the election of Directors at such meeting. Such nominations, other than those made by or on behalf of the Board, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation, and received by him not less than thirty (30) days nor more than (60) days prior to any meeting of shareholders called for the election of Directors; provided, however, that if less than thirty-five (35) days notice of the meeting is given to shareholders, such nomination shall have been mailed or delivered to the Secretary of the Corporation not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Such notice shall set forth as to each proposed nominee who is not an incumbent Director (i) the name, age, business address and telephone number and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee and by the nominating shareholder, and (iv) any other information concerning the nominee that must be disclosed with respect to nominees in proxy solicitations pursuant to the rules, regulations and forms promulgated under Section 14(a) of the Securities Exchange Act of 1934, if applicable.

The Chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

3.11 Election of Directors. At each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of his shares, multiplied by the number of directors to be elected and for whose election he has a right to vote, shall equal, or by distribution such votes on the same principle among any number of such candidates.

3.12 Shareholder Approval or Ratification. The Board of Directors may submit any contract or act for approval or ratification at any duly constituted meeting of the shareholders, the notice of which either includes mention of the proposed submittal or is waived as provided in Section 3.04 above. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the Corporation and all of its shareholders as if would be if approved and ratified by each and every shareholder of the Corporation.

3.13 Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting, or in the areas of credentials, proxies, quorums,, voting and similar matters, will be deemed waived if no objection is made at the meeting.

IV. BOARD OF DIRECTORS

4.01 Powers. Subject to the limitations of the Articles of Incorporation, the Bylaws, the Arizona General Corporation Law as to actions to be authorized or approved by the shareholders, and subject to the duties of Directors as prescribed by the Bylaws, all corporation powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. In addition to any other powers granted by the Arizona General Corporation Law, the Articles of Incorporation and the Bylaws, it is hereby expressly declared that the Directors shall have the following powers, to-wit:

(a) To select and remove all of the officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation, or the Bylaws and fix their compensation.

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, or with the Articles of Incorporation or the Bylaws, as they may deem best.

(c) To designate any place within or without the State of Arizona for the holding of any shareholders' meeting or meetings; and to adopt, make and use a corporate seal, and to prescribe the forms of certificate of stock, and to alter the form of such seal and such certificates so that the same shall at all times comply with applicable law.

(d) To authorize the issuance of shares of stock of the Corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done or services actually rendered, debts or securities canceled, or tangible or intangible property actually received, or in the case of shares issued as a dividend against amounts transferred from surplus to stated capital.

(e) To borrow money and incur indebtedness for the purpose of the Corporation, and to cause to be executed and delivered therefore, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities therefor.

(f) To authorize a person or persons to sign and endorse all checks, drafts or other forms for payments of money, notes, or other evidences of indebtedness, issued in the name of or payable to the Corporation.

4.02 Membership. The business and affairs of the Corporation shall be managed by its Board of Directors, consisting of not less than three (3) nor more than nine (9) members. The Board will have the power to increase or decrease its size within such limits; provided, however, that no decrease shall have the effect of shortening the term of any incumbent director. At each annual meeting of shareholders, the shareholders shall elect Directors to hold office until the next succeeding annual meeting. Directors may also be elected at a Special Meeting of Shareholders called for such purpose. Each Director shall hold office until his successor is elected and qualified, or until his earlier resignation or removal. The Directors need not be shareholders or residents of the state of incorporation.

4.03 Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum, or by a sole remaining Director, and any Director so chosen shall hold office until the next election of Directors when his successor is elected and qualified. Any newly created directorship shall be deemed a vacancy. When one or more Directors shall resign from the Board, effective at a future time, a majority of the Directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office as herein provided in the filling of other vacancies. If at any time, by reason of death or resignation or other cause, the Corporation should have no Directors in office, then any officer or any shareholder or an executor, administrator, trustee, guardian or personal representative of a shareholder, or other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders.

4.04 Removal of Directors. At a meeting of the shareholders called expressly for that purpose, Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of Directors; provided, however, that, if less than the entire Board is to be removed, none of the Directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

4.05 Meetings. A regular annual meeting of the Directors shall be held immediately after the adjournment of each annual shareholders' meeting at the place at which such shareholders' meeting was held. Other meetings of the Board of Directors, regular or special, may be held either within or without this state, and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting so held shall constitute presence in person at such meeting. Regular meetings other than annual meetings may be held without notice at regular intervals at such places and such times as the Board of Directors may from time to time provide. Special meetings of the Board of Directors may be held whenever and wherever (within the Untied States) called for by the Chairman of the Board, the President, or the number of Directors required to constitute a quorum.

4.06 Notices. No notice need be given of regular meetings of the Board of Directors. Written notice of the time and place (but not necessarily the purpose or all of the purposes) of any special meeting will be given to each Director in person or via mail or telegram addressed to him at his latest address appearing on the Corporation's records. Notice to any Director of any such special meeting will be deemed given sufficiently in advance when, if given by mail, the same is deposited in the United States mail, with first-class postage thereon prepaid, at least four (4) days before the meeting date, or if personally delivered or given by telegram, the same is handed to the Director, or the telegram is delivered to the telegraph office for fast transmittal, at least forty-eight (48) hours prior to the convening of the meeting. Any Director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which or after it is held. Attendance of a Director at any meeting will automatically evidence his waiver of call and notice of such meeting (and any adjournment thereof) unless he is attending the meeting for the express purpose of objecting to the transaction of business thereat because it has not been properly called or noticed. No call or notice of a meeting of Directors will be necessary if each of them waives the same in writing or by attendance as aforesaid. Any meeting, once properly called and noticed (or as to which call and notice have been waived as aforesaid) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

4.07 Quorum. A majority of the number of Directors then serving shall constitute a quorum for the transaction of business at any meeting or adjourned meeting of the Board of Directors; provided, however, that in no event shall fewer than two Directors constitute a quorum unless only one Director is then serving.

4.08 Action by Directors. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

4.09 Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors, or of any committee, at which action is taken on any corporate matter will be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he files his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or forwards such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of such meeting. A right to dissent will not be available to a Director who voted in favor of the action.

4.10 Compensation. By resolution of the Board, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, or of any committee, and may be paid a fixed sum for attendance at each such meeting or a stated salary as a Director or committee member. If a Director also serves the Corporation in another capacity, on a full time basis, and is compensated therefor, then that Director shall not be entitled to receive compensation for attendance at meetings, but shall still be entitled to expenses for such attendance.

4.11 Action by Directors Without a Meeting. Any action required to be taken at a meeting of the Board of Directors, or any action that may be taken at a meeting of the Directors or the Executive Committee or other committee thereof, may be taken without a meeting if all Directors or committee members consent thereto in writing. Such consent shall have the same effect as a unanimous vote.

4.12 Director Conflicts of Interest. No contract or other transaction between the Corporation and one or more of its Directors or any other business entity in which one or more of its Directors is a director or officer or is financially interested shall be either void or voidable because of such relationship or interest or because such Director or Directors are present at a meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies such contract or transaction or vote for such authorization, approval or ratification if:

(a) the fact of the relationship or interest is disclosed or known to the Board of Directors or committee thereof and the number of disinterested Directors or committee members authorizing, approving or ratifying such contract or transaction is sufficient for such authorization, approval or ratification to be granted; or

(b) the fact of the relationship or interest is disclosed to the shareholders entitled to vote and they authorized, approve or ratify such contract or transaction; or

(c) the contract or transaction is fair and reasonable to the Corporation at the time the contract or transaction is authorized, approved or ratified, in the light of circumstances known to those entitled to vote thereon at that time.

V. EXECUTIVE AND OTHER COMMITTEES

5.01 Creation. The Board of Directors may, by resolution adopted by an absolute majority of the full Board of Directors, designate two or more of its members as an Executive Committee, and may designate from among its members one or more other committees. The designation of the Executive Committee or any other committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

5.02 Powers. The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all the authority of the Board of Directors in the management of the business and affairs of the Corporation, subject to the limitations as may be included in the Board's resolution and the limitations set forth below. Neither the Executive Committee nor any other committee shall have the authority of the Board of Directors in reference to the following matters:

(a) The submission to the shareholders of any action that requires shareholders' authorization or approval.

(b) The filling of vacancies on the Board of Directors or on any committee of the Board of Directors.

(c) the amendment or repeal of the Bylaws, or the adoption of new Bylaws.

(d) The fixing of compensation of Directors for serving on the Board or on any committee of the Board of Directors.

5.03 Tenure and Removal. The members of any committee shall hold office until the next regular meeting of the Board of Directors and until their successors are appointed by a new resolution of the Board of Directors. The

Board of Directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

5.04 Vacancies. Any vacancies occurring by reason of death, resignation, removal, disqualification or otherwise may be filled by the full Board of Directors.

5.05 Organization. The members of the Executive Committee or other committee shall elect a chairman of the committee, who shall appoint a secretary of the same, and the committee shall otherwise fix its own rules or procedure which shall not be inconsistent with these Bylaws. The Executive Committee or other committee shall meet where and as provided by its rules.

5.06 Quorum and Voting. A majority of the members of the Executive Committee or other committee shall constitute a quorum for the transaction of business at any meeting thereof; provided, however, that the affirmative vote of a majority of the members of the Executive Committee or other committee in all cases shall be necessary for the adoption of any resolution.

5.07 Minutes. The Executive Committee and other committees are to keep regular minutes of their proceedings and the transactions of their meetings and report the same to the Board of Directors at the next meeting thereof. Such minutes shall be open to the inspection of any Director upon application at the office of the Corporation during business hours.

VI. BOOKS AND RECORDS

6.01 Books and Records. The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and Board of Directors and committees thereof; and shall keep at its statutory agent's office, or its principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or in any other form capable of being converted into written form within a reasonable time.

6.02 Inspection. Any person who shall have been a holder of record of shares of stock of the Corporation or of a voting trust beneficial interest therefor at least six (6) months immediately preceding his demand or shall be the holder of record of, or the holder of record of a voting trust beneficial interest for, at least five percent (5%) of all the outstanding shares of the Corporation, upon written demand delivered to the Secretary of the Corporation or to the statutory agent for receipt of service of process, stating the purpose thereof, shall have the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose its relevant books and records of accounts, minutes, and record of shareholders and to make copies of or extracts therefrom.

6.03 Financial Statements. Upon the written request of any shareholder or holder of a voting trust beneficial interest for shares of the Corporation, the Corporation shall mail to such shareholder or holder of a voting trust beneficial interest its most recent financial statements showing in reasonable detail its assets and liabilities and the results of its operations.

VII. OFFICERS

7.01 Election of Chief Executive Officer. The Board of Directors will elect the Chief Executive Officer of the Corporation who shall also be the Chairman of the Board of Directors or the President. Such election will regularly take place at each annual meeting of the Board of Directors, but maybe held at any other meeting of the Board of Directors. A person elected to the office of Chief Executive Officer will continue to hold this office until the election of his successor, subject to action earlier taken pursuant to Sections 7.04 or 8.01.

7.02 Appointment of Additional Officers. The Chief Executive Officer will select and the Board of Directors shall appoint the Officers set forth in Sections 7.06 through 7.11 below. In addition to the Officers contemplated in said Sections, the Chief Executive Officer may select and the Board of Directors shall appoint other corporate Officers (as, for example, one or more Assistant Secretaries) having such authority to perform such duties as may be prescribed from time to time by the Chief Executive Officer, by the President or in the case of Assistant Officers, by his/her or their superior Officers (which, in the foregoing example, would be the Secretary). Each of such Assistant Officers will be vested with all of the powers and charged with all of the duties (including those herein specifically set forth) of his superior officer in the event of such superior officers absence or disability.

7.03 Bonds and Other Requirements. The Board of Directors may require any Officer to give bond to the Corporation (with sufficient surety, and conditioned for the faithful performance of the duties of his/her office) and to comply with such other conditions as may from time to time be required of him/her by the Board.

7.04 Removal or Delegations. The Chief Executive Officer may at his sole discretion remove any Officer of the Corporation at any time and with or without cause. In addition, provided that two-thirds (2/3) of the whole membership thereof concurs therein, the Board of Directors may at any time, with or without cause and whenever in its judgment the best interests of the Corporation will be served thereby, remove any Officer, including the Chief Executive Officer, or Agent of the Corporation and declare his Office vacant or temporarily delegate his/her powers and duties to any other Officer or to any Director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an Officer or Agent shall not of itself create contract rights.

7.05 Salaries. The Compensation of the Chief Executive Officer shall be determined and set by the Compensation/Administration Committee. All other Officer salaries shall from time to time be fixed by the Chief Executive Officer. No Officer will be prevented from receiving a salary by reason of the fact that he/she is also a Director of the Corporation.

7.06 Chairman of the Board. The Board of Directors may elect a Chairman to serve as a Non-Executive Officer of the Corporation. The Chairman will preside at all meetings of the Board of Directors and be vested with such other powers and duties as the Board may from time to time delegate to him.

7.07 Chief Officers. The Board of Directors shall elect a Chief Executive Officer who shall also be a Director of the Corporation. The Corporation may also have a Chief Financial Officer who shall also be the Treasurer of the Corporation. The Corporation may also have a Chief Operating Officer who shall also be either the Executive Vice President or President of the Corporation. The Chief Executive Officer shall be the presiding officer over all business affairs of the Corporation, subject only to the direction of the Board of Directors.

7.08 President. The President, in the absence of the Chief Executive Officer, will supervise the business and affairs of the Corporation and the performance by all of its other Officers of their respective duties, subject to the control of the Board of Directors. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the President will be a proper Officer to sign on behalf of the Corporation any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the Corporation. The President may represent the Corporation at any meeting of the stockholders of any other Corporation in which this Corporation then holds shares, and may vote this Corporation's shares in such other corporation in person or by proxy appointed by him, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons. The President may designate any Vice President to perform any acts, on behalf of the Corporation, in his place.

7.09 Vice Presidents. One or more Vice Presidents may be selected by the Chief Executive Officer each of whom will be vested with all of the powers and charged with all of the duties (including those herein before specifically set forth) of the President in the event of his absence or disability. Each Vice President will perform such other duties as may from time to time be delegated or assigned to him/her by the Board of Directors, Chief Executive Officer, the President or the Executive Vice President, in that order.

7.10 Secretary. The Secretary will keep the minutes of meetings of the stockholders, Board of Directors and any Committee, and all unanimous written consents of the stockholders, Board of Directors and any Committee of the Corporation, see that all notices are duly given in accordance with the provisions of these By-Laws or as required by applicable law, be custodian of the Corporate Seal and Corporate Records, and, in general, perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Secretary and each Assistant Secretary will be a proper officer to take charge of the Corporation's stock transfer books, and to compile the voting record pursuant to Section 3.07, and to impress the Corporation's Seal on any instrument signed by a duly authorized or empowered Officer, and to attest to the same.

7.11 Treasurer. The Treasurer, absent the election of a Chief Financial Officer, shall serve as the Chief Financial Officer and will maintain the financial records of the Corporation and supervise all Corporate reporting with any and all government agencies. The Treasurer will keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and will cause all money and other valuable effects to be deposited in the name and to the credit of the Corporation in such depositories, subject to withdrawal in such manner as may be designated by the Board of Directors and the Chief Executive Officer. The Treasurer will render to the President and to the Directors (at the regular meetings of the Board or whenever they may require), an account of all his/her transactions, as Treasurer, and of the financial condition of the Corporation.

VIII. RESIGNATIONS

8.01 Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered or addressed to the Corporation at its principal place of business. Any such resignation will be effective upon its receipt by the Corporation unless some later time is therein fixed, and then from that time. The acceptance of a resignation will not be required to make it effective.

IX. SEAL

9.01 Form Thereof. The seal of the Corporation will have inscribed thereon the name of the Corporation and the State and year of its incorporation.

9.02 Use. Except to the extent otherwise required by law or these Bylaws, the seal of the Corporation shall not be required to affixed to any document or act of the Corporation in order for such document or act to be valid and binding upon the Corporation.

9.03 Authorization. In the absence of the Secretary or Assistant Secretary, any officer authorized by the Board of Directors to do so may affix the seal of the Corporation to any instrument requiring a seal.

X. STOCK CERTIFICATES

10.01 Form. Shares of the Corporation need not be represented by certificates, and the rights and obligations of shareholders owning shares of any class or series are identical with respect to all shareholders owning shares of such class or series whether or not their shares are represented by certificates. If certificates are issued by the Corporation, each certificate representing stock of the Corporation will be in such form as may from time to time be approved by the Board of Directors, will be numbered and will exhibit the holder's name, the number of shares represented thereby and any other information required by law. If issued shares are not represented by certificates, within a reasonable time after issuance or transfer of such shares, the Corporation shall cause to be sent to the shareholder a written statement containing the name of the shareholder, the class or series of shares owned and the number of such shares owned, and such other information as may required by law.

10.02 Signatures and Seal Thereon. All certificates issued for shares of the Corporation's capital stock (whether new, re-issued or transferred) will bear the signatures of the President or a Vice President, and of the Secretary or Assistant Secretary, and the impression of the Corporation's corporate seal. The signatures of such officers of the Corporation, and the impression of its corporate seal, may be in facsimile form on any certificates which are manually countersigned by or on behalf of an independent transfer agent and/or registrar duly appointed by the Corporation for the shares of stock evidenced thereby. If a supply of unissued certificates bearing the facsimile signature of a person remains when that person ceases to hold the Corporation office indicated on such certificates, they may still be countersigned, registered, issued and delivered by the Corporation's transfer agent and/or registrar thereafter, the same as though such person had continued to hold the office indicated on such certificate.

10.03 Ownership. The Corporation will be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, will not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly by provided applicable law.

10.04 Transfers. Transfers of stock will be made on the books of the Corporation only at the direction of the person or persons named in the certificate thereof, or at the direction of his or their duly authorized attorney-in-fact or duly appointed personal representative, and upon the surrender of such certificate, properly endorsed, to the Secretary or the duly authorized transfer agent or agents of the Corporation.

10.05 Lost Certificates. In the event of the loss, theft or destruction of any certificate representing capital stock of this Corporation or of any predecessor corporation, the Corporation may issue (or, in the case of any such stock as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a certificate in lieu of that alleged to be lost, stolen, or destroyed, upon such terms and conditions, including reasonable indemnification of the Corporation, as the Board shall reasonable require, and cause the same to be delivered to the owner of the stock represented thereby, provided that the owner shall have submitted such evidence showing the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts which the Corporation considers pertinent.

XI. REPEAL, ALTERATION OR AMENDMENT

11.01 Repeal, Alteration, or Amendment. These Bylaws may be repealed, altered, or amended, or substitute bylaws may be adopted at any time, only by resolution duly adopted by a majority of the entire Board of Directors, subject to repeal or change by action of the shareholders.

XII. MISCELLANEOUS

12.01 Indemnification. To the full extent permitted by Arizona law, the Corporation shall indemnify and pay the expenses of any person who is or was made, or threatened to be made, a party to an action or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he is or was a director, officer, employee, trustee or agent of or for the Corporation or is or was serving at the request or with the prior approval of the Corporation as a director, officer employee, trustee or agent of another corporation; trust or other enterprise. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee, trustee or agent of or for the prior approval of the Corporation as a director, officer, employee, trustee or agent of another corporation, trust or enterprise, against any liability asserted against him and incurred by him in any capacity or arising out his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these Bylaws.

12.02 Dividends. Dividends upon the capital stock of the Corporation, if any, subject to the provisions of the Articles of Incorporation, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Articles of Incorporation and the Arizona General Corporation Law. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purposes as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

12.03 Representation of Shares of Other Corporations. The President or any Vice President of this Corporation is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers, provided, that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons.

12.04 Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Arizona General Corporation Law shall govern the construction of theses Bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter; and the singular number includes the plural and the plural number includes the singular; and the term "person" includes a corporation or other entity as well as a natural person.

12.05 Fiscal Year. The fiscal year end of the Corporation shall be designated and determined by resolution of the Board of Directors from time to time.

12.06 Conduct of Meetings. The Board of Directors shall promulgate rules and regulations and shall establish the rules of procedure applicable at all meetings of shareholders and the Board of Directors or any committee thereof, and the provisions thereof are incorporated herein by reference. Absent a specific rule or regulation, the Chairman shall determine the order of business at any shareholders' or Board of Directors' meeting and shall have authority, in his discretion, to regulate the conduct of such meetings.

CERTIFICATION

The undersigned, Secretary of Alanco Technologies, Inc., an Arizona corporation, hereby certifies that the foregoing Bylaws of the Corporation were duly adopted by the Board of Directors on November 13, 2007.

/s/ Adele Mackintosh

Adele Mackintosh, Secretary

EXHIBIT 31.1

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

I, Robert R. Kauffman, certify that:

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2007

/s/ Robert R. Kauffman

Robert R. Kauffman
Chairman and Chief Executive Officer

EXHIBIT 31.2

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

I, John A. Carlson, certify that:

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2007

/s/ John A. Carlson

John A. Carlson
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies this quarterly report of Form 10-QSB (the "Report") for the period ended September 30, 2007 of Alanco Technologies, Inc. (the "Issuer").

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

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

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

Dated: November 14, 2007

/s/ Robert R. Kauffman

Robert R. Kauffman
Chief Executive Officer

/s/ John A. Carlson

John A. Carlson
Chief Financial Officer