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NIGHTHAWK SYSTEMS INC
Form 10QSB
August 14, 2006

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2006

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

For the transition period from _____ to _____

Commission File Number: 0-30786

NIGHTHAWK SYSTEMS, INC

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

Nevada

87-0627349

(State or other jurisdiction
of incorporation or organization)

(I.R.S Employer
Identification No.)

10715 Gulfdale, Suite 200
San Antonio, TX 78216

(Address of principal executive offices)

210 341-4811

(Issuer's telephone number)

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

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

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PART I - FINANCIAL INFORMATION

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

ASSETS

Current assets:

Cash	\$ 18,713
Accounts receivable, net of allowance for doubtful accounts of \$456	156,311
Inventories	137,842
Prepays	690,115

Total current assets	1,002,981
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Furniture, fixtures and equipment, net	19,918
Intangible and other assets	19,548
	\$ 1,042,447

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable	\$ 249,429
Accrued expenses	306,479

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Line of credit	19,792
Notes payable:	
Related parties	13,471
Other	340,439

Total current liabilities	929,610

Long-term liabilities:	
Convertible debt	2,539,983

Commitments and contingencies	
Stockholders' deficit:	
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 5,000 issued and outstanding; liquidation preference	\$ -
Common stock; \$0.001 par value; 200,000,000 shares authorized; 71,452,553 issued and outstanding	71,453
Additional paid- in capital	7,500,641
Accumulated deficit	(9,999,240)

Total stockholders' deficit	(2,427,146)

	\$ 1,042,447
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