

ALANCO TECHNOLOGIES INC
Form 10-K
September 30, 2015

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

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

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

For the fiscal year ended June 30, 2015
Commission file number 0-9347

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

Arizona 86-0220694
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

7950 E. Acoma Dr., Suite 111, Scottsdale, AZ 85260
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number: (480) 607-1010

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act

COMMON STOCK
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
 Yes No

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X Yes ___ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

___ Yes X No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$1,065,900.

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

As of September 18, 2015, there were 4,982,400 shares of common stock outstanding.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

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

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Alanco Technologies, Inc. (Stock Symbol: ALAN) was incorporated in 1969 under the laws of the State of Arizona. Unless otherwise noted, the "Company" or "Alanco" refers to Alanco Technologies, Inc. and its wholly owned subsidiaries. During the fiscal year ended June 30, 2012, the Company formed Alanco Energy Services, Inc. ("AES") which acquired assets and completed construction of a water treatment and disposal facility, discussed below, which began receiving produced water in August 2012. All operating revenue for fiscal years ended June 30, 2015 and 2014 were generated by AES's water treatment and disposal operations. The Company has five employees of which four are full time.

RECENT BUSINESS DEVELOPMENTS

Alanco Energy Services, Inc. - In April 2012, AES, a subsidiary of the Company, executed an agreement with TC Operating, LLC ("TCO") of Grand Junction, CO to transfer a land lease for approximately 24 acres near Grand Junction, CO ("Deer Creek site") and all related assets to AES. AES has developed the Deer Creek site with approximately eight acres of evaporation ponds for the treatment and disposal of large quantities of produced water generated by oil and gas producers in Western Colorado. The Deer Creek site generally operates with three employees, of which two are full time. There are other facilities which accept produced water deliveries, however, the Company believes that the Deer Creek site has a significant freight advantage for some producers in the region due to

the facility's favorable location. Based on demand in the area, AES has been able to develop its customer base since the start of operations and continues to seek new customer relationships. The Deer Creek facility is subject to compliance with environmental laws under which it has established an Asset Retirement Obligation of \$429,700 at June 30, 2015.

AES also purchased a 160 acre site near Grand Junction, CO ("Indian Mesa site") from Deer Creek Disposal, LLC ("DCD"), for additional expansion of the disposal facility and potential land fill site. As consideration for the land purchase, AES paid \$500,000 at the April 13, 2012 closing and assumed a non-interest bearing, secured, \$200,000 note which was paid on its November 15, 2012 due date. AES has also agreed to contingent quarterly earn-out payments to DCD up to a maximum total of \$800,000, generally determined as 10% of quarterly revenues in excess of operating expenses, not to exceed \$200,000 for any calendar quarter (contingent land payment). See notes 5 and 8 in the notes to consolidated financial statements under Item 8 to this Form 10-K for additional discussion on the transfer of the land lease and the contingent purchase price obligation incurred. In December 2013, in response to an AES request to amend its County Use Permit ("CUP"), the Mesa County Board of Commissioners unanimously approved a new CUP for AES to construct and operate evaporation ponds and/or landfill for disposal of solid oil and gas (O&G) waste, such as drill cuttings, tank bottoms, sock filters, etc. The approval also allows for solid and produced water disposal of Naturally-Occurring Radioactive Materials (NORM) and Technically Enhanced Naturally-Occurring Radioactive Materials (TENORM). In June 2014 AES received final construction approval from the Colorado Department of Public Health and Environment (CDPHE) for twelve produced water disposal ponds, which if developed as planned, would be located on the north 80 acres of the Indian Mesa site.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 1A. RISK FACTORS

An investment in Alanco involves a high degree of risk. In addition to the other information included in this Form 10-K, you should carefully consider the following risk factors in determining whether or not to purchase shares of Alanco Class A Common Stock. These matters should be considered in conjunction with the other information included or incorporated by reference in this filing. This Form 10-K contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places and include statements regarding the intent, belief or current expectations of our management, directors or officers primarily with respect to our future operating performance. Prospective purchasers of our securities are cautioned that these forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors. The information set out below, identifies important factors that could cause such differences. See “Safe Harbor Statements Under the Private Securities Litigation Reform Act of 1995.”

We may not be able to finalize our business plans. We have completed the initial acquisition of assets and developed the Deer Creek site for AES’s water treatment and disposal business. The 160 acre Indian Mesa site is still in the permitting stage with 80 acres approved for produced water treatment and disposal and the other 80 acres in the final permitting stage for a solid waste disposal facility. There is no assurance that the remaining 80 acres of the Indian Mesa permitting process will be successfully completed or that we have the capital to fund the Indian Mesa development.

The loss of key personnel would have a negative impact on our business and future development objectives. Our strategy is reliant on key personnel who understand the business in which we are invested. We have certain incentives to retain key personnel, but have no assurance that such personnel will remain with the Company on a long-term basis. The loss of the services of those key personnel could have an adverse effect on the business, operating results and financial condition of our company.

Worsening general economic conditions may negatively affect our ability to complete development. Previous deterioration in general economic conditions resulted in a challenging lending environment which may affect the Company’s ability to further develop its AES Indian Mesa site.

Acts of domestic terrorism and war impacted general economic conditions and our ability to operate profitably. As a result of past terrorist acts and resulting military actions, there has been a disruption in general economic activity. There may be other consequences resulting from past acts of terrorism, and any others which may occur in the future, including civil disturbance, war, riot, epidemics, public demonstration, explosion, freight embargoes, governmental action, governmental delay, restraint or inaction, quarantine restrictions, unavailability of capital, equipment, and personnel, which we may not be able to anticipate. These terrorist acts and acts of war may continue to impact the economy, and in turn, may reduce the demand for the Company’s products and services, which would harm the Company’s ability to make a profit.

The Company may not have sufficient capital to meet the liquidity needs to develop assets or otherwise pursue its business plan; and there is no assurance that additional capital can be obtained through the sale of stock or additional financing. The Company incurred significant losses during fiscal year 2015 and has experienced significant losses in prior years. Management cannot assure that future operations will be profitable or that additional debt and/or equity capital will be raised. The fiscal 2016 operating plan contemplates development of the AES Indian Mesa site. In order to develop the Indian Mesa site, the Company will need additional financing which may be in the form of public or private debt or equity financing, or both. If we need to seek additional financing to meet working capital

requirements, there can be no assurance that additional financing will be available on terms acceptable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our business, operating results, financial condition and ability to continue operations may be materially adversely affected.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

A significant portion of our current assets are represented by the note receivable from American Citizenship Center, LLC. The Company has a note receivable from American Citizenship Center, LLC (“ACC”). ACC, a related party, is a company that provides self-help immigration services for undocumented youth under policies developed by the Department of Homeland Security. ACC’s business plan had anticipated immigration reform would be enacted, which has not occurred. President Obama issued an “Executive Action” in November 2014; however, several states have filed a lawsuit to stop the new program. While the U.S. Government has appealed the lawsuit, there is no assurance that there will be a positive outcome which could negatively impact the Company’s ability to collect on the note.

If we raise additional funds through the sale of stock, our existing Alanco shareholders will experience dilution and may be subject to newly issued senior securities. If additional funds are raised through the issuance of equity securities, the percentage ownership of the then current shareholders of the Company will be reduced, and such equity securities may have rights, preferences or privileges senior to those of the holders of Class A Common Stock.

The loss of key corporate executives may have a negative effect on our Company. Our performance is substantially dependent on the services and performance of our executive officers and key employees. The loss of the services of any of our executive officers or key employees could have a material adverse effect on our business, operating results and financial condition due to their extensive specific knowledge and comprehensive operating plans for the Company. Irrespective of any business operations, our future success will depend on our ability to attract, integrate, motivate and retain qualified technical, sales, operations and managerial personnel.

The market for the Company’s Alanco Energy Services, Inc. produced water disposal services may not be large enough to support the additional capacity created by the development of the Deer Creek water disposal site. Capital costs for the Deer Creek water disposal site require certain volumes, at certain prices per barrel, of produced water to be deposited for the Deer Creek operation to be successful. If the volume of produced water received is less than projected, or the price obtained per barrel is less than anticipated, or if operating costs are more than projected, the Deer Creek operation could have an adverse effect on the business, operating results and financial condition of our Company.

The Company’s Alanco Energy Services, Inc. Deer Creek water disposal site may experience increased pond maintenance costs. During the fiscal year 2015 the Deer Creek water disposal site experienced anaerobic bacterial conditions which significantly increased operating costs during the third and fourth quarters. The Company believes the current pond maintenance protocol is effective but there is no assurance that successful maintenance will continue.

Changing technology related to the disposal of produced water may result in the development of more cost effective methods than the evaporation method used at the Deer Creek facility. We do not believe a more cost effective method will be available in the near future, however, if improved methods are developed, the volume of produced water received at the Deer Creek facility and/or the price obtained per barrel may be less than anticipated and could have an adverse effect on the business, operating results and financial condition of our Company.

Non-compliance with current laws regulating the Deer Creek facility may have a negative impact. The Deer Creek facility is subject to regulations by multiple authorities in the State of Colorado. If AES were out of compliance with the regulations, there may be a negative impact on the Company.

Regulations in the oil and gas industry may negatively impact our Deer Creek facility and plans for Indian Mesa. The Company’s Deer Creek facility and future plans for the Indian Mesa site could be negatively impacted by future regulations enacted by the State of Colorado and/or the Environmental Protection Agency. While the Company would anticipate that future regulations would improve market demand for the services provided at the Deer Creek facility and those planned for Indian Mesa, there is no assurance that would be the case. In addition, there is no assurance that

future regulations would not negatively impact the Company's development plans for Indian Mesa.

The Company does not anticipate payment of dividends on Common Stock. We do not anticipate that we will pay cash dividends on our Class A Common Stock in the foreseeable future. The payment of dividends by us will depend on our earnings, financial condition, and such other factors, as our Board of Directors may consider relevant. We currently plan to retain earnings, if any, to provide for the development of our business.

Our articles of incorporation and Arizona law may have the effect of making it more expensive or more difficult for a third party to acquire, or to acquire control of us. Our articles of incorporation make it possible for our Board of Directors to issue preferred stock with voting or other rights that could impede the success of any attempt to change control of us. Arizona law prohibits a publicly held Arizona corporation from engaging in certain business combinations with certain persons, who acquire our securities with the intent of engaging in a business combination, unless the proposed transaction is approved in a prescribed manner. This provision has the effect of discouraging transactions not approved by our Board of Directors as required by the statute which may discourage third parties from attempting to acquire us or to acquire control of us even if the attempt would result in a premium over market price for the shares of common stock held by our stockholders.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Certain provisions in our Alanco shareholder rights plan may discourage a takeover attempt. We have implemented a shareholder rights plan which could make an unsolicited takeover of our company more difficult. As a result, shareholders holding a controlling block of shares may be deprived of the opportunity to sell their shares to potential acquirers at a premium over prevailing market prices. This potential inability to obtain a premium could reduce the market price of our common stock.

The market price of Alanco Class A Common Stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

1. actual or anticipated fluctuations in our operating results;
2. the loss of key management or technical personnel;
3. the outcome of any current or future litigation;
4. changes in our financial estimates by securities analysts;
5. broad market fluctuations;
6. recovery from natural disasters; and
7. economic conditions in the United States or abroad.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's corporate office is located at 7950 E. Acoma Drive, Suite 111, Scottsdale, Arizona 85260, in an approximately 1,500 square foot facility. At June 30, 2015 the facility was occupied on a month to month basis with monthly payments of \$1,700 (including rental tax). Effective August 1, 2015, the month to month payment increased to \$1,800 (including rental tax).

In April 2012, AES executed an agreement with TC Operating, LLC ("TCO") of Grand Junction, CO to transfer a land lease for approximately 24 acres near Grand Junction, CO (known as the Deer Creek site). AES has developed eight acres of ponds for the treatment and disposal of large quantities of produced water generated by oil and natural gas producers in Western Colorado. The site was chosen due to its unique ability to meet stringent government requirements for disposal of high saline water produced as a by-product of oil and gas production, and termed "produced water". The agreement included the transfer of all related tangible and intangible assets as well as Federal, State and County permits required to construct the facilities. The ten year land lease, effective May 1, 2012 has two additional ten year option periods that may be activated by AES. The initial terms of the lease requires minimum monthly lease payments of \$100 per acre (increasing to \$150 and \$200 per acre for the second and third ten year option periods, respectively) plus additional rent based upon quantities of produced water received (approximately \$.25 per barrel) at the site. Under certain circumstances, the acreage covered by the lease may be expanded by up to 50 acres to allow for additional expansion at the site.

In April 2012, AES also acquired from Deer Creek Disposal, LLC ("DCD") a 160 acre parcel of land approximately three miles from the Deer Creek site to provide additional expansion to the proposed water disposal facility. AES agreed to potential additional quarterly contingent land payments to DCD up to a maximum total of \$800,000, generally determined as 10% of quarterly revenues in excess of operating expenses up to a maximum of \$200,000 per quarter (contingent land payment) with a net present value at June 30, 2015 and 2014 of \$653,900 and \$660,200, respectively. In addition, under the TCO agreement, TCO can earn additional payments based upon a percentage of the net cumulative EBITDA (net of all related AES capital investments) over a period of approximately 10 years

(contingent purchase price obligation), starting January 1, 2014.

In May 2015, AES signed a one year lease for an approximately 700 square foot office space located at 138 S. Park Square, Suite 201, Fruita, Colorado 81521 with monthly rental payments of \$700 (including rental tax).

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ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant and counterclaimant in litigation involving its subsidiary, TSI Dissolution Corp. (formerly known as Alanco/TSI Prism, Inc.) (“TSI”) and the purchaser of TSI’s assets, Black Creek Integrated Systems Corp. Black Creek filed a complaint in the Maricopa County Superior Court against TSI and the Company, being Civil Case No. CV2011-014175, claiming various offsets from the purchase price, primarily concerning inventory adjustments, and TSI counterclaimed for monies due from Black Creek under the purchase agreement. Following a trial during fiscal 2014, the court awarded a net judgment in favor of Black Creek in the amount of \$16,800, plus attorney’s fees and accrued interest, resulting in a total judgment in the amount of \$128,300. At June 30, 2014, the Company recorded an accrued liability of \$128,300 for the judgment and had posted a bond with the court in conjunction with the Company’s appeal of the judgment. In May 2015, the State of Arizona Division One Court of Appeals vacated the trial court’s damages award and remanded to the trial court to direct the parties to follow dispute guidelines defined in the asset purchase agreement. In addition, the appellate court’s decision vacated the trial court’s attorney’s fee award and stated that TSI is entitled to an award of fees on appeal. At June 30, 2015, the Company reversed the accrual of \$128,300 for the prior judgment. The Company is currently following the court’s direction and working under the dispute guidelines defined in the asset purchase agreement. The Company believes that the lower court’s judgment failed to address, among other matters, inventory reserves established for the specific items of inventory which were the subject of Black Creek’s concerns, which if properly addressed would result in a net judgment in favor of the Company, with an attendant award of attorney’s fees in favor of the Company.

The Company may from time to time be involved in litigation arising from the normal course of business. As of June 30, 2015, other than the litigation discussed above, there was no such litigation pending deemed material by the Company.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER’S PURCHASES OF EQUITY SECURITIES

Alanco's common stock is traded on the OTC bulletin board market under the stock symbol “ALAN”.

The following table sets forth high and low closing prices for each fiscal quarter for the last two fiscal years. The prices are as quoted on the over the counter market.

| Quarter Ended | Fiscal 2015 | | Fiscal 2014 | |
|---------------|-------------|--------|-------------|--------|
| | High | Low | High | Low |
| September 30 | \$0.52 | \$0.40 | \$0.69 | \$0.41 |
| December 31 | \$0.52 | \$0.33 | \$0.58 | \$0.43 |
| March 31 | \$0.35 | \$0.29 | \$0.47 | \$0.39 |

June 30 \$0.33 \$0.28 \$0.65 \$0.36

As of June 30, 2015 and 2014 Alanco had approximately 2,300 holders of its Class A Common Stock, including an estimate of street name holders.

The Company issued a total of 75,000 shares of its Class A Common Stock during fiscal year ended June 30, 2015. All shares were issued for services.

Alanco has paid no Common Stock cash dividends and has no current plans to do so. During the fiscal years ended June 30, 2015 and 2014 the Company repurchased 55,100 and 56,800 common shares for \$20,800 and \$26,100 respectively, or an average of \$.38 and \$.46 per share, respectively. The repurchased shares were retired prior to each year end.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

During fiscal year ended June 30, 2012, the Company formed AES as a wholly-owned subsidiary and constructed the Deer Creek water treatment and disposal facility located near Grand Junction, CO. The facility started to receive produced water in August 2012. During fiscal 2015 and 2014, the Company continued the permitting process for the 160 acre site known as Indian Mesa for water treatment and disposal and a landfill/land farm operation.

Current Status of Deer Creek facility

The Deer Creek produced water disposal facility, located near Grand Junction, CO, became operational in August 2012 with annual evaporative capacity of approximately 300,000 barrels without using enhanced evaporation methods, providing some Piceance Basin producers with significant transportation cost savings compared to alternative water disposal sites. In November 2014, the facility received approval from the Mesa County Board of Commissioners allowing 24 hours a day, seven days per week operations for two years with an administrative review conducted by the Planning Division after one year. During fiscal year 2015, the facility experienced anaerobic bacterial conditions in its evaporation ponds and as a result, restricted water intake during the fourth quarter while it was treating the ponds. The pond conditions have significantly improved and the Company is currently following a bioremediation maintenance program to maintain pond health. The Company anticipates increased water revenues during the second quarter of fiscal 2016 which will be achieved by allowing increased water deliveries as well as an increase to the average revenue per barrel for water deliveries.

Current Status of Indian Mesa facility

The permitting process for the Indian Mesa facility, located approximately 4 miles North West of the Deer Creek site, has been in process for a number of years with an initial County Use Permit issued in 2010 covering, among other things, evaporation ponds and land farming. In December 2013, in response to an AES request to amend its County Use Permit ("CUP"), the Mesa County Board of Commissioners unanimously approved a new CUP for AES to construct and operate on its 160 acre Indian Mesa site evaporation ponds and/or landfill for disposal of solid oil and gas (O&G) waste, such as drill cuttings, tank bottoms, sock filters, etc. The approval also allows for solid and produced water disposal of Naturally-Occurring Radioactive Materials (NORM) and Technically Enhanced Naturally-Occurring Radioactive Materials (TENORM). In June 2014 AES received final construction approval from the Colorado Department of Public Health and Environment (CDPHE) for twelve produced water disposal ponds, which if developed as planned, would be located on the north 80 acres of the Indian Mesa site.

The capacity of Indian Mesa is dependent on its type of development, which the Company is still planning. If 80 acres is developed as 12 ponds as discussed above, the annual capacity at Indian Mesa for produced water, not considering enhanced evaporation, would be approximately 1 million barrels. If the remaining 80 acres were developed into landfills, the capacity would be approximately 3 million cubic yards. If the entire 160 acres were developed into landfill, the solid waste capacity would increase to approximately 8 million cubic yards. Complete build-out of its Indian Mesa facility, including both landfill and evaporative ponds, would result in a unique Western Colorado "one stop shop" for all O&G waste products, including NORM and TENORM contaminated waste streams.

Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and

assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, we evaluate our estimates and assumptions concerning classification and valuation of investments, the estimated fair value of stock-based compensation, realization of deferred tax assets, collectability of accounts and note receivable, estimated useful lives and carrying value of fixed assets, the recorded values of accruals and contingencies including the estimated fair values of the Company's asset retirement obligation and the contingent land and purchase price liabilities, and the Company's ability to continue as a going concern. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The result of these estimates and judgments form the basis for making conclusions about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions or conditions.

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The SEC suggests that all registrants discuss their most “critical accounting policies” in Management’s Discussion and Analysis. A critical accounting policy is one which is both important to the portrayal of the Company’s financial condition and results and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management has identified the critical accounting policies as those accounting policies that affect its more significant judgments and estimates in the preparation of its consolidated financial statements. The Company’s Audit Committee has reviewed and approved the critical accounting policies identified. These policies include, but are not limited to, revenue recognition, the classification and valuation of marketable securities, realization of accounts and note receivable, estimated useful lives and carrying value of fixed assets, stock-based compensation, the recorded values of accruals and fair values of assets and liabilities including the Company’s contingent liabilities.

Revenue Recognition

The Company uses four factors to determine the appropriate timing of revenue recognition. Three of these factors are generally factual considerations that are not subject to material estimates (evidence of an arrangement exists, the service has been performed and the fee is determinable). The fourth factor includes judgment regarding the collectability of the sales price. The Company’s written arrangement with customers establishes payment terms and the Company only enters into arrangements when it has reasonable assurance that it will receive payment from the customer. The assessment of a customer’s credit-worthiness is reliant on management’s judgment on factors such as credit references and market reputation. If any sales are made that become uncollectible, the Company establishes a reserve for the uncollectible amount. Any sales tax for which the Company is responsible is recorded as a reduction of the associated revenue.

Classification and Valuation of Marketable Securities

The Company classifies its investments in marketable securities at the time of acquisition and reviews such classifications at each balance sheet date. Marketable securities are classified as held to maturity, trading, or available for sale depending on the Company’s ability and plans for sale. Marketable securities are valued based on their classification. The Company’s current marketable securities on hand are classified as available for sale and are measured at fair value on a recurring basis by using quoted market prices. The cost of the securities sold is based on average cost of the security.

Realization of Accounts and Note Receivable

The Company uses the allowance method for potentially uncollectible trade accounts and note receivable. An allowance for doubtful accounts is established based a review of outstanding account balances. The Company reviews payment history and credit worthiness in the determination of its allowance for doubtful accounts. In addition, the Company has reviewed the note holder’s projected revenues, related assumptions and cash flows when evaluating the collectability of the note receivable.

Estimated Useful Lives and Carrying Value of Fixed Assets

The Company values fixed assets based on cost and depreciates fixed assets based on estimated useful lives using the straight-line method, generally over a 3 to 20 year period. Expenditures for ordinary maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated and a gain or loss is recorded in the statement of operations. The Company analyzes the carrying value of fixed assets by reviewing income projections and undiscounted cash flows which include assumptions based on current market conditions for anticipated revenues and expenses. These assumptions are reasonably likely to change in the future based on changing markets, which may have a material effect.

Stock-Based Compensation

The Company has stock-based compensation plans and the associated compensation cost is amortized on a straight-line basis over the vesting period. The Company estimates the fair value of stock-based compensation using the Black-Scholes valuation model using the following inputs: the plain-vanilla method for expected term based on the contractual term and vesting period of the award, the expected volatility of daily changes in the market price of the Company's common stock, the assumed risk-free interest rate and an assumption of future forfeitures based on historical cancellations and management's analysis of potential forfeitures.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Recorded Values of Accruals

The Company makes accruals for liabilities based on reasonable estimates for known or anticipated obligations. Estimates may be based on known inputs, experience with similar situations, or anticipated outcomes. Estimates for the Company's asset retirement obligation and contingent payments are determined at discrete points in time based upon unobservable inputs in which little or no market activity exists that is significant to the fair value of the liability, therefore requiring the Company to develop its own assumptions. Estimates for the asset retirement obligation were developed by a consultant knowledgeable about the State of Colorado regulatory requirements and use vendor estimates for the various activities required for the closure of the Deer Creek facility. Estimates for the contingent payments were calculated based on projected income, cash flows and capital expenditures for the Deer Creek and Indian Mesa facilities under current plans.

Fair Values of Assets and Liabilities

The Company estimates fair values for assets and liabilities at certain points in time based on information known at that time using the Accounting Standards Codification ("ASC") and recognizes transfers as they occur. The ASC uses a three level hierarchy: Level 1 – unadjusted quoted prices for identical assets or liabilities traded in active markets, Level 2 – observable inputs, other than quoted prices included with Level 1, and Level 3 – unobservable inputs in which little or no market activity exists that are significant to the fair value. The fair value of the Company's Marketable Securities is based on Level 1 inputs using ORBCOMM's quoted prices. The asset retirement obligation and contingent payments discussed above use Level 3 inputs.

Results of Operations

Net Revenues

Revenues for the year ended June 30, 2015 were \$785,700 as compared to revenues for the year ended June 30, 2014 of \$638,500, an increase of \$147,200, or 23.1%. Revenues are comprised of produced water delivery fees and sales of reclaimed oil (net of associated taxes). Revenues for fiscal 2015 were concentrated approximately 85.1% with four customers versus revenues for fiscal 2014 which were concentrated approximately 87.9% to four customers. The significant customers represented \$14,900, or 32.5% of the accounts receivable balance at June 30, 2015, while the significant customers for fiscal 2014 represented \$77,700, or 79.5% of the accounts receivable balance outstanding at June 30, 2014. While the concentration percentages are similar over the last two fiscal years, the Company has continued development of relationships with customers in the region, which the Company anticipates to continue to improve. Revenues can be impacted by weather conditions, the prices of oil and gas which may impact drilling activities in the region, and alternative uses of produced water, such as for fracking fluid that some current and potential customers are utilizing.

Cost of Revenues

Cost of revenues for the years ended June 30, 2015 and 2014 were \$925,700 and \$437,200, respectively, an increase of \$488,500 or 111.7%. Cost of revenues consists of direct labor costs, equipment costs (including depreciation), land lease costs, pond maintenance and other operating costs. The increase is primarily due to higher pond maintenance costs including pond treatments to manage anaerobic bacterial conditions plus associated rental equipment and related fuel costs. In addition, other variable costs increased due to higher revenues and include labor costs and fees tied to water volumes. Fixed costs such as depreciation, amortization, accretion and lease costs represent approximately 19% and 50% of the cost of revenues for the fiscal years 2015 and 2014, respectively. Fixed costs for the current year decreased due to the reversal of the contingent earn-out and the recovery of the associated amortization. Gross profit for the year ended June 30, 2015 was a gross (loss) of (\$140,000) with a gross margin of (18%) and for the year ended June 30, 2014 was a gross profit of \$201,300 with a gross margin of 31%. The gross loss in the current year is primarily due to the increased pond maintenance costs mentioned above. Without these extra costs of approximately \$418,000, the Company would have had a gross profit of approximately \$278,000, or 35%, which would reflect an

improvement of \$76,700, or 4% improvement in gross margin over the fiscal year 2014.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended June 30, 2015 (consisting of corporate expenses, AES selling, general and administrative expense and stock-based compensation) was \$1,033,800, a decrease of \$244,700, or 19.1%, compared to \$1,278,500 (consisting of corporate expenses, AES selling, general and administrative expense and impairment charges) reported for the fiscal year ended June 30, 2014. During fiscal 2015, the allocation of corporate service cost to AES was decreased. As a result, total corporate expenses plus AES selling, general and administrative expense are being compared in this discussion. For fiscal year ended June 30, 2015, corporate expense plus AES selling, general and administrative expense was \$960,500 as compared to \$1,118,000 for fiscal year ended June 30, 2014, a decrease of \$157,500, or 14.1%. The combined decrease is primarily due to a reduction in corporate salaries and benefits reflecting a change in staff levels and a decrease in travel expenses, offset by an increase in professional services. Stock-based compensation for the fiscal year 2015 is \$73,300 as compared to zero for fiscal year 2014. During the fiscal year ended June 30, 2014, the Company recorded an impairment charge of \$160,500 related to an injection well located on the Deer Creek property. During the fourth quarter of fiscal 2014, the Company met with State of Colorado officials regarding the injection well permit and due to the length of time the process was taking and the uncertainty of a positive outcome, decided to record the impairment charge.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Operating Loss

Operating Loss for the year ended June 30, 2015 was (\$1,173,800), an increase of \$96,600, or 9%, compared to an Operating Loss of (\$1,077,200) reported for the prior year. The increased operating loss resulted from an increase in revenues offset by an increase in cost of revenues, resulting in a gross loss, offset by a decrease in selling, general and administrative expenses in fiscal 2015 versus fiscal 2014.

Other Income and Expense

Interest income for the year ended June 30, 2015 was \$41,500, an improvement of \$4,000 when compared to interest income of \$37,500 for the year ended June 30, 2014. The increase in interest income related to the increase in the outstanding amount of the note receivable and the increase in the interest rate effective during the current fiscal year.

During fiscal year 2014, the Company recorded a gain of \$121,700 on the settlement of the fuel sensor escrow and working capital adjustment related to the sales of its StarTrak subsidiary in fiscal 2011 to ORBCOMM. During the fiscal year 2015, the Company recorded a gain of \$103,200 on the sale of 85,000 shares of ORBCOMM Common Stock at an average selling price of \$6.38 as compared to the prior fiscal year which had a gain of \$913,800 on the sale of 349,192 shares of ORBCOMM Common Stock at an average selling price of \$6.08 per share. Finally, the Company had other income during the year ended June 30, 2015 of \$128,500 of which \$128,300 reflects the reversal of the previously accrued amount related to the TSI lawsuit which was reversed in the appellate court. During the year ended June 30, 2014, the Company had \$102,000 of other expense. Of this amount, \$128,300 was the accrual for the TSI case, offset by other income from the amendment fee negotiated on the note receivable during fiscal 2014.

Net Loss

Net Loss for the year ended June 30, 2015 was (\$900,600), an increase of \$794,400, or 748%, when compared to the net loss of (\$106,200) for the previous year ended June 30, 2014. The increase in net loss was primarily due to the decrease in gross profit plus the decrease in the gain on sale of investments as compared to the prior year.

Comprehensive Loss

Comprehensive Loss for the year ended June 30, 2015 represents the unrealized change in market value of the Company's Marketable Securities held compared to the same period of the prior fiscal year. Comprehensive loss for the year ended June 30, 2015 consisted of the net value of two items: 1) the six months ending market value reclassification adjustment for gain included in Net Loss of (\$103,200) and 2) the net unrealized loss on marketable securities sold during the period of (\$18,000). As of December 31, 2014 the Company had sold all shares of ORBCOMM, Inc. Common Stock.

Liquidity and Capital Resources

The Company's current assets exceeded its current liabilities by \$670,600 at June 30, 2015, representing a current ratio of 2.7 to 1. At June 30, 2014 the Company's current assets exceeded current liabilities by \$2,066,400 and reflected a current ratio of 7.3 to 1. The decrease in current ratio at June 30, 2015 versus June 30, 2014 resulted primarily from the sale of marketable securities, proceeds of which were primarily used to fund operating losses.

Net cash used in operating activities for the fiscal year ended June 30, 2015 was (\$667,500) compared with net cash used in operating activities for the prior fiscal year of (\$769,700). The decrease of \$102,200 resulted primarily from a \$810,600 decrease in the gain on marketable securities offset by the increase in net loss of \$794,400.

Consolidated receivables at June 30, 2015 were \$50,100 compared to receivables at June 30, 2014 of \$106,000. The receivables at June 30, 2015 relate to \$45,900 of trade receivables for AES plus \$4,200 of receivables from American Citizenship Center, LLC ("ACC"), a related party. The receivable at June 30, 2014 relate to \$96,800 of trade

receivables for AES plus \$9,200 of receivables from ACC.

Net cash provided by investing activities during the current year was \$261,600, a decrease of \$1,053,400 compared to net cash provided by investing activities in the prior year of \$1,315,000. The decrease was due primarily to a reduction in proceeds from the sale of marketable securities of \$1,581,900 plus an increase in capital expenditures of \$230,500, offset by a decrease in expenditures for payments pursuant to the StarTrak sale of \$643,800.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Net cash used in financing activities during the fiscal year ended June 30, 2015 amounted to (\$20,800), a decrease of \$5,300 compared to net cash used in financing activities of (\$26,100) for the fiscal year ended June 30, 2014. The decrease is primarily due to a reduction in the purchase of treasury shares.

At June 30, 2015, the Company had zero remaining shares of ORBCOMM Inc. At June 30, 2014, the Company reported Marketable Securities that consisted of 85,000 shares of ORBCOMM Inc. (NASDAQ: ORBC) Common Stock, valued at approximately \$560,100, or \$6.59 per share. The shares were received as part of the Company's asset sale of its StarTrak Systems, LLC subsidiary in May 2011. At June 30, 2014, these available for sale securities were valued using a Level 1 fair value measurement based on unadjusted quoted prices for identical assets in active markets which is more fully described in Note 1 – Nature of Operations and Significant Accounting Policies to the consolidated financial statements.

The Company has made a significant investment through June 30, 2015 in Alanco Energy Services, Inc. investing approximately \$1.6 million in land and \$2.7 million in evaporation ponds and equipment for the Deer Creek water disposal site.

The Company has a note receivable from ACC, which was established to provide ACC working capital. As of June 30, 2015, the note has an outstanding balance of \$322,800. The note is secured by all assets of ACC and bears interest at the rate of 9.5% per annum. Under the agreement and amendments thereto, the Company was issued a total of 300,000 warrants to purchase membership units of ACC at an exercise price of \$1.00 per unit. The expiration date of the warrants is August 31, 2016 and the value of said warrants is considered immaterial at both June 30, 2015 and 2014 due to the startup nature of ACC and the premium exercise price compared to the most recent membership unit sales, therefore, no value has been recorded for these warrants.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern and realization of assets and satisfaction of liabilities and commitments in the normal course of business. As discussed in Note 15 to the accompanying consolidated financial statements, the Company's fiscal 2016 operating plan contemplates development of the AES Indian Mesa site. In order to develop the Indian Mesa site, the Company will need additional financing which may be in the form of public or private debt or equity financing, or both. Management cannot assure that it will secure additional financing in order to achieve projections. If adequate funds are not available or are not available on acceptable terms, the Company's business, operating results, financial condition and ability to continue operations may be materially adversely affected. Management has historically been successful in obtaining financing and has demonstrated the ability to implement a number of cost-cutting initiatives to reduce working capital needs or the Company may seek to sell assets. Accordingly, the accompanying consolidated financial statements have been prepared assuming the Company will continue to operate and do not include any adjustment that might be necessary if the Company is unable to continue as a going concern. As a result, the Company's independent registered public accounting firm has included an explanatory paragraph in their audit opinion on the consolidated financial statements of the Company for the fiscal year ended June 30, 2015 discussing the substantial doubt of the Company's ability to continue as a going concern.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
Alanco Technologies, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Alanco Technologies, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alanco Technologies, Inc. and Subsidiaries as of June 30, 2015 and 2014 and the results of its operations, comprehensive income (loss), changes in shareholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 15 to the consolidated financial statements, the Company has incurred substantial net losses from operations in concurring years and has limited resources available to fund negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 15. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Semple, Marchal & Cooper, LLP
Certified Public Accountants

Phoenix, Arizona
September 28, 2015

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ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30,

| ASSETS | 2015 | 2014 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 788,900 | \$ 1,215,600 |
| Accounts receivable - trade, net | 45,900 | 96,800 |
| Other receivables - related party | 4,200 | 9,200 |
| Note receivable, current - related party | 60,000 | 300,000 |
| Marketable securities | - | 560,100 |
| Prepaid expenses and other current assets | 164,500 | 212,700 |
| Total current assets | 1,063,500 | 2,394,400 |
| | | |
| LAND, PROPERTY AND EQUIPMENT, NET | 3,938,600 | 4,163,000 |
| | | |
| OTHER ASSETS | | |
| Note receivable, long-term - related party | 262,800 | 109,000 |
| Trust account - asset retirement obligation | 67,400 | 48,700 |
| Prepaid royalties, long-term | - | 50,000 |
| TOTAL ASSETS | \$ 5,332,300 | \$ 6,765,100 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 151,100 | \$ 88,400 |
| Accrued expenses | 191,800 | 189,600 |
| Contingent payments, current | 50,000 | 50,000 |
| Total current liabilities | 392,900 | 328,000 |
| | | |
| LONG-TERM LIABILITIES | | |
| Contingent payments, long-term | 603,900 | 1,138,300 |
| Asset retirement obligation | 429,700 | 423,700 |

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| | | |
|--|----------------|---------------|
| TOTAL LIABILITIES | 1,426,500 | 1,890,000 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY | | |
| Preferred Stock | - | - |
| Common Stock | | |
| Class A - 75,000,000 no par shares authorized, 4,982,400 and 4,962,500 shares issued and outstanding at June 30, 2015 and 2014, respectively | 109,159,300 | 109,106,800 |
| Accumulated Other Comprehensive Income | - | 121,200 |
| Accumulated Deficit | (105,253,500) | (104,352,900) |
| Total shareholders' equity | 3,905,800 | 4,875,100 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 5,332,300\$ | 6,765,100 |

See accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

| | 2015 | 2014 |
|--|--------------|--------------|
| NET REVENUES | \$ 785,700 | \$ 638,500 |
| Cost of revenues | (925,700) | (437,200) |
| GROSS PROFIT (LOSS) | (140,000) | 201,300 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Corporate expenses | 226,500 | 307,800 |
| Alanco Energy Services | 734,000 | 810,200 |
| Stock-based compensation | 73,300 | - |
| Impairment charge | - | 160,500 |
| | 1,033,800 | 1,278,500 |
| OPERATING LOSS | (1,173,800) | (1,077,200) |
| OTHER INCOME AND EXPENSES | | |
| Interest income | 41,500 | 37,500 |
| Gain on sale of StarTrak | - | 121,700 |
| Gain on sale of marketable securities | 103,200 | 913,800 |
| Other income (expense), net | 128,500 | (102,000) |
| NET LOSS | \$ (900,600) | \$ (106,200) |
| NET LOSS PER SHARE - BASIC AND DILUTED | \$ (0.18) | \$ (0.02) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | 4,986,400 | 4,944,600 |

See accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (LOSS)
 FOR THE YEARS ENDED JUNE 30,

| | 2015 | 2014 |
|--|----------------|--------------|
| Net loss | \$ (900,600) | \$ (106,200) |
| Reclassification adjustment for gain included in net loss | (103,200) | (913,800) |
| Net unrealized loss on marketable securities held at June 30, | - | (65,600) |
| Net unrealized gain (loss) on marketable securities sold during the year | (18,000) | 550,700 |
| Comprehensive Loss | \$ (1,021,800) | \$ (534,900) |

See accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | COMMON STOCK | | TREASURY STOCK | | ACCUMULATED OTHER COMPREHENSIVE | ACCUMULATED |
|-----|--------------|----------------|----------------|----------|---------------------------------------|------------------|
| | SHARES | AMOUNT | SHARES | AMOUNT | INCOME (LOSS) | DEFICIT |
| e | 4,989,300 | \$ 109,121,200 | - | \$ - | 549,900 | \$ (104,246,700) |
| | - | - | 56,800 | 26,100 | - | - |
| ck | | | | | | |
| res | (56,800) | (26,100) | (56,800) | (26,100) | - | - |
| d | 30,000 | 11,700 | - | - | - | - |
| | - | - | - | - | (428,700) | - |
| ve | | | | | | |
| | - | - | - | - | - | (106,200) |
| e | 4,962,500 | \$ 109,106,800 | - | \$ - | 121,200 | \$ (104,352,900) |
| | - | - | 55,100 | 20,800 | - | - |
| ck | | | | | | |
| res | (55,100) | (20,800) | (55,100) | (20,800) | - | - |
| d | 75,000 | 31,500 | - | - | - | - |
| | - | 41,800 | - | - | - | - |
| n | | | | | | |
| | - | - | - | - | (121,200) | - |
| ve | | | | | | |
| | - | - | - | - | - | (900,600) |
| e | 4,982,400 | \$ 109,159,300 | - | \$ - | - | \$ (105,253,500) |

Refer to the accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| | 2015 | 2014 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (900,600) | \$ (106,200) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 194,000 | 181,600 |
| Accretion of fair value - contingent payments and asset retirement obligation | 39,800 | 40,000 |
| Adjustment of accretion and depreciation for reversal of contingent liability | (117,000) | - |
| Gain on sale of StarTrak, excluding shares for services valued at \$7,800 | - | (129,500) |
| Gain on sale of marketable securities | (103,200) | (913,800) |
| Stock issued for services | 31,500 | 11,700 |
| Note receivable issued for ACC amendment and accounting fees | - | (34,000) |
| Stock-based compensation for options | 41,800 | - |
| Impairment charge | - | 160,500 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 50,900 | (87,200) |
| Other receivables - related party | 5,000 | 23,600 |
| Prepaid expenses and other current assets | 98,200 | (109,900) |
| Trust account - asset retirement obligation | (18,700) | (18,700) |
| Accounts payable and accrued expenses | 35,900 | 212,200 |
| Contingent land payment | (25,100) | - |

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| | | |
|---|-------------------|---------------------|
| Net cash used in operating activities | (667,500) | (769,700) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Issuance of note receivable to American Citizenship Center, LLC | - | (25,000) |
| Proceeds from repayment of American Citizenship Center, LLC note receivable | 115,200 | 25,000 |
| Purchase of land, property and equipment | (395,700) | (165,200) |
| Proceeds from sale of marketable securities | 542,100 | 2,124,000 |
| Payments pursuant to StarTrak sale | - | (643,800) |
| Net cash provided by investing activities | 261,600 | 1,315,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Purchase of treasury shares | (20,800) | (26,100) |
| Net cash used in financing activities | (20,800) | (26,100) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (426,700) | 519,200 |
| CASH AND CASH EQUIVALENTS, beginning of year | 1,215,600 | 696,400 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 788,900 | \$ 1,215,600 |

See accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

| | 2015 | 2014 |
|---|------------|--------------|
| SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION | | |
| Net cash paid during the year for interest | \$ - | \$ - |
| Net cash paid during the year for income taxes | \$ - | \$ - |
| Non-cash investing and financing activities: | | |
| Unrealized gain (loss) on marketable securities | \$ 121,200 | \$ (428,700) |
| Value of stock-based compensation for options | \$ 41,800 | \$ - |
| Value of shares issued in payment of services | \$ 31,500 | \$ 11,700 |
| Note receivable issued for ACC amendment and accounting fees | \$ 29,000 | \$ - |
| ORBCOMM preferred stock converted to common stock | \$ - | \$ 18,200 |
| Reversal of contingent purchase price liability and related fixed asset | \$ 500,000 | \$ - |

See accompanying notes to the consolidated financial statements

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Alanco Technologies, Inc. (Stock Symbol: ALAN) was incorporated in 1969 under the laws of the State of Arizona. Unless otherwise noted, the "Company" or "Alanco" refers to Alanco Technologies, Inc. and its wholly-owned subsidiaries. During the fiscal year ended June 30, 2012, the Company formed Alanco Energy Services, Inc. ("AES"), for the purpose of obtaining property to establish a water disposal facility near Grand Junction, CO to receive produced water generated as a byproduct from oil and natural gas production in Western Colorado. The new facility started to receive produced water in August 2012. See Note 5 - Alanco Energy Services for discussion of AES transactions.

Principles of Consolidation – These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The consolidated financial statements for the years ended June 30, 2015 and 2014 include, where appropriate, the accounts of Alanco Technologies, Inc. and its wholly-owned subsidiaries, Alanco Energy Services, Inc. and StarTrak Systems, LLC ("StarTrak") (collectively, the "Company"). Alanco is an Arizona corporation, Alanco Energy Services, Inc. is a Colorado corporation and StarTrak is a Delaware LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications – Certain prior year numbers have been reclassified to conform to the current year presentation. Sales tax on certain revenues for the fiscal year 2014 that were classified as cost of revenues has been reclassified in the Consolidated Statement of Operations to offset revenues to conform to the current year's presentation. This reclassification had no effect on net loss or net loss per share.

Cash and Cash Equivalents - The Company considers all highly liquid instruments with maturities of three months or less at the time of purchase to be cash equivalents.

Revenue Recognition – The Company operates the Deer Creek water disposal facility near Grand Junction, CO and bills customers (primarily in the oil and gas industry) for produced water received. The Company generally recognizes revenue at the time the produced water is received at the Deer Creek facility, filtered and billed. In addition, the Company has revenue from oil reclamation and generally recognizes oil revenue when the oil is picked up by the customer. Water and related oil revenues can be impacted by weather conditions and the prices of oil and gas which may impact drilling activities. Revenue is generally recognized when all the following have been met:

- Persuasive evidence of an arrangement exists;
- The service has been performed or product delivered;
- The customer's fee is deemed to be determinable and free of contingencies or significant uncertainties; and
 - Collectability is probable.

Any sales tax for which the Company is responsible is recorded as a reduction of the associated revenue.

Accounts Receivable - Trade and Other – The Company provides for potentially uncollectible trade accounts receivable and other receivables by use of the allowance method. An allowance for doubtful accounts is provided based upon a review of the individual accounts outstanding, the Company's prior history of collections and the customer's credit worthiness. The Company charges off uncollectible receivables when all reasonable collection efforts have been exhausted. The Company does not typically accrue interest or fees on past due amounts and the receivables are generally unsecured. The Company's allowance for doubtful accounts receivable was approximately \$0 and \$1,000 at June 30, 2015 and 2014, respectively. No allowance was established as of June 30, 2015 as all receivables were

deemed fully collectible.

Notes Receivable – The Company provides for potentially uncollectible notes receivable by use of the allowance method. An allowance for uncollectible notes receivable is provided based upon a review of the individual notes outstanding and the note holder's credit worthiness. The Company charges off uncollectible notes receivable when all reasonable collection efforts have been exhausted. Interest income from notes receivable is recognized when earned. There was no allowance for doubtful notes receivable at June 30, 2015 and 2014.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Marketable Securities – The Company determines the appropriate classification of its investments in marketable equity securities at the time of acquisition and re-evaluates such determinations at each balance sheet date. Marketable securities are classified as held to maturity when the Company has the positive intent and ability to hold securities to maturity. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with the unrealized gains and losses recognized in earnings. Marketable securities not classified as held to maturity or as trading, are classified as available for sale, and are carried at fair value, with the unrecognized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in shareholders' equity. The Company measures and discloses its investments in marketable securities, which are classified as available for sale, at fair value on a recurring basis, in accordance with the Accounting Standards Codification ("ASC"). The cost of the securities sold is based on average cost of the security.

The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market.

Fair Value of Assets and Liabilities – The estimated fair values for assets and liabilities are determined at discrete points in time based on relevant information. The ASC prioritizes inputs used in measuring fair value into a hierarchy of three levels: Level 1 – unadjusted quoted prices for identical assets or liabilities traded in active markets, Level 2 – observable inputs, other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and Level 3 – unobservable inputs in which little or no market activity exists that are significant to the fair value of the assets or liabilities, therefore requiring an entity to develop its own assumptions that market participants would use in pricing. These estimates involve uncertainties and cannot be determined with precision. The Company's policy is to recognize transfers into and out of Level 1, 2 and 3 categories as of the date of the event or change in circumstances occurs.

The following are the classes of assets and liabilities measured at fair value on a recurring basis at June 30, 2015 and 2014, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value at June 30, 2015

| | Level 1: Quoted Prices in active Markets for Identical Assets | Level 2: Significant Other Observable Inputs | Level 3: Significant Unobservable Inputs | Total at June 30, 2015 |
|---|---|--|---|---------------------------------|
| Asset | \$ | - \$ | - \$ | 429,700 \$ |
| Retirement Obligation Contingent Land Payment | | | | |
| | | - | - | 653,900 |
| | \$ | - \$ | - \$ | 1,083,600 \$ |

Fair Value at June 30, 2014

| | Level 1: Quoted Prices in active Markets for Identical Assets | Level 2: Significant Other Observable Inputs | Level 3: Significant Unobservable Inputs | Total at June 30, 2014 |
|---|---|--|---|---------------------------------|
| Marketable Securities | \$ 560,100 | \$ - | \$ - | 560,100 |
| Asset Retirement Obligation Contingent Land Payment Contingent Purchase Price | | | | |
| | | - | - | 423,700 |
| | | - | - | 660,200 |
| | | - | - | 528,100 |
| | \$ 560,100.00 | \$ - | \$ - | 1,612,000 \$ |
| | | | | 2,172,100 |

The following is a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the fiscal year ended June 30, 2015.

| Asset Retirement | Contingent Land | Contingent Purchase |
|---------------------|--------------------|------------------------|
|---------------------|--------------------|------------------------|

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| | Obligation | Payment | Price | Total |
|----------------------|------------|------------|------------|--------------|
| Opening balance | \$ 423,700 | \$ 660,200 | \$ 528,100 | \$ 1,612,000 |
| Inflation adjustment | 6,000 | - | - | 6,000 |
| Accretion expense | - | 18,800 | - | 18,800 |
| Payments | - | (25,100) | - | (25,100) |
| Reversals | - | - | (528,100) | (528,100) |
| Closing balance | \$ 429,700 | \$ 653,900 | -\$ | \$ 1,083,600 |

Fair Value of Marketable Securities – At June 30, 2015, the Company had sold all of the Marketable Securities held at June 30, 2014. The Marketable Securities at June 30, 2014 were comprised entirely of ORBOCOMM Inc. (“ORBCOMM”) common shares (NASDAQ: ORBC) acquired under the terms of the Asset Purchase Agreement between the Company and ORBCOMM for the asset sale of StarTrak. See Note 6 – Sale of StarTrak Systems, LLC for further discussion.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value of Asset Retirement Obligation – The Deer Creek asset retirement obligation is the estimated cost to close the Deer Creek facility under terms of the lease, meeting environmental and State of Colorado regulatory requirements. The estimate is determined at discrete points in time based upon significant unobservable inputs in which little or no market activity exists that is significant to the fair value of the liability, therefore requiring the Company to develop its own assumptions. Management’s estimate of the asset retirement obligation is based upon a cost estimate developed by a consultant knowledgeable of government closure requirements and costs incurred at similar water disposal facility operations. The process used was to identify each activity in the closure process, obtain vendor estimated costs, in current dollars, to perform the closure activity and accumulating the various vendor estimates to determine the asset retirement obligation. A present value discount has not been taken as the estimated closure costs, excluding regulatory changes and inflation adjustments, are anticipated to remain fairly consistent over the operational life of the facility. The lack of an active market to validate the estimated asset retirement obligation results in the fair value of asset retirement obligation to be a Level 3 fair value measurement. ASC Topic 410-20: Asset Retirement Obligations requires the Company to review the asset retirement obligation on a recurring basis and record changes in the period incurred.

Fair Value of Contingent Payments – The contingent land payment and contingent purchase price liabilities are also determined at discrete points in time based upon unobservable inputs in which little or no market activity exists that is significant to the fair value of the liability, therefore requiring the Company to develop its own assumptions. In calculating the estimate of fair value for both of the contingent payments, management completed an estimate of the present value of the contingent liability based upon projected income, cash flows and capital expenditures for the Deer Creek facility developed under plans currently approved by the Company’s board of directors. Different assumptions relative to the expansion or alternative uses of the Deer Creek and Indian Mesa facilities could result in significantly different valuations. The projected payments have been discounted at a rate of 3% per annum to determine net present value. The lack of an active market to validate the estimated contingent land liability results in the fair value of the contingent land liability to be a Level 3 fair value measurement. ASC Topic 820: Fair Value Measurement requires the Company to review the contingent land liability on a recurring basis and record changes in the period incurred. Pursuant to ASC Topic 820, during the fiscal year 2015 the Company reversed the contingent purchase price liability it had previously recorded based on the parameters of the contingency and the estimated present value based upon projected income, cash flows and capital expenditures for the Deer Creek and Indian Mesa facilities developed under plans currently approved by the Company’s board of directors.

Fair Value of Financial Instruments – The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, note receivable, accounts payable, and accrued liabilities. The fair value of these financial instruments approximates their carrying values using Level 3 inputs, based on their short maturities or their effective interest rates.

Land, Property and Equipment – Land, Property and Equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method, generally over a 3 to 20 year period. Currently all office furniture and equipment are being depreciated over 3 years; production equipment over 7 to 10 years; and the water disposal facility over 15 to 20 years including 15 years for the evaporation pond liners and 20 years for the pond construction costs. Expenditures for ordinary maintenance and repairs are charged to expense as incurred while betterments or renewals are capitalized. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the account and any gain or loss is reflected in the statement of operations.

Trust Account – Asset Retirement Obligation – The Company is required to make quarterly payments to a trust account for the closure costs of the Deer Creek facility. The Company reflects the gross amount of the trust as an asset and the

gross amount of the estimated closure cost as a liability.

Income Taxes - The Company accounts for income taxes under the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. If the Company had an income tax obligation and if any interest or penalties were assessed related to an underpayment, the Company would recognize the interest or penalty due by charging any penalty to other operating expense and any interest to interest expense in the period that they are assessed.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (continued)

Use of Estimates - The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The Company makes significant estimates and assumptions concerning the classification and valuation of investments, the estimated fair value of stock-based compensation, realization of deferred tax assets, collectability of accounts and note receivable, estimated useful lives and carrying values of fixed assets, the recorded values of accruals and contingencies including the estimated fair values of the Company's asset retirement obligation and the contingent land and purchase price liability, and the Company's ability to continue as a going concern. Due to the uncertainties inherent in the estimation process and the significance of these items, it is at least reasonably possible that the estimates in connection with these items could be materially revised within the next year.

Impairment of Long-Lived Assets - The Company's policy is to perform an assessment for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If the net carrying value of the asset exceeds estimated future undiscounted net cash flows, then an impairment is recognized to reduce the carrying value to the estimated fair value. No impairment charge was recorded in the fiscal year ended June 30, 2015. During fiscal year ended June 30, 2014, the Company recorded an impairment charge of \$160,500 for an injection well located on the Deer Creek property as a result of meetings with State of Colorado officials and the uncertainty of a positive outcome on a permit to use the well.

Income (Loss) Per Share - Basic EPS is calculated by dividing the income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Basic and Diluted EPS were the same for fiscal 2015 and 2014, as the Company had net losses during both years and therefore the effect of all potential common stock equivalents is antidilutive (reduces loss per share).

Stock options representing 1,203,200 shares of Class A Common Stock were outstanding at June 30, 2015 with exercise prices ranging between \$0.50 and \$1.50. The weighted average exercise price for all outstanding options was \$0.58. Stock options representing 823,400 shares of Class A Common Stock were outstanding at June 30, 2014 with exercise prices ranging between \$0.50 and \$1.50. The weighted average exercise price for all outstanding options was \$0.63.

Stock Options Plans - The Company has stock-based compensation plans. 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 the fair value of stock-based awards using the Black-Scholes valuation model. Assumptions used to estimate compensation expense are determined as follows:

- Expected term is determined under the simplified method using an average of the contractual term and vesting period of the award as appropriate statistical data required to properly estimate the expected term was not available;
- Expected volatility of award grants made under the Company's plans is measured using the historical daily changes in the market price of the Company's common stock over the expected term of the award, and contemplation of future activity;

- 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.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Concentrations - The Company holds cash and cash equivalents in bank accounts that in some cases exceeds the maximum FDIC insurance amount. At June 30, 2015 and 2014, deposits in excess of FDIC insured limits amounted to \$516,100 and \$955,900, respectively.

Approximately 85.1% of AES revenues were generated by four customers during the fiscal year 2015 and all four customer accounts were current or paid in full as of June 30, 2015. During fiscal year 2014, 87.9% of AES revenues were generated by four customers and all amounts billed to those customers were current or paid in full as of June 30, 2014. The significant customers represented \$14,900, or 32.4% of the accounts receivable balance at June 30, 2015, while the significant customers for fiscal 2014 represented \$77,700, or 79.5% of the accounts receivable balance at June 30, 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance regarding revenue from contracts with customers. The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. In August 2015, this accounting pronouncement was deferred for one year, and is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of reporting periods beginning after December 15, 2016. The Company is currently assessing the impact on its financial position and results of operations.

In April 2015, the FASB issued guidance regarding the imputation of interest and simplifying the presentation of debt issuance costs. The guidance is effective for annual reporting periods beginning after December 15, 2015 and early adoption is permitted. The Company has adopted the guidance, which had no material impact on its financial position and results of operations.

In June 2015, the FASB issued guidance regarding technical corrections and improvements related to various topics as part of the FASB effort to clarify, simplify and improve guidance. The guidance is effective for annual reporting periods beginning after December 15, 2015 and early adoption is permitted. The Company has adopted the guidance, which had no material impact on its financial position and results of operations.

There have been no other recent accounting pronouncements or changes in accounting pronouncements that are of significance, or potential significance, to us.

2. 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 the date of grant.

The Company uses the Black-Scholes option pricing model to estimate fair value of stock-based awards.

No options were granted during the year ended June 30, 2014. Assumptions for the award of options granted during the year ended June 30, 2015 were:

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | |
|---|---|
| | Awards Granted in the Year Ended June 30, 2015 |
| Assumption | |
| Dividend yield | 0% |
| Expected volatility | 62% |
| Risk-free interest rate | 2% |
| Expected life of options (in years) | 3.75 |
| Weighted average grant-date Black Scholes calculated fair value | \$0.18 |

The following table summarizes the Company's stock option activity during fiscal year 2015 and 2014:

| | Number of Options | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (1) | Aggregate Fair Value (3) | Aggregate Intrinsic Value (2) |
|---------------------------------------|-------------------------|--|--|--------------------------------|-------------------------------------|
| Outstanding July 1, 2013 | 1,084,100 | \$ 0.67 | 4.18 | \$ 296,100 | \$ - |
| Granted | - | - | - | - | - |
| Exercised | - | - | - | - | - |
| Forfeited, expired or cancelled | (260,700) | 0.78 | - | (83,500) | - |
| Outstanding June 30, 2014 | 823,400 | \$ 0.63 | 3.35 | \$ 212,600 | \$ - |
| Exercisable June 30, 2014 | 823,400 | \$ 0.63 | 3.35 | \$ 212,600 | \$ - |

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| | | | | | |
|---------------------------------|-------------|------|------|------------|------|
| Outstanding July 1, 2014 | 823,400\$ | 0.63 | 3.35 | \$ 212,600 | \$ - |
| Granted | 390,000 | 0.50 | 4.35 | 69,500 | - |
| Exercised | - | - | - | - | - |
| Forfeited, expired or cancelled | (10,200) | 1.50 | - | (6,300) | - |
| Outstanding June 30, 2015 | 1,203,200\$ | 0.58 | 3.03 | \$ 275,800 | \$ - |
| Exercisable June 30, 2015 | 1,047,200\$ | 0.59 | 2.83 | \$ 248,100 | \$ - |

(1) Remaining contractual term presented in years.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing price of the Company's common stock as of June 30, 2015 and 2014, for those awards that have an exercise price currently below the closing price as of June 30, 2015 of \$0.28 and as of June 30, 2014 of \$0.48.

(3) Aggregate Fair Value is calculated using the Black Scholes option pricing model to estimate fair value of stock-based compensation.

The Company recognized approximately \$73,300 of stock-based compensation expense during the fiscal year ended June 30, 2015, which included \$41,800 of stock-based compensation expense for options granted during the fiscal year ended June 30, 2015 and \$31,500 for stock issued for services as described in Note 13. There is \$27,700 of unamortized stock-based compensation expense related to these options which is scheduled to be recognized in the first two quarters of fiscal 2016.

All options granted had an exercise price of not less than the market price on date of grant, as stipulated in the stock option plans, of the Company's common stock. As of June 30, 2015, 156,000 of the 390,000 stock options granted during fiscal 2015 to management and the Board of Directors were unvested and all options had a weighted average grant date fair value of \$0.18 per share. These unvested options will vest equally over the next two fiscal quarters. There were no other unvested options at June 30, 2015. If not previously exercised, options outstanding at June 30, 2015 will expire as follows:

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

| Calendar Year of Expiration | Number of Shares | Weighted Average Exercise Price |
|--------------------------------------|------------------------|--|
| 2016 | 3,200 | \$ 1.50 |
| 2017 | 385,000 | 0.75 |
| 2018 | 425,000 | 0.50 |
| 2019 | 390,000 | 0.50 |
| | 1,203,200 | \$ 0.58 |

Additional information about outstanding options to purchase the Company's Common Stock as of June 30, 2015 is as follows:

| Exercise Price | Number of Shares | Options Outstanding | | Options Exercisable | |
|-------------------|------------------------|--|--|------------------------|--|
| | | Weighted Avg. Remaining Contractual Life (in years) | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| \$0.50 | 815,000 | 3.63 | \$0.50 | 659,000 | \$0.50 |
| \$0.75 | 385,000 | 1.78 | \$0.75 | 385,000 | \$0.75 |
| \$1.50 | 3,200 | 0.21 | \$1.50 | 3,200 | \$1.50 |
| Totals | 1,203,200 | 3.03 | \$0.58 | 1,047,200 | \$0.59 |

The Company's Stock Option Plans are administered by the Compensation/Administration Committee, currently comprised of two independent members of the Company's Board of Directors. Company stock options are issued to employees and directors at an exercise price of not less than the fair market value, as determined under the option plan on the date of grant and must be granted within 10 years from the effective date of the Plan, with the term of the option not exceeding 10 years. Options granted to employees under the Stock Option Plans, which are terminated prior to exercise, are considered to be available for grant to subsequent employees. Total issued stock options for any plan may exceed those authorized due to termination of prior non-exercised grants. Under the Employee Incentive Stock Option Plans, incentive and non-qualified stock options may be granted with the incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended. Stock options issued during the fiscal year ended June 30, 2015 vested 20% on December 31, 2014 and 20% each quarter thereafter and there were no options issued during the fiscal year ended June 30, 2014.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

| Alanco Stock Option Summary (1) as of June 30, 2015 | | | | | | | | |
|--|------------|----------------------------------|-------------------|-------------------|------------------------------|-----------------------------------|--------------------------------|--|
| Plan | Authorized | Options Issued and Granted | Options Exercised | Options Cancelled | Options Outstanding to Issue | Balance Available to Issue (6) | Exercise Price Range (5) | |
| 2002 (2) | 75,000 | 156,000 | 27,000 | 94,200 | 34,800 | -- | \$0.75 | |
| 2002 (3) D&O | 25,000 | 40,800 | 5,200 | 16,600 | 19,000 | -- | \$0.75 | |
| 2004 (2) | 100,000 | 188,500 | 67,600 | 88,500 | 32,400 | -- | \$0.75 | |
| 2004 (3) D&O | 50,000 | 83,100 | 13,200 | 33,100 | 36,800 | -- | \$0.75 - \$1.50 | |
| 2005 (2) | 150,000 | 310,108 | 81,971 | 160,108 | 68,029 | -- | \$0.50 - \$0.75 | |
| 2005 (3) D&O | 50,000 | 142,000 | 4,000 | 92,000 | 46,000 | -- | \$0.50 | |
| 2006 (2) | 375,000 | 851,769 | 82,003 | 476,769 | 292,997 | -- | \$0.50 - \$0.75 | |
| 2006 (3) D&O | 125,000 | 261,924 | 23,750 | 136,924 | 101,250 | -- | \$0.50 | |
| 2011 (4) | 750,000 | 777,948 | 291,024 | 30,000 | 456,924 | 2,052 | \$0.50 - \$0.75 | |
| 2014 (7) | 500,000 | 115,000 | 0 | 0 | 115,000 | 385,000 | \$0.50 | |
| Totals | 2,200,000 | 2,927,149 | 595,748 | 1,128,201 | 1,203,200 | 387,052 | | |

(1) Only includes plans with options currently outstanding or having a balance available to issue.

(2) Employee Incentive Stock Option Plan.

(3) Directors and Officers Stock Option Plan.

(4) Employee Incentive Stock Option Plan which permits granting of stock or stock options. Grants include 291,000

Common Shares issued under the plan as payment of deferred employee compensation.

(5) Range of exercise prices for outstanding options only.

(6) Any options not issued under the 2002 or 2002 D&O Plans and the 2004 and 2004 D&O Plans are no longer available for

issue as those plans were 10 year plans and have expired.

(7) Stock Incentive Plan which permits granting of stock options and awards. All grants are stock options.

3. NOTE RECEIVABLE

Note receivable at June 30, 2015 and 2014 represents a note due from American Citizenship Center, LLC (“ACC”), a related party. Note receivable activity for fiscal years ended June 30, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|---|------------|------------|
| Note receivable | \$ 409,000 | \$ 375,000 |
| - beginning of year | | |
| Advances | - | 25,000 |
| Payments | (115,200) | (25,000) |
| Accounting and loan fees added to note | 29,000 | 34,000 |
| Total | 322,800 | 409,000 |
| Less long-term Notes receivable - current | (262,800) | (109,000) |
| | \$ 60,000 | \$ 300,000 |

The \$322,800 balance at June 30, 2015 represents the outstanding amount drawn by ACC on a \$322,800 credit line provided by the Company at June 30, 2015. The note is secured by all assets of ACC and at June 30, 2015 bears interest at the rate of 9.5% per annum. The note was modified multiple times during the fiscal year 2015 with a total of \$29,000 of fees being added, which includes \$9,000 of accounting fees and \$20,000 of loan fees. In addition, the interest rate was increased to 9.5% per annum effective October 1, 2014 and effective January 31, 2015, the minimum monthly payments were changed to the greater of \$5,000 or 10% of ACC’s gross monthly revenues. The modification dated January 29, 2015 modified the maturity date to August 31, 2015.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In August 2015, ACC and the Company again modified the loan agreement by extending the maturity date to August 31, 2017. All other terms of the note, including the interest rate of 9.5% and the minimum monthly required payments of the greater of \$5,000 or 10% of ACC's gross monthly revenues remained the same.

The Company has reviewed ACC's current projections which are based on the Executive Action issued by President Obama in November 2014. The action is designed to expand the original deferred action program to eligible parents and spouses of U.S. citizens and agricultural workers with a demonstrated history. In February 2015, twenty-six states filed a lawsuit to stop the program and the court granted an injunction meaning that the U.S. Government cannot proceed with rolling out the program. The U.S. government has appealed the lawsuit which is now pending in the 5th Circuit Court of Appeals with an anticipated ruling in late September 2015. The ACC projections anticipate that the court case will go all the way to the Supreme Court which would delay a decision to June 2016. It is possible that the 5th Circuit Court of Appeals could lift the injunction allowing ACC to proceed with providing service or, only allow the injunction as to the states that are part of the lawsuit in which case ACC could proceed with providing service in California, a state not part of the lawsuit. No provision for collectability has been recorded as of June 30, 2015 as current ACC financial projections indicate the note will be paid under the amended terms. Based on the minimum monthly payments of \$5,000, the Company has classified \$60,000 of the note as current and \$262,800 of the note as long-term at June 30, 2015. Loan activity subsequent to June 30, 2015 consisted of a total of \$17,200 in principal payments for June, July and August 2015. In addition, required interest payments were current.

4. MARKETABLE SECURITIES

At June 30, 2015, the Company had no Marketable Securities on hand. At June 30, 2014, the Company had Marketable Securities, which are classified as available for sale, in the amount of \$560,100 representing the June 30, 2014 market value (\$6.59 per share) of 85,000 ORBCOMM Common Shares (NASDAQ: ORBC) received as partial consideration in the May 2011 sale of StarTrak assets. During the fiscal year ended June 30, 2014, the Company settled the escrow and working capital obligations with ORBCOMM and all the shares previously held in escrow were released to the Company. The settlement is more fully discussed in Note 6 – Sale of StarTrak Systems, LLC.

The shares held are revalued at the end of each reporting period with per share market value fluctuations reported as Comprehensive Income (Loss) for the period. The Company recorded an unrealized loss on marketable securities sold during the twelve months ended June 30, 2015 of (\$18,000), plus an adjustment of (\$103,200) for unrealized gains previously recorded related to securities sold during the period. The actual gain on securities sold is reported in the Statement of Operations. All shares were sold as of December 31, 2014. At June 30, 2015 and 2014, the Accumulated Other Comprehensive Income of \$0 and \$121,200, respectively, net of tax of nil, was presented in the Shareholders' Equity section of the Consolidated Balance Sheets.

During the fiscal year ended June 30, 2015, the Company sold a total of 85,000 shares of ORBCOMM, Inc. Common Stock for total proceeds of \$542,100, and an average selling price of approximately \$6.38 per share, resulting in realized gains totaling \$103,200.

The following table summarizes the activities related to investment in Marketable Securities for the year ended June 30, 2015.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | Marketable Securities | | | | | | |
|---|-----------------------|----------------------|------------|------------------------|--------------------------|-----------------------------|-------------------|
| | Net Shares | Cost Basis Per Share | Cost Basis | Market Value Per Share | Market Value Total Value | Accumulated Unrealized Gain | Unrealized (Loss) |
| June 30, 2014 | 85,000\$ | 5.16\$ | 439,100\$ | 6.59\$ | 560,100\$ | 121,200\$ | - |
| Shares sold | (45,000) | 5.16 | (232,600) | | | | |
| September 30, 2014 | 40,000\$ | 5.16\$ | 206,500\$ | 5.75\$ | 230,000\$ | 23,500\$ | - |
| Shares sold | (40,000) | 5.16 | (206,500) | | | | |
| December 31, 2014, March 31, 2015 and June 30, 2015 | -\$ | -\$ | -\$ | -\$ | -\$ | -\$ | - |

5. ALANCO ENERGY SERVICES

During fiscal 2012, the Company formed Alanco Energy Services, Inc. ("AES"), a wholly-owned subsidiary, and in April 2012 executed an agreement with TC Operating, LLC ("TCO") of Grand Junction, CO to transfer a land lease for approximately 24 acres near Grand Junction, CO and all related assets to AES with the intent for AES to construct facilities for the treatment and disposal of large quantities of produced water generated by oil and natural gas producers in Western Colorado. The site was chosen due to its unique ability to meet stringent government requirements for disposal of the high saline water produced as a by-product of oil and gas production, and termed "produced water". The agreement included the transfer of all related tangible and intangible assets as well as Federal, State and County permits (issued or in process) required to construct the facilities. The lease terms payable to the landlord include a minimum monthly lease payment of \$100 per acre (\$2,400 per month) during the initial ten year term of the lease, plus approximately \$.25 per barrel of produced water received at the site.

The design and construction of the Deer Creek water disposal facility required certain changes to the Goodwin Solid Waste facility ("Goodwin") resulting in extra costs to the landlord, who also owned Goodwin. As incentive for the landlord to approve the facility design, AES agreed to limit landlord construction improvement costs related to the leased land to \$200,000. Included in the \$200,000 limited amount was \$100,000 of landlord improvement costs to be paid by AES and reimbursed through a 50% credit against the \$.25 per barrel royalty payments due landlord discussed above. AES recorded the \$100,000 payment as prepaid royalties and under the current terms of the agreement,

expired on August 31, 2015. The remaining prepaid balances at June 30, 2015 and 2014 were \$5,100 and \$58,700, respectively. The June 30, 2015 balance of \$5,100, which is included in "Prepaid expenses and other current assets" on the balance sheet, is net of a \$20,000 write down of the prepaid which is based on an estimate that the Company plans to recoup under the current agreement.

TCO can also earn additional purchase price payments based upon a percentage of the net cumulative EBITDA (net of all related AES capital investments) over a period of approximately 10 years (contingent deferred payment), approximately the initial term of the lease. Under certain circumstances, the acreage covered by the lease may be expanded by up to 50 acres to allow for additional expansion at the site. See Note 8 - Contingent Payments for additional discussion of the contingent deferred payment.

During April 2012, AES also entered into a definitive agreement with Deer Creek Disposal, LLC ("DCD") whereby AES acquired a 160 acre site near Grand Junction, CO, for additional expansion to the proposed water treatment and disposal facility. As consideration for the land purchase, AES paid \$500,000 at the April 13, 2012 closing and assumed a non-interest bearing, secured, \$200,000 note due November 15, 2012, which was repaid upon maturity. AES has also agreed to potential additional quarterly earn-out payments to DCD up to a maximum total of \$800,000, generally determined as 10% of quarterly revenues in excess of operating expenses up to \$200,000 per quarter (contingent land payment). See Note 8 - Contingent Payments for additional discussion of the contingent land payment. The land, known as Indian Mesa, is currently undeveloped. In June 2014 AES received final construction approval from the Colorado Department of Public Health and Environment (CDPHE) for twelve produced water disposal ponds, which if developed as planned, would be located on the north 80 acres of the Indian Mesa site. The Company is in the permitting process for the remaining 80 acres.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Related to the treatment and disposal facilities, in fiscal year 2012 AES entered into a management agreement with TCO to manage the project for a monthly management fee of \$10,000 initially and \$20,000 after final permits for the Deer Creek operation were obtained in May 2012. The management agreement expired in January 2013 and continued on a month to month basis through March 31, 2015, at which time the Company elected not to continue the month to month arrangement. During the fiscal year ended June 30, 2015, the Company paid TCO approximately \$185,000 under the management agreement. Effective April 1, 2015, the Company entered into an agreement for operations management services for the Deer Creek facility with a separate management company. The agreement is cancellable by either party at any time.

6. SALE OF STARTRAK SYSTEMS, LLC

The assets of StarTrak Systems, LLC (“StarTrak”), a subsidiary comprising the Company’s Wireless Asset Management segment, were sold to ORBCOMM Inc. (“ORBCOMM”) effective in May 2011. The transaction was structured as an asset purchase whereby ORBCOMM acquired substantially all of StarTrak’s assets and liabilities. The transaction closing date was May 16, 2011.

Consideration Received - Total transaction consideration payable at close, including escrowed amounts as required by the agreement, for substantially all of the assets of StarTrak is equal to an aggregate face amount of approximately \$17.7 million in cash, ORBCOMM Common and Series A Preferred Stock, Alanco Common and Series E Preferred Stock and the assumption of debt. Consideration consisted of the following:

1. Cash consideration in an amount equal to two million dollars (\$2,000,000) less any amount due under the secured loan referred to in 3 below;
2. ORBCOMM’s acquisition and discharge of the Anderson Trust secured debt in the principal amount of \$3,900,000;
3. Cancellation and termination of all outstanding obligations of Alanco and StarTrak to ORBCOMM under the Secured Promissory Note, including the then outstanding principal amount of \$300,000 plus interest and fees, if any, due thereunder as of the closing date;
4. Delivery to Alanco of 500,000 shares of Series E Convertible Preferred Stock of Alanco having a face value amount of \$2,250,000;
5. Delivery to Alanco of 1,212,748 shares of Alanco Class A Common Stock with a closing value of \$1.03 per share;
6. Issuance and delivery to Mellon Investor Services LLC, as escrow agent, (“Mellon”) of 249,917 shares of ORBCOMM common stock (“ORBCOMM Stock”) registered in the name of Alanco and valued at closing at \$2.91 per share, which escrowed shares will be available to pay for half of the out of pocket costs incurred as a result of certain litigation against StarTrak;
7. The issuance and delivery to Mellon, as escrow agent of 166,611 shares of ORBCOMM Stock, valued at closing at \$2.91 per share, registered in the name of Alanco, which escrowed shares will be available to pay for a portion of certain product warranty costs;
8. The issuance and delivery to Alanco of 1,820,583 shares of ORBCOMM Stock, valued at closing at \$2.91 per share;
9. The issuance and delivery to Alanco of 183,550 shares of Series A Perpetual Convertible Preferred ORBCOMM stock (“ORBCOMM Series A”) with a face value of \$10 per share, entitled to a 4% annual paid-in-kind dividend and each such share convertible into 1.666 shares of ORBCOMM Stock; and
10. Assumption by ORBCOMM of certain specified liabilities, generally consisting of liabilities arising after the closing date and liabilities reflected in the closing Working Capital Adjustment (“WCA”).

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Product Warranty Escrow - The escrow account for 249,917 shares (number 6 above) of ORBCOMM Common Stock, established under the escrow agreement described above, provided for the availability of ORBCOMM shares to pay for half of the out of pocket costs that may be incurred as a result of certain litigation pending against StarTrak at the time of the closing. Subsequent to the closing, a settlement was reached among the litigants and ORBCOMM notified Alanco that its half of the settlement cost, including fees and expenses, amounted to approximately \$100,000. Under the escrow agreement, the shares returned to ORBCOMM in payment of the litigation costs, would be valued at \$3.001 per share. Final negotiation of the litigation escrow shares was completed in May 2012 and the agreement resulted in 29,990 of the escrow shares being distributed to ORBCOMM with the 219,927 balance distributed to Alanco.

The second escrow account in the amount of 166,611 shares of ORBCOMM common stock, established under item 7 above, provided for the availability of ORBCOMM shares to pay for half of certain product warranty costs incurred during the period March 1, 2011 to April 30, 2012, but only to the extent total warranty costs during the period exceed \$600,000 (“fuel sensor escrow”). Under the escrow agreement, shares returned to ORBCOMM in payment of those warranty costs would again be valued at \$3.001 per share. Upon distribution of the required shares to ORBCOMM, if any, from the escrow account, the remaining shares would be distributed to Alanco.

Working Capital Adjustment – The Asset Purchase Agreement also provided compensation for changes in working capital between November 30, 2010 and May 31, 2011, the measurement date, determined in accordance with GAAP consistently applied. If working capital, defined as current assets minus current liabilities less long-term deferred revenue, increased over the period, ORBCOMM was to pay the value of that increase in cash or additional ORBCOMM Common Stock under number 10 above. If the defined working capital decreased during the period, Alanco was to return that amount from ORBCOMM Common Stock, valued at \$3.001 per share, issued under number 10 above.

ORBCOMM delivered to Alanco on August 12, 2011, a written statement of the Current Assets, Current Liabilities and Net Working Capital Amount pursuant to the terms of the Agreement reflecting a working capital adjustment in favor of ORBCOMM of approximately \$700,000. Under terms of the Agreement, Alanco submitted a “Notice of Disagreement” of the Net Working Capital Amount submitted by ORBCOMM.

Settlement of Working Capital Adjustment and Product Warranty Escrow – In February 2014, the parties negotiated a general settlement for the working capital adjustment and all product warranty liabilities. The agreement, effective February 24, 2014, required a) ORBCOMM to release to Alanco all ORBCOMM Common Shares (166,611 shares) held in the warranty escrow account; b) Alanco to pay ORBCOMM \$691,000; c) ORBCOMM (through its StarTrak subsidiary) to pay a past due Alanco invoice in the amount of approximately \$48,000 and required both parties to agree to provisions of a general mutual release. The effect of the settlement was to give Alanco the ability to sell the 166,611 ORBCOMM shares held in escrow and increased Alanco’s gain on sale of its StarTrak subsidiary, by \$121,700, which is included in other income for the year ended June 30, 2014.

7. LAND, PROPERTY AND EQUIPMENT

At June 30, 2015 and 2014, Land, Property and Equipment consist of the following:

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| | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Office furniture and equipment | \$ 51,300 | \$ 51,300 |
| Water disposal facility | 2,219,200 | 2,714,600 |
| Production equipment | 514,400 | 232,000 |
| | 2,784,900 | 2,997,900 |
| Less accumulated depreciation | (491,900) | (371,800) |
| Land and permit costs | 1,645,600 | 1,536,900 |
| Net book value | \$3,938,600 | \$4,163,000 |

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Land and permit costs at June 30, 2015 represent costs related to the acquisition and permitting of 160 acres known as Indian Mesa. Costs include the initial payment at closing of \$500,000, a \$200,000 assumed note payable due and paid in November 2012, \$625,000 present value of future contingent land payments, \$307,700 in permit costs and \$12,900 in legal expenses.

Water disposal facility assets at June 30, 2015 consist of \$1,809,200 in costs related to the construction and permitting of the evaporation ponds and \$410,000 in asset retirement cost. The prior year included \$500,000 for the fair value of the contingent purchase price liability and related accumulated depreciation of \$48,900. In addition, \$25,000 of depreciation was recorded in the current year for a total accumulated depreciation of \$73,900, all of which has been reversed against cost of goods sold in the current year based on the parameters of the contingency and the estimated present value. Production equipment at June 30, 2015 of \$514,400 represents the cost of equipment required to support the Deer Creek facility.

Related depreciation expense for the years ended June 30, 2015 and 2014 was \$120,100 and \$181,600, respectively.

8. CONTINGENT PAYMENTS

Contingent payments at June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|--------------|----------|-------------|
| Contingent\$ | 653,900 | \$ 660,200 |
| land | | |
| payment | | |
| Contingent | - | 528,100 |
| purchase | | |
| price | | |
| | 653,900 | 1,188,300 |
| Less | (50,000) | (50,000) |
| current | | |
| portion | | |
| Contingent\$ | 603,900 | \$1,138,300 |
| payments, | | |
| long-term | | |

Contingent land payment represents the net present value of \$800,000 of contingent land payments due under an agreement whereby Alanco Energy Services, Inc. ("AES") acquired 160 acres of land known as Indian Mesa. The maximum total of \$800,000 of contingent land payments is based upon 10% of quarterly revenues in excess of operating expenses up to \$200,000 per quarter for activity at both the Deer Creek and Indian Mesa locations. The payments were projected considering current operating plans as approved by the Alanco Board of Directors, with the payments discounted at a rate of 3% per annum. During the fiscal year ended June 30, 2015 the Company incurred \$8,600 in contingent land payments while \$16,500 was incurred in fiscal year 2014. At June 30, 2015, \$3,300 was unpaid and included in accounts payable. See Note 5 – Alanco Energy Services for additional discussion on AES operations.

Contingent purchase price as of June 30, 2014 of \$528,100 represents the net present value of projected payments to be made to TC Operating, LLC (“TCO”) pursuant to an Asset Purchase Agreement under which TCO transferred a land lease for approximately 24 acres of land known as Deer Creek and all related tangible and intangible assets. As of June 30, 2015, based on the probability of the contingent payment being realized, the Company reversed the contingent purchase price liability of \$500,000 and related accretion of \$43,125 which was included in selling, general and administrative expense. Per the agreement, the contingent payments are determined as 28% of the Cumulative EBITDA in excess of all of AES’s capital investment for the ten (10) year period commencing on the earlier of (i) the recovery of AES’s capital investment, or (ii) January 1, 2014. AES’s Capital investment shall mean the aggregate amount incurred by AES in acquiring the Assets, the Indian Mesa Facility, and or improving either the Deer Creek Facility or the Indian Mesa Facility. Payments of said Contingent Purchase Price shall be payable quarterly. The projected payments consider current operating plans as approved by the Alanco Board of Directors, with payments discounted at a rate of 3% per annum to determine net present value.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The significant unobservable inputs used in the fair value measurement of the Company's fair value calculation for the contingent land payment and contingent purchase price is the probability of the contingent payments being realized, the timing of when the payments are paid and the discount rate applied. Significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. See Note 5 – Alanco Energy Services for additional discussion on AES operations.

9. ASSET RETIREMENT OBLIGATIONS

The Company initially recognized estimated asset retirement obligations (closure cost) at June 30, 2012 of \$410,000 to remove leasehold improvements, remediate any pollution issues and return the Deer Creek water disposal property to its natural state at the conclusion of the Company's lease. The closure process is a requirement of both the Deer Creek lease and the State of Colorado, a permitting authority for such facilities. The initial closure cost estimate, in then current dollars, was completed by an approved independent consultant experienced in estimating closure costs for water disposal operations and the estimated amount was approved by the State of Colorado.

The Company reviews the contingent asset retirement obligation on a recurring basis and records changes in the period incurred. At June 30, 2015, the estimated closure costs were again reviewed and the only adjustment was a 1.014% inflation adjustment as required under agreement with the Colorado Department of Public Health and Environment, increasing the asset retirement obligation to \$429,700, AES's approximate 75% share of the \$566,000 estimated closure costs for both the Deer Creek facility and the adjacent Goodwin Solid Waste facility (Goodwin is not owned by AES). At June 30, 2014, the only adjustment was a 1.015% inflation adjustment, increasing the asset retirement obligation to \$423,700. The significant unobservable inputs used in the fair value measurement of the Company's fair value calculation for the asset retirement obligation include the estimated cost to close the Deer Creek facility in accordance with state approved closure plans, the projected timing of the closure and the discount rate applied. Significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. See Note 5 – Alanco Energy Services for additional discussion on AES operations.

The laws of the State of Colorado require companies to meet environmental and asset retirement obligations by selecting an approved payment method. The Company has elected to meet its obligation by making an initial payment of approximately \$25,300 and quarterly payments of approximately \$4,700 into a trust that over the expected lease period will build liquid assets to meet the asset retirement obligation. For the fiscal years ended June 30, 2015 and 2014, the trust account balance was \$67,400 and \$48,700, respectively.

10. INCOME TAXES

A reconciliation of anticipated statutory rates is as follows:

| | 2015 | 2014 |
|---|-------|-------|
| Statutory rate | 34.0% | 34.0% |
| State income taxes, net of federal income tax benefit | 5.0% | 5.0% |

| | | |
|---|--------|--------|
| Change in valuation allowance related to net operating loss carry-forwards and change in temporary differences | -39.0% | -39.0% |
| | 0.0% | 0.0% |

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The components of the net deferred tax asset (liability) recognized as of June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---------------|---------------|
| Deferred tax asset | \$ 11,800,000 | \$ 13,200,000 |
| Less: estimated Section 382 adjustment | (4,000,000) | (4,000,000) |
| Net operating loss and capital loss carryforwards | 7,800,000 | 9,200,000 |
| Less: Valuation allowance | (7,800,000) | (9,200,000) |
| Net deferred tax | \$ - | \$ - |

A valuation allowance is recognized if it is more likely than not that some or all of the deferred income tax assets will not be realized. A valuation allowance is used to offset the related income tax assets due to uncertainties of realizing the benefits of certain net operating loss and tax credits. The valuation allowance, which reflects a 100% reserve for all years reported above, decreased \$1,400,000 from June 30, 2014 to June 30, 2015 primarily due to the expiration of state operating loss carryforwards. At June 30, 2015, the Company had net operating loss carry-forwards for federal tax purposes of approximately \$33,500,000. The loss carry-forwards, unless utilized, will expire from 2017 through 2034. With few exceptions, the Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2010.

Internal Revenue Code Section 382 limits the ability to utilize net operating losses if a 50% change in ownership occurs over a three year period. Such limitation of the net operating losses may have occurred which the Company has not fully analyzed at this time as the deferred tax asset is fully reserved, however, the Company has estimated a limitation effect on deferred tax assets of approximately \$4 million at June 30, 2015 and 2014.

11. RELATED PARTY TRANSACTIONS

American Citizenship Center, LLC

At June 30, 2015 and 2014 the Company had a note due from American Citizenship Center, LLC (“ACC”), a related party, with balances of \$322,800 and \$409,000, respectively. Refer to Note 3 – Note Receivable for further discussion.

During the fiscal years 2015 and 2014, the Company billed ACC a total of \$46,300 and \$73,100, respectively, which includes amounts for accounting services, legal services related to note modifications, and interest on the note. At June 30, 2015, the Company had unpaid receivables from ACC in the amount of \$4,200, consisting of \$2,500 representing one month of interest plus \$1,700 of legal services. Subsequent to year end, ACC made payments

bringing these balances current. At June 30, 2014, the Company had unpaid receivables from ACC in the amount of \$9,200, consisting of \$6,000 in billings for accounting services and \$3,200 representing one month of interest.

Board of Directors

The Company made cash payments of \$7,500 to each of the Company's three independent members of the Board of Directors and issued each 25,000 stock grants for a total of 75,000 shares valued at \$31,500. The Company recorded \$16,500 of expense related to the stock grants during the current fiscal year and had accrued \$15,000 at June 30, 2014. In addition, each independent director received 80,000 stock options during fiscal year 2015. Each independent director received cash payments of \$2,250 during fiscal 2014. In November 2014, the Company's Board of Directors approved a change to the independent director compensation. Effective January 1, 2015, the three independent directors were paid cash compensation of \$1,000 each per month (included in the above totals).

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. COMMITMENTS AND CONTINGENCIES

Employment agreements - On June 30, 2014, the Company entered into employment agreements, effective July 1, 2014 with the Company's newly elected Chief Executive and Chief Financial Officers. The elections resulted due to the March 2014 death of Robert Kauffman, past President and CEO of the Company. The employment agreements provide for levels of compensation and continuation of benefit under Company benefit plans. The agreements have severance provisions and are effective until 18 months after notice of termination is given by either party. Copies of the employment agreements were attached as exhibits to the Form 8-K filed on July 1, 2014.

Leases – The Company's corporate office is located at 7950 E. Acoma Drive, Suite 111, Scottsdale, Arizona 85260, in an approximately 1,500 square foot facility. At June 30, 2015 the facility was occupied on a month to month basis with monthly payments of \$1,700 (including rental tax). Effective August 1, 2015, the month to month payment increased to \$1,800 (including rental tax).

The ten year land lease related to Deer Creek, was effective May 1, 2012 and has two additional ten year option periods that may be activated by AES. The initial terms of the lease requires minimum monthly lease payments of \$100 per acre (increasing to \$150 and \$200 per acre for the second and third ten year option periods, respectively) plus additional royalty payments based upon quantities of produced water received (approximately \$.25 per barrel) at the site. The design and construction of the Deer Creek water disposal facility required certain changes to the Goodwin Solid Waste facility resulting in extra costs to the landlord (owner of Goodwin Solid Waste). As incentive for the landlord to approve the facility design, AES agreed to limit landlord construction improvement costs related to the leased land to \$200,000. Included in the \$200,000 limited amount was \$100,000 of landlord improvement costs to be paid by AES and reimbursed through a 50% credit against the \$.25 per barrel royalty payments due to the landlord discussed above. Under certain circumstances, the acreage covered by the lease may be expanded by up to 50 acres to allow for additional expansion at the site.

In May 2015, AES signed a one year lease for an approximately 700 square foot office space located at 138 S. Park Square, Suite 201, Fruita, Colorado 81521 with monthly rental payments of \$700 (including rental tax).

Rent expense for the fiscal years ended June 30, 2015 and 2014 were \$53,300 and \$50,200, respectively. Future minimum non-contingent payments as of June 30, 2015 are as follows:

| FUTURE MINIMUM PAYMENTS FOR THE YEAR ENDED JUNE 30, | |
|--|------------|
| 2016 | \$ 35,600 |
| 2017 | 28,600 |
| 2018 | 28,600 |
| 2019 | 28,600 |
| 2020 | 28,600 |
| Thereafter | 52,400 |
| TOTAL | \$ 202,400 |

Legal Proceedings – The Company is a defendant and counterclaimant in litigation involving its subsidiary, TSI Dissolution Corp. (formerly known as Alanco/TSI Prism, Inc.) (“TSI”) and the purchaser of TSI’s assets, Black Creek Integrated Systems Corp. Black Creek filed a complaint in the Maricopa County Superior Court against TSI and the Company, being Civil Case NO. CV2011-014175, claiming various offsets from the purchase price, primarily concerning inventory adjustments, and TSI counterclaimed for monies due from Black Creek under the purchase agreement. Following a trial during fiscal 2014, the court awarded a net judgment in favor of Black Creek in the amount of \$16,800, plus attorney’s fees and accrued interest, resulting in a total judgment in the amount of \$128,300. At June 30, 2014, the Company recorded an accrued liability of \$128,300 for the judgment and had posted a bond with the court in conjunction with the Company’s appeal of the judgment. In May 2015, the State of Arizona Division One Court of Appeals vacated the trial court’s damages award and remanded to the trial court to direct the parties to follow dispute guidelines defined in the asset purchase agreement. In addition, the appellate court’s decision vacated the trial court’s attorney’s fee award and stated that TSI is entitled to an award of fees on appeal. At June 30, 2015, the Company reversed the accrual of \$128,300 for the prior judgment. The Company is currently following the court’s direction and working under the dispute guidelines defined in the asset purchase agreement. The Company believes that the lower court’s judgment failed to address, among other matters, inventory reserves established for the specific items of inventory which were the subject of Black Creek’s concerns, which if properly addressed would result in a net judgment in favor of the Company, with an attendant award of attorney’s fees in favor of the Company. Therefore, no accrual for the loss contingency was deemed necessary at June 30, 2015.

The Company may from time to time be involved in litigation arising from the normal course of business. As of June 30, 2015, other than the litigation discussed above, there was no such litigation pending deemed material by the Company.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. SHAREHOLDERS' EQUITY

Preferred Shares – the Company has 25,000,000 authorized no par shares of Preferred Stock of which 5,000,000 have been allocated to Series A, 500,000 have been allocated to Series B, 400,000 have been allocated to Series C Junior Participating, 500,000 have been allocated to Series D, and 750,000 have been allocated to Series E. As of June 30, 2015 and 2014, no Preferred Stock of any series is issued or outstanding. The Board of Directors is authorized to issue preferred stock in one or more series and denominations and to fix the rights, preferences, privileges, and restrictions, including dividend, conversion, voting, redemption, liquidation rights or preferences, and the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders.

Common Shares - The authorized capital stock of the Company consists of 75,000,000 shares of no par Class A Common Stock, each entitled to one vote per share, and 25,000,000 shares of no par Class B Common Stock, each entitled to one-one hundredth (1/100th) of one vote per share. No Class B Common Stock has been issued and none was outstanding at June 30, 2015 and 2014.

During fiscal year ended June 30, 2015, the Company issued 75,000 shares of Class A Common Stock for services valued at \$31,500. During the same period, the Company repurchased and retired 55,100 shares for \$20,800 resulting in a 55,100 reduction in outstanding shares of Common Stock. The value of stock-based compensation recognized during fiscal year ended June 30, 2015 was \$41,800.

During fiscal year ended June 30, 2014, the Company issued 30,000 shares of Class A Common Stock for services valued at \$11,700. During the same period, the Company repurchased and retired 56,800 shares for \$26,100 resulting in a 56,800 reduction in outstanding shares of Common Stock. There was no stock-based compensation recognized during the fiscal year ended June 30, 2014.

During the year ended June 30, 2015, the Company recognized a comprehensive income adjustment in the amount of (\$121,200), reported in the Consolidated Statement of Changes in Shareholders' Equity. During the year ended June 30, 2014, the Company recognized a comprehensive income adjustment in the amount of (\$428,700), reported in the Consolidated Statement of Changes in Shareholders' Equity. See Note 4 – Marketable Securities, for additional discussion of fair value of financial instruments and marketable securities.

On December 12, 2011 the Company announced that its board of directors had authorized a stock repurchase program whereby the Company could repurchase up to 2 million shares of its outstanding common stock over the next 12 months. The stock repurchase program was extended, under the same limitation, through December 31, 2013. During the quarter ended March 31, 2014, the board of directors renewed the stock repurchase program, extending it through December 31, 2014 and establishing an aggregate future amount of shares that may be purchased under the program to 2 million shares. During the quarter ended December 31, 2014, the board of directors again renewed the stock purchase program, extending it through December 31, 2015. For the year ended June 30, 2015, the Company had repurchases under the program for a total of 55,100 shares at a cost of approximately \$20,800, or \$0.38 per share.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. RETIREMENT PLAN

The Company provides a 401(k) retirement plan for its employees. Employees are eligible to participate in the plan on the first of the month following 90 days of continuous employment. Employee salary deferral rates are not restricted by the Company, however, IRS limits and limitations imposed by discrimination tests may affect the allowed salary deferral rate. Through the quarter ended December 31, 2013, the Company had a matching program equivalent to 25% of the amount deferred by employees, matching up to 4% of an employee's annual compensation. Effective January 1, 2014 and due to regulations for top heavy compliance, the Company adopted Safe Harbor provision in the 401(k) retirement plan which requires all employees receive a 3% match based on gross wages. The Company's matching contributions totaled \$12,000 and \$7,900 for the years ended June 30, 2015 and 2014, respectively.

15. LIQUIDITY AND GOING CONCERN

During the fiscal years ended June 30, 2015 and 2014, the Company reported a net loss of (\$900,600) and (\$106,200), respectively and operating loss of (\$1,173,800) and (\$1,077,200), respectively. Historically, the Company had relied on the liquidation of its investment in Marketable Securities to fund working capital needs. The Company sold all remaining marketable securities during fiscal 2015. These factors raise doubt about the Company's ability to continue as a going concern for the next year. The Company's fiscal 2016 operating plan contemplates development of the AES Indian Mesa site. In order to develop the Indian Mesa site, the Company will need additional financing which may be in the form of public or private debt or equity financing, or both. Management cannot assure that it will secure additional financing in order to achieve projections. If adequate funds are not available or are not available on acceptable terms, the Company's business, operating results, financial condition and ability to continue operations may be materially adversely affected. Management has historically been successful in obtaining financing and has demonstrated the ability to implement a number of cost-cutting initiatives to reduce working capital needs or the Company may seek to sell assets. Accordingly, the accompanying consolidated financial statements have been prepared assuming the Company will continue to operate and do not include any adjustment that might be necessary if the Company is unable to continue as a going concern. As a result, the Company's independent registered public accounting firm has included an explanatory paragraph in their audit opinion on the consolidated financial statements of the Company for the fiscal year ended June 30, 2015 discussing the substantial doubt of the Company's ability to continue as a going concern.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2015 ACC paid \$17,200 in principal payments and brought all amounts due current. In August 2015, ACC and the Company amended the loan agreement by extending the maturity date to August 31, 2017. All other terms of the note, including the interest rate of 9.5% and the minimum monthly required payments of the greater of \$5,000 or 10% of ACC's gross monthly revenues remained the same. Based on the minimum required payments, the Company has classified \$60,000 of the note as current, and \$262,800 of the note as long-term as of June 30, 2015.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 9A. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company carried out, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based on their evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that, as of June 30, 2015, the Company's disclosure controls and procedures were effective. Management has concluded that the consolidated financial statements in this Form 10-K fairly present, in all material respects, the Company's financial position, results of operations, comprehensive income (loss) and cash flows for the periods and dates presented.

(b) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2015, based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2015 and determined that the Company's controls and procedures were effective at the reasonable assurance level.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(c) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Officers and Directors

The officers and directors of the Company, elected at Alanco's April 28, 2014 Annual Meeting of Shareholders to serve in their capacity until the next meeting of the Shareholders are:

| Name | Age | Position | Year First Director / Officer |
|---------------------|-----|-----------------|--|
| Harold S. Carpenter | 81 | Director | 1995 |
| James T. Hecker | 58 | Director | 1997 |
| Thomas C. LaVoy | 55 | Director | 1998 |
| John A. Carlson | 68 | Director/C.E.O. | 1999 |
| Danielle L. Haney | 46 | C.F.O. | 2014 |

John A. Carlson: Mr. Carlson was appointed Chief Executive Officer of Alanco Technologies, Inc. in March 2014. Mr. Carlson joined the Company in September 1998 as Senior Vice President/Chief Financial Officer. Mr. Carlson started his career with Price Waterhouse & Co. in Chicago, Illinois. He has over twenty-five years of public and private financial and operational management experience, including over twelve years as Vice President of Finance, Chief Financial Officer and Corporate Secretary of The Webb Company, a NASDAQ listed Fortune 1000 printing and publishing company located in St. Paul, Minnesota. Mr. Carlson earned his Bachelor of Science degree in Business Administration at the University of South Dakota, and received his Certified Public Accountant certificate in 1973.

Harold S. Carpenter: Mr. Carpenter is the former President of Superiorgas Co., Des Moines, Iowa, which is engaged in the business of trading and brokering bulk refined petroleum products with gross sales of approximately \$500 million per year. He is also the General Partner of Superiorgas L.P., an investment company affiliated with Superiorgas Co. Mr. Carpenter founded these companies in 1984 and 1980, respectively. Mr. Carpenter is also the President of Carpenter Investment Company, Des Moines, Iowa, which is a real estate investment company holding properties primarily in central Iowa. From 1970 until 1994, Mr. Carpenter was the Chairman of the George A. Rolfes Company of Boone, Iowa, which manufactured air pollution control equipment. Mr. Carpenter graduated from the University of Iowa in 1958 with a Bachelor of Science and Commerce degree.

James T. Hecker: Mr. Hecker is both an Attorney and a Certified Public Accountant. Since 1987 Mr. Hecker has been Vice President, Treasurer and General Counsel of Rhino Capital Incorporated, Evergreen, Colorado, a private capital management company which manages a \$60 million portfolio. He also served, since 1992, as a trustee of an \$11 million charitable trust. From 1984 to 1987, Mr. Hecker was the Controller of Northern Pump Company, Minneapolis, Minnesota, a multi-state operating oil and gas company with more than 300 properties, with responsibility of all accounting and reporting functions. Prior to that, from 1981 to 1984, Mr. Hecker was Audit

Supervisor of Total Petroleum, Inc., Denver, responsible for all phases of internal audit and development of audit and systems controls. Mr. Hecker received a J.D. degree from the University of Denver in 1992, and a B.B.A. degree in Accounting and International Finance from the University of Wisconsin in 1979. He is a member in good standing of the Colorado and the American Bar Associations, the Colorado Society of CPAs, and the American Institute of CPAs.

Thomas C. LaVoy: Thomas C. LaVoy has served as Chief Financial Officer of SuperShuttle International, Inc., since July 1997 and as Secretary since March 1998. From September 1987 to February 1997, Mr. LaVoy served as Chief Financial Officer of NASDAQ-listed Photocomm, Inc. Mr. LaVoy was a Certified Public Accountant with the firm of KPMG Peat Marwick from 1980 to 1983. Mr. LaVoy has a Bachelor of Science degree in Accounting from St. Cloud University, Minnesota, and is a Certified Public Accountant.

Danielle L. Haney: Danielle L. Haney served as the Controller for various subsidiaries of the Company since September 2001. Starting in August 2007, Ms. Haney began serving as the Company's Corporate Controller and in March 2014 was appointed to the position of Chief Financial Officer. From August 1994 to August 2001, Ms. Haney served in various accounting positions at Kyocera Solar, Inc. (formerly Photocomm, Inc.), most recently as the Controller. Ms. Haney has a Bachelor of Science degree in Accounting from Arizona State University.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Non-Director Significant Employees

The Company generally reports officers of its operating subsidiaries. However, there are no additional officers to report as the Company's CEO and CFO are the officers of its sole operating subsidiary.

Audit/Corporate Governance Committee

The Audit/Corporate Governance Committee of the Board of Directors is currently comprised of three independent directors, and operates under a written charter adopted by the Board. The Audit/Corporate Governance Committee Charter was included as Exhibit A in the Company's Definitive Proxy Statement filed with the SEC on October 18, 2004. The members of the Audit/Corporate Governance Committee are Harold S. Carpenter, a CEO with over 30 years senior management experience, James T. Hecker, an attorney and CPA, and Thomas C. LaVoy, a CPA. All three individuals are experienced in reading and understanding financial statements, and, in fact, are deemed to be financial experts as defined by audit committee requirements.

The Audit/Corporate Governance Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing an audit report or performing other audit, review or attest services for the Company. The auditor reports directly to the Audit/Corporate Governance Committee. The Audit/Corporate Governance Committee has established "whistleblower" procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Authority to engage independent counsel and other advisors has been given to the Audit/Corporate Governance Committee as it determines is necessary to carry out its duties. The Company provides appropriate funding for the Audit/Corporate Governance Committee to compensate the independent registered public accounting firm and any lawyers and advisors it employs and to fund ordinary administrative expenses of the Audit/Corporate Governance Committee that are necessary in carrying out its duties.

The Audit/Corporate Governance Committee provides general oversight of the Company's financial reporting and disclosure practices, system of internal controls, and the Company's processes for monitoring compliance by the Company with Company policies. The Audit/Corporate Governance Committee reviews with the Company's independent registered public accounting firm the scope of the audit for the year, the results of the audit when completed, and the independent registered public accounting firm's fee for services performed. The Audit/Corporate Governance Committee also recommends the independent registered public accounting firm to the Board of Directors and reviews with management various matters related to its internal accounting controls. During the last fiscal year, there were two meetings of the Audit/Corporate Governance Committee.

Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon. The Audit/Corporate Governance Committee is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices.

The members of the Audit/Corporate Governance Committee are not professionally engaged in the practice of auditing or accounting and may not be experts in the fields of accounting or auditing, or in determining auditor independence.

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

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

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Code of Ethics

The Company has adopted a Corporate Code of Business Conduct and Ethics, which was included as Exhibit 99.2 in the Company's Form 10-Q filed with the SEC on November 15, 2004. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

The Code of Business Conduct and Ethics is presented on the Company's web page under the subheading "Corporate Governance." Shareholders may receive a copy of the Company's adopted Code of Conduct, without charge, via e-mail request to alanco@alanco.com, by calling the Company at 480-607-1010, or by writing to the Company to the attention of the Company's Corporate Secretary at 7950 E. Acoma Drive, Suite 111, Scottsdale, Arizona 85260.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation paid by the Company for the services rendered during the fiscal years ended June 30, 2015 and 2014 to the Company's Chief Executive Officer and Chief Financial Officer during the last fiscal year (collectively, the "Named Executive Officers"). No stock appreciation rights ("SARs") have been granted by the Company to any of the Named Executive Officers during the last two fiscal years.

| Name and Principal Position | Annual Compensation | | | Long-Term Compensation Securities (# shares) Underlying |
|---------------------------------------|---------------------|-------|-----------------------------------|---|
| | Annual Salary | Bonus | Other (1) Annual Comp \$ | Options Granted in FY(2) |
| John A. Carlson, CEO (4) | | | | |
| FY 2015 | \$ 209,100 | None | \$ 14,700 | 100,000 |
| FY 2014 | 200,100 | None | 22,200 | - |
| Danielle L. Haney, CFO (4) | | | | |
| FY 2015 | \$ 99,200 | None | \$ 5,700 | 50,000 |
| FY 2014 | 91,700 | None | 1,800 | - |
| Robert R. Kauffman, Former CEO (4) | | | | |
| FY 2015 | \$ 0 | None | \$ 0 | - |
| FY 2014 | 151,400 (3) | None | 24,600 | - |

- (1) Represents supplemental executive benefit reimbursement for the year and Company matching for Alanco's 401(K) Profit Sharing Plan.
- (2) Five year stock options granted at not less than market on the date of exercise with a vesting period over five quarters.
- (3) Includes \$8,400 for fiscal year 2014 paid to Elizabeth Kauffman, Robert Kauffman's spouse, acting as an employee of the Company.
- (4) Robert R. Kauffman served as the Company's CEO through the date of his passing in March 2014. Effective March 2014, the Company's Board of Directors appointed John A. Carlson to serve as the President and Chief Executive Officer and Danielle L Haney to serve as the Chief Financial Officer.

Option Grants in Last Fiscal Year

The following table sets forth each grant of stock options made during the fiscal year ending June 30, 2015, to each of the Names Executive Officers and/or Directors and to all other employees as a group. No stock appreciation rights (“SARs”) have been granted by the Company.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

INDIVIDUAL GRANTS

| Name | Number of Securities Underlying Options Granted | % of Total Options Granted | Exercise Price (\$/Sh) | Grant Date | Expiration Date | Unvested Options | Vesting Dates (1) |
|------------------|---|----------------------------|------------------------|------------|-----------------|------------------|--------------------------|
| John Carlson | 100,000 | 25% | \$ 0.50 | 11/5/2014 | 11/4/2019 | 40,000 | 9/30/15 & 12/31/15 |
| Harold Carpenter | 80,000 | 21% | \$ 0.50 | 11/5/2014 | 11/4/2019 | 32,000 | 9/30/15 & 12/31/15 |
| Thomas LaVoy | 80,000 | 21% | \$ 0.50 | 11/5/2014 | 11/4/2019 | 32,000 | 9/30/15 & 12/31/15 |
| James Hecker | 80,000 | 21% | \$ 0.50 | 11/5/2014 | 11/4/2019 | 32,000 | 9/30/15 & 12/31/15 |
| Danielle Haney | 50,000 | 12% | \$ 0.50 | 11/5/2014 | 11/4/2019 | 20,000 | 9/30/15 & 12/31/15 |
| Total | 390,000 | 100% | | | | 156,000 | |

(1) The unvested options will vest 50% on 9/30/15 and 50% on 12/31/15.

All options are granted at a price not less than “grant-date market.” During the fiscal year ended June 30, 2015, 10,200 previously granted stock options expired or were cancelled.

Aggregated Options and Warrants

The following table sets forth the number of exercised and unexercised options and warrants held by each of the Named Executive Officers and/or Directors at June 30, 2015, and the value of the unexercised, in-the-money options at June 30, 2015.

| Name | Shares Acquired On Exercise During 2015 Fiscal Year | Value Realized (\$) | Unexercised Options at Fiscal Year End (Shares) | Exercise Price (\$/Sh) | Expiration Date | Value of Unexercised In-The-Money Options at FYE (\$) |
|--------------|---|---------------------|---|------------------------|-------------------|---|
| John Carlson | 0 | 0 | 265,000 | \$0.50 - \$0.75 | 4/9/17 to 11/4/19 | 0 |

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| | | | | | |
|------------------|---|---|---------|-----------------------------------|---|
| Harold Carpenter | 0 | 0 | 158,000 | \$0.50 - 4/9/17 to \$0.75 11/4/19 | 0 |
| James Hecker | 0 | 0 | 198,000 | \$0.50 - 4/9/17 to \$0.75 11/4/19 | 0 |
| Thomas LaVoy | 0 | 0 | 138,000 | \$0.50 - 4/9/17 to \$0.75 11/4/19 | 0 |
| Danielle Haney | 0 | 0 | 75,000 | \$0.50 - 4/9/17 to \$0.75 11/4/19 | 0 |

- (1) Calculated as the difference between the closing price on the date exercised and the exercise price, multiplied by the number of options exercised.
- (2) Represents the number of securities underlying unexercised options that were exercisable at 2015 Fiscal Year End.
- (3) Calculated as the difference between the closing price of the Company's Common Stock on June 30, 2015, and the exercise price for those options exercisable on June 30, 2015, with an exercise price less than the closing price, multiplied by the number of applicable options.

Option Grants Subsequent to Fiscal Year End

No employee stock options were granted subsequent to 2015 fiscal year end.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Employment Agreements and Executive Compensation

On June 30, 2014, the Company entered into employment agreements, effective July 1, 2014, with the Company's newly elected Chief Executive Officer and Chief Financial Officer. The elections were required as a result of the March 2014 death of Robert R. Kauffman, past President and CEO of the Company. The employment agreements provide for levels of compensation and continuation of benefit under company benefit plans. The agreements have severance provisions and are effective until 18 months after notice of termination is given by either party. The employment agreements were filed via Form 8-K on July 1, 2014 and are incorporated by reference to this 10-K filing.

Compensation of Directors

During fiscal year 2015, non-employee Directors were compensated for their services in cash for a total of \$7,500 plus 25,000 stock grants for a total of 75,000 shares value at \$31,500. The Company recorded \$16,500 of expense related to the stock grants during the current fiscal year and had accrued \$15,000 as of June 30, 2014. In addition, each independent director was granted 80,000 stock options during the fiscal year 2015. All Directors are entitled to receive reimbursement for all out-of-pocket expenses incurred for attendance at Board of Directors meetings.

Newly appointed Directors receive options to purchase shares of common stock at fair market value. Upon each subsequent anniversary of the election to the Board of Directors, each non-employee Director may receive additional options to purchase shares of common stock at fair market value.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information with respect to each shareholder known by Alanco to be the beneficial owner of more than 5% of the outstanding Alanco common stock or voting rights as of September 18, 2015. Information regarding the stock ownership of Robert R. Kauffman, former Alanco Chairman and Chief Executive Officer and John A. Carlson, current Alanco Chairman and Chief Executive Officer is also shown in the table in the following section, Current Directors and Executive Officers. Exercisable stock options owned by the individuals listed below have exercise prices ranging from \$0.50 to \$0.75 per share.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Five Percent Owners

| | Class A Common Shares Owned | Class A Percent of Class (1) | Total Voting Rights Owned | Total Voting Rights of Class (1) | Percent Exercisable Stock Options | Total Stock, and Options Owned and Options Rights (2) | Total Percent of Voting Rights |
|--------------------------------------|--------------------------------------|--|------------------------------------|---|--|---|--|
| Robert R. Kauffman | 632,824 | 12.70% | 632,824 | 12.70% | 150,000 | 782,824 | 15.25% |
| John A. Carlson | 213,935 | 4.29% | 213,935 | 4.29% | 265,000 | 478,935 | 9.13% |
| Iroquois Capital Management, LLC (3) | 474,398 | 9.52% | 474,398 | 9.52% | - | 474,398 | 9.52% |

- (1) The percentages for Class A Common Stock shown are calculated based upon 4,982,400 shares of Class A Common Stock outstanding on September 18, 2015. The percentage for Total Voting Rights are calculated based upon 4,982,400 voting rights on September 18, 2015.
- (2) In calculating the percentage of ownership, option shares are deemed to be outstanding for the purpose of computing the percentage of voting right shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of voting right shares owned by any other stockholder.
- (3) Per Schedule 13D filed with the SEC on May 7, 2014, Iroquois Capital Management, LLC with joint filers Iroquois Master Fund Ltd., Joshual Silverman and Richard Abbe are the owners of 474,398 shares of the Company's Class A Common Stock. The address of the principal office of each of the Reporting Persons is 641 Lexington Avenue, 26th Floor, New York, New York 10022.

Security Ownership of Management

The following table sets forth the number of exercisable stock options and the number of shares of the Company's Common Stock beneficially owned as of September 18, 2015, by individual directors and executive officers and by all directors and executive officers of the Company as a group.

The number of shares beneficially owned by each director or executive officer is determined under rules of the Securities and Exchange Commission, and the information is not necessarily indicative of the beneficial ownership for any other purpose. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares set forth in the following table. Exercisable stock options owned by the individuals listed below have exercise prices ranging from \$0.50 to \$0.75 per share.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

Securities of the Registrant Beneficially Owned (1)

| Name of Beneficial Owner (2) | Class A Shares Common Owned Stock Percent | | Total Voting Rights Percent | Total Voting Rights Percent | Stock Options Exercisable @ 9/18/15 + 60 days (5) | Total Stock Options Plus Options Owned | Total Stock Options Plus Options Percent of Voting Rights (6) |
|--|---|--------------------|--------------------------------------|--------------------------------------|--|---|--|
| | Shares Owned | of Class (4) | Rights Owned | of Class (4) | | Plus Options | |
| Robert R. Kauffman Former Director/COB/CEO | 632,824 | 12.70% | 632,824 | 12.70% | 150,000 | 782,824 | 15.25% |
| John A. Carlson Director/EVP/CEO | 213,935 | 4.29% | 213,935 | 4.29% | 285,000 | 498,935 | 9.47% |
| Harold S. Carpenter Director | 25,329 | 0.51% | 25,329 | 0.51% | 174,000 | 199,329 | 3.87% |
| James T. Hecker (3) Director | 47,187 | 0.95% | 47,187 | 0.95% | 214,000 | 261,187 | 5.03% |
| Thomas C. LaVoy Director | 27,914 | 0.56% | 27,914 | 0.56% | 154,000 | 181,914 | 3.54% |
| Danielle L. Haney CFO | - | 0.00% | - | 0.00% | 85,000 | 85,000 | 1.68% |
| Officers and Directors as a Group (5 individuals) | 947,189 | 19.01% | 947,189 | 19.01% | 1,062,000 | 2,009,189 | 33.24% |

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally indicates voting or investment power with respect to securities. In accordance with SEC rules, shares that may be acquired upon conversion or exercise of stock options, warrants or convertible securities which are currently exercisable or which become exercisable within 60 days are deemed beneficially owned. Except as indicated by footnote, and subject to community property laws where applicable, the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned.

(2) COB is Chairman of the Board; CEO is Chief Executive Officer; EVP is Executive Vice President; CFO is Chief Financial Officer.

(3) Excludes 240,277 shares of Class A Common Stock owned by Rhino Fund LLLP. The fund is controlled by Rhino Capital Incorporated, for which Mr. Hecker serves as Treasurer and General Counsel. Mr. Hecker disclaims

beneficial ownership of such shares.

- (4) The percentages for Class A Common Stock shown are calculated based upon 4,982,400 shares of Class A Common Stock outstanding on September 18, 2015. The percentages for Total Voting Rights Percent of Class are calculated based upon 4,982,400 voting rights as of September 18, 2015.
- (5) Represents unexercised stock options issued to named executive officers and directors. All options listed that were issued to the executive officers and directors were exercisable at September 18, 2015.
- (6) The number and percentages shown include the voting rights shares actually owned at September 18, 2015 and the shares of common stock that the identified person or group had a right to acquire within 60 days after September 18, 2015. The percentages shown are calculated based upon 4,982,400 voting rights as of September 18, 2015. In calculating the percentage of ownership, option shares are deemed to be outstanding for the purpose of computing the percentage of shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of shares owned by any other stockholders.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Management

See Note 11 to the consolidated financial statements for related party transactions and discussion.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed by Semple, Marchal & Cooper, LLP for professional services rendered for the audit of the Company's annual financial statements and review of the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, for the fiscal years ended June 30, 2015 and 2014 were approximately \$81,400 and \$80,900, respectively.

Audit Related Fees

In each of the last two fiscal years, there were no fees billed for assurance related services rendered by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the "Audit Fees" paragraph above.

All Other Fees

Other than the services described above under "Audit Fees", during the fiscal years ended June 30, 2015 and 2014, Semple, Marchal & Cooper, LLP did not provide tax or other services.

Audit Committee Pre-Approval Policies and Procedures

The 2015 and 2014 audit services provided by Semple, Marchal & Cooper, LLP were approved by our Audit/Corporate Governance Committee. The Audit/Corporate Governance Committee implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit/Corporate Governance Committee pre-approves both the type of services to be provided by our independent registered public accounting firm and the estimated fees related to these services. During the approval process, the Audit/Corporate Governance Committee considers the impact of the types of services and related fees on the independence of the auditor. These services and fees must be deemed compatible with the maintenance of the auditor's independence, in compliance with the SEC rules and regulations. Throughout the year, the Audit/Corporate Governance Committee and, if necessary, the Board of Directors, reviews revisions to the estimates of audit and non-audit fees initially approved.

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Exhibits

- 3(i) Articles of Incorporation of Alanco Technologies, Inc. (1)
- 3(ii) Bylaws of Alanco Technologies, Inc. (1)
- 3(iii) Amendment to Articles of Incorporation or Bylaws of Alanco Technologies, Inc. (9)
- 3(iiii) Audit/Corporate Governance Committee Charter (8)
 - 4.1 Series B Preferred Convertible Stock Description (2)
- 10.1 1996 Directors and Officers Stock Option Plan and Kauffman and Carlson Stock Option Agreements (3)
- 10.2 2004 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (4)
- 10.3 2005 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (5)
- 10.4 2006 Incentive Stock Option Plan and Directors and Officers Stock Option Plan (6)
- 10.5 Alanco 2011 Stock Incentive Plan (10)
- 10.6 Employment Compensation Agreement between the Company and Robert R. Kauffman (18)
- 10.7 Employment Compensation Agreement between the Company and John A. Carlson (18)
- 10.8 Employment Compensation Agreement between the Company and John A. Carlson (20)
- 10.9 Employment Compensation Agreement between the Company and Danielle L. Haney (20)
- 14.1 Corporate Code of Business Conduct and Ethics (7)
- 21 Subsidiaries of the Registrant

| Name | State of Incorporation |
|------------------------------|------------------------|
| StarTrak Systems, LLC | Delaware |
| Alanco Energy Services, Inc. | Colorado |
| Alanco/TSI PRISM, Inc. | Arizona |
- 22.1 Published report regarding matters submitted to vote of security holders (17)
- 31.1 Certification of John A. Carlson, Chief Executive Officer of Alanco Technologies, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Danielle L. Haney, Chief Financial Officer of Alanco Technologies, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer of Alanco Technologies, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase

Footnotes:

- (1) Incorporated by reference to Form 10KSB filed September 27, 2001
- (2) Incorporated by reference to Form DEFM14A filed April 22, 2002
- (3) Incorporated by reference to Form S-8 filed October 22, 1998
- (4) Incorporated by reference to Form S-8 filed February 17, 2005
- (5) Incorporated by reference to Form S-8 filed February 2, 2006
- (6) Incorporated by reference to Form S-8 filed March 21, 2007
- (7) Incorporated by reference to Form 10QSB filed November 15, 2004

- (8) Incorporated by reference to Form 14A filed October 18, 2004
- (9) Incorporated by reference to Form 8-K filed September 18, 2009
- (10) Incorporated by reference to Form S-8 filed June 21, 2011
- (11) Incorporated by reference to Form 8-K filed December 14, 2011
- (12) Incorporated by reference to Form 8-K filed January 3, 2012
- (13) Incorporated by reference to Form 8-K filed April 5, 2012
- (14) Incorporated by reference to Form 8-K filed April 10, 2012
- (15) Incorporated by reference to Form 8-K filed April 30, 2012
- (16) Incorporated by reference to Form 8-K filed August 1, 2012
- (17) Incorporated by reference to Form 8-K filed May 1, 2014
- (18) Incorporated by reference to Form 10-K filed October 13, 2011
- (19) Incorporated by reference to Form 10-K filed October 9, 2012
- (20) Incorporated by reference to Form 8-K filed July 1, 2014

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

B. Schedules

NONE

Exhibits or schedules other than those mentioned above are omitted because the conditions requiring their filing do not exist or because the required information is given in the financial statements, including the notes thereto.

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ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

SIGNATURES

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/ Danielle L. Haney

Danielle L. Haney

Chief Financial Officer

Date: September 28, 2015

ALANCO TECHNOLOGIES, INC. AND SUBSIDIARIES

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John A. Carlson and Danielle L. Haney, and each of them, his true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution for him or in his name, place and stead, in any and all capacities, to sign any and all amendments to this Form 10-K Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

| SIGNATURE | TITLE | DATE |
|---|---------------------------------------|--------------------|
| /s/John A. Carlson John A. Carlson | Director & Chief Executive Officer | September 28, 2015 |
| /s/James T. Hecker James T. Hecker | Director | September 28, 2015 |
| /s/Harold S. Carpenter 2015 Harold S. Carpenter | Director | September 28, |
| /s/Thomas C. LaVoy 2015 Thomas C. LaVoy | Director | September 28, |

By /s/ John A. Carlson
Chief Executive Officer

Transfer Agent
Computershare Trust Company, Inc.
8742 Lucent Blvd., Suite 225
Highlands Ranch, CO 80129

303-262-0600
Fax: 303-262-0700

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