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ADVANTAGE TECHNOLOGIES GROUP INC

Form 10KSB/A

February 07, 2003

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

FORM 10- KSB/A
Amendment No. 1

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2002

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

Commission file number 1-10799

ADVANTAGE TECHNOLOGIES GROUP, INC.
(Name of small business issuer in its charter)

Oklahoma
(State or other jurisdiction
of
incorporation or organization)

73-1351610
(I.R.S. Employer
Identification No.)

1605 East Iola
Broken Arrow, Oklahoma
(Address of principal
executive offices)

74012
(Zip code)

Issuer's telephone number: (918) 251-9121

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:
Common Stock, \$.01 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for its most recent fiscal year are \$25,408,931.

The aggregate market value of the shares of common stock, par value \$.01 per share, held by non-affiliates of the issuer was \$1,196,204 as of December 26, 2002.

As of the latest practicable date, the number of the registrant's common stock, \$.01 par value per share, outstanding was 10,010,414 as of December 26, 2002.

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TRANSITIONAL SMALL BUSINESS DISCLOSURE

(1) FORMAT (CHECK ONE): Yes [] No [x]

Part III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors, Executive Officers, Promoters, and Control Persons

The following persons are currently serving as directors and executive officers of the Company. Each director serves until the next annual meeting of the stockholders and until their successors are elected and qualified. Executive officers serve at the pleasure of the Board of Directors. Executive officer positions are noted in the biographical descriptions.

David E. Chymiak Director since 1999

David E. Chymiak, 57, has been the Chairman of our board since 1999. He is also the President and a director of our wholly owned subsidiary, TULSAT Corporation, which he and Kenneth A. Chymiak acquired in 1985.

Kenneth A. Chymiak Director since 1999

Kenneth A. Chymiak, 56, has been our President and Chief Executive officer since 1999. He is also the Executive Vice President and a director of TULSAT Corporation which he acquired with David E. Chymiak in 1985.

Freddie H. Gibson Director since 1999

Freddie H. Gibson, 55, has been the president and chairman of the board of directors of Heat Transfer and Equipment, a manufacturer of shell and turbo heat exchangers for oil and petroleum industries, since 1992.

Stephen J. Tyde Director since 1999

Stephen J. Tyde, 55, was the founder, president and chief executive officer of The Pump & Motor Works, Inc., an electric motor and turbo machinery manufacturing company from 1991- 2001. He was also the co-owner and chief operating officer of P&MW Holdings, Inc during the same period.

Gary W. Young Director since 1990

Gary W. Young, 61, served as our Executive Vice President - Finance and Administration from 1990-1999. He is also the owner and president of Young Ideas Inc., a financial consulting and investment company, he founded in 1987.

Randy L. Weideman Director since 1999

Randy L. Weideman, 46, founded Diamond W Investments, Inc. in 1985 and has served as its president since that time. We acquired Diamond W Investments, Inc. in 1999 and changed its name to Lee CATV Corporation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of our common stock to report their initial ownership of our common stock and any subsequent changes in

that ownership to the Securities and Exchange Commission or the SEC and to furnish us with a copy of each of these reports. SEC regulations impose specific due dates for these reports, and we are required to disclose in this proxy statement any failure to file by these dates during fiscal 2002.

To our knowledge, based solely on the review of the copies of these reports furnished to us and written representations that no other reports were required, during and with respect to fiscal 2002, all Section 16(a) filing requirements applicable to our executive officers, directors and more than 10% shareholders were complied with one exception. One of our directors, Stephen J. Tyde filed one late annual report with respect to three separate purchases of our shares during the 2001 fiscal year.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table
Executive Officers

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation | | |
|--|------|---------------------|---------------|---|---------------------------------------|--|---|
| | | Salary (\$)(1) | Bonus (\$) | Other Annual Compen- sation (\$)(2) | Restricted Stock Awards (\$) | Number of Shares Under- lying Options Granted | Long-Term Incentive Payouts (\$) |
| David E. Chymiak Chairman | 2002 | 225,000 | -0- | 10,000 | -0- | 1,000 | -0- |
| | 2001 | 213,463 | -0- | 8,500 | -0- | 1,000 | -0- |
| | 2000 | 150,000 | -0- | 6,837 | -0- | 1,000 | -0- |
| Kenneth A. Chymiak President and Chief Executive Officer | 2002 | 225,000 | -0- | 10,000 | -0- | 1,000 | -0- |
| | 2001 | 213,463 | -0- | 8,500 | -0- | 1,000 | -0- |
| | 1999 | 150,000 | -0- | 6,837 | -0- | 1,000 | -0- |

(1) These amounts represent the salaries paid to these officers by TULSAT Corporation.

(2) Other annual compensation represents, in 2002, 2001, 2000 our contributions on behalf of each of the individuals to our 401(k) Plan.

Option Grants During Fiscal 2002

The following table sets forth information regarding options granted during fiscal 2002 to named executive officers.

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| Name | Number of Shares Underlying Options Granted | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/Sh) | Expiration Date |
|--------------------|---|--|------------------------|-----------------|
| Kenneth A. Chymiak | 1,000 | 33.0% | \$ 0.81 | 3/6/12 |
| David E. Chymiak | 1,000 | 33.0% | \$ 0.81 | 3/6/12 |

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Option Exercises and Year-End Value Table

There were no stock options exercised by the named executive officers during fiscal 2002. The following table sets forth information regarding the value of unexercised stock options held by each of the named executive officers as of the year ended September 30, 2002.

| Name | Shares Acquired on Exercise | Value Realized | Number of Shares of Common Stock Underlying at September 30, 2000 | | Value of Unexercised In-the-Money Options at September 30, 2000 | |
|--------------------|-----------------------------|----------------|---|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Kenneth A. Chymiak | - | - | 3,000 | - | \$2,100 | - |
| David E. Chymiak | - | - | 3,000 | - | \$2,100 | - |

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the number of shares of common stock or preferred stock beneficially owned (as of January 28, 2003) by:

- each person who we know beneficially owns more than 5% of our common stock;
- each director;
- each executive officer named in the Summary Compensation Table on page 2; and
- our directors and executive officers as a group.

Except as otherwise indicated, the beneficial owners listed in the table have sole voting and investment powers of their shares.

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Beneficial Ownership

| Name and Address of Beneficial Owner | Number of Shares of Common Stock Beneficially Owned (1) | Percent of Class | Number of Shares of Series A Preferred Stock Beneficially Owned (2) | Percent of Class | Number of Shares of Series B Preferred Stock Beneficially Owned | Percent of Class |
|---|---|------------------|---|------------------|---|------------------|
| Gary W. Young 5905 S. Knoxville Ave. Tulsa, OK 74135 | 138,708 (3) | 1.4% | -0- | -0- | -0- | -0- |
| David E. Chymiak 1605 E. Iola Broken Arrow, OK 74012 | 4,169,100 (4) | 41.6% | 100,000 | 50.0% | 150,000 | 50.0% |
| Kenneth A. Chymiak 1605 E. Iola Broken Arrow, OK 74012 | 4,003,000 (4) | 40.0% | 100,000 | 50.0% | 150,000 | 50.0% |
| Stephen J. Tyde 8008 S. Fulton Ave. Tulsa, OK 74136 | 20,000 (4) | * | -0- | -0- | -0- | -0- |
| Freddie H. Gibson 808 S. Erie Avenue Tulsa, OK 74136 | 3,000 (4) | * | -0- | -0- | -0- | -0- |
| Randy L. Weideman Highway 136 West Deshler, NE 68340 | 138,780 (4) | 1.4% | -0- | -0- | -0- | -0- |
| All Executive Officers Directors as a group (6 persons) | 8,473,588 (3,4) | 84.6% | 200,000 | 100% | 300,000 | 100% |

* Less than one percent.

(1) Shares which an individual has the right to acquire within 60 days pursuant to the exercise of options are deemed to be outstanding for the purpose of computing the percentage ownership of such individual, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table or the percentage ownership of all officers and directors as a group.

(2) Each share of Series A Cumulative Convertible Preferred Stock is convertible into 10 shares of our common stock.

(3) Includes 27,000 shares are subject to stock options which are fully exercisable.

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- (4) Includes 3,000 shares subject to stock options which are fully exercisable.
- (5) All of the shares beneficially owned by Mr. Young are held of record by the GWYSEY General Partnership jointly owned by Mr. Young and his wife.
- (6) All of the shares beneficially owned by Mr. Chymiak are held of record 50% by him as trustee of the Ken Chymiak Revocable Trust and 50% by his wife as trustee of the Susan Chymiak Revocable Trust. Mr. Chymiak disclaims beneficial ownership of the shares held by his wife.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In fiscal 1999, Chymiak Investments, L.L.C., which is owned by David E. Chymiak and Kenneth A. Chymiak, purchased from TULSAT Corporation on September 30, 1999 the real estate and improvements comprising the headquarters and a substantial portion of the other office and warehouse space of TULSAT Corporation for a price of \$1,286,000. The price represents the appraised value of the property less the sales commission and other sales expenses that would have been incurred by TULSAT Corporation if it had sold the property to a third party in an arm's-length transaction. TULSAT Corporation entered into a five-year lease commencing October 1, 1999 with Chymiak Investments, L.L.C. covering the property under which the annual rental due to Chymiak Investments, L.L.C. is \$180,000. TULSAT Corporation is leasing other property from Chymiak Investments, L.L.C. and paid that company \$150,000 in 2001 and 2002; and is scheduled to pay \$126,500 for 2003, and \$78,000 for 2004.

In fiscal 2001, ADDvantage Technologies Group of Texas borrowed \$150,000 each on June 26, 2001 from Chymiak Investments, L.L.C for the purchase of a building comprising of office and warehouse space at the location in Texas. The note is payable at 7.5% over 10 years and total interest paid in 2002 was \$10,694.

In fiscal 2002, ADDvantage Technologies Group of Missouri completed additions at its location in Missouri and financed \$342,000 from Chymiak Investments, L.L.C for a building comprising of office and warehouse space. The note is payable at 7.5% over 10 years and total interest paid in 2002 was \$21,657.

Chymiak Investments Inc., which is owned by Kenneth A. Chymiak and his wife, Susan C. Chymiak, owns three other properties leased to TULSAT Corporation for five-year terms (all ending in 2003) at rentals of \$3,000 per month each (aggregate rentals per year of \$108,000 for all three buildings).

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The Company has outstanding, unsecured stockholder loans of \$1,100,000. Of this amount, \$950,000 is payable to revocable trusts for the benefit of Kenneth A. Chymiak and his wife and \$150,000 is payable to David E. Chymiak. The interest rate on the notes is one and one-quarter percentage point below the Chase Manhattan Bank Prime, which is the same rate as the Company's bank line of credit. The current rate on the notes is 3.5% and the total interest paid on the notes was \$79,166 in 2001 and \$47,352 in 2002.

SIGNATURES

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

ADDvantage Technologies Group, Inc.

Date: February 6, 2003

By: /S/ Kenneth A. Chymiak

Kenneth A. Chymiak, President and Chief
Executive Officer

CERTIFICATION

I, Kenneth A. Chymiak, certify that:

1. I have reviewed this amendment to annual report on Form 10-KSB/A of ADDvantage Technologies Group, Inc, (the "Company");
2. Based on my knowledge, this annual report, as amended hereby, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report, as amended hereby,;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, as amended hereby, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report, as amended hereby,;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have;
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report, as amended hereby, is being prepared;
 - b. Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report, as amended hereby, (the "Evaluation Date"); and
 - c. Presented in this annual report, as amended hereby, my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the

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Company's auditors any material weakness in internal controls; and

b. Any fraud, whether or not material that involves management or other employees who have a significant role in the Company's internal controls ; and

6. I have indicated in this annual report, as amended hereby, whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 6, 2003

/s/ Kenneth A. Chymiak

Kenneth A. Chymiak
Principal Executive Office and Principal Financial
Officer