

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

TIDEL TECHNOLOGIES INC  
Form 10-K  
January 16, 2001

1

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the fiscal year ended September 30, 2000

or

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

Commission file Number 000-17288

TIDEL TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

Delaware	75-2193593
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5847 San Felipe, Suite 900	
Houston, Texas	77057
(Address of principal executive offices)	(Zip Code)

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

-----

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share

-----  
(Title of Class)

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 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.

The aggregate market value of the 14,478,643 shares of Common Stock held by non-affiliates of the Registrant based on the closing sale price on January 5, 2001 of \$6.125 was \$88,681,688.

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

The number of shares of Common Stock outstanding as of the close of business on January 5, 2001 was 17,376,210.

2

-----  
TIDEL TECHNOLOGIES, INC.

TABLE OF CONTENTS\*  
ANNUAL REPORT ON FORM 10-K  
-----

	PAGE
	----
PART I	
Item 1. Business.....	1
Item 2. Properties.....	2
Item 3. Legal Proceedings.....	3
Item 4. Submission of Matters to a Vote of Security Holders.....	3
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.....	3
Item 6. Selected Financial Data.....	3
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	4
Item 8. Financial Statements and Supplementary Data.....	14
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	14
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	14
Item 11. Executive Compensation.....	14
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	14
Item 13. Certain Relationships and Related Transactions.....	14
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	15
Signature Page .....	16

-----

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

\* This Table of Contents is inserted for convenience of reference only and is not a part of this Report as filed.

3

### PART I

#### ITEM 1. BUSINESS

##### (a) GENERAL DEVELOPMENT OF BUSINESS

Tidel Technologies, Inc. (the "Company") was incorporated under the laws of the State of Delaware in November 1987 under the name of American Medical Technologies, Inc., succeeding a corporation established in British Columbia, Canada in May 1984.

In September 1992, the Company acquired Tidel Engineering, Inc., a manufacturer of cash handling devices and other products, for \$4,746,848. The Company changed its name to Tidel Technologies, Inc. in July 1997, and is primarily engaged in the development, manufacturing, sale and support of automated teller machines ("ATMs") and electronic safes. During 2000, no significant changes occurred in the manner of conducting the Company's business

##### (b) FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS

The Company conducts business within one operating segment, principally in the United States.

##### (c) DESCRIPTION OF BUSINESS

The Company develops, manufactures, sells and supports ATM products and related software, known as the Ignition and Chameleon series products, and electronic safe products, known as the Timed Access Cash Controller ("TACC") products, which are designed for specialty retail marketers. Sales of products are generally made on a wholesale basis to more than 250 distributors and manufacturer's representatives. The Company's engineering, sales and service departments work closely with distributors and their customers to continually analyze and fulfill their needs, enhance existing products and develop new products. Sales of the Company's ATM and TACC products accounted for 92% of revenue in each of the fiscal years ended September 30, 2000 and 1999, and 88% in the fiscal year ended September 30, 1998.

The principal materials and components used by the Company are pre-fabricated steel cabinets, custom molded plastic, and various electronic parts and components, all of which are generally available in quantity at this time. The Company assembles its products by configuring parts and components received from a number of major suppliers with the Company's proprietary hardware and software.

The Company has one customer, Credit Card Center ("CCC"), that accounted for 61% and 40% of its total net sales for the years ended September 30, 2000 and 1999, respectively. CCC also purchases a significant amount of ATM products from a principal competitor of the Company, and there can be no assurance that the Company's sales to this customer will reach or exceed historical levels in any future period. Although management believes that it has a good relationship with CCC, the loss of this customer would have a material adverse effect on the Company's business.

The Company's operating results and the amount and timing of revenue are affected by numerous factors including production schedules, customer priorities, sales volume, and sales mix. The Company normally fills and ships customer orders within 45 days of receipt, and therefore no significant backlog generally exists.

All phases of the Company's business are highly competitive. The Company believes, based upon independent industry estimates, that it is a leading manufacturer of ATMs in the U.S. off-premise ATM market. Competition in the U.S. market is substantial, with large corporations such as Diebold Incorporated and NCR Corporation dominating the marketplace. Direct competition to the Company in the off-premise market consists of companies such as Triton Systems, Inc. (a subsidiary of Dover Corporation), Fujitsu-ICL Systems, Cross Technologies, Inc. (a distributor of Hyosung products) and Wincor-Nixdorf. The Company believes that the quality and value offered by its ATM product line allows it to compete effectively in the off-premise market. The Company believes that it is also a leader in the global market for electronic cash controller equipment. Competition in that market comes principally from NKL Industries, McGunn Safe Company, Armor Safe Company and AutoVend. Many smaller manufacturers of ATMs, electronic safes and kiosks are also found in the market.

The Company can experience seasonal variances in its operations and historically has its lowest dollar volume sales months between November and February. The Company's operating results for any particular quarter may not be indicative of the results for the future quarter or for the year.

The Company's charges to expense for research and development were approximately \$2,800,000, \$1,700,000 and \$1,400,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

Compliance by the Company with federal, state and local environmental protection laws during 2000 had no material effect upon capital expenditures, earnings or the competitive position of the Company.

The Company employed 133 people at September 30, 2000, compared to 144 people at the end of the preceding year. The decrease in 2000 relates to a reduction in the number of full-time assembly line personnel.

(d) FINANCIAL INFORMATION ABOUT EXPORT SALES

Sales to customers outside the United States, as a percentage of total revenues, were approximately, 6%, 5% and 4% in the fiscal years ended September 30, 2000, 1999 and 1998, respectively.

ITEM 2. PROPERTIES

The Company's corporate office is located in approximately 4,100 square feet in Houston, Texas, under a lease expiring in December 2001. The manufacturing, engineering and warehouse operations are located in two adjacent facilities occupying approximately 110,000 square feet in Carrollton, Texas, under leases expiring in January 2004. Additionally, the Company has sales and administration offices in Canada and Greece.

At September 30, 2000, the Company owned tangible property and equipment with a cost basis of approximately \$4,919,000.

## ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are each subject to certain litigation and claims arising in the ordinary course of business. In the opinion of the management of the Company, the amounts ultimately payable, if any, as a result of such litigation and claims will not have a materially adverse effect on the Company's financial position.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2000.

## PART II

## ITEM 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## MARKET PRICES

The Company's common stock trades on the National Market System of the Nasdaq Stock Market under the symbol "ATMS". Prior to August 16, 2000, the Company's common stock traded on the Nasdaq Small-Cap Market under the symbol "ATMS". The following table sets forth the quarterly high and low closing sales price for the Company's common stock for the two-year period ended September 30, 2000:

Fiscal Quarter Ended	2000		1999	
	High	Low	High	Low
December 31, .....	\$ 3.000	\$ 1.781	\$ 1.781	\$ 1.063
March 31, .....	8.813	2.750	2.969	1.750
June 30, .....	12.000	6.313	2.875	1.938
September 30, .....	12.500	5.750	2.500	1.531
Fiscal Year ....	\$12.500	\$ 1.781	\$ 2.969	\$ 1.063

The Company has not paid any dividends in the past, and does not anticipate paying dividends in the foreseeable future. In addition, the Company's wholly owned subsidiary is restricted from paying dividends to the Company pursuant to the subsidiary's revolving credit agreement with a bank.

There were approximately 8,500 shareholders as of January 3, 2001, which includes an estimated number of shareholders who have shares held for their accounts by brokers, banks and trustees for benefit plans.

## ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below is derived from the Consolidated Financial Statements of the Company. This data should be read in conjunction with the Consolidated Financial Statements and the notes thereto and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" appearing elsewhere in this Report.

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

3

6

SELECTED STATEMENT OF INCOME DATA: (1)	Year Ended September		
	2000	1999	1998
Revenues .....	\$ 72,931	\$ 45,873	\$ 33,608
Operating income .....	15,440	5,117	4,325
Net income (2) .....	9,169	2,936	4,240
Net income per share:			
Basic .....	\$ 0.55	\$ 0.18	\$ 0.27
Diluted .....	\$ 0.50	\$ 0.17	\$ 0.25

SELECTED BALANCE SHEET DATA: (1)	Year Ended September		
	2000	1999	1998
Current assets .....	\$ 58,461	\$ 25,551	\$ 20,966
Current liabilities .....	11,945	7,528	5,528
Working capital .....	46,516	18,023	15,438
Total assets .....	63,060	28,696	24,247
Total short-term notes payable and long-term debt ....	22,397	5,375	5,363
Shareholders' equity .....	28,846	15,922	13,484

SELECTED QUARTERLY FINANCIAL DATA: (1)	Three Months Ended				
	Sep. 30 2000	Jun. 30 2000	Mar. 31 2000	Dec. 31 1999	Sep. 30 1999
Revenues .....	\$ 20,222	\$ 20,264	\$ 18,663	\$ 13,782	\$ 16,146
Operating income .....	4,782	4,393	3,916	2,349	1,991
Net income (2) .....	2,373	2,796	2,519	1,481	1,099
Net income per share:					
Basic .....	\$ 0.14	\$ 0.17	\$ 0.15	\$ 0.09	\$ 0.07
Diluted(3) .....	\$ 0.13	\$ 0.15	\$ 0.14	\$ 0.09	\$ 0.06

(1) All amounts are in thousands, except per share dollar amounts.

(2) Income tax expense (benefit) was \$4,838,000, \$1,800,000 and (\$307,251) in 2000, 1999 and 1998, respectively. There was no provision for taxes in 1997 and 1996.

(3) The sum of the quarterly amounts of basic and diluted earnings per share

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

does not necessarily equal basic and diluted earnings per share for the entire fiscal year due to rounding differences and/or variations in the stock prices utilized in the calculations at the end of each period.

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

#### RESULTS OF OPERATIONS

##### OVERVIEW

The Company's revenues were \$72,931,000 for the year ended September 30, 2000, representing an increase of \$27,058,000, or 59%, from fiscal 1999 and \$39,324,000, or 117%, from fiscal 1998. Operating income for the year was \$15,440,000 as compared to \$5,117,000 in fiscal 1999 and \$4,325,000 in fiscal 1998. Net income was \$9,169,000 for the year ended September 30, 2000, an increase of \$6,233,000, or 212%, from fiscal 1999 and \$4,929,000, or 116%, from fiscal 1998.

4

7

The increases in sales were primarily due to shipments of ATMs in the off-premise markets, to one major customer. The gross profit from these increased sales, offset somewhat by increased operating expenses, provided the overall improvement in operating and net income.

##### PRODUCT REVENUES

A breakdown of net sales by individual product line is provided in the following table:

	(dollars in 000's)		
	2000	1999	1998
	-----	-----	-----
ATM .....	\$ 59,210	\$ 35,570	\$ 22,971
TACC .....	7,569	6,579	6,477
Parts and other .....	6,152	3,724	4,160
	-----	-----	-----
	\$ 72,931	\$ 45,873	\$ 33,608
	=====	=====	=====

ATM sales increased 66% in the past year due to strong customer demand for the Company's cost-competitive Ignition series ATMs in non-bank locations. For the year ended September 30, 2000, the Company shipped 12,426 units, an increase of 76% over the 7,061 units shipped in fiscal 1999 and an increase of 200% over the 4,140 units shipped in fiscal 1998. Based on industry estimates for 2000, Tidel has gained significant market share, during the year and is now positioned as one of the industry leaders in deployments of ATMs in the off-premise market.

TACC sales increased 15% in 2000 as the Company has increased its marketing efforts in the U.S. for this product line and has experienced some penetration in market segments outside of the traditional convenience store

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

and petroleum retail markets, such as food service and hospitality markets.

Parts and other revenues vary directly with sales of finished goods, and have increased accordingly. Additionally, the Company had sales of parts and equipment related to its former environmental monitoring business of \$554,000 and \$1,355,000 in 1999 and 1998, respectively. The Company did not record a significant amount of revenues related to this business in 2000 and does not expect to record any significant revenues from this business in the future.

### GROSS PROFIT, OPERATING EXPENSES AND NON-OPERATING ITEMS

A comparison of certain operating information is provided in the following table:

	(dollars in 000's)		
	2000	1999	1998
Gross profit .....	\$ 27,916	\$ 14,960	\$ 12,180
Selling, general and administrative ....	11,108	9,030	7,366
Depreciation and amortization .....	1,368	813	489
Operating income .....	15,440	5,117	4,325
Interest expense .....	432	381	392
Write-down of investment in 3CI .....	1,000	--	--
Income before taxes .....	14,007	4,736	3,933
Income tax expense (benefit) .....	4,838	1,800	(307)
Net income .....	\$ 9,169	\$ 2,936	\$ 4,240

Gross profit on product sales was \$27,916,000 in 2000, an increase of \$12,956,000, or 87%, from 1999 and \$15,736,000, or 129%, from 1998. The gross margin, as a percentage of sales, was 38.3% of product sales, compared to 32.6% in 1999 and 36.2% in 1998. The improvement in gross margin in

2000 compared to 1999 was principally due to lower production costs per ATM unit as a result of volume discounts on raw materials and manufacturing efficiencies.

Selling, general and administrative expenses were \$11,108,000 in 2000, an increase of \$2,078,000 from \$9,030,000 in 1999, and an increase of \$3,742,000 from \$7,366,000 in 1998, as a result of higher salaries and increased marketing expenses. These costs were 15.2% of sales in 2000, a decrease from the 1999 and 1998 levels of 19.7% and 21.9%, respectively. The percentage decline relates primarily to increased sales volume.

Depreciation and amortization was \$1,368,000, \$813,000 and \$489,000, for the years ended September 30, 2000, 1999 and 1998, respectively. The increase in 2000 compared to 1999 and 1998 related to additions of



## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

property, plant and equipment primarily for the production of new models in the Ignition and Chameleon series ATM product lines.

Interest expense fluctuations in 2000, 1999 and 1998 are a result of varying levels of outstanding indebtedness under the Company's revolving credit agreement with a bank and changes in the prime rate. The Company expects interest expense to increase during fiscal 2001 due to the issuance of the convertible debentures described below.

Income tax expense (benefit) provisions of \$4,838,000 in 2000 and \$1,800,000 in 1999, represented an effective tax rate of 34.5% in 2000 and 38% in 1999. The income tax benefit in 1998 was attributable to a fourth quarter reduction in valuation allowance estimates to reflect the probable utilization of the Company's remaining deferred tax assets. This resulted in the recognition of a deferred income tax benefit of \$947,000 which, when offset with current tax expense of \$640,000, resulted in a net income tax benefit of \$307,000.

### LIQUIDITY AND CAPITAL RESOURCES

The financial position of the Company continues to improve primarily as a result of profitable operations, the infusion of capital from the exercise of options and warrants, and the issuance of convertible debentures in September 2000 as reflected in the following key indicators as of September 30, 2000, 1999 and 1998:

	(dollars in 000's)		
	2000	1999	1998
Cash .....	\$ 16,223	\$ 2,424	\$ 1,400
Working capital .....	46,516	18,023	15,438
Total assets .....	63,060	28,696	24,247
Shareholders' equity .....	28,846	15,922	13,484

The improvement in working capital in 2000 is principally due to the increase in cash from the private placement in September 2000 of \$18,000,000 of convertible debentures, as described more fully below, and an increase in accounts receivable and inventories as a result of higher sales levels.

The Company has a credit agreement with a bank which provides for a \$7,000,000 revolving line of credit with interest equal to the prime rate, of which \$1,800,000 was unused and available at September 30, 2000, and a \$640,000 term loan at 8.4% interest per annum. At September 30, 2000, \$5,200,000 was outstanding on the revolving credit facility compared to \$4,894,634 at September 30, 1999. Subsequent to September 30, 2000, the Company amended the credit agreement to increase the

line of credit to \$10,000,000. See Note 8 to Notes to Consolidated Financial Statements for a description of all outstanding debt and maturities.

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

In September 2000, the Company issued an aggregate of \$18,000,000 of the Company's 6% Convertible Debentures, due September 8, 2004, to two investors convertible into the Company's common stock at a price of \$9.50 per share. Some of these proceeds may be used to provide financing to several of the Company's major customers. In addition, the Company issued warrants to the investors to purchase 378,947 shares of the Company's common stock exercisable at any time through September 8, 2005 at an exercise price of \$9.80 per share. The debentures provide for three methods to convert the debentures into shares of the Company's common stock: (1) conversion at the option of the Holder; (2) conversion at the option of the Company; and (3) a put option. See Note 9 to Notes to Consolidated Financial Statements for a description of the terms and conditions of the convertible debentures.

The Company formerly owned 100% of 3CI Complete Compliance Corporation, a company engaged in the transportation and incineration of medical waste, until its divestiture of a majority interest in February 1994. The Company continues to own 698,464 shares of the common stock of 3CI. During the fourth quarter, management of the Company deemed the decline in the fair value of the 3CI to be other than temporary and recorded a non-cash impairment charge in the amount of \$1,000,000 for the write-down of its investment in the common stock of 3CI in accordance with Financial Accounting Standards Board Statement No. 115. With respect to its remaining investment, the Company had previously provided aggregate loss provisions of \$1,436,750 in prior periods, resulting in a write-down of the investment to its present carrying amount of \$130,962. The Company has no immediate plan for the disposal of these shares, and accordingly, all the shares are presently pledged to secure borrowings under the revolving credit agreement with a bank. See Note 5 to Notes to Consolidated Financial Statements.

During the year ended September 30, 2000, warrants to purchase 1,055,692 shares of Common Stock were exercised, generating proceeds of \$995,587. In addition, an aggregate of options to purchase 252,550 shares of Common Stock were exercised pursuant to the Company's stock option plans, generating proceeds of \$353,577.

The Company's research and development budget for fiscal 2001 has been estimated at \$3,200,000. The majority of these expenditures are applicable to enhancements of the existing product lines, development of new automated teller machine products and the development of new technology to facilitate the dispensing of products such as postage stamps, money orders, and prepaid telephone cards, as well as multiple denominations of currency. Total research and development expenditures were approximately \$2,800,000, \$1,700,000 and \$1,400,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

With its present capital resources, its continuing earnings from operations, its potential capital from the exercise of warrants, and available credit from its revolving facility, the Company believes it should have sufficient resources to meet its operating needs for the foreseeable future and to provide for debt maturities and capital expenditures.

The Company has never paid dividends on shares of its common stock, and does not anticipate paying dividends in the foreseeable future. In addition, the Company's wholly owned subsidiary is restricted from paying dividends to the Company pursuant to the subsidiary's revolving credit agreement with a bank.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS 133, as amended, is effective for all fiscal years beginning after June 15, 2000. The Company has not yet determined the impact; if any, SFAS 133 will have on its financial position or results of operations, and plans to adopt this standard during the year ending September 30, 2001.

YEAR 2000 DISCLOSURE

The Company was well prepared for the year 2000 and experienced no major problems with its internal systems or in products purchased from suppliers used in manufacturing. The Company is also aware of no major problems with any of its products in the field. As required, the Company expensed as incurred all costs associated with year 2000 issues. The costs did not have a material effect on the Company's financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in interest rates as a result of significant financing through its issuance of variable-rate and fixed-rate debt. If market interest rates were to increase 1% in fiscal 2000, there would be no material impact on the Company's consolidated results of operations or financial position.

RISK FACTORS

There are several risks inherent in the business of the Company including, but not limited to, the following:

A substantial amount of our revenues comes from one product line.

We receive a substantial amount of our revenues from sales of our ATMs. Approximately 81% and 78% of our net sales came from our ATM product line for the years ended September 30, 2000 and 1999, respectively.

We expect our future success to depend in large part on the sale of our ATMs. Because of this product concentration, our business could be materially adversely affected by a decline in demand for these products or an increase in competition. Our future performance will depend in part on the successful development, introduction and customer acceptance of new ATM products and other products. We may be unsuccessful in designing, manufacturing, marketing and selling any new products.

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

We may be unable to sustain our recent growth and our operating results may fluctuate for a variety of reasons, many of which are beyond our control.

We may be unable to sustain our recent growth in revenues and profits in the future. Our business strategies may fail and our quarterly and annual operating results may vary significantly from period to period depending on:

- the volume and timing of orders received during the period,
- the timing of new product introductions by us and our competitors,
- the impact of price competition on our selling prices,
- the availability and pricing of components for our products,
- seasonal fluctuations in operations and sales,
- changes in product or distribution channel mix,
- changes in operating expenses,
- changes in our strategy, and
- personnel changes and general economic factors.

Many of these factors are beyond our control. We are unable to forecast the volume and timing of orders received during a particular period. Customers generally order our products on an as-needed basis, and accordingly we have historically operated with a relatively small backlog. We experience seasonal variances in our operations and historically have our lowest dollar volume sales months between November and February. Accordingly, operating results for any particular quarter may not be indicative of the results for the future quarter or for the year.

Even though it is difficult to forecast future sales and we maintain a relatively small level of backlog at any given time, we generally must plan production, order components and undertake our development, sales and marketing activities and other commitments months in advance. Accordingly, any shortfall in sales in a given period may adversely impact our results of operations if we are unable to adjust expenses or inventory during the period to match the level of sales for the period.

We depend on one major customer and, if we lose that customer, we may be unable to replace it.

One customer, Credit Card Center ("CCC") accounted for 61% and 40% of our net sales for the years ended September 30, 2000 and 1999, respectively. We expect to depend upon CCC for a significant portion of our net sales in future periods. If CCC fails to place anticipated orders or defers or cancels its orders, we will experience an immediate and severe drop in our sales. We are unable to predict whether sales from CCC will reach or exceed historical levels in any future period. In addition, we may be unable to retain CCC or expand our distribution channels by entering into arrangements with new customers.

We provide substantial amounts of credit to one major customer, and we could incur a substantial accounting loss if that customer defaulted on its obligations to us.

In order to remain competitive, we provide extended financing terms for substantial amounts of credit to assist our major customer, CCC, with its working capital requirements. The amounts owed to us by CCC are secured by a collateral pledge of accounts receivable, inventories and transaction income. In the event that CCC failed to perform according to the terms of our credit arrangement with them, we might be required to foreclose and liquidate the underlying collateral. We would incur a loss to the extent

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

that the proceeds realized from the liquidation of collateral were less than the amount owed to us by CCC.

9

12

Failure by third-party suppliers to provide us with components will affect our ability to produce our ATM and TACC products.

We depend on third-parties to manufacture components for most of our ATM and TACC products as part of our low-cost manufacturing strategy. Our principal suppliers are Fujitsu-ICL Systems, De La Rue and Special Products. We have alternative suppliers for the components; however, the unit costs currently paid by us for these components may increase if we switch to these alternative suppliers. Moreover, our inability to obtain enough of, or the failure of suppliers to deliver, the components would require us to change the design of the products in order to use other components. Alternative sources of supply may be unavailable on reasonably acceptable terms, on a timely basis, or at all.

We have a written agreement with only one of our component suppliers. We purchase components from our other suppliers on a purchase order basis. We don't have any guaranteed supply arrangements with most of our suppliers and these suppliers may be unable to meet our future requirements. We keep a limited inventory of components for which there is only one or a limited number of suppliers, but these inventories may be insufficient for our needs.

Our growth may over-extend our management and other resources.

Future growth in our business could significantly strain our limited personnel, management, financial controls and other resources. Our ability to manage any future expansion effectively will require us to attract, train, motivate and manage new employees successfully, to integrate new management and employees into our overall operations and to continue to improve our operational, financial and management systems and controls and facilities. Our failure to manage any expansion effectively, including any failure to integrate new management controls, systems and procedures, could materially adversely affect our business, results of operations and financial condition.

The ATM market is very competitive and, if we fail to adapt our products and services, we will lose customers and fail to compete effectively.

The markets for our ATM products are characterized by intense competition. We expect the intensity of competition to increase. Large manufacturers such as Diebold Incorporated, NCR Corporation, Triton Systems (a division of Dover Corporation) and Hyosung compete directly with us in the quickly growing, low-cost ATM market. Our direct competitors for our TACC products include Allied Gary International, McGunn, Scitak and AutoVend. We believe that AutoVend is the only other manufacturer that features cash controllers as a major product line.

Competition is likely to result in price reductions, reduced margins and loss of market share, any one of which may harm our business. Competitors vary in size, scope and breadth of the products and services offered. We may encounter competition from competitors who offer more functionality and features. In addition, we expect competition from other established and emerging companies, as the market continues to develop and expand, resulting in increased price sensitivity for our products.

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

To compete successfully, we must adapt to a rapidly changing market by continually improving the performance, features and reliability of our products and services or else our products and services may become obsolete. We may also incur substantial costs in modifying our products, services or infrastructure in order to adapt to these changes.

10

13

Many of our competitors have greater financial, technical, marketing and other resources and greater name recognition than we do. In addition, many of our competitors have established relationships with our current and potential customers and have extensive knowledge of our industry. In the past, we have lost potential customers to competitors. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors may develop and rapidly acquire significant market share.

Our future growth will depend upon our ability to continue to manufacture, market and sell ATMs with cost-effective characteristics, develop and penetrate new market segments and enter and develop new markets.

We must design and introduce new products with enhanced features, develop close relationships with the leading market participants and establish new distribution channels in each new market or market segment in order to grow. We are currently marketing a new ATM product, the Chameleon, which is a web-enabled ATM product that provides users with e-commerce and point-of-sale functionality in addition to traditional ATM features. We are unable to predict whether Chameleon will gain acceptance in the ATM market. Additionally, some of the transactions currently initiated through ATMs could be accomplished in the future using emerging technologies, such as wireless devices and cellular telephones, which we do not currently support. We may be unable to develop or gain market acceptance of products supporting these technologies. Our failure to successfully offer products supporting these emerging technologies could harm our business.

Because the protection of our proprietary technology is limited, our proprietary technology may be used by others without our consent, which may reduce our ability to compete and may divert resources.

Our success depends upon proprietary technology and other intellectual property rights. We must be able to obtain patents, maintain trade-secret protection and operate without infringing on the intellectual property rights of others. We have relied on a combination of copyright, trade secret and trademark laws and nondisclosure and other contractual restrictions to protect proprietary technology. Our means of protecting intellectual property rights may be inadequate. It is possible that patents issued to or licensed by us will be successfully challenged. We may unintentionally infringe patents of third parties or we may have to alter our products or processes or pay licensing fees or cease certain activities to take into account patent rights of third parties, thereby causing additional unexpected costs and delays which may adversely affect our business.

In addition, competitors may obtain additional patents and proprietary rights relating to products or processes used in, necessary to, competitive with or otherwise related to those we use. The scope and validity of these

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

patents and proprietary rights, the extent to which we may be required to obtain licenses under these patents or under other proprietary rights and the cost and availability of licenses are unknown, but these factors may limit our ability to market our existing or future products.

We also rely upon unpatented trade secrets. Other entities may independently develop substantially the same proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology. In addition, we may be unable to meaningfully protect our rights to our unpatented trade secrets. In addition, certain previously filed patents relating to our ATM products and TACC products have expired.

11

14

Litigation may be necessary to enforce our intellectual property rights, protect trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. Litigation may result in substantial costs and diversion of resources, which may limit our ability to develop new services and compete for customers.

If the ability to charge ATM fees is limited or prohibited, ATMs may become less profitable and demand for our ATM products could decrease.

The growth in the market and in our sales of ATMs has been due, in part, to the ability of ATM owners to charge consumers a surcharge fee for the use of the ATM. The ability to charge fees resulted from the elimination in April 1996 by the Cirrus and Plus national ATM networks of their policies against the imposition of surcharges on ATM transactions.

ATM owners are subject to federal and state regulations governing consumers' rights with respect to ATM transactions. Some states and municipalities have enacted legislation in an attempt to limit or eliminate surcharging, and similar legislation has been introduced in Congress. In addition, it is possible that one or more of the national ATM networks will reinstate their former policies prohibiting surcharging. The adoption of any additional regulations or legislation or industry policies limiting or prohibiting ATM surcharges could decrease demand for our products.

Any interruption of our manufacturing whether as a result of damaged equipment, natural disasters or otherwise could injure our business.

All of our manufacturing occurs at our facility in Carrollton, Texas. Our manufacturing operations utilize equipment which, if damaged or otherwise rendered inoperable, would result in the disruption of our manufacturing operations. Although we maintain business interruption insurance, our business would be injured by any extended interruption of the operations at our manufacturing facility. This insurance may not continue to be available on reasonable terms or at all. Our facilities are also exposed to risks associated with the occurrence of natural disasters, such as hurricanes and tornadoes. It is possible that natural disasters may damage our facilities.

If we release products containing defects, we may need to halt further sales and/or services until we fix the defects, and our reputation would be harmed.

We provide a limited warranty on each of our products covering manufacturing defects and premature failure. While we believe that our reserves for warranty claims are adequate, we may experience increased

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

warranty claims. Our products may contain undetected defects which could result in the improper dispensation of cash or other items. Although we have experienced only a limited number of claims of this nature to date, these types of defects may occur in the future. In addition, we may be held liable for losses incurred by end users as a result of criminal activity which our products were intended, but unable, to prevent, or for any damages suffered by end users as a result of malfunctioning or damaged components.

12

15

We remain liable for any problems or contamination related to our fuel monitoring units.

Although we discontinued the production and distribution of our fuel monitoring units, those units which are still in use are subject to a variety of federal, state and local laws, rules and regulations governing storage, manufacture, use, discharge, release and disposal of product and contaminants into the environment or otherwise relating to the protecting of the environment. These regulations include, among others (i) the Comprehensive Environmental Response, (ii) Compensation and Liability Act of 1980, (iii) The Resource Conservation and Recovery Act of 1976, (iv) the Oil Pollution Act of 1990, (v) the Clean Air Act of 1970, the Clean Water Act of 1972, (vi) the Toxic Substances control Act of 1976, (vii) the Emergency Planning and Community Right-to-Know Act, and (viii) the Occupational Safety and Health Administration Act.

Our fuel monitoring products, by their very nature, give rise to the potential for substantial environmental risks. If our monitoring systems fail to operate properly, releases or discharges of petroleum and related products and associated wastes could contaminate the environment. If there are releases or discharges we may be found liable under the environmental laws, rules and regulations of the United States, states and local jurisdictions relating to contamination or threat of contamination of air, soil, groundwater and surface waters. This indirect liability could expose us to monetary liability incident to the failure of the monitoring systems to detect potential leaks in underground storage tanks. Although we have tried to protect our business from environmental claims by limiting the types of services we provide, operating pursuant to contracts designed to protect us, instituting quality control operating procedures and, where appropriate, insuring against environmental claims, we are unable to predict whether these measures will eliminate the risk of potential environmental liability entirely.

We could lose the services of one or more of our executive officers or key employees.

Our executive officers and key employees are critical to our business because of their experience and acumen. In particular, the loss of the services of James T. Rash, Chairman of the Board, Chief Executive Officer and Chief Financial Officer, or Mark K. Levenick, Chief Operating Officer of the Company and President of our operating subsidiaries, could have a material adverse effect on our operations. We have key-man life insurance on the life of Mr. Rash in the amount of \$1,000,000, with the company named as sole beneficiary. In addition, one of our subsidiaries has key-man life insurance on the life of Mr. Levenick in the amount of \$1,000,000, with the subsidiary named as the sole beneficiary.

Our future success and growth also depends on our ability to continue to



## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

attract, motivate and retain highly qualified employees, including those with the expertise necessary to operate our business. These officers and key personnel may not remain with us, and their loss may harm our development of technology, our revenues and cash flows. Concurrently, the addition of these personnel by our competitors would allow our competitors to compete more effectively by diverting customers from us and facilitating more rapid development of their technology.

### FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward-looking statements involve risks and uncertainty, (including without limitation, the Company's future gross profit, selling, general and administrative expense, the

13

16

Company's financial position, working capital and seasonal variances in the Company's operations, as well as general market conditions) though the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14 below for an index of the financial statements and schedules included as a part of this Annual Report on Form 10-K.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Information with respect to directors of the Registrant is included on pages 3 and 4 of the Company's proxy statement for the 2001 Annual Meeting of Shareholders ("2001 Annual Meeting") and is incorporated herein by reference. Information with respect to "Section 16(a) Beneficial Ownership Reporting Compliance" is included on page 5 of the Company's proxy statement for the 2001 Annual Meeting and is incorporated herein by reference.

### ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is included on pages 7 through 9 of the Company's proxy statement for the 2001 Annual Meeting and is incorporated herein by reference.

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is included on pages 5 through 7 of the Company's proxy statement for the 2001 Annual Meeting and is incorporated herein by reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information with respect to certain relationships and related transactions is included on page 9 of the Company's proxy statement for the 2001 Annual Meeting is incorporated herein by reference.

14

17

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

#### FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The audited consolidated financial statements and related financial statement schedules of the Company and report of its independent certified public accountants responsive to the requirements of Item 8 of Form 10-K are included herein as part of this Report. Such audited financial statements, related financial statement schedules, and reports as set forth in the accompanying index include, in the opinion of management of the Company, all required disclosures in the notes thereto.

#### EXHIBITS

The Exhibits filed as a part of this Report are listed in the attached Index to Exhibits.

#### REPORTS ON FORM 8-K

The Company filed one report on Form 8-K on September 20, 2000 under Item 5 - Other Events.

15

18

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

TIDEL TECHNOLOGIES, INC.  
(Company)

January 9, 2001

/s/ JAMES T. RASH

-----  
James T. Rash  
President and Principal Executive Officer

/s/ JAMES T. RASH

-----  
James T. Rash  
Principal Financial and Accounting Officer

Pursuant to requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ JAMES T. RASH ----- James T. Rash	Director	January 9, 2001
/s/ JAMES L. BRITTON, III ----- James L. Britton, III	Director	January 9, 2001
/s/ JERRELL G. CLAY ----- Jerrell G. Clay	Director	January 9, 2001
/s/ MARK K. LEVENICK ----- Mark K. Levenick	Director	January 9, 2001

19

INDEX TO FINANCIAL STATEMENTS

	PAGE -----
CONSOLIDATED FINANCIAL STATEMENTS OF TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES	
Independent Auditors' Report	F-2
Consolidated Balance Sheets - September 30, 2000 and 1999	F-3
Consolidated Statements of Income for the years ended September 30, 2000, 1999 and 1998	F-4
Consolidated Statements of Comprehensive Income for the	

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

years ended September 30, 2000, 1999 and 1998	F-5
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2000, 1999 and 1998	F-6
Consolidated Statements of Cash Flows for the years ended September 30, 2000, 1999 and 1998	F-7
Notes to Consolidated Financial Statements	F-8
CONSOLIDATED FINANCIAL STATEMENT SCHEDULES OF TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES	
The following schedules are filed as part of this Annual Report on Form 10-K:	
Schedule I Condensed Financial Information of Registrant	S-1
Schedule II Valuation and Qualifying Accounts	S-6
All other schedules are omitted because they are not required, are not applicable or the required information is presented elsewhere herein.	

F-1

20

### INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Tidel Technologies, Inc.:

We have audited the consolidated financial statements of Tidel Technologies, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Tidel Technologies, Inc. and subsidiaries as of September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP

Houston, Texas  
December 15, 2000

F-2

21

### TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30,	
	2000	1999
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 16,223,192	\$ 2,423,844
Trade accounts receivable, net of allowance of \$448,037 and \$566,917, respectively	29,168,134	15,137,056
Notes and other receivables	1,151,680	897,368
Inventories	10,415,492	6,128,741
Deferred tax assets	1,153,472	738,691
Prepaid expenses and other	349,251	225,599
Total current assets	58,461,221	25,551,299
Investment in 3CI, at market value	130,962	261,924
Property, plant and equipment, at cost	4,919,186	3,912,348
Accumulated depreciation	(2,954,873)	(1,932,575)
Net property, plant and equipment	1,964,313	1,979,773
Intangible assets, net of accumulated amortization of \$1,161,675 and \$1,039,364, respectively	539,398	661,709
Deferred tax assets	519,345	195,390
Deferred financing costs and other assets	1,445,118	45,974
Total assets	\$ 63,060,357	\$ 28,696,069
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 128,000	\$ 128,000
Accounts payable	8,176,905	5,285,591
Accrued liabilities	3,640,264	2,114,314
Total current liabilities	11,945,169	7,527,905

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Long-term debt, net of current maturities	5,424,000	5,246,634
Convertible debentures, net of discount of \$1,155,157	16,844,843	--
	-----	-----
Total liabilities	34,214,012	12,774,539
	-----	-----
Commitments and contingencies (Note 15)		
Shareholders' Equity:		
Common stock, \$.01 par value, authorized 100,000,000 shares; issued and outstanding 17,376,210 and 16,067,968 shares, respectively	173,762	160,680
Additional paid-in capital	17,207,137	14,299,373
Retained earnings	12,318,721	3,149,328
Deferred financing costs	(416,525)	--
Stock subscriptions receivable	--	(382,063)
Accumulated other comprehensive loss	(436,750)	(1,305,788)
	-----	-----
Total shareholders' equity	28,846,345	15,921,530
	-----	-----
Total liabilities and shareholders' equity	\$ 63,060,357	\$ 28,696,069
	=====	=====

See accompanying notes to consolidated financial statements.

F-3

22

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	1998
	-----	-----	-----
Revenues	\$ 72,931,388	\$ 45,873,341	\$ 33,607,533
Cost of sales	45,015,368	30,912,917	21,427,255
	-----	-----	-----
Gross profit	27,916,020	14,960,424	12,180,278
Selling, general and administrative	11,108,302	9,030,171	7,366,444
Depreciation and amortization	1,367,964	813,332	489,201
	-----	-----	-----
Operating income	15,439,754	5,116,921	4,324,633
Other expense:			
Interest expense, net	432,361	380,957	392,258
Write-down of investment in 3CI	1,000,000	--	--
	-----	-----	-----
Total other expense	1,432,361	380,957	392,258
	-----	-----	-----
Income before income taxes	14,007,393	4,735,964	3,932,375

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Income tax expense (benefit)	4,838,000	1,800,000	(307,251)
	-----	-----	-----
Net income	\$ 9,169,393	\$ 2,935,964	\$ 4,239,626
	=====	=====	=====
Basic earnings per share:			
Net income	\$ 0.55	\$ 0.18	\$ 0.27
	=====	=====	=====
Weighted average common shares outstanding	16,630,482	16,008,639	15,569,849
	=====	=====	=====
Diluted earnings per share:			
Net income	\$ 0.50	\$ 0.17	\$ 0.25
	=====	=====	=====
Weighted average common and dilutive shares outstanding	18,493,331	16,968,412	16,896,688
	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-4

23

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	
	-----	-----	-----
Net income	\$ 9,169,393	\$ 2,935,964	\$ 4,239,626
Other comprehensive income (loss):			
Unrealized gain (loss) on investment in 3CI	(130,962)	(655,159)	
Less: reclassification adjustment for loss included in net income	1,000,000	--	
	-----	-----	-----
Other comprehensive income (loss)	869,038	(655,159)	
	-----	-----	-----
Comprehensive income	\$ 10,038,431	\$ 2,280,805	\$ 4,239,626
	=====	=====	=====

See accompanying notes to consolidated financial statements.

F-5

24

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

### TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	SHARES ISSUED AND OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	
	-----	-----	-----	-----	-----
Balance, September 30, 1997	14,851,050	148,511	13,387,412	(4,026,262)	(
Exercise of warrants	1,009,418	10,094	757,141	--	
Net income	--	--	--	4,239,626	
Payments of stock subscriptions	--	--	--	--	
Unrealized gain on investment in 3CI	--	--	--	--	
	-----	-----	-----	-----	-----
Balance, September 30, 1998	15,860,468	158,605	14,144,553	213,364	(
Exercise of warrants	207,500	2,075	154,820	--	
Net income	--	--	--	2,935,964	
Unrealized loss on investment in 3CI	--	--	--	--	
	-----	-----	-----	-----	-----
Balance, September 30, 1999	16,067,968	160,680	14,299,373	3,149,328	(
Exercise of warrants and options	1,308,242	13,082	1,336,082	--	
Issuance of warrants in connection with convertible debentures	--	--	1,571,682	--	
Deferred financing costs	--	--	--	--	
Payments of stock subscriptions	--	--	--	--	
Net income	--	--	--	9,169,393	
Unrealized loss on investment in 3CI	--	--	--	--	
Reclassification adjustment for realized loss on investment in 3CI included in net income	--	--	--	--	
	-----	-----	-----	-----	-----
Balance, September 30, 2000	17,376,210	\$ 173,762	\$ 17,207,137	\$ 12,318,721	\$
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.



Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

	YEARS ENDED SEPTEMBER	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 9,169,393	\$ 2,935,964
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,367,964	813,332
Deferred taxes	(738,736)	332,186
Write-down of investment in 3CI	1,000,000	--
Gain on sale of property, plant and equipment	--	(12,195)
Changes in assets and liabilities:		
Trade accounts receivable, net	(14,031,078)	(4,890,981)
Notes and other receivables	(254,312)	276,687
Inventories	(4,286,751)	577,015
Prepays and other assets	(1,522,811)	175,316
Accounts payable and accrued liabilities	4,417,264	1,999,698
Net cash provided by (used in) operating activities	(4,879,067)	2,207,022
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,230,178)	(1,282,875)
Proceeds from sale of property, plant and equipment	--	12,195
Increase in intangible assets	--	(81,571)
Increase in investment in 3CI	--	--
Net cash used in investing activities	(1,230,178)	(1,352,251)
Cash flows from financing activities:		
Proceeds from issuance of convertible debentures	18,000,000	--
Proceeds from borrowings under revolving credit note	305,366	140,030
Repayments of notes payable	(128,000)	(128,000)
Proceeds from exercise of warrants and options	1,349,164	156,895
Payments of stock subscriptions	382,063	--
Net cash provided by financing activities	19,908,593	168,925
Net increase (decrease) in cash and cash equivalents	13,799,348	1,023,696
Cash and cash equivalents at beginning of period	2,423,844	1,400,148
Cash and cash equivalents at end of period	\$ 16,223,192	\$ 2,423,844
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 529,242	\$ 459,636
Cash paid for taxes, net of refunds receivable	\$ 4,770,100	\$ 1,539,549
Supplemental disclosure of non-cash financing activities:		
Discount on long-term debt for detachable warrants	\$ 1,155,157	\$ --
Warrants issued for deferred financing costs	\$ 416,525	\$ --

=====

See accompanying notes to consolidated financial statements.

F-7

26

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2000, 1999 AND 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Tidel Technologies, Inc. (the "Company") is a Delaware corporation which, through its wholly owned subsidiaries, develops, manufactures, sells and supports automated teller machines and related software and electronic cash security systems, primarily in the United States.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current year presentation format.

CASH AND CASH EQUIVALENTS

For purposes of consolidated financial statement presentation and reporting cash flows, all liquid investments with original maturities at date of purchase of three months or less are considered cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the standard cost method and includes materials, labor and production overhead which approximates an average cost method. Reserves are provided to adjust any slow moving materials or goods to net realizable values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

INTANGIBLE ASSETS

All intangible assets are amortized using the straight-line method over a period ranging from 5 to 10 years, with the exception of goodwill, which is amortized over 40 years.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company's long-lived assets and certain identifiable intangibles and goodwill are reviewed for impairment whenever events or changes in circumstances

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

indicate that the carrying amount of any assets may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected

F-8

27

future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized.

### WARRANTIES

Certain products are sold under warranty against defects in materials and workmanship for a period of one to two years. A provision for estimated warranty costs is included in accrued liabilities and is charged to operations at the time of sale.

### REVENUE RECOGNITION

Revenues are recognized at the time products are shipped to customers.

### RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred. Research and development costs charged to expense were approximately \$2,800,000, \$1,700,000 and \$1,400,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

### FEDERAL INCOME TAXES

Income taxes are accounted for under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in determining income or loss in the period that includes the enactment date.

### INVESTMENT SECURITIES

In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), the Company classifies its investment in 3CI Complete Compliance Corporation ("3CI") as available for sale, with unrealized gains and losses excluded from earnings and recorded as a component of other comprehensive income. Declines in fair value below the amortized cost basis of the investments that are determined to be other than a temporary decline are charged to earnings.

### ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss includes all non-equity holder changes in stockholders' equity. As of September 30, 2000 and 1999, the Company's only component of accumulated other comprehensive loss relates to unrealized losses on its investment in 3CI.

### NET INCOME PER SHARE

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"), the Company computes and presents both basic and diluted earnings per share ("EPS") amounts. Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period, and excludes the effect of potentially dilutive securities (such as options, warrants and convertible

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

securities) which are convertible into common stock. Dilutive EPS reflects the potential dilution from options, warrants and convertible securities.

F-9

28

### STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), requires companies to recognize stock-based expense based on the estimated fair value of employee stock options. Alternatively, SFAS No. 123 allows companies to retain the current approach set forth in APB Opinion 25, "Accounting for Stock Issued to Employees", provided that expanded footnote disclosure is presented. The Company has not adopted the fair value method of accounting for stock-based compensation under SFAS No. 123, but has provided the pro forma disclosure required therein.

### USE OF ESTIMATES

The preparation of the accompanying consolidated financial statements requires the use of estimates by management in determining the Company's assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments", requires the disclosure of estimated fair values for financial instruments. Fair value estimates are made at discrete points in time based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. The Company believes that the carrying amounts of its financial instruments included in current assets and current liabilities approximate the fair value of such items due to their short-term nature. The carrying amount of long-term debt approximates its fair value because the interest rates approximate market.

### (2) MAJOR CUSTOMERS AND CREDIT RISKS

The Company generally retains a security interest in the underlying equipment that is sold to customers until it receives payment in full. In addition, one major customer has pledged additional collateral to the Company. The Company would incur an accounting loss equal to the carrying value of the accounts receivable, less any amounts recovered from liquidation of collateral, if a customer failed to perform according to the terms of the credit arrangements.

During the year ended September 30, 2000, the Company had sales to one major customer that accounted for more than 10% of sales in the amount of \$44,825,049. During the year ended September 30, 1999, the Company had such sales to two major customers in the amounts of \$18,554,624 and \$4,781,236. During the year ended September 30, 1998, the Company had such sales to two major customers in the amounts of \$3,526,941 and \$3,520,910.

Foreign sales accounted for 6%, 5% and 4% of the Company's total sales during the years ended September 30, 2000, 1999 and 1998, respectively. Foreign sales are transacted in U.S. dollars.

### (3) NOTES AND OTHER RECEIVABLES

Notes and other receivables consisted of non-trade notes and accounts of \$1,151,680 and \$897,368 at September 30, 2000 and 1999, respectively.

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

F-10

29

At September 30, 2000, the Company had a note due from a non-affiliated corporation with an outstanding principal balance of \$213,058. The note bears interest at 12% per annum and is secured by the personal guaranty of the majority shareholder of the non-affiliated corporation and a pledge of outstanding common stock of the corporation. The note matures March 31, 2001. Non-trade accounts also include amounts due from related parties as described in Note 16.

(4) INVENTORIES

Inventories consisted of the following at September 30, 2000 and 1999:

	2000	1999
	-----	-----
Raw materials .....	\$ 9,047,215	\$ 5,200,887
Work in process .....	12,191	36,749
Finished goods .....	1,244,944	590,852
Other .....	398,560	384,963
	-----	-----
	10,702,910	6,213,451
Inventory reserve .....	(287,418)	(84,710)
	-----	-----
	\$ 10,415,492	\$ 6,128,741
	=====	=====

(5) INVESTMENT IN 3CI

The Company owned 698,464 shares of 3CI common stock at September 30, 2000 and 1999 with a market value of \$130,962 (\$0.188 per share) and \$261,924 (\$.375 per share), respectively. In accordance with the provisions of SFAS No. 115, the Company recorded an impairment charge of \$1,000,000 in September 2000 as the decline in fair value has been deemed to be other than temporary. In addition, the Company recorded unrealized losses of \$130,962 and \$655,159 as components of other comprehensive income at September 30, 2000 and 1999, respectively.

(6) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at September 30, 2000 and 1999:

	2000	1999	Useful Life
	-----	-----	-----
Machinery and equipment .....	3,003,498	\$ 2,235,371	2 - 10 years
Computer equipment and systems .....	963,994	958,332	2 - 7 years
Furniture, fixtures and other improvements .....	951,694	718,645	3 - 5 years
	-----	-----	
	\$4,919,186	\$ 3,912,348	
	=====	=====	

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Depreciation expense was \$1,245,653, \$596,438 and \$368,825 for the years ended September 30, 2000, 1999 and 1998, respectively. Repairs and maintenance expense was \$111,711, \$112,637 and \$56,330 for the years ended September 30, 2000, 1999 and 1998, respectively.

### (7) INTANGIBLE ASSETS

Intangible assets consisted of the following at September 30, 2000 and 1999:

	2000	1999
	-----	-----
Electronic cash security systems:		
Software .....	\$ 350,000	\$ 350,000
Proprietary technology .....	417,000	417,000
Other .....	350,849	350,849
Goodwill .....	583,224	583,224
Accumulated amortization .....	(1,161,675)	(1,039,364)
	-----	-----
	\$ 539,398	\$ 661,709
	=====	=====

### (8) LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2000 and 1999:

	2000	1999
	-----	-----
Revolving credit note payable to bank, due April 30, 2002, interest payable monthly at prime (8.4% and 8.25% at September 30, 2000 and 1999, respectively) .....	\$ 5,200,000	\$ 4,894,634
Term note payable to bank, payable in quarterly installments of \$32,000 plus accrued interest at 8.4% through May 31, 2003 .....	352,000	480,000
	-----	-----
Total long-term debt .....	5,552,000	5,374,634
Less: current maturities .....	(128,000)	(128,000)
	-----	-----
Long-term debt, less current maturities .....	\$ 5,424,000	\$ 5,246,634
	=====	=====

The Company has a credit agreement with a bank which provides for a \$7,000,000 revolving line of credit, of which \$1,800,000 was unused and available at September 30, 2000, and a \$640,000 term loan. The facility is secured by substantially all of the assets of the Company and its subsidiaries. Borrowings under the revolving line of credit are limited to the balance of eligible accounts receivable and inventory, and accrue interest at the prime rate with

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

certain LIBOR alternatives. The term loan is payable in quarterly principal installments of \$32,000 together with accrued interest at 8.4% per annum. Borrowings under the revolving line of credit mature in April 2002 and the term loan matures in May 2003. The credit agreement includes covenants which among other things, require the maintenance of specified financial ratios, restrict payments of dividends and limit the amount of capital expenditures. The Company was in compliance with all covenants at September 30, 2000. Subsequent to September 30, 2000, the Company amended the credit agreement to increase the line of credit to \$10,000,000.

The scheduled maturities of long-term debt outstanding at September 30, 2000 are summarized as follows: \$128,000 in 2001, \$5,328,000 in 2002 and \$96,000 in 2003.

### (9) CONVERTIBLE DEBENTURES

In September 2000, the Company entered into an agreement with two investors (the "Holders") whereby the Company issued \$18,000,000 of the Company's 6% Convertible Debentures, due September 8, 2004, which are convertible into shares of the Company's common stock at \$9.50 per share. In addition, the Company issued to the Holders warrants to purchase 378,947 shares of the Company's common stock, which are exercisable at any time through September 2005 at a price of \$9.80 per share.

F-12

31

The debentures provide for three methods to convert the debentures into shares of the Company's common stock: (1) conversion at the option of the Holder; (2) conversion at the option of the Company; and (3) a put option. The conversion price in effect on any conversion date shall be \$9.50 per common share, with the exception of the put option, as discussed below. In addition, the conversion ratio is subject to adjustment by an anti-dilution provision with regards to common share dividends, stock splits, and the granting of stock options and warrants.

#### CONVERSION AT THE OPTION OF THE HOLDER

The debentures shall be convertible into shares of common stock at the option of the Holder at any time following the original issue date. The Holder shall effect conversions at its option by delivering to the Company the conversion notice specifying therein the principal amount of debentures to be converted and the date on which such conversion is to be effected.

#### CONVERSION AT THE OPTION OF THE COMPANY

The Company may require conversion of all or a portion of the then outstanding principal amount of the debentures if the per share market value of the Company's common stock exceeds 150% of the then applicable conversion price for 20 trading days (which need not be consecutive) in a period of 30 consecutive trading days at any time after registration of the underlying shares, as well as certain other administrative requirements.

#### PUT OPTION

The debentures provide for the Holder to put the debentures back to the Company on either the 270th day or 540th day following the original issue date (the "Put Dates"). However, 20 days prior to each Put Date, the Company may indicate to the Holder the maximum amount of cash that the Company will pay upon the Put Date (the "Maximum Cash Consideration"). If the Holder still elects to put all or a portion of the debentures, then any amounts in excess of the Maximum Cash

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Consideration will convert into shares of common stock at a conversion price equal to the average of the per share market values for the five trading days preceding the put date, without regard to the stated conversion price of \$9.50 per share.

If the Holder exercises the put option, the Company shall pay the Holder the put price, up to the Maximum Cash Consideration, within 60 days following the Put Date (the "Put Payment Date"). If any portion of the Maximum Cash Consideration of the put price shall not be paid on or prior to the Put Payment Date, then the Holder shall have the right, no later than 20 trading days following the Put Payment Date, to either (i) rescind the put notice or (ii) convert all or portion of the principal amount and interest at a conversion price equal to the lower of the conversion price and the average of the per share market values during the ten trading days immediately preceding either the Put Payment Date or the date the Holder rescinds the put notice, whichever is lower.

As discussed above, the Holders received an aggregate of 378,947 common stock purchase warrants with an exercise price equal to \$9.80 per share, exercisable at any time prior to the expiration date in September 2005. In addition, the investment advisors for the transaction received warrants to purchase 189,473 shares of common stock at exercises prices of (i) \$10.925 per share as to 157,895 shares and (ii) \$11.27 per share as to 31,578 shares.

F-13

32

The Company calculated the fair value attributable to the Holders' detachable warrants to be \$1,155,157, with a corresponding discount recorded against the carrying value of the debentures. In addition, the Company attributed a fair value to the investment advisors' warrants of \$416,525, which has been recorded as deferred financing costs within shareholders' equity. Based on the terms of the debentures, management has determined that no beneficial conversion features have been granted to the Holders as a result of this agreement.

### (10) ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2000 and 1999:

	2000	1999
	-----	-----
Wages and related benefits .....	\$ 1,159,588	\$ 822,928
Reserve for warranty charges .....	899,997	714,325
Taxes:		
Federal income .....	350,167	175,000
Sales and use .....	143,725	97,514
Ad valorem .....	212,854	159,460
Other .....	873,933	145,087
	-----	-----
	\$ 3,640,264	\$ 2,114,314
	=====	=====

### (11) WARRANTS

The Company's registration statement covering the offering and sale by selling shareholders of the common stock underlying all of the Company's then outstanding warrants was declared effective in 1997. The warrants related to



## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

grants made in connection with debt and equity issues, acquisitions, directors' remuneration and various services rendered. During the year ended September 30, 2000, warrants to purchase 1,055,692 shares of common stock were exercised generating proceeds of \$995,587.

During the year ended September 30, 2000, the Company issued warrants to purchase 693,420 shares of common stock at exercise prices ranging from \$1.875 to \$11.27 (such prices being equal to or greater than the fair market value of the common stock at the date of the grants) in connection with the issuance of convertible debentures and for services rendered. At September 30, 2000, the Company had outstanding warrants to purchase 1,113,420 shares of common stock which expire at various dates through September 2005. The warrants have exercise prices ranging from \$0.625 to \$11.27 per share and, if exercised, would generate proceeds to the Company of approximately \$6,900,000.

### (12) EMPLOYEE STOCK OPTION PLANS

The Company adopted a Long-Term Incentive Plan in 1997 (the "1997 Plan") pursuant to which the Company's Board of Directors may grant stock options to officers and key employees. The 1997 Plan authorizes grants of options to purchase up to 1,000,000 shares of common stock. Options are granted with an exercise price equal to the fair market value of the common stock at the date of grant. Options granted under the 1997 Plan vest over four-year periods and expire no later than 10 years from the date of grant. At September 30, 2000, there were 955,700 options outstanding, and no additional shares available for grant under the 1997 Plan.

F-14

33

The Company's predecessor employee stock option plan, the 1989 Incentive Stock Option Plan (the "1989 Plan"), was terminated in June 1999. At the date of termination of the 1989 Plan, there were outstanding options to purchase 438,250 shares of common stock, of which 230,000 were outstanding at September 30, 2000.

The weighted-average fair value per share of stock options granted during 2000, 1999 and 1998 was \$1.17, \$.78 and \$1.39, respectively, on the date of grant, using the Black Scholes model with the following assumptions: risk-free interest rate of 5.16%, expected life of 4 years, expected volatility of 80.63%, and an expected dividend yield of 0% for the 2000 granted options; risk-free interest rate of 6.0%, expected life of 4 years, expected volatility of 80.16%, and an expected dividend yield of 0% for the 1999 granted options; and a risk-free interest rate of 5.62%, expected life of 4 years, expected volatility of 75.66%, and an expected dividend yield of 0% for the 1998 granted options.

The Company applied APB Opinion No. 25 in accounting for its Plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated as follows:

	2000	1999	1998
	-----	-----	-----
Net income:			
As reported .....	\$ 9,169,393	\$ 2,935,964	\$ 4,239,626
Pro forma .....	8,976,867	2,717,847	4,087,605

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Basic earnings per share:			
As reported .....	0.55	0.18	0.27
Pro forma .....	0.54	0.17	0.26
Diluted earnings per share:			
As reported .....	0.50	0.17	0.25
Pro forma .....	0.49	0.16	0.24

At September 30, 2000, the range of exercise prices was \$0.88 to \$1.75 per share under the 1989 Plan and \$1.25 to \$2.50 per share under the 1997 Plan. At September 30, 2000 and 1999, the weighted-average remaining contractual life of the outstanding options was 7.07 years and 6.8 years, respectively. Stock option activity during the periods indicated was as follows:

	Number of shares	Weighted average exercise price
	-----	-----
Balance at October 1, 1997 .....	759,550	\$ 1.78
Granted .....	10,000	2.31
Canceled .....	(15,000)	(1.16)
	-----	
Balance at September 30, 1998 .....	754,550	1.80
Granted .....	442,400	1.25
Canceled .....	(36,200)	(1.70)
	-----	
Balance at September 30, 1999 .....	1,160,750	1.59
Granted .....	277,500	1.88
Exercised .....	(252,550)	(1.40)
	-----	
Balance at September 30, 2000 .....	1,185,700	1.70
	=====	

F-15

34

At September 30, 2000 and 1999, the number of options exercisable was 324,250 and 438,250, respectively, at weighted average prices of \$1.79 per share and \$1.34 per share, respectively.

(13) INCOME TAXES

Income tax expense (benefit) attributable to income from operations consisted of the following for the years ended September 30, 2000, 1999, and 1998:

	2000	1999	1998
	-----	-----	-----
Federal current tax expense .....	\$ 5,576,736	\$ 1,376,010	\$ 225,755
State current tax expense .....	--	91,804	414,451
Federal deferred tax expense (benefit) .....	(738,736)	233,854	(849,125)
State deferred tax expense (benefit) .....	--	98,332	(98,332)

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

-----	-----	-----
\$ 4,838,000	\$ 1,800,000	\$ (307,251)
=====	=====	=====

Income tax expense (benefit) differed from the amounts computed by applying the U.S. statutory federal income tax rate of 34% to pretax income from operations as a result of the following:

	2000	1999	1998
	-----	-----	-----
Computed "expected" tax expense .....	\$ 4,762,514	\$ 1,610,228	\$ 1,337,000
Change in valuation allowances .....	--	--	(1,938,450)
State taxes, net of benefit .....	--	125,490	208,630
Nondeductible items and permanent differences .....	46,687	56,632	36,350
Other .....	28,799	7,650	49,200
	-----	-----	-----
	\$ 4,838,000	\$ 1,800,000	\$ (307,251)
	=====	=====	=====

The tax effects of temporary differences that were the sources of the deferred tax assets consisted of the following at September 30, 2000 and 1999:

	2000	1999
	-----	-----
Deferred tax assets:		
Fixed assets .....	\$ 152,009	\$ --
Intangible assets .....	188,510	176,091
Accounts receivable .....	152,333	192,752
Inventories .....	359,269	204,642
Investment in 3CI .....	605,001	560,474
Accrued expenses .....	421,237	368,633
Other .....	59,459	--
	-----	-----
Total gross deferred tax assets .....	1,937,818	1,502,592
Less: valuation allowance .....	(265,001)	(560,474)
	-----	-----
Net deferred tax assets .....	1,672,817	942,118
	-----	-----
Other deferred tax liabilities .....	--	8,037
	-----	-----
Net deferred tax assets .....	\$ 1,672,817	\$ 934,081
	=====	=====

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company has established a valuation allowance for such deferred tax assets to the extent such amounts are not expected to be utilized.

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

### (14) EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted computations for the years ended September 30, 2000, 1999 and 1998:

	Net Income	Weighted Average Shares Outstanding	Per Share Amount
	-----	-----	-----
Year Ended September 30, 2000:			
Basic earnings per share .....	\$ 9,169,393	16,630,482	\$ 0.55
Effect of dilutive warrants and options .....	--	1,862,849	(0.05)
	-----	-----	-----
Diluted earnings per share .....	\$ 9,169,393	18,493,331	\$ 0.50
	=====	=====	=====
Year Ended September 30, 1999:			
Basic earnings per share .....	\$ 2,935,964	16,008,639	\$ 0.18
Effect of dilutive warrants and options .....	--	959,773	(0.01)
	-----	-----	-----
Diluted earnings per share .....	\$ 2,935,964	16,968,412	\$ 0.17
	=====	=====	=====
Year Ended September 30, 1998:			
Basic earnings per share .....	\$ 4,239,626	15,569,849	\$ 0.27
Effect of dilutive warrants and options .....	--	1,326,839	(0.02)
	-----	-----	-----
Diluted earnings per share .....	\$ 4,239,626	16,896,688	\$ 0.25
	=====	=====	=====

### (15) COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are each subject to certain litigation and claims arising in the ordinary course of business. In the opinion of the management of the Company, the amounts ultimately payable, if any, as a result of such litigation and claims will not have a materially adverse effect on the Company's financial position.

The Company leases office and warehouse space, transportation equipment and other equipment under terms of operating leases which expire through 2004. Rental expense under these leases for the years ended September 30, 2000, 1999 and 1998 was approximately \$500,388, \$366,128 and \$382,000, respectively. The Company has approximate future lease commitments as follows:

	Amount
	-----
Year Ending September 30:	
2001 .....	\$ 542,642
2002 .....	365,835
2003 .....	294,901
2004 .....	97,968
Thereafter .....	--
	-----

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

\$ 1,301,346

(16) RELATED PARTY TRANSACTIONS

From time to time, the Company provides certain administrative and clerical services to three entities with which certain directors have an affiliation. Fees earned by the Company for these services were \$26,000 and \$42,000 for the years ended September 30, 1999 and 1998; however, the Company earned

F-17

36

no such fees for the year ended September 30, 2000. Amounts due to the Company from these entities totaled \$238,207 and \$260,532 at September 30, 2000 and 1999, respectively.

In September 2000, the Company loaned \$141,600 to Michael F. Hudson, Executive Vice President of the Company, in a six-month promissory note bearing interest at 10% per annum. Subsequent to September 2000, the Company loaned Mr. Hudson an additional \$100,000 on similar terms and conditions.

F-18

37

SCHEDULE I

TIDEL TECHNOLOGIES, INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
  
(PARENT COMPANY ONLY)  
CONDENSED BALANCE SHEETS

	SEPTEMBER 30,	
	2000	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,967,697	\$ 148,962
Notes and other receivables	877,494	761,410
Prepaid expenses and other assets	58,999	48,970
Total current assets	13,904,190	959,342
Investment in 3CI, at market value	130,962	261,924
Property, plant and equipment, at cost	128,680	125,394
Accumulated depreciation	(100,219)	(85,411)
Net property, plant and equipment	28,461	39,983
Investment in subsidiaries, at equity	24,547,001	14,001,431
Receivables from subsidiaries	6,992,517	1,418,142
Deferred tax asset	431,627	--

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Other assets	1,333,452	6,015
	-----	-----
Total assets	\$ 47,368,210	\$ 16,686,837
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current maturities of long-term debt	\$ 128,000	\$ 128,000
Accounts payable	173,465	41,591
Accrued liabilities	1,151,557	243,716
	-----	-----
Total current liabilities	1,453,022	413,307
Long-term debt, net of current maturities	224,000	352,000
Convertible debentures, net of discount of \$1,155,157	16,844,843	--
	-----	-----
Total liabilities	18,521,865	765,307
	-----	-----
Commitments and contingencies		
Shareholders' Equity:		
Common stock, \$.01 par value, authorized 100,000,000 shares; issued and outstanding 17,376,210 and 16,067,968 shares, respectively	173,762	160,680
Additional paid-in capital	17,207,137	14,299,373
Retained earnings	12,318,721	3,149,328
Deferred financing costs	(416,525)	--
Stock subscriptions receivable	--	(382,063)
Accumulated other comprehensive loss	(436,750)	(1,305,788)
	-----	-----
Total shareholders' equity	28,846,345	15,921,530
	-----	-----
Total liabilities and shareholders' equity	\$ 47,368,210	\$ 16,686,837
	=====	=====

See accompanying notes to condensed financial information of registrant.

S-1

38

TIDEL TECHNOLOGIES, INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
(PARENT COMPANY ONLY)  
CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	YEARS ENDED SEPTEMBER 30,		
	2000	1999	1998
	-----	-----	-----
Revenues	\$ --	\$ --	\$ --
Costs and expenses:			

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Selling, general and administrative	1,202,709	992,790	
Depreciation and amortization	14,808	16,612	
	-----	-----	-----
Operating loss	(1,217,517)	(1,009,402)	(
Interest income (expense), net	56,112	29,929	
	-----	-----	-----
Loss before equity in income of subsidiaries and taxes	(1,161,405)	(979,473)	(
Equity in income of subsidiaries	10,545,570	3,590,437	3,
Write-down of investment in 3CI	(1,000,000)	--	
	-----	-----	-----
Income before taxes	8,384,165	2,610,964	3,
Income tax benefit	785,228	325,000	1,
	-----	-----	-----
Net income	9,169,393	2,935,964	4,
Other comprehensive income (loss), net of tax:			
Unrealized (loss) gain on investment in 3CI	(130,962)	(655,159)	
Less: reclassification adjustment for realized loss included in net income	1,000,000	--	
	-----	-----	-----
Other comprehensive income (loss)	869,038	(655,159)	
	-----	-----	-----
Comprehensive income	\$ 10,038,431	\$ 2,280,805	\$ 4,
	=====	=====	=====

See accompanying notes to consolidated financial statements.

S-2

39

TIDEL TECHNOLOGIES, INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY ONLY)  
CONDENSED STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 3	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 9,169,393	\$ 2,935,964
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,808	16,612
Deferred taxes	(431,627)	(325,000)
Write-down of investment in 3CI	1,000,000	--
Equity in income of subsidiaries	(10,545,570)	(3,590,437)
Changes in assets and liabilities:		
Notes and other receivables	(116,084)	(346,183)
Prepaid expenses and other assets	(1,337,466)	946,965
Receivables from subsidiaries	(5,574,375)	395,890
Accounts payable and accrued liabilities	1,039,715	(9,284)
	-----	-----

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Net cash provided by (used in) operating activities	(6,781,206)	24,527
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,286)	(18,555)
Increase in investment in 3CI	--	--
Investment in subsidiaries	--	(2,000)
	-----	-----
Net cash used in investing activities	(3,286)	(20,555)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of convertible debentures	18,000,000	--
Repayments of notes payable	(128,000)	(128,000)
Proceeds from exercise of warrants	1,349,164	156,895
Payments of stock subscriptions	382,063	--
	-----	-----
Net cash provided by financing activities	19,603,227	28,895
	-----	-----
Net increase in cash and cash equivalents	12,818,735	32,867
	-----	-----
Cash and cash equivalents at beginning of year	148,962	116,095
	-----	-----
Cash and cash equivalents at end of year	\$ 12,967,697	\$ 148,962
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 40,769	\$ 48,751
	=====	=====
Cash paid for taxes, net of refunds receivable	\$ 4,770,100	\$ 1,055,730
	=====	=====
Supplemental disclosure of non-cash financing activities:		
Discount on long-term debt for detachable warrants	\$ 1,155,157	\$ --
	=====	=====
Warrants issued for deferred financing costs	\$ 416,525	\$ --
	=====	=====

See accompanying notes to condensed financial information of registrant.

S-3

40

TIDEL TECHNOLOGIES, INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY ONLY)  
NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(A) LONG-TERM DEBT AND CONVERTIBLE DEBENTURES

Long-term debt and convertible debentures consisted of the following at September 30, 2000 and 1999:



Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

	2000 -----	1999 -----
Term note payable to bank, payable in quarterly installments of \$32,000 plus accrued interest at 8.4% through May 31, 2003 .....	352,000	480,000
Convertible debentures, due September 2004, less unamortized discount of \$1,155,157, interest payable quarterly at 6% .....	16,844,843	--
	-----	-----
Total .....	17,196,843	480,000
Less: current maturities .....	(128,000)	(128,000)
	-----	-----
Total, less current maturities .....	\$ 17,068,843	\$ 352,000
	=====	=====

(B) GUARANTEES

The parent company and its subsidiaries have guaranteed the revolving credit note issued by its wholly owned operating company, Tidel Engineering, L.P., to a bank in the maximum principal amount of \$7,000,000 due April 30, 2002 (the "Revolving Credit Note"). At September 30, 2000, \$5,200,000 was outstanding pursuant to the Revolving Credit Note. Subsequent to September 30, 2000, the Company amended the credit agreement to increase the line of credit to \$10,000,000.

(C) DIVIDENDS FROM SUBSIDIARIES

No dividends have been paid to the parent company by its subsidiaries as of September 30, 2000. The Company's wholly owned operating company, Tidel Engineering, L.P., is restricted from paying dividends to the parent company and its subsidiaries pursuant to the Revolving Credit Note.

(D) INCOME TAXES

The parent company and its subsidiaries (collectively the "Companies") have entered into a tax sharing agreement providing that each of the Companies will be responsible for its tax liability for the years that the Companies were included in the parent company's consolidated income tax returns. Income taxes have been allocated to each of the Companies based on its pretax income and calculated on a separate company basis. Further, the agreement provides for reimbursements to the parent company for payment of the consolidated tax liability based on the allocations, and compensates each of the Companies for use of its losses or tax credits. As a result of the agreement, the parent company recognized tax benefits of \$785,228, \$325,000 and \$1,114,150 for the years ended September 30, 2000, 1999 and 1998, respectively.

S-4

41

TIDEL TECHNOLOGIES, INC.  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

(PARENT COMPANY ONLY)  
NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
(CONTINUED)

(E) AFFILIATED TRANSACTIONS

Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

From time to time, the Company provides certain administrative and clerical services to three entities with which certain directors have an affiliation. Fees earned by the Company for these services were \$26,000 and \$42,000 for the years ended September 30, 1999 and 1998; however, the Company earned no such fees for the year ended September 30, 2000. Amounts due to the Company from these entities totaled \$238,207 and \$260,532 at September 30, 2000 and 1999, respectively.

In September 2000, the Company loaned \$141,600 to Michael F. Hudson, Executive Vice President of the Company, in a six-month promissory note bearing interest at 10% per annum. Subsequent to September 2000, the Company loaned Mr. Hudson an additional \$100,000 on similar terms and conditions.

The subsidiaries paid annual management fees to the parent company in the aggregate amount of \$250,000, \$180,000 and \$180,000 during the fiscal years ended September 30, 2000, 1999 and 1998, respectively. In addition, the parent company bills the subsidiaries for direct expenses paid on their behalf and from time to time makes interest bearing advances for working capital purposes.

S-5

42

SCHEDULE II

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCED
For the year ended September 30, 2000:				
Allowance for doubtful accounts	\$ 566,917	\$ 500,000	\$ --	\$ 6
Inventory reserve	84,710	370,000	--	1
	<u>\$ 651,627</u>	<u>\$ 870,000</u>	<u>\$ --</u>	<u>\$ 7</u>
For the year ended September 30, 1999:				
Allowance for doubtful accounts	\$ 693,613	\$ --	\$ --	\$ 1
Inventory reserve	495,000	80,000	--	4
	<u>\$ 1,188,613</u>	<u>\$ 80,000</u>	<u>\$ --</u>	<u>\$ 6</u>
For the year ended September 30, 1998:				
Allowance for doubtful accounts	\$ 750,347	\$ 50,000	\$ 16,435	\$ 1
Inventory reserve	512,000	40,000	--	
	<u>\$ 1,262,347</u>	<u>\$ 90,000</u>	<u>\$ --</u>	<u>\$ 1</u>

## INDEX TO EXHIBITS

## EXHIBITS

Except as otherwise indicated, the following documents are incorporated by reference as Exhibits to this Report [the inclusion of certain Exhibits herein through incorporation by reference to "Form 10 of the Company" refer in each case to the indicated Exhibits as listed in Item 15.2 of the Company's Form 10 dated November 7, 1988 as amended by Form 8 dated February 2, 1989]:

Exhibit Number -----	Description -----
3.01.	Copy of Certificate of Incorporation of American Medical Technologies, Inc. (filed as Articles of Domestication with the Secretary of State, State of Delaware on November 6, 1987 and incorporated by reference to Exhibit 2 to Form 10 of the Company).
3.02.	Copy of By-Laws of the Company (incorporated by reference to Exhibit 3 to Form 10 of the Company).
3.03.	Amendment to Certificate of Incorporation dated July 16, 1997 (incorporated by reference to Exhibit 3 of the Company's Report on Form 10-Q for the quarterly period ended June 30, 1997).
4.01.	Copy of form of series BOD common stock purchase warrants of the Company issued to each of the seven directors of the Company as of October 23, 1995, each such warrant providing for the purchase of 50,000 shares of common stock at an exercise price of \$0.625 per share (incorporated by reference to Exhibit 4.15. of the Company's Report on Form 10-K for the year ended September 30, 1995).
4.02.	Credit Agreement dated April 1, 1999 by and among Tidel Engineering, L.P., Tidel Technologies, Inc. and Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.02 of the Company's Report on Form 10-K for the year ended September 30, 1999).
4.03.	Promissory Note dated April 1, 1999 executed by Tidel Engineering, L.P. payable to the order of Chase Bank of Texas Commerce, N.A. (incorporated by reference to Exhibit 4.03 of the Company's Report on Form 10-K for the year ended September 30, 1999).
4.04.	Term Note dated April 1, 1999, executed by Tidel Engineering, L.P. and Tidel Technologies, Inc. payable to the order of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.04 of the

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

Company's Report on Form 10-K for the year ended September 30, 1999).

E-1

44

- 4.05. Security Agreement (Personal Property) dated as of April 1, 1999, by and between Tidel Engineering, L.P. and Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.05 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.06. Security Agreement (Personal Property) dated as of April 1, 1999, by and between Tidel Cash Systems, Inc. and Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.06 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.07. Security Agreement (Personal Property) dated as of April 1, 1999, by and between Tidel Services, Inc. and Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.07 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.08. Unconditional Guaranty Agreement dated April 1, 1999 executed by Tidel Technologies, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.08 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.09. Unconditional Guaranty Agreement dated April 1, 1999 executed by Tidel Services, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.09 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.10. Unconditional Guaranty Agreement dated April 1, 1999 executed by Tidel Cash Systems, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.10 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.11. Pledge and Security Agreement (Stock) dated April 1, 1999 executed by Tidel Technologies, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.11 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.12. Pledge and Security Agreement (Limited Partnership Interest) dated April 1, 1999 executed by Tidel Services, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.12 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.13. Pledge and Security Agreement (Limited Partnership Interest) dated April 1, 1999 executed by Tidel Cash Systems, Inc. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.13 of the Company's Report on Form 10-K for the year ended September 30, 1999).

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

- 4.14. Patent Assignment dated as of March 31, 1999 executed by Tidel Engineering, Inc. to Tidel Engineering, L.P. (incorporated by reference to

E-2

45

Exhibit 4.14 of the Company's Report on Form 10-K for the year ended September 30, 1999).

- 4.15. Patent Security Agreement dated April 1, 1999 executed by Tidel Engineering, L.P. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.15 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.16. Trademark Assignment dated as of March 31, 1999 executed by Tidel Engineering, Inc. to Tidel Engineering, L.P. (incorporated by reference to Exhibit 4.16 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.17. Trademark Security Agreement dated April 1, 1999 executed by Tidel Engineering, L.P. for the benefit of Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.17 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.18. Revolving Credit Note dated September 30, 1999 executed by Tidel Engineering, L.P. payable to the order of Chase Bank of Texas, Inc. (incorporated by reference to Exhibit 4.18 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.19. First Amendment to Credit Agreement dated April 1, 1999 by and between Tidel Engineering, L.P., Tidel Technologies, Inc. and Chase Bank of Texas, N.A. (incorporated by reference to Exhibit 4.19 of the Company's Report on Form 10-K for the year ended September 30, 1999).
- 4.20. Form of Convertible Debenture dated September 8, 2000 (incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K dated September 8, 2000).
- 4.21. Form of Common Stock Purchase Warrant dated September 8, 2000 (incorporated by reference to Exhibit 4.2 of the Company's Report on Form 8-K dated September 8, 2000).
- 10.01. Copy of 1989 Incentive Stock Option Plan of the Company (incorporated by reference to Appendix A of the Company's Proxy Statement filed under Regulation 14A with respect to the Annual Meeting of Shareholders held June 13, 1989).

E-3

46

## Edgar Filing: TIDEL TECHNOLOGIES INC - Form 10-K

- 10.02. Copy of Lease Agreement dated February 21, 1992 between the Company, as Lessee, and San Felipe Plaza, Ltd., as Lessor, related to the occupancy of the Company's executive offices (incorporated by reference to Exhibit 10.10. of the Company's Report on Form 10-K for the year ended September 30, 1992).
- 10.03. Copy of Lease dated as of December 9, 1994 (together with the Addendum and Exhibits thereto) between Booth, Inc., a Texas corporation, as Landlord and Tidel Engineering, Inc., as Tenant, covering approximately 65,000 square feet of manufacturing and office premises at 2310 McDaniel Drive, Carrollton, Texas (incorporated by reference to Exhibit 10.7. of the Company's Report on Form 10-K for the year ended September 30, 1994).
- 10.04. Copy of Agreement dated October 30, 1991 between ACS and Tidel Engineering, Inc. (incorporated by reference to Exhibit 10.14. of the Company's Report on Form 10-K for the year ended September 30, 1992).
- 10.05. Copy of EFT Processing Services Agreement dated February 3, 1995 by, between and among Affiliated Computer Services, Inc. ("ACS"), AnyCard International, Inc. and the Company related to the electronic fund transfer services to be provided by ACS to AnyCard (incorporated by reference to Exhibit 10.9. of the Company's Report on Form 10-K for the year ended September 30, 1995).
- 10.06. Copy of Amendment No. 1 dated as of September 14, 1995 to Exhibit 10.05. above (incorporated by reference to Exhibit 10.10. of the Company's Report on Form 10-K for the year ended September 30, 1995).
- 10.07. Copy of Purchase Agreement dated February 3, 1995 between ACS and AnyCard International, Inc. related to the purchase by ACS of AnyCard Systems (incorporated by reference to Exhibit 10.11. of the Company's Report on Form 10-K for the year ended September 30, 1995).
- 10.08. Copy of Amendment No. 1 dated as of September 14, 1995 to Exhibit 10.07. above (incorporated by reference to Exhibit 10.12. of the Company's Report on Form 10-K for the year ended September 30, 1995).
- 10.09. Copy of Amendment No. 2 dated as of September 15, 1997 to Exhibit 10.02. above (incorporated by reference to Exhibit 10.14. of the Company's report on Form 10-K for the year ended September 30, 1997).
- 10.10. Convertible Debenture Purchase Agreement dated September 8, 2000 by and between the Registrant and Montrose Investments Ltd. (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K dated September 8, 2000).

- 10.11. Registration Rights Agreement dated September 8, 2000 by and between the Registrant and Montrose Investments Ltd. (incorporated by reference to Exhibit 10.2 of the Company's Report on Form 8-K dated September 8, 2000).
- 10.12. Subordination Agreement dated September 8, 2000 by and among the Registrant, Tidel Engineering, L.P., Montrose Investments Ltd. and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.3 of the Company's Report on Form 8-K dated September 8, 2000).
- 10.13. Second Amendment to Credit Agreement dated September 8, 2000 by and among the Registrant, Tidel Engineering, L.P. and The Chase Manhattan Bank (incorporated by reference to Exhibit 10.4 of the Company's Report on Form 8-K dated September 8, 2000).
- 21.01. The Registrant has three subsidiaries doing business in the names set forth below:

Name	State of Incorporation	Percent Owned
----	-----	-----
Tidel Cash Systems, Inc.	Delaware	100%
AnyCard International, Inc.	Delaware	100%
Tidel Services, Inc.	Delaware	100%

- \*27.01. Financial data schedule.
- 99.01. Employment agreement, dated January 1, 2000, between the Company and James T. Rash (incorporated by reference to Exhibit 99.1 of the Company's Report on Form 10-Q for the quarterly period ended March 31, 2000).
- 99.02. Employment agreement, dated January 1, 2000, between Tidel Engineering, L.P. and Mark K. Levenick (incorporated by reference to Exhibit 99.2 of the Company's Report on Form 10-Q for the quarterly period ended March 31, 2000).
- 99.03. Employment agreement, dated January 1, 2000, between Tidel Engineering, L.P. and Michael F. Hudson (incorporated by reference to Exhibit 99.3 of the Company's Report on Form 10-Q for the quarterly period ended March 31, 2000).

-----  
 \* -- Filed herewith.