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ALANCO TECHNOLOGIES INC  
Form S-3  
November 27, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

ALANCO TECHNOLOGIES, INC.  
(Exact name of registrant specified in charter)

Arizona 86-0220694  
-----

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

15575 North 83rd Way, Suite 3,  
Scottsdale, Arizona 85260  
(480) 607-1010

(Address and telephone number of principal executive offices)

Robert R. Kauffman  
Chief Executive Officer  
Alanco Technologies, Inc.  
15575 North 83rd Way, Suite 3  
Scottsdale, Arizona 85260  
(480) 607-1010

(Name, address and telephone number of agent for service)

With a Copy to:  
Steven P. Oman, Esq.  
10446 N. 74th Street, Suite 130  
Scottsdale, Arizona 85258

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE  
PUBLIC: FROM TIME TO TIME AFTER THE EFFECTIVENESS OF THIS REGISTRATION STATEMENT

IF THE ONLY SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED PURSUANT  
TO DIVIDEND OR INTEREST REINVESTMENT PLANS, PLEASE CHECK THE FOLLOWING BOX. [ ]  
IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A  
DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF  
1933, OTHER THAN SECURITIES OFFERED ONLY IN CONNECTION WITH DIVIDEND OR INTEREST  
REINVESTMENT PLANS, CHECK THE FOLLOWING BOX. [X] IF THIS FORM IS FILED TO  
REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(b) UNDER THE  
SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION  
STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME  
OFFERING. [ ] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE  
462(c) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES  
ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION  
STATEMENT FOR THE SAME OFFERING. [ ] IF DELIVERY OF THE PROSPECTUS IS EXPECTED  
TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [ ]

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered -----	Amount to be Registered -----	Proposed maximum aggregate offering price (1) -----	Amount of registration fee -----
Class A Common Stock	10,128,244	\$0.635	\$591.69

(1) Calculated for purposes of this offering under Rule 457(c) under the Securities Act of 1933 using the average of the high and low sales prices for the Company's Class A common stock on the NASDAQ SmallCap Market as of November 26, 2002.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED November 27, 2002  
PROSPECTUS

ALANCO TECHNOLOGIES, INC.  
10,128,244 Shares of Class A Common Stock

THE SHARES OFFERED IN THIS PROSPECTUS INVOLVE A HIGH DEGREE OF RISK. SEE "RISK FACTORS" ON PAGE 3 FOR INFORMATION THAT YOU SHOULD CONSIDER.

This prospectus is being used in connection with offerings from time to time by some of our stockholders. We issued the shares offered in this prospectus to the selling stockholders in connection with private placement financings completed in 2001 and 2002, as well as in connection with our acquisition of the operations of Technology Systems International, Inc., a Nevada corporation.

We expect that sales of shares of Class A common stock under this prospectus will be made

in broker's transactions;  
in transactions directly with market makers; or  
in privately negotiated sales or otherwise.

The selling stockholders will determine when they will sell their shares, and in all cases they will sell their shares at the current market price or at negotiated prices at the time of the sale. We will pay the expenses incurred to register the shares for resale, but the selling stockholders will pay any underwriting discounts, concessions, or brokerage commissions associated with the sale of their shares of Class A common stock. The selling stockholders and the brokers and dealers that they utilize may be deemed to be "underwriters" within the meaning of the securities laws, and any commissions received and any profits realized by them on the sale of shares may be considered to be underwriting compensation. See "Plan of Distribution."

The selling stockholders own all 10,128,244 shares of Class A common stock. We will not receive any part of the proceeds from the sale of the shares. The registration of the shares on behalf of the selling stockholders, however, does not necessarily mean that any of the selling stockholders will offer or sell their shares under this registration statement or at any time in the near

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future.

Our common stock is listed on the NASDAQ SmallCap Market, or NASDAQ, under the symbol "ALAN." On November 25, 2002, the last sale price of our common stock on NASDAQ was \$0.67 per share.

You should read this prospectus and any prospectus supplements carefully before deciding to invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2002

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### SUMMARY

The following summary does not contain all of the information that may be important to purchasers of our Class A common stock. Prospective purchasers of Class A common stock should carefully review the detailed information and financial statements, including notes thereto, appearing elsewhere in or incorporated by reference into this prospectus.

#### The Company

Our company, Alanco Technologies, Inc., together with our subsidiaries, is a provider of advanced information technology solutions. Our operations at the end of fiscal 2002 (June 30, 2002) were diversified into two reporting business segments including: (i) design, production, marketing and distribution of RFID tracking technology, and (ii) manufacturing, marketing and distribution of data

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storage products.

Effective June, 2002, we acquired radio frequency identification tracking technology, known as "RFID", through the acquisition of the operations of Technology Systems International, Inc., a Nevada corporation. We continue to participate in the data storage market through two wholly-owned subsidiaries: Arraid, Inc., a manufacturer of proprietary storage products to upgrade older "legacy" computer systems; and Excel/Meridian Data, Inc., a manufacturer of network attached storage systems for mid-range organizations.

Our principal executive offices are located at 15575 North 83rd Way, Suite 3, Scottsdale, AZ 85260, and our telephone number is (480) 607-1010.

The Offering

Securities offered by the Selling Shareholders..	10,128,244 shares of Class A common stock
Class A common stock currently issued....	18,599,100 shares (1)
Use of proceeds.....	We will not receive any of the proceeds of sales of Class A common stock by the Selling Shareholders. We may, however, receive proceeds from the exercise of certain rights held by some of the Selling Shareholders under stock options or warrants to purchase Class A common stock from us if that is the origin of shares sold by those Selling Shareholders.
Risk Factors.....	Prospective purchasers should carefully consider the factors discussed under "Risk Factors."
NASDAQ symbol	ALAN

(1) Excludes (i) 5,826,500 shares of Class A common stock reserved for issuance upon exercise of stock options outstanding as of November 26, 2002; (ii) 3,523,000 shares reserved for issuance upon the exercise of stock options that may be granted in the future under our stock option plans; (iii) 2,260,715 shares reserved for issuance upon exercise of outstanding warrants; and (iv) 873,340 shares reserved for issuance upon conversion of the Series B Convertible Preferred Stock.

RISK FACTORS

An investment in Alanco involves a high degree of risk. In addition to the other information included in this prospectus, you should carefully consider the following risk factors in determining whether or not to purchase the shares of Class A common stock offered under this prospectus. These matters should be considered in conjunction with the other information included or incorporated by reference in this prospectus. This prospectus contains statements which

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constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this prospectus 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 accompanying information contained in this prospectus, including 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."

TSI acquisition. We recently acquired Technology Systems International, Inc. ("TSI"). The following risks are relevant with respect to the recent acquisition:

We must successfully operate the storage businesses that we already have, as well as integrate and successfully operate the TSI operations as contemplated by the acquisition. The process of integrating management operations, facilities, accounting, billing and collection systems, and other information systems requires continued investment of time and resources and can involve difficulties, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Our business model for the TSI business projects significant growth in the corrections market. We do not have experience in increasing market share in the corrections market and there is no certainty that we will be able to capture the required market share for TSI to achieve its anticipated financial success. The TSI RFID technology is currently being marketed to the corrections market to monitor the continuous location of incarcerated prisoners. Although there are a number of monitoring systems being marketed to the corrections industry, the TSI RFID system is currently the only system, to the best of our knowledge, that is able to continuously (every two seconds) monitor the location of prisoners, both inside and outside of buildings. There is no certainty that the corrections industry will adopt this technology broadly enough for us to reach our marketing projections.

We purchase sub-components for the location and tracking system technology from a limited number of subcontractors that have the required technology to produce the sub-components in the quantities required. We cannot be assured that required sub-components will be available in the quantities and at the prices and terms anticipated.

Our TSI products are reliant on key personnel who developed and understand the technology. The loss of the services of those key technology personnel could have an adverse effect on the business, operating results and financial condition of our company.

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We are subject to the budget constraints of the governmental agencies purchasing TSI's monitoring systems, which could result in a significant decrease in our anticipated revenues. We are subject to the budget constraints of the governmental agencies to whom we plan to sell the TSI monitoring systems. We cannot assure you that such governmental agencies will have the necessary revenue to purchase the systems even though they may want to do so. The funds available to governmental agencies are subject to various economic and political influences. Even though the TSI monitoring system may be recommended for purchase by corrections facility managers, the governmental agency responsible for the facility may not have sufficient budget resources to purchase the system.

General economic conditions. Recent unfavorable economic conditions and reduced information technology spending by our customers have adversely affected our business in recent quarters. If the economic conditions worsen, we may experience a material adverse impact on our business, operating results, and financial condition. Our data storage product division sells systems designed to up-grade and enhance older Legacy computer systems as well as network attached storage systems to mid-sized network users. The recent economic conditions have resulted in reduced spending by our customers for technology in general, including the data storage systems sold by us. We have reduced overhead to assist in offsetting our reduced sales volume; however, no assurance can be given that the current economic conditions will not worsen further exacerbating the sales slowdown. The TSI RFID system sales are less dependent upon current economic conditions as most of the system purchasers are governmental agencies. However, the current economic conditions do have an impact on governmental budgets, thereby potentially impacting our sales. See the previous section discussing the budget constraints of our governmental purchasers.

Acts of domestic terrorism and war have impacted general economic conditions and may impact the industry and our ability to operate profitably. On September 11, 2001, acts of terrorism occurred in New York City and Washington, D.C. On October 7, 2001, the United States launched military attacks on Afghanistan. As a result of those terrorist acts and acts of war, there has been a disruption in general economic activity. The demand for our data storage products and services have declined as layoffs in industries affect the economy as a whole. There may be other consequences resulting from those 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, personnel, which we may not be able to anticipate. These terrorist acts and acts of war may continue to cause a slowing of the economy, and in turn, reduce the demand of our data storage products and services, which would harm our ability to make a profit. Also, as federal dollars are redirected to military efforts, they may not be available for the purchase of new federal prison monitoring systems. We are unable to predict the long-term impact, if any, of these incidents or of any acts of war or terrorism in the United States or worldwide on the U.S. economy, on us or on the price of our stock.

Future capital and liquidity needs; Uncertainty of proceeds and additional financing. We believe that, based on our fiscal 2003 operating plan, cash flow will be adequate to meet our anticipated future requirements for working capital expenditures, scheduled lease payments and scheduled payments of interest on our indebtedness. We will need to materially reduce expenses, or raise additional funds through public or private debt or equity financing, or both, if the revenue and cash flow elements of our 2003 operating plan are not met. 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. If we need to seek

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additional financing to meet working capital requirements, there can be no assurance that additional financing

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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 operate will be materially adversely affected.

Recent losses; Fluctuations in operating results. We had a consolidated net loss of \$6,011,200 for the fiscal year ending June 30, 2002 and a consolidated net loss of \$2,994,500 for the fiscal year ending June 30, 2001. In addition, our quarterly operating results have fluctuated significantly in the past and could fluctuate significantly in the future. We anticipate our financial performance will be significantly impacted by our acquisition of the TSI RFID technology effective June 1, 2002. As a result, our past quarterly operating results should not be used to predict future performance.

Intellectual property. Our business strategy is to continue the growth of our data storage businesses and develop the TSI business opportunity. The long-term success of this strategy depends in part upon the TSI intellectual property acquired. Third parties may hold United States or foreign patents which may be asserted in the future against the TSI technology, and there is no assurance that any license that might be required under such patents could be obtained on commercially reasonable terms, or otherwise. Our competitors may also independently develop technologies that are substantially equivalent or superior to our technology. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States.

Despite our efforts to safeguard and maintain our proprietary rights both in the United States and abroad, there can be no assurance that we will be successful in doing so or that the steps taken by us in this regard will be adequate to deter infringement, misuse, misappropriation or independent third-party development of our technology or intellectual property rights or to prevent an unauthorized third party from copying or otherwise obtaining and using our products or technology. Litigation may also become necessary to defend or enforce our proprietary rights. Any of such events could have a material adverse effect on our business, operating results and financial condition.

Dependence on key personnel. 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. Our future success will depend on our ability to attract, integrate, motivate and retain qualified technical, sales, operations and managerial personnel. None of our executive officers are bound by an employment agreement or covered by key-man insurance.

Competition. Although early in the market development cycle, the TSI business/technology has no current, identified direct competitors. However, it can be expected that if and to the extent that the demand for the TSI technology increases, the number of competitors will likely increase. Increasing competition could adversely affect the amount of new business we are able to attract, the rates we are able to charge for our services and/or products, or both.

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Relative to our data storage businesses, we operate in a very competitive environment, competing against numerous other companies, many of whom have greater financial resources and market position than we do.

Possible exercise and issuance of options and warrants may dilute interest of shareholders. As of November 26, 2002, options to purchase 5,826,500 shares of our Class A common stock were outstanding, and the weighted average exercise price of such options was \$0.97. Additionally, warrants to purchase 2,260,715 shares of our Class A common stock were outstanding, and

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the weighted average exercise price of such warrants was \$1.05. To the extent that any stock options currently outstanding or granted in the future are exercised, dilution to the interests of our shareholders may occur.

Possible de-listing of our stock on NASDAQ. Our Class A common stock currently trades on the NASDAQ SmallCap Market under the symbol "ALAN." However, there can be no assurance that an active trading market in our Class A common stock will be available at any particular future time. As of the date of this prospectus, we have received notice from NASDAQ that our stock price does not meet the NASDAQ listing eligibility requirement of a minimum closing bid price of \$1.00. However, NASDAQ has determined that we did meet the initial listing requirements for the NASDAQ SmallCap Market and has given us until February 10, 2003, to meet the closing bid price requirement. If this requirement is not satisfied by that date, we will receive written notification from NASDAQ that our securities will be delisted. At that time, we may appeal NASDAQ's delisting determination to a Listing Qualification Panel. There can be no assurance that we will be in compliance with the continued listing standards in the future. If we are delisted, we may not be able to secure listing on other exchanges or quotation systems. This would materially adversely affect the price and liquidity of our common stock.

Payment of dividends. 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 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.

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

- o progress of our products through development and marketing;
- o announcements of technological innovations or new products by us or



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our competitors;

- o government regulatory action affecting our products or competitors' products in both the United States and foreign countries;
- o developments or disputes concerning patent or proprietary rights;
- o actual or anticipated fluctuations in our operating results;

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- o the loss of key management or technical personnel;
- o the loss of major customers or suppliers;
- o the outcome of any future litigation;
- o changes in our financial estimates by securities analysts;
- o general market conditions for emerging growth and technology companies;
- o broad market fluctuations;
- o recovery from natural disasters; and
- o economic conditions in the United States or abroad.

Future sales of our Class A common stock in the public market could adversely affect our stock price and our ability to raise funds in new equity offerings. We cannot predict the effect, if any, that future sales of shares of our common stock or the availability for future sale of shares of our common stock or securities convertible into or exercisable for our common stock will have on the market price of our common stock prevailing from time to time. For example, the availability of the shares covered by this S-3 registration statement for sale, or of common stock by our existing stockholders under Rule 144, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock and could materially impair our future ability to raise capital through an offering of equity securities.

### SAFE HARBOR STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This prospectus includes "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. The safe harbor provisions of the Securities Exchange Act of 1934 and the Securities Act of 1933 apply to forward-looking statements made by us. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should" or "anticipates" or the negatives or variations of these terms, and other comparable terminology. In addition, any statements discussing strategy that involve risks and uncertainties are forward-looking.

Forward-looking statements involve risks and uncertainties, including those risks and uncertainties identified in the section of this prospectus beginning on page 3 titled "Risk Factors" and those risks and uncertainties identified elsewhere in, or incorporated by reference into, this prospectus. Due to these risks and uncertainties, the actual results that we achieve may differ materially from these forward-looking statements. These forward-looking

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statements are based on current expectations. In preparing this prospectus, we have made a number of assumptions and projections about the future of our business. These assumptions and projections could be wrong for several reasons including, but not limited to, those factors identified in the "Risk Factors" section.

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You are urged to carefully review and consider the various disclosures that we make in this prospectus, any subsequent prospectus supplements and in our other reports filed with the SEC. These disclosures attempt to advise interested parties of the risk factors that may affect our business.

### ISSUANCE OF SECURITIES TO SELLING SHAREHOLDERS

The Class A common stock subject to this prospectus was issued by us to the selling shareholders pursuant to a number of separate transactions, plus a number of individual service contracts pursuant to which we issued stock to the service provider in consideration of services rendered. We agreed in each of these transactions to file a registration statement, of which this prospectus is a part, to register the resale of the securities issued by us in these transactions. All of the shares of Class A common stock covered by this prospectus were "restricted securities" under the Securities Act prior to this registration. The transactions under which the securities were issued are described in the following paragraphs.

The first transaction involved the issuance by us of certain shares of convertible preferred stock to private investors in May, June and July of 2000. The preferred stock received dividends in kind and was all converted into shares of common stock in June and July of 2001. A total of 1,901,363 shares of Class A common stock were issued in connection with the conversion of the preferred stock. The total consideration received by us for such Class A common stock, including the initial funds received for the preferred stock as well as the additional funds received in connection with the conversion, was \$1,690,872, or \$0.89 per share of Class A common stock issued by us. Some of the Class A common shares have been sold by the original investors pursuant to Rule 144 under the Securities Act, or are not included in this prospectus at the request of the shareholder, so the remaining number of Class A common shares included in this prospective from this transaction is 267,404 shares.

The second transaction involved the issuance by us of Class A common stock, and warrants to purchase additional shares of Class A common stock, to private investors in December of 2001. A total of 1,460,000 shares of common stock was issued in exchange for \$912,500, or \$0.625 per share. In addition, warrants to purchase 800,000 shares of our common stock at an exercise price of \$1.00 per share were issued by us to the investors. With respect to this transaction, some shares are not included in this prospectus at the request of the shareholder, so this prospectus covers 600,000 shares of Class A common stock purchased by the included investors as well as 345,000 shares of Class A common stock underlying the warrants issued to the included investors, or a total of 945,000 shares.

The third transaction involved the issuance by us of 250,000 shares of Class A common stock to single investor, Leslie W. Griffith, in May, 2002 for \$175,000.

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The fourth transaction involved the issuance to one private investor of 50,000 shares of our Series B convertible preferred stock, plus a warrant to purchase 500,000 shares of our Class A common stock at an exercise price of \$1.00 per share, in exchange for \$500,000. Each share of our Series B convertible preferred stock is convertible into 13 shares of Class A common stock. In addition, the preferred stock receives dividends in kind. Three years after the issuance of the preferred stock the investor has the right to cause us to redeem the preferred stock if it has not been converted into Class A common stock. With respect to this transaction, this prospectus covers resale of the 873,340 shares of Class A common stock into which the

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preferred stock is convertible (including the anticipated dividends in kind through the three-year period following issuance of the preferred stock), plus the 500,000 shares of Class A common stock purchasable under the warrant, or a total of 1,373,340 shares.

The fifth transaction involved the shares of common stock issued by us in connection with our acquisition of the assets and business of Technology Systems International, Inc. effective June 1, 2002. In connection with the acquisition, we issued 6,000,000 shares of Class A common stock to TSI, which shares will be distributed to the shareholders of TSI upon the liquidation of TSI. Additionally, 1,000,000 shares of Class A common stock were issued to a creditor of TSI, EMS Technologies, Inc., in satisfaction of certain obligations of TSI to the creditor. Therefore, with respect to the transaction, this prospectus covers the resale of the 7,000,000 shares of the company's Class A common stock.

The sixth transaction involves issuance by us of a warrant to purchase 100,000 shares of Class A common stock at an exercise price of \$0.87 per share, which warrant was issued to the lender who established a revolving credit facility in the amount of \$1,300,000 for us in June of 2002. This prospectus covers the resale of 100,000 shares of Class A common stock underlying the warrant.

In addition, shares of our Class A common stock or warrants to purchase shares of our Class A common stock were issued to certain persons or companies providing services to us in consideration of those services. The services generally related to corporate communications and investor relations. The service providers, the date of their contracts and the number of shares issued (or subject to be issued under warrant agreements) are as follows:

Name	Date of Arrangement	Number of Shares
James E. Boren	January, 2002	27,500
Ovations International, Inc.	July, 2002	15,000
Coffin Communications Group	September, 2002	50,000 (1)
Equity Communications, LLC	October, 2002	200,000 (2)

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(1) Includes 25,000 shares of Class A common stock and a warrant to purchase 25,000 shares of Class A common stock at an exercise price of \$1.00 per share.

(2) Comprised of a warrant to purchase 200,000 shares of Class A common stock at a purchase price of \$0.75 per share.

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### USE OF PROCEEDS

All of the shares of Class A common stock being offered under this prospectus are offered by the selling shareholders, which term includes their transferees, pledgees or donees or other successors in interest. The proceeds from the sale of the Class A common stock are solely for the account of the selling shareholders. Accordingly, we will not receive any proceeds from the sale of Class A common stock by the selling shareholders. However, if shares to be sold by the selling shareholders are first to be acquired by them through exercise of options or warrants to purchase shares of Class A common stock as described in the

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previous section (See "Issuance of Securities to Selling Shareholders"), then we would have received the proceeds required for the exercise of the options or warrants previously, or contemporaneously to the selling shareholders' sale of such stock.

### PLAN OF DISTRIBUTION

The shares of common stock covered by this prospectus and, if applicable, any prospectus supplements may be offered and sold from time to time in one or more transactions by the selling stockholders, which term includes their transferees, pledgees or donees or other successors in interest. These transactions may involve crosses or block transactions. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The shares of common stock may be sold by one or more of the following means of distribution:

- o on any of the U.S. securities exchanges or quotation services where shares of our common stock are listed or quoted at the time of sale, including NASDAQ where our common stock is listed as of the date of this prospectus;
- o in the over-the-counter market in accordance with the rules of NASDAQ;
- o in transactions otherwise than on the exchanges or services or in the over-the-counter market described above;
- o in negotiated transactions or otherwise;
- o by pledge or by grant of a security interest in the shares to secure debts and other obligations;
- o through the writing of options, whether the options are listed on an options exchange or otherwise;
- o in connection with the writing of non-traded and exchange-traded call options or put options, in hedge transactions and in settlement of other transactions in standardized or over-the-counter options;
- o through the distribution of the shares by any selling stockholder to its partners, members or stockholders;
- o a block trade in which the broker-dealer so engaged will attempt to sell shares of common stock as agent, but may position and resell a portion

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- of the block as principal to facilitate the transaction;
- o purchases by a broker-dealer as principal and resale by the broker-dealer for its own account pursuant to this prospectus;
- o short sales;
- o ordinary brokerage transactions and transactions in which the broker solicits purchasers; or
- o a combination of any of the above transactions.

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The selling stockholders may also transfer the shares by gift. We do not know of any current arrangements by the selling stockholders for the sale of any of the shares.

To the extent required, this prospectus may be amended and/or supplemented from time to time to describe a specific plan of distribution. In addition, any shares of common stock that qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than pursuant to this prospectus.

In effecting sales, broker-dealers or agents engaged by the selling stockholders may arrange for other broker-dealers or agents to participate. The selling stockholders and any broker-dealers or agents who participate in the distribution of these shares may be deemed to be "underwriters" under the Securities Act and any discount, commission, concession or profits received by these persons might be deemed to be an underwriting discount or commission under the Securities Act. The selling stockholders who are "underwriters" within the meaning of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act.

The selling stockholders may sell their shares at market prices prevailing at the time of sale, at varying prices at the time of sale, at negotiated prices or at fixed prices. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of the shares of common stock to be made directly or through agents.

The selling stockholders may sell their shares directly to purchasers or may use broker-dealers or agents to sell their shares. Broker-dealers or agents who sell the shares may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or they may receive compensation from purchasers of the shares for whom they acted as agents or to whom they sold the shares as principal, or both. Broker-dealers may agree with the selling stockholders to sell a specified number of shares at a stipulated price per share. To the extent that these broker-dealers are unable to do so acting as agent for the selling stockholders, they may purchase as principals any unsold shares at the price required to fulfill the broker-dealers' commitment to the selling stockholders. Broker-dealers who acquire shares as principals may thereafter resell these shares from time to time in transactions on any of the U.S. securities exchanges or quotation services where our common stock is listed or quoted, in the over-the-counter market, in negotiated transactions or by a combination of these methods of sale or otherwise. These transactions may involve crosses and block transactions and may involve sales to and through

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other broker-dealers, including transactions of the nature described above. Moreover, these transactions may be at market prices prevailing at the time of sale or at negotiated prices and, in connection with these resales, these broker-dealers may pay to or receive from the purchasers of these shares commissions computed as described above.

From time to time, one or more of the selling stockholders may pledge, hypothecate or grant a security interest in some or all of the shares owned by it or them. The pledgees, secured parties or persons to whom the shares have been hypothecated will, upon foreclosure in the event of default, be deemed to be selling stockholders. The number of a selling stockholder's shares offered under this prospectus will decrease as and when the selling stockholder takes such actions. The plan of distribution for that selling stockholder's shares will otherwise remain unchanged. In addition, a selling stockholder may, from time to time, sell the shares short, and, in those instances, this prospectus may be delivered in connection with the short sales and the shares offered under this prospectus may be used to cover short sales.

A selling stockholder may enter into hedging transactions with broker-dealers or other financial institutions, and the broker-dealers or other financial institutions may engage in short sales of the shares in the course of

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hedging the positions they assume with that selling stockholder, including, without limitation, in connection with distributions of the shares by those broker-dealers or other financial institutions. A selling stockholder may enter into options or other transactions with broker-dealers or other financial institutions that involve the delivery of the shares offered hereby to the broker-dealers or other financial institutions, who may then resell or otherwise transfer those shares pursuant to this prospectus. A selling stockholder may also loan or pledge the securities offered hereby to a broker-dealer, and the broker-dealer may sell the loaned shares offered hereby pursuant to this prospectus or upon a default may sell or otherwise transfer the pledged shares offered hereby pursuant to this prospectus.

The selling stockholders are subject to the applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M. This regulation may limit the timing of purchases and sales of any of the shares by the selling stockholders. The anti-manipulation rules under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of the shares to engage in market-making activities with respect to the particular securities being distributed for a period of up to five business days before the distribution. These restrictions may affect the marketability of the shares and the ability of any person or entity to engage in market-making activities with respect to the shares. In addition, under the securities laws of certain states, the shares of common stock may be sold in these states only through registered or licensed brokers or dealers.

We have agreed to indemnify the selling stockholders, each of their officers, directors and partners and each person controlling such selling stockholders (within the meaning of Section 15 of the Securities Act) against certain liabilities, including liabilities under the Securities Act. The selling stockholders have agreed to indemnify us, each of our officers and directors and each person controlling us (within the meaning of Section 15 of the Securities Act) against certain liabilities, including liabilities under the Securities

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Act.

We have agreed to maintain the effectiveness of the registration statement until the earlier of the following registration termination dates:

- (1) The time that all of the shares of common stock covered by this registration statement are sold in accordance with the intended plan of distribution set forth in this prospectus and/or in a prospectus supplement; or
- (2) October 31, 2004.

No sales may be made pursuant to this prospectus after the earlier of these registration termination dates unless we amend or supplement this prospectus to indicate that we have agreed to extend the period of the effectiveness of the registration statement.

We will pay all fees and expenses incurred in connection with preparing and filing the registration statement, any amendments to the registration statement, this prospectus and any prospectus supplements. The selling stockholders will pay any legal fees of the selling stockholders, broker's fees or commissions and similar selling expenses, if any, attributable in connection with the sale of common stock, including stock transfer taxes due or payable in connection with the sale of the shares.

We may suspend the effectiveness of the registration statement and, upon receipt of written notice from us, the selling stockholders shall cease using this prospectus if at any time we determine, in our reasonable

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judgment and in good faith, that sales of shares of common stock pursuant to the registration statement or this prospectus would require public disclosure by us of material nonpublic information that is not included in the registration statement and that immediate disclosure of such information would be detrimental to us.

If we suspend the effectiveness of the registration statement, we shall use our reasonable best efforts to amend the registration statement and/or amend or supplement the related prospectus if necessary and to take all other actions necessary to allow any proposed sales by the selling stockholders to take place as promptly as possible, subject, however, to our right to delay further sales of shares of common stock until the conditions or circumstances referred to above have ceased to exist or have been disclosed. We agreed with the selling stockholders that our right to delay sales of shares of common stock held by the selling stockholders will not be exercised by us more than twice in any twelve month period and will not exceed 60 days as to any single delay in any twelve month period.

We cannot assure you that the selling stockholders will sell all or any of the common stock offered under the registration statement or any amendment of it.

### SELLING STOCKHOLDERS

The following tables set forth certain information, received through October 31, 2002, with respect to the number of shares of our Class A common stock

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beneficially owned by each selling stockholder. The information set forth below is based on information provided by or on behalf of the selling stockholders and, with regard to the beneficial holdings of the selling stockholders, is accurate only to the extent beneficial holdings information was disclosed to us by or on behalf of the selling stockholders. The selling stockholders and holders listed in any supplement to this prospectus, and any transferors, pledgees, donees or successors to these persons, may from time to time offer and sell, pursuant to this prospectus and any subsequent prospectus supplement, any and all of these shares.

Except as otherwise described below, no selling stockholder, to our knowledge, held beneficially one percent or more of our outstanding common stock as of the date of this prospectus. Because the selling stockholders may offer all, some or none of the shares of our Class A common stock listed below, no estimate can be given as to the amount or percentage of our Class A common stock that will be held by the selling stockholders upon termination of any of the sales.

Except as indicated below, none of the selling stockholders has held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years other than as a result of the ownership of our securities or the securities of our predecessors. We may amend or supplement this prospectus from time to time to update the disclosure set forth in it.

The shares of common stock offered by this prospectus may be offered from time to time by the selling stockholders named below:

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NAMES AND ADDRESSES OF THE SELLING STOCKHOLDERS	SHARES OF CLASS A COMMON STOCK BENEFICIALLY OWNED PRIOR TO THE OFFERINGS (1)	SHARES OF CLASS A COMMON STOCK OFFERED BY THIS PROSPECTUS		
		Shares Owned	Shares Available Under Warrants	Total Shares
Stephen A. McConnell 6700 East Solano Drive Paradise Valley, AZ 85253	35,022	35,022		35,022
Antech Holdings, LLC 26 Ibiza Aisle Irvine, CA 92614-0266	29,274	29,274		29,274
Ian S. Kindler 2027 Filmore Street, #5 San Francisco, CA 94115-2768	60,236	60,236		60,236
Jonathan A. Levant (IRA) 186 Rainbow Drive, PMB #8652 Livingston, TX 77399-1086	60,128	60,128		60,128
Thomas E. Burns III, Inc. Employee Bene Tr dtd 8-1-83 25097 Champlain Road Laguna Hills, CA 92653	30,274	30,274		30,274
Thomas E. Burns, III Revocable Living Trust dtd 9-26-98	50,000	40,000	10,000	50,000
The Friesen Living Trust (2) 6805 N. Los Leones Drive	52,470	52,470		52,470



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Tucson, AZ 85718				
John S. Anderson	65,000	40,000	25,000	65,000
11804 N. Sundown Drive				
Scottsdale, AZ 85260				
David J. & Julie R. Dickerson	65,000	40,000	25,000	65,000
11804 N. Sundown Drive				
Scottsdale, AZ 85260				
Paul D. Anderson		40,000	25,000	65,000
11804 N. Sundown Drive				
Scottsdale, AZ 85260				
David P. Anderson	40,000	40,000	25,000	65,000
11804 N. Sundown Drive				
Scottsdale, AZ 85260				
The Lee Adams Trust	65,000	40,000	25,000	65,000
FBO Lee Adams				
4012 E. Elm Street				
Phoenix, AZ 85018				
Gary L. McDaniel & Virginia L. McDaniel 1991 Living Trust (3)	520,000	320,000	200,000	520,000
500 N Rainbow Blvd., Suite 300				
Las Vegas, NV 89107				
Michael V. Fair	50,000	40,000	10,000	50,000
161 South Main Street, Suite 105				
Middleton, MA 01949				
Leslie W. Griffith (4)	250,000	250,000		250,000
12530 E. Meadow				
Wichita, KS 67206				
M. Jamil Akhtar, MD (5)	1,373,340	873,340	500,000	1,373,340
1454 S. Dobson, Suite One				
Mesa, AZ 85202				
James E. Boren	27,500	27,500		27,500
1546 E. Sharon Drive				
Phoenix, AZ 85022				
Ovations International, Inc.	15,000	15,000		15,000
3481 Wildwood Street				
Yorktown Heights, NY 10598				
Coffin Communications Group	50,000	25,000	25,000	50,000
15300 Ventura Blvd., Suite 303				
Sherman Oaks, CA 91403-5866				
Equity Communications, LLC	200,000		200,000	200,000
1512 Grand Ave., Suite 200				
Santa Barbara, CA 93193				
Technology Systems International, Inc. (6)	6,000,000	6,000,000		6,000,000
a Nevada corporation				
15575 N. 83rd Way, Suite 4				
Scottsdale, AZ 85260				
EMS Technology, Inc. (7)	1,000,000	1,000,000		1,000,000
660 Engineering Drive				
Norcross, GA 30092				

- (1) The number of shares beneficially owned is determined in accordance with Rule 13d-3 of the Exchange Act and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the person has sole or shared voting power or investment power and also any shares which the person has the right to acquire within 60 days of the date set forth in the applicable footnote through the conversion of a security or the exercise of any stock option or other right.

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Percentage ownership indicated in the footnotes below is based on 18,599,059 shares of our common stock outstanding as of October 31, 2002.

- (2) Robert C. Friesen is a beneficiary of the Friesen Living Trust. Mr. Friesen was a director of the Company from November, 1999 to July, 2002.
- (3) The McDaniel Trust beneficially owns 2.8% of the Company.
- (4) Mr. Griffith is the beneficial owner of 1.3% of the Company.
- (5) Dr. Akhtar is the beneficial owner of 7.2% of the Company. The shares offered by this prospectus include shares which Dr. Akhtar has the right to purchase under existing warrants as well as shares which may be obtained by Dr. Akhtar upon conversion of his Series B preferred stock of the Company, including such shares to be received by him as dividends in kind upon the preferred stock through the three-year period that it is anticipated that Dr. Akhtar will own the Preferred stock.
- (6) TSI beneficially owns 32.3% of the Company. These shares were received by TSI in connection with our acquisition of substantially all of the operations of TSI. We are informed that TSI will distribute these shares to its shareholders when TSI liquidates. Said liquidation and distribution is anticipated to occur shortly after the date of this prospectus. The table following these footnotes sets forth the names and addresses of each of the TSI shareholders who it is anticipated will receive a portion of these shares and the number of shares each is anticipated to receive. The agreement under which these shares were issued to TSI provides that no single holder of these shares shall sell more shares in any 90-day period than the average weekly trading volume for the Company's common stock for the four calendar weeks preceding any sale.
- (7) These shares were received by EMS in connection with our acquisition of the operations of TSI. EMS is also a shareholder of TSI and will receive 1,342,500 shares upon the liquidation of TSI. EMS currently beneficially owns 5.4% of the Company, and upon receipt of the additional shares following the liquidation of TSI, will beneficially own 12.6% of the Company.

As indicated in footnote (6) above, the shares currently held by TSI will be distributed to the TSI shareholders following the effective date of this prospectus. The following table sets forth the names and addresses, as well as the number of shares owned and offered by each of the TSI shareholders under this prospectus.

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Stockholders of Technology Systems International, Inc. (1)

Names and Addresses of the Selling Stockholders (1)	Shares of Class A Common Stock Beneficially Owned Owned Prior to the Offerings (2)	Shares of Class A Common Stock Offered by this Prospectus
MARCUS ACHATZ LANGWEIDER STRASSE 27 B SAND, GERMANY 86447	750	750
KENNETH OR BRENDA ADKINS 3852 TORRANCE HAMMOND, IN 46327	1,000	1,000

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ADM HOLDING GMBH GOTENWEG 12 85586 POING, GERMANY	250	250
HORST AHLERS AM WINGERT 13 50999 KOLN, GERMANY	600	600
RONALD R. ALDERFER 14823 S. 13TH PLACE PHOENIX, AZ 85048	9,438	63
ROLAND ALIPRANDI HAUPSTRASSE 31/1 78136 SCHONACH, GERMANY	315	315
JOACHIM ALLERS NEUE STRASSE 116 27432 BREMERVOERDE, GERMANY	250	250
HERMANN ALTHOFF AM KANONENGRABEN 15 D-48151 MUENSTER, GERMANY	250	250
NORMAN AMRICH STRASSE DER JUGEND 32 B D 03046 COTTBUS. GERMANY	75	75
NIKOLAUS ANTIS ROEMERWEG 10A ANDACHS, GERMANY 82346	1,110	1,110
DR WOLFRAM APITSCH KIRCHSTRASSE 8 D-04848 BAD DUEBEN, GERMANY	250	250
DAN		