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NIGHTHAWK SYSTEMS INC
Form 10QSB
August 14, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-30786

NIGHTHAWK SYSTEMS, INC

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

87-0627349

(I.R.S Employer
Identification No.)

10715 Gulfdale, Suite 200
San Antonio, TX 78216

(Address of principal executive offices)

210 341-4811

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 14, 2006 there were 74,420,053 shares of common stock, par value \$.001 per share, of the registrant issued and outstanding.

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

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PART I - FINANCIAL INFORMATION

NIGHTHAWK SYSTEMS, INC. CONDENSED CONSOLIDATED BALANCE SHEET JUNE 30, 2006

| | |
|--|--------------|
| ASSETS | |
| Current assets: | |
| Cash | \$ 18,713 |
| Accounts receivable, net of allowance for doubtful accounts of \$456 | 156,311 |
| Inventories | 137,842 |
| Prepaids | 690,115 |
| Total current assets | 1,002,981 |
| Furniture, fixtures and equipment, net | 19,918 |
| Intangible and other assets | 19,548 |
| | \$ 1,042,447 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| Current liabilities: | |
| Accounts payable | \$ 249,429 |
| Accrued expenses | 306,479 |

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| | |
|---|--------------|
| Line of credit | 19,792 |
| Notes payable: | |
| Related parties | 13,471 |
| Other | 340,439 |
| | ----- |
| Total current liabilities | 929,610 |
| | ----- |
| Long-term liabilities: | |
| Convertible debt | 2,539,983 |
| | ----- |
| Commitments and contingencies | |
| Stockholders' deficit: | |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 5,000 issued and outstanding; liquidation preference | \$ - |
| Common stock; \$0.001 par value; 200,000,000 shares authorized; 71,452,553 issued and outstanding | 71,453 |
| Additional paid- in capital | 7,500,641 |
| Accumulated deficit | (9,999,240) |
| | ----- |
| Total stockholders' deficit | (2,427,146) |
| | ----- |
| | \$ 1,042,447 |
| | ===== |