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ADVANTAGE TECHNOLOGIES GROUP INC
Form DEF 14A
January 30, 2006

ADDvantage Technologies Group, Inc.
1221 East Houston
Broken Arrow, Oklahoma 74012

NOTICE OF ANNUAL MEETING

Date: Tuesday, March 7, 2006

Time: 10:00 a.m.

Place: Corporate Office of ADDvantage Technologies Group, Inc.
1221 East Houston
Broken Arrow, Oklahoma 74012

Matters to be voted on:

1. Election of five directors.
2. Ratification of the appointment of Hogan & Slovacek as our independent auditors for 2006.
3. Any other business properly brought before the shareholders at the meeting.

By Order of the Board of Directors,

James W. Brown, Secretary

February 10, 2006

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PROXY STATEMENT

Your vote at the annual meeting is important to us. Please vote your shares of common stock by completing the enclosed proxy card and returning it to us in the enclosed envelope. This proxy statement has information about the annual meeting and was prepared by our management for the board of directors. This proxy statement is first being sent to shareholders on or about February 11, 2006. Please note that our annual report accompanies this mailing

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of the proxy statement.

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ADDvantage Technologies Group, Inc.
1221 East Houston
Broken Arrow, Oklahoma 74012

PROXY STATEMENT FOR 2006 ANNUAL MEETING

GENERAL INFORMATION ABOUT VOTING

Who can vote?

You can vote your shares of common stock if our records show that you owned the shares on January 17, 2006. A total of 10,128,747 shares of common stock can vote at the annual meeting. You get one vote for each share of common stock. We do not recognize cumulative voting for the election of our directors. The enclosed proxy card shows the number of shares you can vote.

How do I vote by proxy?

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the annual meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope. The proxyholders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxyholders will vote for you on that proposal. Unless you instruct otherwise, the proxyholders will vote for each of the five directors and for the ratification of Hogan & Slovacek as Independent auditors.

What if other matters come up at the annual meeting?

The matters described in this proxy statement are the only matters we know will be voted on at the annual meeting. If other matters are properly presented at the meeting, the proxyholders will vote your shares as they see fit.

Can I change my vote after I return my proxy card?

Yes. At any time before the vote on a proposal, you can change your vote either by giving our secretary a written notice revoking your proxy

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person.

If your shares are held in the name of your broker, a bank, or other nominee, that party should give you instructions for voting your shares.

How are votes counted?

We will hold the annual meeting if holders of a majority of the shares of common stock entitled to vote either sign and return their proxy cards or attend the meeting. If you sign and return your proxy card, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote on any of the proposals listed on the proxy card. Votes will be tabulated by an inspector of election appointed by our board of directors. Abstentions from voting, which you may specify on the ratification of the appointment of Hogan & Slovacek as independent auditors, will have the effect of a negative vote.

If your shares are held in the name of a nominee, and you do not tell the nominee how to vote your shares (so-called "broker nonvotes"), the nominee may vote them on the proposals to elect directors and to ratify the appointment of Hogan & Slovacek as our independent auditors. Additionally, broker nonvotes will be counted as present to determine if a quorum exists.

Who pays for this proxy solicitation?

The accompanying proxy is solicited

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card or by signing, dating and returning to us a new proxy card. We will honor the proxy card with the latest date. Attendance at the annual meeting will not, by itself, revoke your proxy card.

Can I vote in person at the annual meeting rather than by completing the proxy card?

by and on behalf of our board of directors, and the entire cost will be paid by us. In addition to sending you these materials, some of our employees may contact you by telephone, by mail or in person. None of these employees will receive any extra compensation for doing this, but they may be reimbursed for their out-of-pocket expenses incurred while assisting us in soliciting your proxy.

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IDENTIFICATION OF OFFICERS

We have three executive officers. Our officers are elected by our board of directors and serve at the pleasure of the board.

David E. Chymiak

Biographical information for Mr. Chymiak, the Chairman of our board since 1999, is set forth below in Proposal No. 1, Election of Directors.

Kenneth A. Chymiak

Biographical information for Mr. Chymiak, our President and Chief Executive Officer since 1999, is set forth below in Proposal No. 1, Election of Directors.

James W. Brown

James W. Brown, 57, has been our vice president of operations since August 17, 2005 and secretary since October 18, 2005. From 2000 until 2005, Mr. Brown served as an independent consultant to a number of companies involved in manufacturing as well as the installation of telecommunications equipment. From 1997 to October 1999, Mr. Brown was Chief Financial Officer and Controller for Flow Tech, a manufacturer of high-performance automotive aftermarket exhaust systems, in Tempe, Arizona. Mr. Brown is a CPA and was certified in the State of Oklahoma in 1976.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table shows the number of shares of common stock or preferred stock beneficially owned (as of January 17, 2006) by:

- * each person known by us who beneficially owns more than 5% of any class of our voting stock;
- * each director and nominee for director;
- * each executive officer named in the Summary Compensation Table on page 10; and
- * our directors and executive officers as a group.

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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 (1) ----- | Number of Shares of Series B Preferred Stock Beneficially Owned ----- | Percent of Class ----- |
| David E. Chymiak 1221 E. Houston Broken Arrow, OK 74012 | 2,861,038 (2) | 28.2% | 150,000 | 50.0% |
| Kenneth A. Chymiak 1221 E. Houston Broken Arrow, OK 74012 | 2,477,138 (2) (5) | 24.4% | 150,000 (7) | 50.0% |
| Susan Chymiak 1221 E. Houston Broken Arrow, OK 74012 | 2,477,138 (2) (6) | 24.4% | 150,000 (8) | 50.0% |
| Stephen J. Tyde 1900 Sandwedge Place Wilmington, NC 28405 | 27,000 (3) | * | -0- | -0- |
| Freddie H. Gibson 8008 S. Erie Avenue Tulsa, OK 74136 | 10,000 (2) | * | -0- | -0- |
| Henry F. McCabe 7225 S. 85th E. Avenue Tulsa, OK 74133 | 10,000 (4) | * | -0- | -0- |
| All Executive Officers and Directors as a group (5 persons) | 5,385,176 (9) | 52.9% | 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.

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- (2) Includes 10,000 shares subject to stock options which are fully exercisable.
- (3) Includes 7,000 shares subject to stock options which are fully exercisable.
- (4) Includes 5,000 shares subject to stock options which are fully exercisable.
- (5) Of the shares beneficially owned by Mr. Chymiak, 671,138 are held of record by him as trustee of the Ken Chymiak Revocable Trust and 1,796,000 are held of record by his spouse, Susan C. Chymiak as trustee of the Susan Chymiak Revocable Trust. Mr. Chymiak has sole voting and investment power over those shares held of record by him. Mr. Chymiak disclaims beneficial ownership of the shares held by his wife.
- (6) Of the shares beneficially owned by Ms. Chymiak, 1,796,000 are held of record by her as trustee of the Susan Chymiak Revocable Trust and 671,138 are held of record by her spouse, Kenneth A. Chymiak as trustee of the Ken Chymiak Revocable Trust. Ms. Chymiak has sole voting and investment power over those shares held of record by her. Ms. Chymiak disclaims beneficial ownership of the shares held by her husband.
- (7) Of the shares beneficially owned by Mr. Chymiak, 75,000 are held of record by him as trustee of the Ken Chymiak Revocable Trust and 75,000 are held of record by his spouse, Susan C. Chymiak as trustee of the Susan Chymiak Revocable Trust. Mr. Chymiak disclaims beneficial ownership of the shares held by his wife.
- (8) Of the shares beneficially owned by Ms. Chymiak, 75,000 are held of record by her as trustee of the Susan Chymiak Revocable Trust and 75,000 are held of record by her spouse, Kenneth A. Chymiak as trustee of the Ken Chymiak Revocable Trust. Ms. Chymiak disclaims beneficial ownership of the shares held by her husband.
- (9) Includes 42,000 shares subject to stock options which are fully exercisable.

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Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon exercise of out- standing options, warrants & rights (a) | Weighted-average exerciser price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected column (a)) (c) |
|---|--|--|---|
| Equity Compensation plans approved by security holders | 144,757 | \$3.23 | 786,041 |
| Equity compensation plans | | | |

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with honors.

Stephen J. Tyde

Director since 1999

Stephen J. Tyde, 58, is the founder of The Pump & Motor Works, Inc., a re-manufacturer of industrial pumps, motors, transformers and switchgear (to 20,000 hp). After 20 years in the turbo machinery business, Mr. Tyde started The Pump & Motor Works in 1989 and developed it to a multi-million dollar operation before his divestiture in 2001. During that time, Mr. Tyde

oversaw all aspects of the company and retained personal responsibility for financial planning, reporting and controls. He continues to serve on a part time basis as Vice President. Mr. Tyde is currently the sole owner and Chief Operating Officer of P&MW Holding, Inc., an industrial real estate company. Stephen J. Tyde received an undergraduate degree in Business Administration from The Ohio State University, a Masters Degree in Business Administration from George Washington University, and has studied engineering at the University of Pittsburgh. Mr. Tyde is the Chairman of our Audit, Compensation, and Corporate Governance committees.

Henry F. McCabe

Director since 2004

Henry F. McCabe, 83, is Chairman of the Board of McCabe Industrial Minerals Inc. in Tulsa, Oklahoma, where he has been employed since 1976. McCabe Industrial Minerals operates manufacturing and processing plants in the states of Nebraska, Kansas and Oklahoma, which provide granules for asphalt shingle manufacturers. Mr. McCabe was Co-Founder of the company in 1976 and engages in numerous other business enterprises.

Board of Directors

Board Independence. The board of directors has determined that Messrs. Gibson, Tyde and McCabe have no relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that such individuals are independent under the rules and listing standards of the American Stock Exchange ("AMEX").

Committees of the Board. The board of directors has three committees, the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The following describes the functions and membership of each committee and the number of times it met during our fiscal year ended September 30, 2005:

Audit Committee

The functions and members of the Audit Committee are set forth below. Stephen J. Tyde is the chairman of the Audit Committee. The Audit Committee met one time during fiscal 2005. The Chairman had frequent teleconferences with the independent auditors discussing the quarterly reviews.

Functions

Members

- | | |
|--|-------------------|
| * Selects the firm that will serve as our independent auditors | Stephen J. Tyde |
| | Freddie H. Gibson |
| * Reviews scope and results of audits with independent auditors, compliance with any of our accounting policies and procedures and the adequacy of our system of internal controls | Henry F. McCabe |

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- * Oversees quarterly reporting
- * Performs the other functions listed in the Charter of the Audit Committee which may be found on our website at www.advantagetech.com

Report of the Audit Committee

The Audit Committee of our board of directors is comprised of three directors who are not officers of the Company. Under currently applicable rules, all members are "independent" as defined under the American Stock Exchange listing standards. The Audit Committee reviews our financial reporting process on behalf of the board of directors. The Audit Committee's policy is to submit all proposed non-audit services to the Audit Committee chairman, who considers and pre-approves all engagements for audit or non-audit services rendered by our independent auditors. The Audit Committee approved 100% of such services in 2005 under its pre-approval policy. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In connection with its function to oversee and monitor our financial reporting process, the Audit Committee has done the following:

- reviewed and discussed the audited financial statements for the fiscal year ended September 30, 2005, with management;
- discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Certification of Statements on Auditing Standards, AU Section 380);
- received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with the independent accountant the independent accountant's independence; and
- based on the review and discussions referred to above, recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for fiscal year 2005 for filing with the Securities and Exchange Commission (the "SEC").

Stephen J. Tyde

Freddie H. Gibson

Henry F. McCabe

Audit Committee Financial Expert

The SEC has adopted rules pursuant to the provisions of the Sarbanes-Oxley Act requiring audit committees to include an "audit committee financial expert," defined as a person who has the following attributes:

- 1) an understanding of generally accepted accounting principles and financial statements;
- 2) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- 3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of

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accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrants financial statements, or experience actively supervising one or more persons engaged in such activities;

- 4) an understanding of internal control over financial reporting; and

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- 5) an understanding of audit committee functions.

The financial expert will have to possess all of the attributes listed above to qualify as an audit committee financial expert. Our board of directors has determined that each of the Audit Committee members is financially literate under the current AMEX listing standards. The board also determined that Stephen J. Tyde and Freddie H. Gibson, both independent directors, qualify as "audit committee financial experts" as defined by the SEC in rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

Compensation Committee

The functions and members of the Compensation Committee are set forth below. Stephen Tyde is Chairman of the Compensation Committee, which met one time during fiscal 2005.

| Functions ----- | Members ----- |
|---|-------------------|
| * Reviews and monitors performance of our officers | Stephen J. Tyde |
| | Freddie H. Gibson |
| * Approves compensation and benefits programs of our officers | Henry F. McCabe |

Report of the Compensation Committee -----

The Compensation Committee of our board of directors is comprised of three directors who are not officers of the Company. The Compensation Committee is responsible for the review of the performance of our executive officers. The performance of the executive officers of the Company is reviewed in light of the performance of the Company and the Company's working capital position and prospects. The Committee does not assign relative weights to the factors considered in setting compensation, but rather considers all factors as a whole. In determining compensation levels, the Committee has not set specific performance targets for officers to attain in order to earn any specific component of compensation.

The Committee and the board of directors have considered other companies in the telecommunications industry and reviewed, to the extent such information was available, the compensation paid to the Chief Executive Officer and other executive officers of those companies. As a result of such review, the board of directors has, as it did the previous year, concluded that the compensation levels of the Company's executive officers are in the lower range of compensation paid by comparably situated companies. There have been no material increases in salary or other compensation paid to the executive officers in the past four fiscal years. The Committee agreed to develop a comprehensive executive compensation program to be discussed and acted upon at the next scheduled board meeting in March.

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At the present time, the Company maintains its 1998 Incentive Stock Plan for the purpose of awarding options to its directors, executive officers and other key employees. Stock options were granted to the executive officers during fiscal 2005 as described herein under "Summary Compensation Table," and to directors as described herein under "Compensation of Directors."

The Company's future compensation policies will be developed in light of the Company's profitability and with the goal of rewarding members of management for their contributions to the Company's success.

Stephen J. Tyde Freddie H. Gibson Henry F. McCabe

Compensation Committee Interlocks and Insider Participation

During 2005, the Compensation Committee was comprised of Stephen J. Tyde, Freddie H. Gibson and Henry F. McCabe, all of whom are non-employee directors

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of the Company. During 2005, none of the Company's executive officers served on the board of directors or on the compensation committee of any other entity who had an executive officer that served either on the Company's Board of Directors or on its Compensation Committee.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is comprised of three directors who are not officers of the Company. Under currently applicable rules, all members are "independent" as defined under the American Stock Exchange listing standards. A copy of the Corporate Governance and Nominating Committee Charter is posted on our website at www.addvantagetech.com.

The functions and members of the Corporate Governance and Nominating Committee are set forth below. Stephen Tyde is Chairman of the Corporate Governance and Nominating Committee. The Committee did not meet during fiscal 2005.

Functions

Members

- | | |
|--|-------------------|
| * Provides oversight of the governance of the board of directors | Stephen J. Tyde |
| * Makes recommendations to the board as a whole concerning board size, make-up structure and compensation | Freddie H. Gibson |
| * Identifies individuals qualified to become board members | |
| * Selects or recommends that the board select the director nominees to stand for election at the annual meeting of shareholders | Henry F. McCabe |
| * Recommends to the whole board nominees for the positions of Chairman of the Board, chairmen of the various committees of the board, and members of the various committees of the board | |
| * Reviewing, monitoring and approving compliance with our Code of Business Conduct and Ethics | |
| * Considering, reviewing and approving potential conflict of interests involving board members or corporate officers | |

The Corporate Governance and Nominating Committee has adopted a policy with regard to the consideration of director candidates recommended by shareholders. The Corporate Governance and Nominating Committee will consider

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director candidates recommended by any shareholder holding 10,000 shares of our common stock for at least 12 months prior to the date of submission of the recommendation or nomination. Additionally, a recommending shareholder shall submit a written statement in support of the candidate, particularly within the context of the criteria for board membership, including issues of character, judgment, age, independence, expertise, corporate experience, length of service, other commitments and the like, personal references, and a written indication by the candidate of his/her willingness to serve, if elected, and evidence of the nominating persons ownership of our stock sufficient to meet any applicable stock ownership requirements set forth in our corporate governance guidelines.

A shareholder that instead desires to nominate a person directly for election to the board must meet the deadlines and other requirements set forth in the Company's bylaws and the rules and regulations of the SEC.

The Corporate Governance and Nominating Committee's criteria and process for identifying and evaluating the candidates that it selects, or recommends to the full board for selection, as director nominees, are: (i) regular review of composition and size of the board; (ii) review of qualifications of candidates properly recommended or nominated by any qualifying shareholder; (iii) evaluation of the performance of the board and qualification of members of the board eligible for re-election; and (iv) consideration of the suitability of each candidate, including current members of the board, in light of the size and composition of the board. After such review and consideration, the Corporate Governance and Nominating Committee will recommend a slate of director nominees.

While the Corporate Governance and Nominating Committee has not

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established specific minimum requirements for director candidates, the committee believes that candidates and nominees must reflect a board that is comprised of directors who: (i) are predominantly independent; (ii) are of high integrity; (iii) have qualifications that will increase overall board effectiveness; and (iv) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members.

Board Meetings

Our board held two meetings during fiscal 2005. Each director attended all meetings of the board and the committees on which he served.

Shareholder Communication with the Board of Directors

Communication with the board of directors should be directed to the attention of Stephen J. Tyde. Written correspondence to Mr. Tyde may be delivered to our executive offices, 1221 East Houston, Broken Arrow, Oklahoma, 74012. All security holder communications directed to Mr. Tyde will be promptly forwarded to him. All board members are encouraged, but not required, to attend our annual meeting. Last year, four board members attended our annual meeting.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics which is applicable to all of our directors, officers and employees, and a Code of Ethics for CEO and Senior Financial Officers. Copies of our Code of Business Conduct and

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Ethics and Code of Ethics for CEO and Senior Financial Officers are posted on our website at www.addvantagetech.com.

Certain Relationships and Related Party 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. This lease was renewed on October 1, 2004 and will expire on September 30, 2008.

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 2008).

The Company leases various properties primarily from two companies owned by David E. Chymiak and Kenneth A. Chymiak as discussed above. Future minimum lease payments under these leases are as follows:

| | |
|------|--------------|
| 2006 | \$ 377,640 |
| 2007 | 360,000 |
| 2008 | 324,000 |
| | ----- |
| | \$ 1,061,640 |
| | ===== |

Related party rental expense for the year ended September 30, 2005 was \$465,840.

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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 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 2004.

Based solely on the review of copies of these reports furnished to us and written representations that no other reports were required, during and with respect to the fiscal year ended September 30, 2005, we believe that these persons have complied with all applicable filing requirements, except that, due to administrative oversight, (i) in 2005, Forms 4 reporting option grants for each of the following individuals were not timely filed: Kenneth A. Chymiak, David E. Chymiak, Stephen J. Tyde, Freddie R. Gibson, and Henry F. McCabe; and a Form 4 for Stephen J. Tyde regarding one transaction was filed one day late; (ii) in 2001 and 2002, Forms 5 (as required at that time), and in 2003 and 2004, Forms 4 (as required at that time), reporting one option grant per year for each of the following individuals were not filed: Kenneth A. Chymiak, David E. Chymiak, Stephen J. Tyde, and Freddie R. Gibson; (iii) Henry F. McCabe did not timely file a Form 3 with respect to his holdings of

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common stock as of March 4, 2004, the date he became a director of the Company and one Form 4 in 2004; and (iv) Dee Cooper, Controller and Principal Accounting Officer until his resignation from the Company on July 11, 2005, did not timely file Form 3 and one Form 4. The omissions were inadvertent and the delinquent reports have been filed. Appropriate steps have been taken to educate all required filers of their obligations to file in a timely manner in the future.

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Compensation of Directors and Executive Officers

Compensation of Directors

We pay our three non-employee directors \$500 per quarter and \$500 for each board meeting and \$250 for each committee meeting or telephonic board or committee meeting the director attends. The chairman of the audit committee receives an additional \$250 per quarter. In addition, directors are eligible to receive awards of options to purchase 1,000 shares of our common stock each year after the annual shareholders meeting. We reimburse all directors for out-of-pocket expenses incurred by them in connection with their service on our board and any board committee. During the fiscal year ended September 30, 2005, Henry McCabe, Fred Gibson and Steve Tyde received directors fees of \$3,500, \$3,500 and \$4,500, respectively. All of the directors received an award of stock options to purchase 5,000 shares of common stock at an exercise price of \$4.62 per share. Directors who were our employees received no additional cash compensation for their services on our board of directors.

Summary Compensation Table Executive Officers

| Name and Principal Position | Annual Compensation | | | Long-Term Compensation | |
|--|---------------------|-------------------|---------------|---|--|
| | Year | Salary (\$)(1) | Bonus (\$) | Other Annual Compen- sation (\$)(2) | Number of Shares under- lying Options Granted |
| David E. Chymiak Chairman | 2005 | 225,000 | -0- | 10,500 | 5,000 |
| | 2004 | 225,000 | -0- | 10,837 | 1,000 |
| | 2003 | 225,000 | -0- | 10,240 | 1,000 |
| Kenneth A. Chymiak President and Chief Executive Officer | 2005 | 225,000 | -0- | 10,500 | 5,000 |
| | 2004 | 225,000 | -0- | 10,837 | 1,000 |
| | 2003 | 225,000 | -0- | 10,240 | 1,000 |

(1) These amounts represent the salaries paid to these officers by TULSAT Corporation, our wholly owned subsidiary.

(2) Other annual compensation represents, in 2005, 2004, and 2002 our contributions on behalf of each of the individuals to our 401(k) Plan.

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Option Grants During Fiscal 2005

The following table sets forth information regarding options granted during fiscal 2005 to named executive officers.

| Name | Shares Under-lying options Granted | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/Sh) | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2) | |
|--------------------|------------------------------------|--|------------------------|-----------------|--|----------|
| | | | | | 5% | 10% |
| Kenneth A. Chymiak | 5,000 | 20.0% | \$ 4.62 | 3/7/15 | \$12,376 | \$33,962 |
| David E. Chymiak | 5,000 | 20.0% | \$ 4.62 | 3/7/15 | \$12,376 | \$33,962 |

(1) These options are fully vested and exercisable at date of grant.

(2) The dollar amounts under these columns represent the potential realizable value of each grant of option assuming that the market price of the Company's

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Common Stock appreciates in value from the date of grant at the 5% and 10% annualized rates prescribed by the Securities and Exchange Commission for purposes of this table and are not intended to forecast possible future appreciation, if any, of the price of the Company's Common Stock.

Option Exercises and Year-End Option Value Table

There were no stock options exercised by the named executive officers during fiscal 2005. 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, 2005.

| Name | Number of Shares Acquired on Exercise | | Number of Shares of Common Stock Underlying Unexercised Options at September 30, 2004 | | Value of Unexercised In-the-money Options at September 30, 2004 | |
|--------------------|---------------------------------------|------------|---|---------------|---|---------------|
| | Realized | Unrealized | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Kenneth A. Chymiak | - | - | 10,000 | - | \$8,475 | - |
| David E. Chymiak | - | - | 10,000 | - | \$8,475 | - |

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SHAREHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the American Stock Exchange and the Index for the Nasdaq Telecommunications Stocks for the period of five fiscal years commencing October 1, 2000 and ending September 30, 2005. The graph assumes that the value of the investment in the Company's common stock and each index was \$100 on September 30, 2000.

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[A line graph appears here depicting the cumulative total shareholder return of \$100 invested in common stock of the Company as compared to \$100 invested in the American Stock Exchange Index and the Nasdaq Telecommunications Stocks. The line graph begins at September 30, 2000, and plots the cumulative return at September 30, 2001, 2002, 2003, 2004 and 2005. The plot points are provided below.]

| Cumulative Total Return | | | | | | |
|---------------------------|----------|---------|---------|----------|----------|----------|
| | 9/30/00 | 9/29/01 | 9/28/02 | 9/30/03 | 9/30/04 | 9/30/05 |
| AEY | \$100.00 | \$62.96 | \$43.21 | \$234.57 | \$237.65 | \$240.12 |
| American Stock Exchange | 100.00 | 84.75 | 86.69 | 103.82 | 133.27 | 182.00 |
| Nasdaq Telecommunications | 100.00 | 27.82 | 12.11 | 21.39 | 23.70 | 26.32 |

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PROPOSAL NO. 2 Ratification Of Independent Auditors

We recommend that you vote for the ratification of the appointment of Hogan & Slovacek.

Our Audit Committee has selected the accounting firm of Hogan & Slovacek as our independent auditors to examine our financial statements for the fiscal year ending September 30, 2006. This engagement will be effective upon completion of the review by Tullius Taylor Sartain & Sartain LLP of the Company's Quarterly Report on Form 10-Q for the first quarterly period ended December 31, 2005. Tullius Taylor Sartain & Sartain LLP has served as our principal accountant for the most recently completed fiscal year. However, as discussed below, that firm resigned on January 17, 2006.

Change in Company's Certifying Accountant

On January 17, 2006, the Company and the Chairman of the Audit Committee of the Company's Board of Directors were advised by letter of the same date that Tullius Taylor Sartain & Sartain LLP ("Tullius"), the principal accountant engaged to audit the Company's financial statements, would resign as the Company's independent registered public accounting firm. The effective date of the resignation is the date of completion of Tullius' review of the Company's Quarterly Report on Form 10-Q for the first quarterly period ended December 31, 2005.

The reports of Tullius on the Company's consolidated financial statements for each of the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion, and were not qualified as to uncertainties, audit scope or accounting principles.

The Audit Committee was informed of, but neither recommended nor approved,

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the termination of the client-auditor relationship with Tullius.

During the Company's two most recent fiscal years ended September 30, 2005, and for the period from October 1, 2005, through the date of Tullius' letter of resignation, there were no disagreements with Tullius on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Tullius, would have caused them to make reference to the subject matter of their disagreement in their reports on the Company's consolidated financial statements for such periods.

During the period of October 1, 2005, through the date of Tullius' letter of resignation, there were no reportable events as defined by paragraph (a) (1) (v) of Item 304 of Regulation S-K promulgated by the SEC.

The Company provided Tullius with copies of both of its Current reports on Form 8-K reporting this event and asked Tullius to furnish the Company with letters addressed to the SEC stating whether Tullius agrees with the statements made by the Company and, if not, stating the respects in which it does not agree. Tullius furnished such letters to the Company, indicating to the SEC that it was in agreement with the Company's statements concerning Tullius.

On January 26, 2006, the Audit Committee engaged Hogan & Slovacek to serve as the principal accountant to audit the Company's financial statements for the current fiscal year.

During the Company's two most recent fiscal years ended September 30, 2005, and for the period from October 1, 2005, through the date of such engagement, the Company did not consult with Hogan & Slovacek regarding the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events described in Items 304(a) (2) (i) and (ii) of Regulation S-K.

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PRINCIPAL ACCOUNTING FEES AND SERVICES

Tullius served as our independent auditor from 1994 until its resignation discussed above, and it examined our financial statements for the fiscal year ended September 30, 2005. Our Audit Committee considered whether the provision of the tax services and other services by Tullius was compatible with maintaining their independence and determined that it was.

Fees Incurred by the Company for Tullius Taylor Sartain & Sartain

| Fee Category | 2005 | 2004 |
|--------------------|-----------|-----------|
| Audit Fees (1) | \$ 66,960 | \$ 43,700 |
| Audit-Related Fees | - | - |
| Tax Fees | 12,350 | 5,158 |
| All Other Fees | 6,085 | 10,360 |
| | ----- | ----- |
| Total | \$ 83,395 | \$ 59,218 |
| | ===== | |

Notes to table:

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- (1) Audit fees represent fees for professional services provided in connection with the integrated audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with the issuance of comfort letters, consents, and assistance with review of documents filed with the SEC.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Before engagement of the independent registered public accounting firm for the next year's audit, management will submit a list of services and related fees expected to be rendered during that year within each of the following four categories of services to the Audit Committee for approval:

1. Audit services include audit work performed on the financial statements, internal control over financial reporting, as well as work that generally only the independent registered public accounting firm can reasonably be

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expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting and/or reporting standards.

2. Audit-Related services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.
3. Tax services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accounting firm's tax personnel, including tax analysis; assisting with coordination of execution of tax related activities, primarily in the area of corporate development; supporting other tax related regulatory requirements; and tax compliance and reporting.
4. Other Fees are those associated with services not captured in the other categories. The company generally doesn't request such services from the independent registered public accounting firm.

Before engagement, the Audit Committee pre-approves the independent registered public accounting firm's services within each category. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm.

1052:

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee

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at its next scheduled meeting.

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SHAREHOLDER PROPOSALS FOR 2007 ANNUAL MEETING

If you want to include a shareholder proposal in the proxy statement for the 2007 annual meeting, it must be delivered to our executive offices, 1221 East Houston, Broken Arrow, Oklahoma, 74012, on or before October 14, 2006. In addition, if you wish to present a proposal at the 2007 annual meeting that will not be included in our proxy statement and you fail to notify us by December 28, 2006, then the proxies solicited by our board for the 2007 annual meeting will include discretionary authority to vote on your proposal in the event that it is properly brought before the meeting.

OTHER MATTERS

At the date of mailing of this proxy statement, we are not aware of any business to be presented at the annual meeting other than the proposal discussed above. If other proposals are properly brought before the meeting, any proxies returned to us will be voted as the proxyholders see fit.

You can obtain a copy of our Annual Report on Form 10-K for the year ended September 30, 2005 at no charge by writing to us at 1221 East Houston, Broken Arrow, Oklahoma, 74012. This document and other information may also be accessed from our website at www.advantagetech.com.

Only one annual report and proxy statement are being delivered to multiple shareholders who share one address, unless we have received instructions to the contrary. We will provide a separate copy of the annual report and proxy statement to a shareholder at a shared address to which single copies were delivered upon request sent in writing to 1221 East Houston, Broken Arrow, Oklahoma, 74012, or by calling (918) 251-9121. If you wish to receive a separate annual report and proxy statement in the future, or if you currently receive multiple copies of the annual report and proxy statement and wish to request delivery of only single copies, you may notify us at the same address or phone number.

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PROXY

ADVANTAGE TECHNOLOGIES GROUP, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints Kenneth A. Chymiak, and David E. Chymiak, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated below, all the shares of Common Stock of ADDvantage Technologies Group, Inc. (the "Company") held of record by the undersigned on January 17, 2006 at the Annual Meeting of Shareholders of the Company to be held on March 7, 2006, and at any and all adjournments or postponements thereof.

1. Election of directors.

[] FOR all nominees listed below (except as indicated to the contrary below and subject to the discretion of the proxies as provided herein).

| | | |
|--------------------|------------------|-----------------|
| Kenneth A. Chymiak | David E. Chymiak | Stephen J. Tyde |
| Freddie H. Gibson | Henry F. McCabe | |

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[] WITHHOLD AUTHORITY to vote for all the nominees above.
Instructions: To withhold authority for any individual nominee or nominees, write their name(s) here:

(Continued and to be signed on the reverse side)

2. Proposal to ratify the appointment of Hogan & Slovacek as our independent auditors.

[] FOR [] AGAINST [] ABSTAIN

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

This Proxy when properly executed will be voted at the Annual Meeting or any adjournments or postponements thereof as directed herein by the undersigned shareholder. If no specifications are made, this Proxy will be voted For Proposals 1 and 2. This Proxy is revocable at any time before it is exercised.

IMPORTANT: Please date this and sign this Proxy exactly as name appears to the left. If shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 2006

Signature(s) _____

Signature(s) _____

PLEASE MARK, DATE, SIGN AND MAIL THIS PROXY PROMPTLY IN THE ENCLOSED ENVELOPE.
NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.