

TIDEL TECHNOLOGIES INC  
Form 10-Q  
August 21, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

(Mark One)

**T**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended June 30, 2006

or

**£**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

**Commission file Number 000-17288**

**TIDEL TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

75-2193593  
(I.R.S. Employer Identification No.)

2900 Wilcrest Drive, Suite 105  
Houston, Texas  
(Address of principal executive offices)

77042  
(Zip Code)

Registrant's telephone number, including area code: (713) 783-8200

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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 requirement for the past 90 days. YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of Common Stock outstanding as of the close of business on August 14, 2006 was 38,677,210.

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**TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

Item 1.	<u>Condensed Consolidated Financial Statements</u> <u>Condensed Consolidated Balance Sheets as of June 30, 2006</u> <u>(unaudited) and September 30, 2005</u> <u>Condensed Unaudited Consolidated Statements of Operations</u> <u>for the Three and Nine Months Ended June 30, 2006 and 2005</u> <u>Condensed Unaudited Consolidated Statements of</u> <u>Comprehensive Income (loss) for the Three and Nine Months</u> <u>Ended June 30, 2006 and 2005</u> <u>Condensed Unaudited Consolidated Statements of Cash Flows</u> <u>for the Nine Months Ended June 30, 2006 and 2005</u> <u>Notes to Condensed Unaudited Consolidated Financial</u> <u>Statements</u>
Item 2.	<u>Management's Discussion and Analysis of Consolidated</u> <u>Financial Condition and Consolidated Results of Operations</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
Item 4.	<u>Controls and Procedures</u>

**PART II. OTHER INFORMATION**

Item 1.	<u>Legal Proceedings</u>
Item 1A.	<u>Risk Factors</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
Item 6.	<u>Exhibits</u>
<u>Signatures</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	June 30, 2006 (unaudited)	September 30, 2005
Current Assets:		
Cash and cash equivalents	\$ 5,890,257	\$ 1,003,663
Restricted cash	5,400,000	—
Marketable securities - available-for-sale	881,414	—
Trade accounts receivable, net	—	250,000
Notes and other receivables	13,890	12,965
Prepaid expenses and other	41,711	170,231
Assets held for sale, net of accumulated depreciation of \$1,327,408 and \$5,236,167, respectively (See Note 2)	5,263,786	15,471,113
Total current assets	17,491,058	16,907,972
Property and equipment, at cost	—	55,641
Accumulated depreciation	—	(42,848)
Net property and equipment	—	12,793
Other assets	4,000	615,763
Total assets	\$ 17,495,058	\$ 17,536,528
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term debt	\$ —	2,325,000
Accounts payable	312,206	431,876
Accrued interest payable	2,000,000	2,135,852
Shares subject to redemption (See Note 1)	5,400,000	—
Other accrued expenses	300,000	290,871
Liabilities related to assets held for sale (See Note 2)	3,194,091	7,993,154
Total current liabilities	11,206,297	13,176,753
Long-term debt, net of current maturities and debt discount of \$3,746,531 at September 30, 2005	—	2,096,457
Total liabilities	11,206,297	15,273,210
Commitments and contingencies		
Shareholders' Equity:		
Common stock, \$.01 par value, authorized 100,000,000 shares; issued and outstanding 38,677,210 shares and 20,677,210 shares, respectively	386,772	206,772
Additional paid-in capital	30,782,187	30,962,187
Accumulated deficit	(25,461,612)	(28,905,810)
Accumulated other comprehensive income	581,414	169
Total shareholders' equity	6,288,761	2,263,318
Total liabilities and shareholders' equity	\$ 17,495,058	\$ 17,536,528

See accompanying notes to condensed consolidated financial statements.

3

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Table of Contents**TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2006	2005	2006	2005
Revenues	\$ —	\$ —	—\$ —	\$ —
Selling, general and administrative	662,730	652,007	2,655,647	1,334,541
Depreciation and amortization	—	1,421	2,678	3,592
Operating (loss)	(662,730)	(653,428)	(2,658,325)	(1,338,133)
Other income (expense):				
Gain on investment in 3CI	4,210,577	—	4,210,577	—
Interest income (expense), net	21,960	(1,160,459)	(4,173,612)	(5,399,974)
Gain on collection of receivable	—	—	598,496	—
Gain on CCC bankruptcy settlement	—	—	105,000	—
Other	—	—	(7,455)	—
Total other income (expense)	4,232,537	(1,160,459)	733,006	(5,399,974)
Income (loss) before taxes	3,569,807	(1,813,887)	(1,925,319)	(6,738,107)
Income tax expense	—	—	—	—
Income (loss) from continuing operations	3,569,807	(1,813,887)	(1,925,319)	(6,738,107)
Discontinued operations net of taxes:				
Income (loss) discontinued operations	683,119	700,739	1,833,411	3,337,763
Additional costs incurred on sale of ATM business	(76,403)	—	(76,403)	—
Gain (loss) on sale of ATM business	—	—	3,612,509	—
Total income from discontinued operations	606,716	700,739	5,369,517	3,337,763
Net income (loss)	\$ 4,176,523	\$ (1,113,148)	\$ 3,444,198	\$ (3,400,344)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ 0.09	\$ (0.09)	\$ (0.06)	\$ (0.33)
Income from discontinued operations	0.02	0.03	0.17	0.17
Net income (loss)	\$ 0.11	\$ (0.06)	\$ 0.11	\$ (0.16)
Weighted average basic common shares outstanding	38,677,210	20,677,210	31,754,133	20,163,250
Diluted earnings (loss) per share:	\$ 0.09	\$ (0.09)	\$ (0.06)	\$ (0.33)

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Income (loss) from continuing operations

Income from discontinued operations		0.02		0.03		0.17		0.17
Net income (loss)	\$	0.11	\$	(0.06)	\$	0.11	\$	(0.16)

Weighted average common and dilutive shares outstanding		38,710,044		20,677,210		31,786,967		20,163,250
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See accompanying notes to condensed consolidated financial statements.

4

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Table of Contents**TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2006	2005	2006	2005
Net Income (loss)	\$ 4,176,523	\$ (1,113,148)	\$ 3,444,198	\$ (3,400,344)
Other comprehensive income (loss):				
Unrealized gain on marketable securities available-for-sale	581,414	—	581,414	—
Unrealized gain (loss) on investment in 3CI	—	(139,778)	90,855	42,082
Comprehensive income (loss)	\$ 4,757,937	\$ (1,252,926)	\$ 4,116,467	\$ (3,358,262)

See accompanying notes to condensed consolidated financial statements.



Table of Contents

**TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Nine Months Ended June 30,	
	2006	2005
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 3,444,198	\$ (3,400,344)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,678	3,592
Amortization of debt discount and financing costs	4,078,738	2,830,352
Gain on disposal of investment in 3CI pursuant to class-action settlement	(4,210,577)	—
Gain on sale of ATM business	(3,612,509)	—
Other	7,455	—
Changes in assets and liabilities:		
Trade accounts receivable, net	250,000	—
Notes and other receivables	(925)	989,552
Prepaid expenses and other assets		