

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

xANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2010
oTRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-10799

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

Oklahoma	73-1351610
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1221 E. Houston, Broken Arrow, Oklahoma	74012
(Address of principal executive offices)	(Zip code)

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

Securities registered under Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, \$.01 par value	NASDAQ Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o
Non-accelerated filer o Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the outstanding shares of common stock, par value \$.01 per share, held by non-affiliates computed by reference to the closing price of the registrant's common stock as of March 31, 2010 was \$12,221,531.

The number of shares of the registrant's outstanding common stock, \$.01 par value per share, was 10,143,970 as of November 30, 2010.

Documents Incorporated by Reference

The identified sections of definitive Proxy Statement to be filed as Schedule 14A pursuant to Regulation 14A in connection with the Registrant's 2011 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

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Item 1. Business.**Forward-Looking Statements**

Certain matters discussed in this report constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, including statements which relate to, among other things, expectations of the business environment in which ADDvantage Technologies Group, Inc. (the "Company") operates, projections of future performance, perceived opportunities in the market and statements regarding our goals and objectives and other similar matters. The words "estimates," "projects," "intends," "expects," "anticipates," "believes," "plans" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this report and the documents incorporated into it by reference. These and other statements, which are not historical facts, are hereby identified as "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. These statements are subject to a number of risks, uncertainties and developments beyond our control or foresight, including changes in the trends of the cable television industry, technological developments, changes in the economic environment generally, the growth or formation of competitors, changes in governmental regulation or taxation, changes in our personnel and other such factors. Our actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in the forward-looking statements. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Background

We (through our subsidiaries) distribute and service a comprehensive line of electronics and hardware for the cable television ("CATV") industry. The products we sell and service are used to acquire, distribute, receive and protect the communications signals carried on fiber-optic, coaxial cable and wireless distribution systems. Our customers provide an array of communications services including television, high-speed data (internet) and telephony, to single family dwellings, apartments and institutions such as hospitals, prisons, universities, schools, cruise boats and others.

We conduct our operations through a network of regionally based subsidiaries that focus on servicing customers in different geographic markets. Our operating subsidiaries include Tulsat Corporation ("Tulsat"), Tulsat-Atlanta LLC, ADDvantage Technologies Group of Nebraska, Inc. (dba "Tulsat-Nebraska"), ADDvantage Technologies Group of Texas, Inc. (dba "Tulsat Texas"), Jones Broadband International, Inc. (dba "Tulsat-West"), ADDvantage Technologies Group of Missouri, Inc. (dba "ComTech Services"), NCS Industries, Inc. ("NCS"), and Broadband Remarketing International LLC (formerly Tulsat-Pennsylvania LLC through September 30, 2010).

Several of our subsidiaries, through their long relationships with the original equipment manufacturers ("OEMs") and specialty repair facilities, have established themselves as value-added resellers ("VARs"). Tulsat, located in Broken Arrow, Oklahoma, is a Cisco Master Stocking Distributor for certain current and legacy products offered within their Service Provider Video Technology Group ("SPVTG") and distributes most of Cisco's other SPVTG products. Tulsat has also been designated an authorized third party Cisco-SPVTG repair center for select products. NCS, located in Warminster, Pennsylvania, is one of only three distributors of Motorola broadband products and is also a Master Distributor for the United States distribution of Fujitsu Frontech North America encoders, decoders and media solutions products. Our subsidiaries also sell products from other OEMs including Alpha, Blonder-Tongue, RL Drake, Corning-Gilbert, Promax, Quintech, Standard and Triveni.

In addition to offering a broad range of new products, we also purchase and sell surplus and refurbished equipment that becomes available in the market as a result of cable operator system upgrades or an overstock in their warehouses. We maintain one of the industry's largest inventories of new and refurbished equipment, which allows us to deliver products to our customers within a short period of time. We continue to upgrade our new product offerings to stay in the forefront of the communications broadband technology revolution.

Most of our subsidiaries operate technical service centers specializing in Cisco-SPVTG, Motorola, Magnavox and power supply repairs.

Overview of the Industry

We participate in markets for equipment sold primarily to cable operators (called multiple system operators or “MSOs”) and other communication companies. As internet usage by households continues to increase, more customers are electing to switch from dial-up access services to high-speed services, particularly those offered by MSOs in the United States. Within the last few years, many MSOs now offer a “triple-play” bundle of services that includes voice, video and high-speed data over a single network with the objective of capturing higher average revenues per subscriber. To offer these expanded services, MSOs have invested significantly to convert their systems to digital networks, and they continue to upgrade their cable plants to increase the speed of their communication signals. As a result, many MSOs have well-equipped networks capable of delivering symmetrical high-bandwidth video, two-way high speed data service and telephony to most of their subscribers through their existing hybrid fiber coaxial infrastructure.

We believe that we have been able to provide many of the products and services sought by MSOs as they establish and expand their services and territories. Our relationships with our principal vendors, Cisco and Motorola, provide us with products that are important to cable operators as they maintain and expand their systems. These relationships and our inventory are key factors, we believe, in our prospects for revenue and profit growth.

In addition, we continue to expand our relationships with vendors and establishing new vendors and product lines for our company. In 2010, NCS became a Master Distributor for the United States distribution of Fujitsu Frontech North America encoders, decoders and media solutions products and a member of the Fujitsu global channel partner program servicing the United States. We believe this relationship will expand our customer base into the broadcast market segment of the industry.

We are focused on the opportunities provided by technological changes resulting from the implementation of fiber-to-the home by several large telephone companies, the continued expansion of bandwidth signals by MSOs, and sales to customers in Latin America. We continue to stock legacy CATV equipment as well as new digital and optical broadband telecommunications equipment from major suppliers so we can provide our customers with one-stop shopping, access to “hard-to-find” products and reduced customer downtime because we have the product in stock and can deliver to the customer’s location the next day. Our experienced sales support staff has the technical know-how to consult with our customers regarding solutions for various products and configurations. Through our six service centers that provide warranty and out-of-warranty repairs, we continue to reach new customers.

Recent Business Developments

Under the terms of our agreement with Cisco, which was set to expire January 15, 2010, Tulsat is authorized to inventory, distribute and resell the entire line of Cisco-SPVTG current and legacy equipment. This agreement has been extended through December 20, 2010 for the United States and Canada. Cisco announced earlier this year that it was modifying its distribution channel for the SPVTG business in order to align it more closely with its IT lines of business, and since then we have been in negotiations with Cisco regarding our agreement. We expect to sign a new agreement with Cisco by calendar year-end. Any material change in the terms or structure of our current relationship with Cisco could negatively affect our marketing of Cisco-SPVTG products or the profit margins we have historically realized on these products under the current agreement. Also, Tulsat is in negotiations with Cisco regarding selling Cisco products in the Latin American market, since the latest extension excludes the Latin American market.

In March 2010, NCS Industries became a Master Distributor for the United States distribution of Fujitsu Frontech North America encoders, decoders and media solutions products and a member of the Fujitsu global channel partner program servicing the United States.

During fiscal year 2010, we moved our Broadband Remarketing International operations from Chambersburg, Pennsylvania to our Broken Arrow, Oklahoma facility. Also, at the end of fiscal year 2010, we were in the process of moving the Tulsat-West operations from Oceanside, California to our Broken Arrow facility. Both of these moves were undertaken as cost reduction measures.

Products and Services

We offer our customers a wide range of new, surplus new and refurbished products that are used in connection with video, telephone and internet data signals.

Headend products are used by a system operator for signal acquisition, processing and manipulation for further transmission. Among the products we offer in this category are satellite receivers (digital and analog), integrated receiver/decoders, demodulators, modulators, antennas and antenna mounts, amplifiers, equalizers and processors. The headend of a television signal distribution system is the "brain" of the system; the central location where the multi-channel signal is initially received, converted and allocated to specific channels for distribution. In some cases, where the signal is transmitted in encrypted form or digitized and compressed, the receiver will also be required to decode the signal.

Fiber products are used to transmit the output of cable system headend to multiple locations using fiber-optic cable. In this category, we currently offer products including optical transmitters, fiber-optic cable, receivers, couplers, splitters and compatible accessories. These products convert radio frequencies to light frequencies and launch them on optical fiber. At each receiver site, an optical receiver is used to convert the signals back to RF VHF frequencies for distribution to subscribers.

Distribution products are used to permit signals to travel from the headend to their ultimate destination in a home, apartment, hotel room, office or other terminal location along a distribution network of fiber optic or coaxial cable. Among the products we offer in this category are transmitters, receivers, line extenders, broadband amplifiers, directional taps and splitters.

Digital converters and modems are boxes placed inside the home that receive, record and transmit video, data and telephony signals. Among the products we offer in this category are remanufactured Cisco and Motorola digital converter boxes and modems.

We also inventory and sell to our customers other hardware such as test equipment, connector and cable products.

Revenues by Geographic Area

Our revenues by geographic areas were as follows:

	2010	2009	2008
United States	\$ 40,523,492	\$ 37,694,831	\$ 48,597,910
Canada, Central America, Mexico, South America and Other	6,782,638	4,548,761	7,850,651
	<u>\$ 47,306,130</u>	<u>\$ 42,243,592</u>	<u>\$ 56,448,561</u>

Revenues attributed to geographic areas are based on the location of the customer. All of our long-lived assets are located within the United States.

Sales and Marketing

In 2010, sales of new products represented 68% of our total revenues and refurbished product sales represented 20%. Repair and other services contributed the remaining 12% of revenues.

We market and sell our products to franchise and private MSOs, telephone companies, system contractors and other resellers. Our sales and marketing are predominantly performed by the internal sales and customer service staff of our subsidiaries. We also have outside sales representatives located in various geographic areas. The majority of our sales activity is generated through personal relationships developed by our sales personnel and executives, referrals from manufacturers we represent, advertising in trade journals, telemarketing and direct mail to our customer base in the United States. We have developed contacts with major MSOs in the United States, and we are constantly in touch with these operators regarding their plans for upgrading or expansion as well as their needs to either purchase or sell equipment.

We market ourselves as an "On Hand – On Demand" distributor. We maintain one of the largest inventories of new and used cable products of any reseller in the industry and offer our customers same day shipments. We believe our investment in on-hand inventory, our network of regional repair centers and our experienced sales and customer service team create a competitive advantage for us.

We continue to add products and services to maintain and expand our current customer base in North America, Central and South America, Asia and other international markets. We believe there is growth potential for sales of new and legacy products in the international market as some operators choose to upgrade to new larger bandwidth platforms, while other customers, specifically in developing markets, desire less expensive legacy new and refurbished products. We extend credit on a limited basis to international customers that purchase products on a regular basis and make timely payments. However, for most international sales we require prepayment of sales or letters of credit confirmed by United States banks prior to shipment of products.

Suppliers

In 2010, we purchased approximately \$7.6 million of new inventory directly from Cisco and approximately \$4.5 million of new inventory directly from Motorola. These purchases represented approximately 52% of our total inventory purchases for 2010. In addition to purchasing inventory from other original equipment manufacturers, we also purchase used or surplus new inventory from MSOs who have upgraded or are in the process of upgrading their systems.

Seasonality

Many of the products that we sell are installed outdoors and can be damaged by storms and power surges. Consequently, we experience increased demand on certain product offerings during the months between late spring and early fall when severe weather tends to be more prominent than at other times during the year.

Competition and Working Capital Practices.

The CATV industry is highly competitive with numerous companies competing in various segments of the market. There are a number of competitors throughout the United States buying and selling new and remanufactured CATV equipment similar to the products that we offer. However, most of these competitors do not maintain the large inventory that we carry due to working capital limitations. We maintain the practice of carrying large quantities of inventory to meet both the customers' urgent needs and mitigate the extended lead times of our suppliers. In terms of sales and inventory on hand, we are the largest reseller in this industry, providing both sales and service of new and re-manufactured CATV equipment.

We also compete with our OEM suppliers as they sell directly to our customers. Our OEM suppliers have a competitive advantage over us as they can sell products at lower prices than we offer. As a result, we are often considered a secondary supplier by large MSOs and telephone companies when they are making large equipment purchases or upgrades. However, for smaller orders or items that are needed to be delivered quickly, we often hold an advantage over our OEM suppliers as we carry most inventory in stock and can have it delivered in a very short timeframe.

Working capital practices in the industry center on inventory and accounts receivable. We choose to carry a relatively large inventory due to our "On Hand – On Demand" business model for both new and used inventory. We have typically utilized excess cash flows to reinvest in new inventory to expand our product offerings. The greatest need for working capital occurs when we make bulk purchases of surplus new and used inventory, or when our OEM suppliers offer additional discounts on large purchases. However, in fiscal year 2010, due to the continued economic downturn, we chose to reduce our inventory, which helped in generating excess cash flows of approximately \$8 million. Our working capital requirements are generally met by cash flow from operations and a bank line of credit, which currently permits borrowings up to \$7.0 million. We expect to have sufficient funds available from our cash on hand, future excess cash flows and the bank line of credit to meet our working capital needs for the foreseeable future.

Significant Customers

We are not dependent on one or a few customers to support our business. Our customer base consists of approximately 1,300 active accounts. Sales to our largest customer accounted for approximately 9% of our revenues in fiscal year 2010. Approximately 26% and 22% of our revenues for fiscal years 2010 and 2009, respectively, were derived from sales of products and services to our five largest customers. There are approximately 6,000 cable television systems within the United States alone, each of which is a potential customer.

Personnel

At September 30, 2010, we had 129 employees. Management considers its relationships with its employees to be excellent. Our employees are not unionized, and we are not subject to any collective bargaining agreements.

Item 2. Properties.

Each subsidiary owns or leases property for office, warehouse and service center facilities.

- Broken Arrow, Oklahoma – Tulsat owns a facility consisting of an office, warehouse and service center of approximately 100,000 square feet on ten acres, with an investment of \$3.3 million, financed by a loan of \$2.8 million, due in monthly payments through 2021 at an interest rate of LIBOR plus 1.4%. Tulsat constructed a 62,500 square foot warehouse facility on the rear of its existing property in Broken Arrow, OK, with an investment of \$1.6 million, financed with cash flow from operations.

Tulsat also continues to lease warehouse space of approximately 56,000 square feet from an entity that is controlled by David E. Chymiak, Chairman of the Company's Board of Directors, and Kenneth A. Chymiak, President and Chief Executive Officer of the Company. The lease expired in September 2008 and is now leased on a month-to-month basis with a monthly payment of \$7,500.

- Deshler, Nebraska – Tulsat-Nebraska owns a facility consisting of land and an office, warehouse and service center of approximately 8,000 square feet.

- Warminster, Pennsylvania – NCS owns its facility consisting of an office, warehouse and service center of approximately 12,000 square feet, with an investment of \$0.6 million. NCS also leases property of approximately 2,000 square feet, with monthly rental payments of \$1,298 through December 31, 2010. NCS also rents on a month-to-month basis another property of approximately 2,000 square feet, with monthly rental payments of \$1,250.

- Sedalia, Missouri – ComTech Services owns land and an office, warehouse and service center of approximately 24,300 square feet. ComTech Services also constructed an 18,000 square foot warehouse facility on the back of its existing property in Sedalia, MO with an investment of \$0.4 million.

- New Boston, Texas – Tulsat-Texas owns land and an office, warehouse and service center of approximately 13,000 square feet.

- Suwannee, Georgia – Tulsat-Atlanta leases an office and service center of approximately 5,000 square feet, with monthly lease payments of \$3,360 through January 31, 2011.

Oceanside, California – Tulsat-West leased an office, warehouse and service center of approximately 15,000 square feet for \$13,881 a month through November 30, 2010. At the expiration of the lease, this facility was closed, and all operations moved to our Broken Arrow facility.

We believe that our current facilities are adequate to meet our needs.

Item 3. Legal Proceedings.

From time to time in the ordinary course of business, we have become a party to various types of legal proceedings. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

Item 5. Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**Market Information**

The table sets forth the high and low sales prices on the NASDAQ Global Market under the symbol "AEY" for the quarterly periods indicated.

Year Ended September 30, 2010	High	Low
First Quarter	\$2.58	\$1.91
Second Quarter	\$2.50	\$1.97
Third Quarter	\$3.48	\$2.20
Fourth Quarter	\$3.41	\$2.34
Year Ended September 30, 2009	High	Low
First Quarter	\$2.65	\$1.02
Second Quarter	\$2.40	\$1.25
Third Quarter	\$1.99	\$1.30
Fourth Quarter	\$2.32	\$1.61

Holders

At November 30, 2010, we have approximately 70 shareholders of record and, based on information received from brokers, there are approximately 1,700 beneficial owners of our common stock.

Dividend policy

We have never declared or paid a cash dividend on our common stock. It has been the policy of our Board of Directors to use all available funds to finance the development and growth of our business. In addition, subsequent to September 30, 2010, the Company signed an Amended and Restated Revolving Credit and Term Loan Agreement with its primary financial lender, which restricts the payment of dividends to no more than 50% of the Company's net income. The payment of cash dividends in the future will be dependent upon our earnings and financial requirements and other factors deemed relevant by our Board of Directors.

Securities authorized for issuance under equity compensation plans

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	136,850	\$3.46	637,495
Equity compensation plans not approved by security holders	0	0	0
Total	136,850	\$3.46	637,495

Item 6. Selected Financial Data.

SELECTED CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Fiscal Year ended September 30,

	2010	2009	2008	2007	2006
Net sales and service income	\$ 47,306	\$ 42,244	\$ 56,449	\$ 65,646	\$ 52,541
Income from operations	\$ 7,554	\$ 5,768	\$ 8,452	\$ 12,543	\$ 8,117
Net income applicable to common shareholders	\$ 4,186	\$ 3,019	\$ 4,534	\$ 6,590	\$ 4,003
Earnings per share					
Basic	\$ 0.41	\$ 0.30	\$ 0.44	\$ 0.64	\$ 0.39
Diluted	\$ 0.41	\$ 0.30	\$ 0.44	\$ 0.64	\$ 0.39
Total assets	\$ 52,260	\$ 49,433	\$ 51,800	\$ 49,009	\$ 40,925
Long-term obligations inclusive of current maturities	\$ 13,872	\$ 15,857	\$ 20,510	\$ 9,009	\$ 9,385

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated historical financial statements and the notes to those statements that appear elsewhere in this report. Certain statements in the discussion contain forward-looking statements based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors.

General

We have established ourselves, through our subsidiaries' long relationships with OEMs, as distributors and/or value-added resellers of these OEM products. Tulsat is a Master Stocking Distributor for certain current and legacy products offered by Cisco-SPVTG and distributes most of Cisco's other SPVTG products. NCS Industries is a leading distributor of Motorola broadband products and is also a Master Distributor for the United States distribution of Fujitsu Frontech North America encoders, decoders and media solutions products. Our subsidiaries also distribute products from other OEMs including Alpha, Blonder-Tongue, RL Drake, Corning-Gilbert, Promax, Quintech, Standard and Triveni. We also specialize in the sale of surplus new and refurbished previously-owned CATV equipment to CA TV operators and other broadband communication companies. It is through our development of these vendor relationships that we have focused our initiative to market our products and services to the larger cable MSOs and telecommunication companies. These customers provide an array of different communications services as well as compete in their ability to offer subscribers "triple play" transmission services including data, voice and video.

We also operate technical service centers specializing in Cisco-SPVTG, Motorola, Magnavox and power supply repairs.

Recent Business Developments*Cisco Distribution Agreement*

Under the terms of our agreement with Cisco, which was set to expire January 15, 2010, Tulsat is authorized to inventory, distribute and resell the entire line of Cisco-SPVTG current and legacy equipment. This agreement has

been extended through December 20, 2010 for the United States and Canada. Cisco announced earlier this year that it was modifying its distribution channel for the SPVTG business in order to align it more closely with its IT lines of business, and since then we have been in negotiations with Cisco regarding our agreement. We expect to sign a new agreement with Cisco by calendar year-end. Any material change in the terms or structure of our current relationship with Cisco could negatively affect our marketing of Cisco-SPVTG products or the profit margins we have historically realized on these products under the current agreement. Also, Tulsat is in negotiations with Cisco regarding selling Cisco products in the Latin American market, since the latest extension excludes the Latin American market .

Fujitsu Frontech Distribution Agreement

In March 2010, NCS Industries became a Master Distributor for the United States distribution of Fujitsu Frontech North America encoders, decoders and media solutions products as well as a member of the Fujitsu global channel partner program servicing the United States.

Facility Closures

During fiscal year 2010, we moved our Broadband Remarketing International operations from Chambersburg, Pennsylvania to our Broken Arrow, Oklahoma facility. Also, at the end of fiscal year 2010, we were in the process of moving the Tulsat-West operations from Oceanside, California to our Broken Arrow facility. Both of these moves were undertaken as cost reduction measures.

Results of Operations

Year Ended September 30, 2010, compared to Year Ended September 30, 2009 (all references are to fiscal years)

Total Net Sales. Total net sales increased \$5.1 million, or 12%, to \$47.3 million for 2010 from \$42.2 million for 2009. The overall increase in net sales was due primarily to sales of new equipment resulting from an increased demand for headend equipment needed to add channels to our customers' cable systems or upgrade their equipment in order to provide HD programming on their cable systems, an overall equipment supply shortage in the market, which we met utilizing our "On Hand – On Demand" business model, and an increase in sales to Latin American and Canadian customers either directly or indirectly through our various business partners. Sales of new equipment increased \$5.1 million, or 19%, to \$32.1 million in 2010 from \$27.1 million in 2009. Refurbished sales decreased \$0.3 million, or 3%, to \$9.4 million in 2010 from \$9.7 million in 2009 despite a \$0.8 million increase in the sales of our digital converter boxes. The decrease in refurbished sales is primarily due to much of the equipment demand in fiscal year 2010 was for digital equipment products to convert our customers' cable systems from analog to digital or to add HD programming and there is not an established refurbished equipment market for this product line yet. Net repair service revenues increased \$0.3 million, or 5%, to \$5.8 million for 2010 from \$5.5 million in 2009. The repair revenue increase for 2010 was primarily due to our efforts to promote and expand this line of business, largely offset by our customers conserving cash by limiting the authorization for equipment repairs due to the downturn in the economy.

Cost of Sales. Cost of sales includes (i) the costs of new and refurbished equipment, on a weighted average cost basis, sold during the period, (ii) the equipment costs used in repairs, (iii) the related transportation costs, and (iv) the labor and overhead directly related to these sales. Cost of sales increased \$3.5 million, or 12%, to \$32.9 million for 2010 from \$29.3 million for 2009. The increase in cost of sales was primarily related to the increase in new equipment sales during 2010. Cost of sales was also impacted by a decrease in the provision for excess and obsolete inventory of \$0.2 million to \$0.8 million in 2010 from \$1.0 million in 2009. Cost of sales as a percent of revenues was 69% for both 2010 and 2009.

Gross Profit. Gross profit increased \$1.5 million to \$14.5 million in 2010 from \$12.9 million in 2009. The increased gross profit was primarily attributable to the increase in equipment sales. Gross profit margin was 31% for both 2010 and 2009.

Operating, Selling, General and Administrative Expenses. Operating, selling, general and administrative expenses include all personnel costs, which include fringe benefits, insurance and business taxes, as well as occupancy, communication, professional services and charges for bad debts, among other less significant cost categories. Operating, selling, general and administrative expenses decreased by \$0.3 million, or 4%, to \$6.9

million in 2010 from \$7.2 million in 2009. The decrease was primarily due to a \$0.1 million reduction in the provision for the allowance for doubtful accounts receivable with the remaining decrease due to reductions in rent expense, business insurance and advertising expense.

Income from Operations. Income from operations increased \$1.8 million, or 31%, to \$7.6 million for 2010 from \$5.8 million in 2009, for the reasons stated above.

Interest Expense. Interest expense for 2010 was \$0.8 million compared to \$0.9 million in 2009. The decline in interest expense was due primarily to reduced borrowing levels under our \$16.3 million term loan and Line of Credit for 2010 as compared to 2009 and lower interest rates for the \$2.8 million term loan for 2010 as compared to 2009.

Income Taxes. The provision for income taxes for 2010 increased \$0.8 million to \$2.6 million, or an effective rate of 38.0%, for 2010 from \$1.8 million, or an effective rate of 37.5%, for 2009.

Year Ended September 30, 2009, compared to Year Ended September 30, 2008

Total Net Sales. Total net sales declined \$14.2 million, or 25%, to \$42.2 million for 2009 from \$56.4 million for 2008. Sales of new equipment decreased \$7.6 million, or 22%, to \$27.1 million in 2009 from \$34.7 million in 2008. Refurbished sales decreased \$6.4 million, or 40%, to \$9.7 million in 2009 from \$16.1 million in 2008. The decrease in sales of refurbished products includes a \$3.8 million decline in the sales of our digital converter boxes. Net repair service revenues decreased \$0.2 million, or 3%, to \$5.5 million for 2009 from \$5.7 million in 2008. The repair revenue decline for 2009 was primarily due to efforts by the large and small MSO customers to conserve cash by limiting the authorization for equipment repairs due to the downturn in the economy, offset by our efforts to promote and expand this line of business.

Cost of Sales. Cost of sales includes (i) the costs of new and refurbished equipment, on a weighted average cost basis, sold during the period, (ii) the equipment costs used in repairs, (iii) the related transportation costs, and (iv) the labor and overhead directly related to these sales. Cost of sales decreased \$10.5 million, or 26%, to \$29.3 million for 2009 from \$39.8 million for 2008. Cost of sales this year were 69% of total net sales compared to 71% last year. The decrease in cost of sales was directly related to the decrease in equipment sales during 2009. Cost of sales was also impacted by a decrease in the provision for excess and obsolete inventory of \$0.7 million to \$1.0 million in 2009 from \$1.7 million in 2008 due primarily to an additional provision in 2008 of \$0.5 million for Cisco legacy converter boxes that were deemed unsellable and \$0.3 million for unsellable inventory at our Tulsat-West location.

Gross Profit. Gross profit in 2009 decreased \$3.7 million to \$12.9 million from \$16.6 million in 2008. The decreased gross profit was primarily attributable to the decline in equipment sales, partially offset by the absence of the \$0.8 million additional provision for excess and obsolete inventory in 2008 to the reserve for obsolete and excess inventory discussed above. Gross profit margins increased to 31% from 29% due primarily to sales of higher margin products and higher margin headend repairs.

Operating, Selling, General and Administrative Expenses. Operating, selling, general and administrative expenses include personnel costs (including fringe benefits, insurance and taxes), occupancy, communication, professional services and charges for bad debts, among other less significant cost categories. Operating, selling, general and administrative expenses decreased by \$1.0 million to \$7.2 million in 2009 from \$8.2 million in 2008. The decrease was primarily due to reductions in payroll expenses of \$0.5 million, rent of \$0.2 million and professional services of \$0.2 million, partially offset by an increase in the provision for the allowance for doubtful accounts receivable of \$0.1 million. At September 30, 2009, we reduced our head count for full-time employees by approximately 10% as compared to our headcount at September 30, 2008.

Income from Operations. Income from operations decreased \$2.7 million, or 32%, to \$5.8 million for 2009 from \$8.5 million in 2008, for the reasons stated above.

Interest Expense. Interest expense for 2009 was \$0.9 million compared to \$1.0 million in 2008. Interest expense decreased on our line of credit and \$2.8 million term loan as a result of lower interest rates for 2009 as compared with 2008 as well as an overall lower utilization of our line of credit in 2009 as compared to 2008. This decrease was offset by an amendment on November 27, 2007 to our \$8.0 million term note with our primary financial lender to increase the term note to \$16.3 million and extend the maturity date to November 30, 2012. In connection with

the amendment, we also entered into an interest rate swap agreement with our primary financial lender to effectively fix the rate on this debt at 5.92%.

Income Taxes. The provision for income taxes for 2009 decreased \$1.0 million to \$1.8 million, or an effective rate of 37.5%, for 2009 from \$2.8 million, or an effective rate of 37.5%, for 2008.

Liquidity and Capital Resources

We finance our operations primarily through internally generated funds, and we also have available to us a bank line of credit of \$7.0 million. During 2010, we generated approximately \$10.1 million of cash flow from operations. The cash flow from operations was impacted by a \$0.7 million net increase in our accounts receivable. Our accounts receivables increased from 2009 due primarily to increased revenues in the fourth quarter 2010 as compared to the fourth quarter 2009. Despite the overall economic conditions, we have not experienced a significant deterioration in collections on accounts receivable, so we have maintained our reserve for doubtful accounts at the same level as 2009. The cash flow from operations was also impacted by a \$5.4 million net decrease in inventory. Our inventory decreased from 2009 due primarily to management's continuing efforts to reduce our overall inventory levels in order for our inventory to be more in line with our current and expected sales volume. Additionally, the cash flow from operations was impacted by a \$0.2 million increase in our accounts payable from 2009 resulting primarily from the timing of inventory purchases that were made at the end of the fourth quarter 2010 as compared to 2009.

We expect that our cash and cash equivalents of \$8.7 million at September 30, 2010 will be sufficient for our working capital needs and scheduled debt payments in the near-term. The \$7.0 million line of credit can also be used to finance our working capital requirements as necessary. At September 30, 2010, there was not a balance outstanding under the line of credit. The lesser of \$7.0 million or the net balance of 80% of qualified accounts receivable plus 50% of qualified inventory less the outstanding balances under the term loans identified in the credit agreement and less the fair value of the interest rate swap agreement in excess of \$900,000 is available to us under the revolving credit facility (\$5.7 million at September 30, 2010). The entire outstanding balance on the revolving credit facility is due on maturity.

During 2010, we made principal payments totaling \$2.0 million primarily on our two term loans under our Revolving Credit and Term Loan Agreement with our primary lender. The \$16.3 million term loan is payable over a five year period through November 2012 with quarterly payments of \$0.4 million plus accrued interest. In connection with this term loan, we entered into an interest rate swap to effectively fix the interest rate on this term loan at 5.92% in order to avoid the risks associated with fluctuating interest rates on this term loan and to eliminate the variability in the cash outflow for interest payments. The notional value of the interest rate swap amortizes quarterly with payments that mirror the \$16.3 million term loan. The \$2.8 million term loan requires monthly payments of \$15,334 plus accrued interest through November 2021. In addition, we paid off our other note payable, secured by real estate, in June 2010 totaling \$0.1 million.

We believe that our cash flow from operations, current cash balances and our existing line of credit provide sufficient liquidity and capital resources to meet our working capital and debt payment needs.

Critical Accounting Policies and Estimates

Note 1 to the Consolidated Financial Statements in this Form 10-K for fiscal year 2010 includes a summary of the significant accounting policies or methods used in the preparation of our Consolidated Financial Statements. Some of those significant accounting policies or methods require us to make estimates and assumptions that affect the amounts reported by us. We believe the following items require the most significant judgments and often involve complex estimates.

General

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on historical experience, current market conditions, and various other factors we believe to be reasonable under the circumstances, the results

of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions. The most significant estimates and assumptions relate to the carrying value of our inventory and, to a lesser extent, the adequacy of our allowance for doubtful accounts.

Inventory Valuation

Our position in the industry requires us to carry large inventory quantities relative to annual sales, but it also allows us to realize high overall gross profit margins on our sales. We market our products primarily to MSOs and other users of cable television equipment who are seeking products for which manufacturers have discontinued production or cannot ship new equipment on a same-day basis. Carrying these large inventory quantities represents our largest risk.

Our inventory consists of new and used electronic components for the cable television industry. Inventory is stated at the lower of cost or market, and with our cost determined using the weighted-average method. At September 30, 2010, we had total inventory of \$30.0 million, consisting of \$21.8 million in new products and \$8.2 million in used or refurbished products against which we have a reserve of \$2.5 million for excess and obsolete inventory, leaving us a net inventory of \$27.4 million.

We are required to make judgments as to future demand requirements from our customers. We regularly review the value of our inventory in detail with consideration given to rapidly changing technology which can significantly affect future customer demand. For individual inventory items, we may carry inventory quantities that are excessive relative to market potential, or we may not be able to recover our acquisition costs for sales that we do make. In order to address the risks associated with our investment in inventory, we review inventory quantities on hand and reduce the carrying value when the loss of usefulness of an item or other factors, such as obsolete and excess inventories, indicate that cost will not be recovered when an item is sold. During 2010, we increased our reserve for excess and obsolete inventory by approximately \$0.8 million and wrote down the carrying value of certain inventory items by approximately \$0.5 million to reflect deterioration in the market price of that inventory. If actual market conditions are less favorable than those projected by management, and our estimates prove to be inaccurate, we could be required to increase our inventory reserve and our gross margins could be adversely affected.

Inbound freight charges are included in cost of sales. Purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs and other inventory expenditures are included in operating expenses, since the amounts involved are not considered material.

Accounts Receivable Valuation

Management judgments and estimates are made in connection with establishing the allowance for doubtful accounts. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms. Significant changes in customer concentration or payment terms, deterioration of customer credit-worthiness, or weakening in economic trends could have a significant impact on the collectability of receivables and our operating results. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional provision to the allowance for doubtful accounts may be required. The reserve for bad debts was \$0.3 million at September 30, 2010 and September 30, 2009. At September 30, 2010, accounts receivable, net of allowance for doubtful accounts, was \$4.9 million.

Off-Balance Sheet Arrangements

None.

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ADDvantage Technologies Group, Inc.

We have audited the accompanying consolidated balance sheets of ADDvantage Technologies Group, Inc. and subsidiaries (the "Company") as of September 30, 2010 and 2009, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended September 30, 2010. Our audits of the consolidated financial statements also included the financial statement schedule of ADDvantage Technologies Group, Inc., listed in Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. Hogan & Slovacek, P.C. audited the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows of the Company for the year ended September 30, 2008, and merged with Tullius Taylor Sartain & Sartain LLP to form HoganTaylor LLP effective January 7, 2009.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 consolidated financial position of ADDvantage Technologies Group, Inc. and subsidiaries as of September 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ HOGANTAYLOR LLP

December 14, 2010
Tulsa, Oklahoma

ADDVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,739,151	\$ 700,004
Accounts receivable, net of allowance of \$300,000	4,905,733	4,199,136
Income tax refund receivable	203,405	88,411
Inventories, net of allowance for excess and obsolete inventory of \$2,545,000 and \$2,196,000, respectively	27,410,722	33,166,624
Prepaid expenses	92,567	107,423
Deferred income taxes	1,423,000	1,282,000
Total current assets	42,774,578	39,543,598
Property and equipment, at cost:		
Land and buildings	7,208,679	7,188,936
Machinery and equipment	3,203,701	3,258,819
Leasehold improvements	205,797	205,797
	10,618,177	10,653,552
Less accumulated depreciation and amortization	(3,393,921)	(3,096,885)
Net property and equipment	7,224,256	7,556,667
Other assets:		
Deferred income taxes	678,000	744,000
Goodwill	1,560,183	1,560,183
Other assets	23,236	28,098
Total other assets	2,261,419	2,332,281
Total assets	\$ 52,260,253	\$ 49,432,546

See notes to audited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2010	2009
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,751,498	\$ 2,523,143
Accrued expenses	1,340,414	1,095,822
Notes payable – current portion	<u>1,814,008</u>	<u>1,863,767</u>
Total current liabilities	5,905,920	5,482,732
Notes payable, less current portion	12,058,128	13,992,873
Other liabilities	1,252,683	1,049,685
Shareholders' equity:		
Common stock, \$.01 par value; 30,000,000 shares authorized; 10,367,934 and 10,340,784 shares issued, respectively; 10,143,970 and 10,116,820 shares outstanding, respectively	103,679	103,408
Paid in capital	(6,070,986)	(6,151,530)
Retained earnings	40,193,791	36,007,342
Accumulated other comprehensive loss:		
Unrealized loss on interest rate swap, net of tax	(776,683)	(645,685)
	<u>33,449,801</u>	<u>29,313,535</u>
Less: Treasury stock, 223,964 shares, at cost	(406,279)	(406,279)
Total shareholders' equity	<u>33,043,522</u>	<u>28,907,256</u>
Total liabilities and shareholders' equity	<u>\$ 52,260,253</u>	<u>\$ 49,432,546</u>

See notes to audited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME

	Years ended September 30,		
	2010	2009	2008
Sales:			
Net new sales income	\$ 32,108,559	\$ 27,053,746	\$ 34,678,054
Net refurbished sales income	9,444,802	9,704,744	16,090,192
Net service income	5,752,769	5,485,102	5,680,315
Total net sales	47,306,130	42,243,592	56,448,561
Cost of sales	32,850,524	29,315,645	39,839,667
Gross profit	14,455,606	12,927,947	16,608,894
Operating, selling, general and administrative expenses	6,901,946	7,159,604	8,156,536
Income from operations	7,553,660	5,768,343	8,452,358
Interest expense	801,211	936,339	983,564
Income before income taxes	6,752,449	4,832,004	7,468,794
Provision for income taxes	2,566,000	1,813,000	2,801,000
Net income	4,186,449	3,019,004	4,667,794
Other comprehensive loss:			
Unrealized loss on interest rate swap, net of \$72,000, \$292,000 and \$112,000 tax benefit, respectively	(130,998)	(457,741)	(225,302)
Comprehensive income	\$ 4,055,451	\$ 2,561,263	\$ 4,442,492
Net income	4,186,449	3,019,004	4,667,794
Preferred stock dividends	-	-	133,480
Net income attributable to common shareholders	\$ 4,186,449	\$ 3,019,004	\$ 4,534,314
Earnings per share:			
Basic	\$ 0.41	\$ 0.30	\$ 0.44
Diluted	\$ 0.41	\$ 0.30	\$ 0.44
Shares used in per share calculation:			
Basic	10,132,658	10,162,122	10,263,365
Diluted	10,136,610	10,164,216	10,281,136

See notes to audited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended September 30, 2010, 2009 and 2008

	Common Stock		Series B	Paid-in	Retained	Accumulated	Treasury	Total
	Shares	Amount	Preferred	Capital	Earnings	Other	Stock	
			Stock			Comprehensive		
Balance, September 30, 2007	10,270,756	\$ 102,708	\$ 12,000,000	\$ (6,383,574)	\$ 28,454,024	\$ 37,358	\$ (54,164)	\$ 34,156,352
Net income	-	-	-	-	4,667,794	-	-	4,667,794
Preferred stock dividends	-	-	-	-	(133,480)	-	-	(133,480)
Repurchase of preferred stock	-	-	(12,000,000)	-	-	-	-	(12,000,000)
Stock issuance	16,359	164	-	69,836	-	-	-	70,000
Stock options exercised	7,000	69	-	20,180	-	-	-	20,249
Net unrealized loss on interest swap	-	-	-	-	-	(225,302)	-	(225,302)
Share based compensation expense	-	-	-	20,661	-	-	-	20,661
Balance, September 30, 2008	10,294,115	\$ 102,941	\$ -	\$ (6,272,897)	\$ 32,988,338	\$ (187,944)	\$ (54,164)	\$ 26,576,274
Net income	-	-	-	-	3,019,004	-	-	3,019,004
Purchase of common stock	-	-	-	-	-	-	(352,115)	(352,115)
Stock issuance	46,669	467	-	69,533	-	-	-	70,000
Net unrealized loss on interest swap	-	-	-	-	-	(457,741)	-	(457,741)
Share based compensation expense	-	-	-	51,834	-	-	-	51,834
Balance, September 30, 2009	10,340,784	\$ 103,408	\$ -	\$ (6,151,530)	\$ 36,007,342	\$ (645,685)	\$ (406,279)	\$ 28,907,256
Net income	-	-	-	-	4,186,449	-	-	4,186,449
Stock issuance	27,150	271	-	59,729	-	-	-	60,000
Net unrealized loss on interest swap	-	-	-	-	-	(130,998)	-	(130,998)
Share based compensation expense	-	-	-	20,815	-	-	-	20,815
Balance, September 30, 2010	<u>10,367,934</u>	<u>\$ 103,679</u>	<u>\$ -</u>	<u>\$ (6,070,986)</u>	<u>\$ 40,193,791</u>	<u>\$ (776,683)</u>	<u>\$ (406,279)</u>	<u>\$ 33,043,522</u>

See notes to audited consolidated financial statements.

ADVANTAGE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended September 30,		
	2010	2009	2008
Operating Activities			
Net income	\$ 4,186,449	\$ 3,019,004	\$ 4,667,794
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	398,778	411,052	388,702
Provision for losses on accounts receivable	26,162	129,307	38,238
Provision for excess and obsolete inventories	805,684	970,720	1,670,425
(Gain) loss on disposal of property and equipment	7,704	(8,594)	-
Deferred income tax benefit	(3,000)	(40,000)	(225,000)
Share based compensation expense	84,984	121,834	61,492
Cash provided (used) by changes in current assets and liabilities:			
Accounts receivable	(732,759)	2,375,719	(32,521)
Income tax refund receivable	(114,994)	(4,676)	69,517
Inventories	4,950,218	(458,926)	(3,884,316)
Prepaid expenses	14,856	1,137	16,559
Other assets	693	1,014	42,423
Accounts payable	228,355	(743,863)	(1,034,666)
Accrued expenses	244,592	(50,850)	(185,218)
Net cash provided by operating activities	<u>10,097,722</u>	<u>5,722,878</u>	<u>1,593,429</u>
Investing Activities			
Additions to machinery and equipment	(77,078)	(58,411)	(125,610)
Additions of land and buildings	(19,743)	(11,133)	(694,743)
Disposals of machinery and equipment	22,750	36,594	3,500
Net cash used in investing activities	<u>(74,071)</u>	<u>(32,950)</u>	<u>(816,853)</u>
Financing Activities			
Net change under bank revolving line of credit	-	(2,789,252)	1,053,847
Proceeds on notes payable	-	-	12,000,000
Payments on notes payable	(1,984,504)	(1,863,768)	(1,552,974)
Repurchase of preferred stock	-	-	(12,000,000)
Purchase of treasury stock	-	(352,115)	-
Proceeds from stock options exercised	-	-	20,249
Payments of preferred dividends	-	-	(343,480)
Net cash used in financing activities	<u>(1,984,504)</u>	<u>(5,005,135)</u>	<u>(822,358)</u>
Net increase (decrease) in cash and cash equivalents	8,039,147	684,793	(45,782)
Cash and cash equivalents at beginning of year	700,004	15,211	60,993
Cash and cash equivalents at end of year	<u>\$ 8,739,151</u>	<u>\$ 700,004</u>	<u>\$ 15,211</u>
Supplemental cash flow information:			
Cash paid for interest	\$ 814,332	\$ 944,777	\$ 901,940
Cash paid for income taxes	\$ 2,767,180	\$ 1,934,465	\$ 2,946,329

See notes to audited consolidated financial statements.

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of business

ADDvantage Technologies Group, Inc. through its subsidiaries (collectively, the “Company”) sells new, surplus, and re-manufactured cable television equipment throughout North America, Central America, South America and, to a substantially lesser extent, other international regions that utilize the same technology. In addition, the Company is also a repair center for various cable companies.

Summary of Significant Accounting Policies

Principles of consolidation and segment reporting

The consolidated financial statements include the accounts of ADDvantage Technologies Group, Inc. and its subsidiaries: Tulsat Corporation, Tulsat-Atlanta LLC, ADDvantage Technologies Group of Nebraska (dba Tulsat-Nebraska), ADDvantage Technologies Group of Texas, Inc. (dba Tulsat-Texas), Jones Broadband International, Inc. (dba Tulsat-West), NCS Industries, Inc., ADDvantage Technologies Group of Missouri, Inc. (dba ComTech Services) and Tulsat-Pennsylvania LLC (dba Broadband Remarketing International). All significant inter-company balances and transactions have been eliminated in consolidation. In addition, each subsidiary represents a separate operating segment of the Company and is aggregated for segment reporting purposes.

FASB Accounting Standards Codification

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets generally accepted accounting principles (“GAAP”) that the Company follows to ensure that the Company’s financial condition, results of operations and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (“Codification” or “ASC”).

Cash and cash equivalents

Cash and cash equivalents includes demand and time deposits, money market funds and other marketable securities with maturities of three months or less when acquired.

Accounts receivable

Trade receivables are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. Trade receivables are written off against the allowance when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The Company generally does not charge interest on past due accounts.

Inventory valuation

Inventory consists of new and used electronic components for the cable television industry. Inventory is stated at the lower of cost or market. Market is defined principally as net realizable value. Cost is determined using the weighted-average method. The Company records inventory reserve provisions to reflect inventory at its estimated realizable value based on a review of inventory quantities on hand, historical sales volumes and technology changes. These reserves are to provide for items that are potentially slow-moving, excess or obsolete.

Property and equipment

Property and equipment consists of office equipment, warehouse and service equipment and buildings with estimated useful lives of 5 years, 10 years and 40 years, respectively. Depreciation is provided using the straight-

line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the remainder of the lease agreement. Gains or losses from the ordinary sale or retirement of property and equipment are recorded in other income (expense). Repairs and maintenance costs are generally expensed as incurred, whereas major improvements are capitalized. Depreciation and amortization expense was \$0.4 million for each of the years ended September 30, 2010, 2009 and 2008, respectively.

Goodwill

Goodwill represents the excess of cost over fair value of the assets of businesses acquired. Goodwill is evaluated at least annually for impairment by first comparing our estimate of the fair value of the reporting unit, or operating segment, with the reporting unit's carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, a computation of the implied fair value of goodwill would then be compared to its related carrying value. If the carrying value of the reporting unit goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized in the amount of the excess. Judgments and assumptions are inherent in our estimate of future cash flows used to determine the estimate of the reporting unit's fair value. The use of alternate judgments and/or assumptions could result in the recognition of different levels of impairment charges in the financial statements. At September 30, 2010 and 2009, the fair value of our reporting unit exceeded its carrying value, so goodwill was not impaired.

Income taxes

The Company provides for income taxes in accordance with the liability method of accounting pursuant to ASC Topic 740, *Income Taxes*. Under this method, 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 and tax carryforward amounts. Management provides a valuation allowance against deferred tax assets for amounts which are not considered "more likely than not" to be realized.

Revenue recognition and product line reporting

The Company's principal sources of revenues are from sales of new, refurbished or used equipment and repair services. As a stocking distributor for several cable television equipment manufacturers, the Company offers a broad selection of inventoried and non-inventoried products. The Company's sales of different products fluctuate from year to year as its customers' needs change. Because the Company's product line sales change from year to year, the Company does not report sales by product line for management reporting purposes and does not disclose sales by product line in these financial statements.

The Company recognizes revenue for product sales when title transfers, the risks and rewards of ownership have been transferred to the customer, the fee is fixed and determinable and the collection of the related receivable is probable, which is generally at the time of shipment. The stated shipping terms are FOB shipping point per the Company's sales agreements with its customers. Accruals are established for expected returns based on historical activity. Revenue for services is recognized when the repair is completed and the product is shipped back to the customer.

Derivatives

FASB ASC 815, *Derivatives and Hedging*, requires that all derivatives, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of the changes in the fair value of the derivative are recorded in Other Comprehensive Income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in other income (expense). The Company's objective of holding derivatives is to minimize the risks of interest rate fluctuation by using the most effective methods to eliminate or reduce the impact of this exposure.

Freight

Amounts billed to customers for shipping and handling represent revenues earned and are included in Net New Sales Income, Net Refurbished Sales Income and Net Service Income in the accompanying Consolidated Statements of Income and Comprehensive Income. Actual costs for shipping and handling of these sales are included in Cost of Sales.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense was \$0.2 million, \$0.3 million and \$0.3 million for the years ended September 30, 2010, 2009 and 2008, respectively.

Management estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Any significant, unanticipated changes in product demand, technological developments or continued economic trends affecting the cable industry could have a significant impact on the value of the Company's inventory and operating results.

Concentrations of credit risk

The Company holds cash with one major financial institution, which at times exceeds FDIC insured limits. Historically, the Company has not experienced any loss due to such concentration of credit risk.

Other financial instruments that potentially subject the Company to concentration of credit risk consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs in-depth credit evaluations for all new customers but does not require collateral to support customer receivables. The Company had no customer in 2010 that contributed in excess of 10% of the total net sales. The Company's sales to foreign (non-U.S. based customers) were approximately \$6.8 million, \$4.6 million and \$7.9 million for the years ended September 30, 2010, 2009 and 2008, respectively. In 2010, the Company purchased approximately 32% of its inventory from Cisco and approximately 19% of its inventory from Motorola. The concentration of suppliers of the Company's inventory subjects the Company to risk.

Employee stock-based awards

FASB ASC 718, *Stock Compensation*, requires all share-based payments to employees, including grants of employee stock options, be recognized in financial statements based on their grant date fair value over the requisite service period. The Company determines the fair value of the options issued, using the Black-Scholes valuation model, and amortizes the calculated value over the vesting term of the stock options. Compensation expense for stock-based awards is included in the operating, selling, general and administrative expense section of the consolidated statements of income and comprehensive income.

Earnings per share

Basic earnings per share are based on the sum of the average number of common shares outstanding and issuable restricted and deferred shares. Diluted earnings per share include any dilutive effect of stock options, restricted stock and convertible preferred stock.

Fair value of financial instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments. The carrying amounts of accounts receivable and accounts payable approximate fair value due to their short maturities. The carrying value of the Company's line of credit approximates fair value since the interest rate fluctuates periodically based on a floating interest rate. Management believes that the carrying value of the Company's borrowings approximates fair value as the interest rate fluctuates periodically based on a floating interest rate.

Note 2 – Inventories

Inventories at September 30, 2010 and 2009 are as follows:

	2010	2009
New	\$ 21,808,323	\$ 24,723,788
Refurbished	8,147,399	10,638,836
Allowance for excess and obsolete inventory	(2,545,000)	(2,196,000)
	<u>\$ 27,410,722</u>	<u>\$ 33,166,624</u>

New inventory includes products purchased from the manufacturers plus "surplus-new", which are unused products purchased from other distributors or multiple system operators. Refurbished inventory includes factory remanufactured, Company remanufactured and used products.

The Company regularly reviews inventory quantities on hand, and a departure from cost is required when the loss of usefulness of an item or other factors, such as obsolete and excess inventories, indicate that cost will not be recovered when an item is sold. The Company recorded charges to allow for obsolete inventory during the fiscal years ended September 30, 2010, 2009 and 2008, increasing the cost of sales by approximately \$0.8 million, \$1.0 million and \$1.7 million, respectively.

Note 3 – Income Taxes

The provision (benefit) for income taxes for the years ended September 30, 2010, 2009 and 2008 consists of:

	2010	2009	2008
Current	\$ 2,569,000	\$ 1,853,000	\$ 3,026,000
Deferred	(3,000)	(40,000)	(225,000)
	<u>\$ 2,566,000</u>	<u>\$ 1,813,000</u>	<u>\$ 2,801,000</u>

The following table summarizes the differences between the U.S. federal statutory rate and the Company's effective tax rate for financial statement purposes for the years ended September 30, 2010, 2009 and 2008:

	2010	2009	2008
Statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of U.S. federal tax benefit	4.0%	4.7%	4.6%
Tax credits and exclusions	-	(1.2%)	(1.1%)
Company's effective tax rate	<u>38.0%</u>	<u>37.5%</u>	<u>37.5%</u>

Deferred tax assets at September 30, 2010 and 2009 consist of the following:

	2010	2009
Net operating loss carryforwards	\$ 714,000	\$ 826,000
Financial basis in excess of tax basis of certain assets	(575,000)	(574,000)
Accounts receivable	114,000	116,000
Inventory	1,097,000	1,015,000
Interest rate swap	476,000	404,000
Other, net	275,000	239,000
	<u>\$ 2,101,000</u>	<u>\$ 2,026,000</u>

Deferred tax assets are classified as:

Current	\$ 1,423,000	\$ 1,282,000
Noncurrent	678,000	744,000
	<u>\$ 2,101,000</u>	<u>\$ 2,026,000</u>

Utilization of the Company's net operating loss carryforward, totaling approximately \$1.9 million at September 30, 2010, to reduce future taxable income is limited to an annual deductible amount of approximately \$0.3 million. The net operating loss carryforward expires in varying amounts in 2019 and 2020.

In accordance with FASB ASC 740, *Income Taxes*, the Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. The Company has concluded, based on its historical earnings and projected future earnings, that it will be able to realize the full effect of the deferred tax assets and no valuation allowance is needed.

Based upon a review of its income tax positions, the Company believes that its positions would be sustained upon an examination by the Internal Revenue Service and does not anticipate any adjustments that would result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded. Generally, the Company is no longer subject to examinations by the U.S. federal, state or local tax authorities for tax years before 2007.

Note 4 – Accrued Expenses

Accrued expenses as of September 30, 2010 and 2009 are as follows:

	2010	2009
Employee costs	\$ 971,099	\$ 724,349
Taxes other than income tax	154,835	148,540
Interest	60,065	73,186
Other, net	154,415	149,747
	<u>\$ 1,340,414</u>	<u>\$ 1,095,822</u>

Note 5 – Line of Credit and Notes Payable*Line of Credit*

The Company has a \$7.0 million Revolving Line of Credit (“Line of Credit”) under the Revolving Credit and Term Loan Agreement with its primary financial lender. At September 30, 2010 and 2009, the Company had no amount outstanding under the Line of Credit. The Line of Credit requires quarterly interest payments based on the prevailing 30-day LIBOR rate plus 1.4% (1.66% at September 30, 2010), and the interest rate is reset monthly. Any outstanding balance under the Line of Credit is due on November 30, 2010. Borrowings under the line of credit are limited to the lesser of \$7.0 million or the net balance of 80% of qualified accounts receivable plus 50% of qualified inventory less any outstanding term note balances and less the fair value of the interest rate swap agreement in excess of \$900,000. Under these limitations, the Company’s total Line of Credit available borrowing base was \$5.7 million at September 30, 2010. Among other financial covenants, the credit agreement provides that the Company must maintain a fixed charge ratio of coverage (EBITDA to total fixed charges) of not less than 1.25 to 1.0, determined quarterly. The Line of Credit is collateralized by inventory, accounts receivable, equipment and fixtures and general intangibles.

Subsequent to September 30, 2010, the Company signed an Amended and Restated Revolving Credit and Term Loan Agreement with its primary financial lender effective November 30, 2010. Among other things, this amendment extended the Line of Credit maturity to November 30, 2011, changed the interest rate from the prevailing 30-day LIBOR rate plus 1.4% to the prevailing 30-day LIBOR rate plus 2.75%, and restricts the payment of dividends to no more than 50% of the Company’s net income. The Line of Credit remains at \$7.0 million. The financial covenants did not change under this agreement nor did the terms of the two separate term loans.

Notes Payable

The Revolving Credit and Term Loan Agreement includes two separate term loans, which are also collateralized by inventory, accounts receivable, equipment and fixtures and general intangibles. The first term loan is a \$2.8 million term loan. The outstanding balance under this note was \$2.1 million and \$2.2 million at September 30, 2010 and 2009, respectively. This note is due on November 20, 2021, with monthly principal payments of \$15,334 plus accrued interest. The interest rate is the prevailing 30-day LIBOR rate plus 1.4% (1.66% at September 30, 2010) and is reset monthly.

The second term loan under the Revolving Credit and Term Loan Agreement is a \$16.3 million term loan. The outstanding balance of this term loan was \$11.8 million and \$13.4 million at September 30, 2010 and 2009, respectively. This note is due November 30, 2012, with quarterly payments of approximately \$0.4 million plus accrued interest. The interest rate is the prevailing 30-day LIBOR rate plus 1.4% (1.66% at September 30, 2010).

The Company’s other note payable, secured by real estate, was paid off in June 2010 (\$0.2 million outstanding at September 30, 2009). The interest rate was prime minus 0.25%.

The carrying value of the Company's borrowings approximates fair value as the interest rate fluctuates periodically based on a floating interest rate.

The aggregate minimum maturities of notes payable and the line of credit for each of the next five years are as follows:

2011	\$ 1,814,008
2012	1,814,008
2013	8,741,508
2014	184,008
2015	184,008
Thereafter	1,134,596
Total	<u>\$ 13,872,136</u>

Note 6 – Derivative Financial Instruments

On November 27, 2007, the Company entered into an interest rate swap agreement on the \$16.3 million term loan in order to avoid the risks associated with fluctuating interest rates on this term loan and to eliminate the variability in the cash outflow for interest payments. The interest rate swap agreement locks the interest rate on the notional value at 5.92% through November 29, 2014. The notional value of the interest rate swap amortizes quarterly with payments that mirror the \$16.3 million term loan. Upon entering into this interest rate swap, the Company designated this derivative as a cash flow hedge by documenting the Company's risk management objective and strategy for undertaking the hedge along with methods for assessing the swap's effectiveness in accordance with FASB ASC 815, *Derivatives and Hedging*. The following table presents certain information regarding our interest rate swap.

	Amount of Loss Recognized in OCI on Derivative, Net of Tax		Amount of Loss Recognized in Accumulated OCI, Net of Tax	
	Year Ended September 30,		September 30,	September 30,
	2010	2009	2010	2009
Interest rate swap agreement	\$ (130,998)	\$ (457,741)	\$ (776,683)	\$ (645,685)

At September 30, 2010, the notional value of the swap was \$11.8 million and the fair value of the interest rate swap was approximately \$1.3 million, which is included in other liabilities on the Company's Consolidated Balance Sheet.

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for identical assets in active markets or liabilities that we have the ability to access. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Inputs are other than quoted prices in active markets included in Level 1 that are either directly or indirectly observable. These inputs are either directly observable in the marketplace or indirectly observable through corroboration with market data for substantially the full contractual term of the asset or liability being measured.
- Level 3 – Inputs that are not observable for which there is little, if any, market activity for the asset or liability being measured. These inputs reflect management's best estimate of the assumptions market participants would use in determining fair value.

Our interest rate swap is an over-the-counter instrument and is classified in the Level 2 hierarchy as the fair value can be estimated from executed transactions or broker quotes corroborated by other market data. These broker quotes are based on observable market prices at which similar transactions could currently be executed.

Note 7 – Stock-Based Compensation and Preferred Stock

Plan Information

The 1998 Incentive Stock Plan (the “Plan”) provides for awards of stock options and restricted stock to officers, directors, key employees and consultants. The Plan provides that upon any issuance of additional shares of common stock by the Company, other than pursuant to the Plan, the number of shares covered by the Plan will increase to an amount equal to 10% of the then outstanding shares of common stock. Under the Plan, option prices will be set by the Board of Directors and may be greater than, equal to, or less than fair market value on the grant date.

At September 30, 2010, 1,024,656 million shares of common stock were reserved for the exercise of, or lapse of restrictions on, stock awards under the Plan. Of the shares reserved for exercise of, or lapse of restrictions on, stock awards, 637,495 shares were available for future grants.

Stock Options

Stock options are accounted for in accordance with the provisions of FASB ASC 718, *Stock Compensation*. FASB ASC 718 requires all share-based payments to employees, including grants of employee stock options, be recognized in financial statements based on their grant date fair value over the requisite service period. Compensation expense for stock-based awards is included in the operating, selling, general and administrative expense section of the consolidated statements of income and comprehensive income.

Stock options are valued at the date of the award, which does not precede the approval date, and compensation cost is recognized on a straight-line basis over the vesting period. Stock options granted to employees generally become exercisable over a four-year period from the date of grant and generally expire ten years after the date of grant. Stock options granted to the Board of Directors generally become exercisable on the date of grant and generally expire ten years after the date of grant.

A summary of the status of the Company's stock options at September 30, 2010 and changes during the year then ended is presented below:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at September 30, 2009	148,850	\$ 3.43	
Granted	–	–	
Exercised	–	–	–
Expired	(12,000)	\$ 3.13	
Forfeited	–	–	
Outstanding at September 30, 2010	<u>136,850</u>	\$ 3.46	–
Exercisable at September 30, 2010	<u>96,850</u>	\$ 3.65	–

There was no aggregate intrinsic value at September 30, 2010 for options outstanding and exercisable as the Company's stock price at September 30, 2010 was less than the weighted average exercise price. The total intrinsic value of options exercised for the year ended September 30, 2008 was \$11,000. There were no options exercised for the years ended September 30, 2010 and 2009.

Information about the Company's outstanding and exercisable stock options at September 30, 2010 is as follows:

Exercise Price	Stock Options Outstanding	Exercisable Stock Options Outstanding	Remaining Contractual Life
\$3.001	80,000	40,000	7.9 years
\$3.450	15,000	15,000	6.5 years
\$5.780	15,000	15,000	5.5 years
\$4.620	15,000	15,000	4.5 years
\$4.400	3,000	3,000	3.5 years
\$1.650	2,000	2,000	2.5 years
\$0.810	2,000	2,000	1.5 years
\$1.500	4,850	4,850	0.5 years
	<u>136,850</u>	<u>96,850</u>	

No nonqualified stock options were granted in fiscal year 2010 or 2009. In the fourth quarter of fiscal year 2008, the Company granted nonqualified stock options to certain executives and employees of the Company totaling 100,000 shares. The Company estimated the fair value of the options granted using the Black-Scholes option valuation model and the assumptions shown in the table below. The Company estimated the expected term of options granted based on the historical grants and exercises of the Company's options. The Company estimated the volatility of its common stock at the date of the grant based on both the historical volatility as well as the implied volatility on its common stock, consistent with FASB ASC 718. The Company based the risk-free rate that was used in the Black-Scholes option valuation model on the implied yield in effect at the time of the option grant on U.S. Treasury zero-coupon issues with equivalent expected terms. The Company has never paid cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero in the Black-Scholes option valuation model. The Company amortizes the resulting fair value of the options ratably over the vesting period of the awards. The Company used historical data to estimate the pre-vesting options forfeitures and records share-based expense only for those awards that are expected to vest.

The estimated fair value at date of grant for stock options utilizing the Black-Scholes option valuation model and the assumptions that were used in the Black-Scholes option valuation model for the year ended September 30, 2008 are as follows:

	2008
Weighted average grant date fair value of options	\$ 1.09
Black-Scholes model assumptions:	
Average expected life (years)	6.25
Average expected volatility factor	30%
Average risk-free interest rate	3.1%
Average expected dividends yield	-

Compensation expense related to stock options recorded for the years ended September 30, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Fiscal year 2006 grant	\$ -	\$ 3,063	\$ 6,510
Fiscal year 2008 grant	20,815	48,771	14,151
Total compensation expense	<u>\$ 20,815</u>	<u>\$ 51,834</u>	<u>\$ 20,661</u>

For the options granted in fiscal years 2006 and 2008, the Company is recording compensation expense over the vesting term of the related options. All of the options granted in fiscal year 2007 were fully vested and, as such, their calculated fair value was expensed on the grant date.

Restricted stock

The Company granted restricted stock in March 2010, 2009 and 2008 to its Board of Directors totaling 27,150 shares, 46,669 shares and 16,359 shares, respectively, which were valued at market value on the date of grant. The shares are held by the Company for 12 months and are delivered to the directors at the end of the 12 month holding period. The fair value of the shares upon issuance totaled \$60,000 for the 2010 fiscal year grant and \$70,000 for the 2009 and 2008 fiscal year grants. The grants are amortized over the 12 month holding period as compensation expense. Compensation expense related to restricted stock recorded for the years ended September 30, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Fiscal year 2008 grant	\$ -	\$ 29,169	\$ 40,831
Fiscal year 2009 grant	29,169	40,831	-
Fiscal year 2010 grant	35,000	-	-
	<u>\$ 64,169</u>	<u>\$ 70,000</u>	<u>\$ 40,831</u>

Note 8 – Treasury Stock

In 2000, the Company's Board of Directors authorized the repurchase of up to \$1.0 million of outstanding shares of the Company's common stock from time to time in the open market at prevailing market prices or in privately negotiated transactions. The repurchased shares of common stock will be held in treasury and used for general corporate purposes including possible use in employee stock plans or for acquisitions. During fiscal year 2009, the Company acquired in the open market and in a privately negotiated transaction a total of 202,864 shares of the Company's common stock at an average price of \$1.74 per share. Repurchases are made in compliance with the safe harbor provisions of Rule 10b-18, which limits the timing, volume, price and method of stock repurchases. When combined with the treasury shares purchased in prior years, the Company can purchase additional shares that have a combined value of up to \$0.6 million under this program.

Note 9 – Retirement Plan

The Company sponsors a 401(k) plan that allows participation by all employees who are at least 21 years of age and have completed one year of service. The Company's contributions to the plan consist of a matching contribution as determined by the plan document. Costs recognized under the 401(k) plan for the years ended September 30, 2010, 2009 and 2008 were \$0.2 million, \$0.2 million and \$0.2 million, respectively.

Note 10 – Earnings per Share

Basic and diluted earnings per share for the years ended September 30, 2010, 2009 and 2008 are:

	2010	2009	2008
Net income	\$ 4,186,449	\$ 3,019,004	\$ 4,667,794
Dividends on preferred stock	–	–	133,480
Net income attributable to common shareholders	\$ 4,186,449	\$ 3,019,004	\$ 4,534,314
Basic weighted average shares	10,132,658	10,162,122	10,263,365
Effect of dilutive securities:			
Stock options	3,952	2,094	17,771
Diluted weighted average shares	10,136,610	10,164,216	10,281,136
Earnings per common share:			
Basic	\$ 0.41	\$ 0.30	\$ 0.44
Diluted	\$ 0.41	\$ 0.30	\$ 0.44

The table below includes information related to stock options that were outstanding at the end of each respective year but have been excluded from the computation of weighted-average stock options for dilutive securities due to the option exercise price exceeding the average market price per share of our common stock for the fiscal year.

	2010	2009	2008
Stock options excluded	128,000	140,000	60,000
Weighted average exercise price of stock options	\$ 3.60	\$ 3.56	\$ 5.30
Average market price of common stock	\$ 2.49	\$ 1.80	\$ 4.48

Note 11 – Related Parties

On November 27, 2007, the Company redeemed the Series B Preferred Stock, which was beneficially owned by David E. Chymiak, Chairman of the Company's Board of Directors, and Kenneth A. Chymiak, President and Chief Executive Officer of the Company for \$12.0 million. The redemption was financed by the second term loan under the Company's Revolving Credit and Term Loan Agreement (see Note 5). Prior to the redemption, the Company paid \$0.3 million in fiscal year 2007 for dividends on the Series B Preferred Stock.

The Company leases on a month-to-month basis one warehouse in Oklahoma from a company owned by David E. Chymiak and Kenneth A. Chymiak. The lease expired in September 2008. The total payments made on the lease to this company for the years ended September 30, 2010, 2009 and 2008 totaled \$0.1 million, \$0.1 million and \$0.2 million, respectively.

David E. Chymiak and Kenneth A. Chymiak beneficially owned 26% and 22%, respectively, of the Company's outstanding common stock at September 30, 2010.

Note 12 – Commitments and Contingencies

The Company leases and rents various office and warehouse properties in Oklahoma, California, Georgia and Pennsylvania. The Oklahoma facility is a 56,000 square foot warehouse and is rented on a month-to-month basis, since the lease expired in September 2008, from an entity that is controlled by David E. Chymiak and Kenneth A. Chymiak. The terms on its other operating leases in California, Georgia and Pennsylvania vary but all mature in less than one year and contain renewal options. The California lease for Tulsat-West expired on November 30, 2010, and the Company closed the Tulsat-West facility and moved the operations to our Broken Arrow, Oklahoma facility.

Rental payments associated with leased properties in fiscal years 2010, 2009 and 2008 totaled approximately \$0.2 million, \$0.3 million and \$0.5 million, respectively. The Company's minimum annual future obligations as of September 30, 2010 under all existing operating leases are \$44 thousand for fiscal year 2011. The Company has no further minimum annual future obligations as all of its existing operating leases expire in fiscal year 2011.

Note 13 – Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended September 30, 2010, 2009 and 2008:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended 2010				
Net sales and service income	\$ 10,219,221	\$ 12,055,521	\$ 13,297,449	\$ 11,733,939
Gross profit	\$ 3,330,340	\$ 3,619,796	\$ 4,207,974	\$ 3,297,496
Net income	\$ 859,639	\$ 1,081,845	\$ 1,396,234	\$ 848,731
Basic earnings per common share	\$ 0.08	\$ 0.11	\$ 0.14	\$ 0.08
Diluted earnings per common share	\$ 0.08	\$ 0.11	\$ 0.14	\$ 0.08
Fiscal year ended 2009				
Net sales and service income	\$ 12,800,006	\$ 10,126,636	\$ 9,148,907	\$ 10,168,043
Gross profit	\$ 3,833,786	\$ 3,073,992	\$ 2,974,965	\$ 3,045,204
Net income	\$ 954,146	\$ 698,359	\$ 654,606	\$ 711,893
Basic earnings per common share	\$ 0.09	\$ 0.07	\$ 0.06	\$ 0.07
Diluted earnings per common share	\$ 0.09	\$ 0.07	\$ 0.06	\$ 0.07
Fiscal year ended 2008				
Net sales and service income	\$ 14,739,368	\$ 13,851,819	\$ 13,213,802	\$ 14,643,572
Gross profit	\$ 4,750,828	\$ 4,568,063	\$ 3,363,548	\$ 3,926,455
Net income	\$ 1,593,111	\$ 1,411,109	\$ 605,504	\$ 1,058,070
Basic earnings per common share	\$ 0.14	\$ 0.14	\$ 0.06	\$ 0.10
Diluted earnings per common share	\$ 0.14	\$ 0.14	\$ 0.06	\$ 0.10

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Hogan & Slovacek, P.C., the firm that had served as our independent registered public accounting firm since January 26, 2006, announced that it was combining with the firm of Tullius Taylor Sartain & Sartain LLP, on January 7, 2009. As a result, Hogan & Slovacek resigned as our accounting firm as of January 7, 2009, and our audit committee engaged the successor firm, which is named HoganTaylor LLP (“HoganTaylor”), on January 7, 2009, to serve as the principal accountant to audit our financial statements for the fiscal year ended September 30, 2009. The respective employees, partners and shareholders of the merged firms have become employees and partners of HoganTaylor which will continue the practices of each of the merged firms. Hogan & Slovacek will remain in existence solely for the purpose of winding up its affairs but will not engage in any public accounting practice.

While HoganTaylor is technically a new firm, because it is a successor firm to our prior accountants, we do not consider this a substantive change of accounting firms. Also, as this is a newly created firm, there have been no pre-engagement consultations or contacts with HoganTaylor.

The reports of Hogan & Slovacek regarding our financial statements for the fiscal year ended September 30, 2008 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the year ended September 30, 2008, and during the period from October 1, 2008 through January 7, 2009, the date of resignation, there were no disagreements with Hogan & Slovacek on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Hogan & Slovacek would have caused it to make reference to such disagreement in connection with its report.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the Commission’s rules and forms, and that information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer evaluated our disclosure controls and procedures as of September 30, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Management’s Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) and for the assessment of the effectiveness of internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and board of directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment, we believe that, as of September 30, 2010, our internal control over financial reporting is effective based on those criteria.

Changes in Internal Control over Financial Reporting.

During the fourth quarter ended September 30, 2010, there has been no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item concerning our officers, directors, compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, Code of Business Conduct and Ethics and Audit Committee is incorporated by reference to the information in the sections entitled "Identification of Officers," "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Ethics" and "Audit Committee," respectively, of our Proxy Statement for the 2011 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended September 30, 2010 (the "Proxy Statement"). A copy of our Code of Business Conduct and Ethics is posted on our website at www.advantagetech.com.

Item 11. Executive Compensation.

The information required by this item concerning executive compensation is incorporated by reference to the information set forth in the section entitled "Compensation of Directors and Executive Officers" of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item regarding security ownership and equity compensation plans is incorporated by reference to the information set forth in the section entitled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item regarding certain relationships and related transactions and director independence is incorporated by reference to the information set forth in the section entitled "Certain Relationships and Related Transactions" and "Board of Directors," respectively, of the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item regarding principal accounting fees and services is incorporated by reference to the information set forth in the section entitled "Principal Accounting Fees and Services" of the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statements Schedules.

(a) 1. The following financial statements are filed as part of this report in Part II, Item 8.

Report of Independent Registered Public Accounting Firm for 2010, 2009 and 2008.

Consolidated Balance Sheets as of September 30, 2010 and 2009.

Consolidated Statements of Income for the years ended September 30, 2010, 2009 and 2008.

Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 2010, 2009 and 2008.

Consolidated Statements of Cash Flows for the years ended September 30, 2010, 2009 and 2008.

Notes to Consolidated Financial Statements.

2. The following financial statement Schedule II – Valuation and Qualifying Accounts for the years ended September 30, 2010, 2009 and 2008 is filed as part of this report. All other financial statement schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the financial statements or notes thereto contained in Part II, Item 8 of this current report.

Schedule II – Valuation and Qualifying Accounts

	Balance at Beginning of Period	Charged to Costs and Expenses	Write offs	Recoveries	Balance at End of Period
Period Ended September 30, 2010					
Allowance for Doubtful Accounts	\$ 300,000	26,162	(26,162)	-	\$ 300,000
Allowance for Excess and Obsolete Inventory	2,196,000	804,565	(455,565)	-	2,545,000
Period Ended September 30, 2009					
Allowance for Doubtful Accounts	\$ 253,000	126,346	(79,346)	-	\$ 300,000
Allowance for Excess and Obsolete Inventory	1,958,000	981,692	(743,692)	-	2,196,000
Period Ended September 30, 2008					
Allowance for Doubtful Accounts	\$ 261,000	38,238	(46,238)	-	\$ 253,000
Allowance for Excess and Obsolete Inventory	697,000	1,670,425	(409,425)	-	1,958,000

3. The following documents are included as exhibits to this Form 10-K.

<u>Exhibit</u>	<u>Description</u>
3.1	Certificate of Incorporation of the Company and amendments thereto incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-KSB filed with the Securities and Exchange Commission by the Company on January 10, 2003.
3.2	Bylaws of the Company, as amended, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on December 31, 2007.
4.1	Certificate of Designation, Preferences, Rights and Limitations of ADDvantage Media Group, Inc. Series A 5% Cumulative Convertible Preferred Stock and Series B 7% Cumulative Preferred Stock as filed with the Oklahoma Secretary of State on September 30, 1999 incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on October 14, 1999.
10.1	Revolving Credit and Term Loan Agreement dated September 30, 2004 ("Revolving Credit and Term Loan Agreement"), incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 22, 2004.
10.2	First Amendment to the Revolving Credit and Term Loan Agreement dated September 30, 2005, incorporated by reference to Exhibit 10.6 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 28, 2005.
10.3	Third Amendment to the Revolving Credit and Term Loan Agreement dated November 20, 2006, incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 27, 2006.
10.4	Fourth Amendment to the Revolving Credit and Term Loan Agreement dated November 27, 2007, incorporated by reference to Exhibit 10.3 to the Company's Form 10-K filed with the Securities and Exchange Commission on December 31, 2007.
10.5	Fifth Amendment to the Revolving Credit and Term Loan Agreement dated February 4, 2009, incorporated by reference to Exhibit 10.5 to the Company's Form 10-K/A filed with the Securities and Exchange Commission on December 17, 2009.
10.6	Amended and Restated Revolving Credit and Term Loan Agreement dated November 30, 2010.
10.7	The ADDvantage Media Group, Inc. 1998 Incentive Stock Plan, incorporated by reference to Appendix A to the Company's Proxy Statement relating to the Company's 1998 Annual Meeting, filed with the Securities and Exchange Commission on April 28, 1998.
10.8	First Amendment to ADDvantage Media Group, Inc. 1998 Incentive Stock Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 20, 2003.
10.9	Senior Management Incentive Compensation Plan, incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on March 9, 2007.

- 10.10 Employment Contract between the Company and Scott A. Francis, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission by the Company on September 18, 2008.
- 21.1 Listing of the Company's subsidiaries.
- 23.1 Consent of HoganTaylor LLP.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

ADDvantage Technologies Group, Inc.

Date: December 14, 2010

By: /s/ Kenneth A. Chymiak
Kenneth A. Chymiak, President and Chief Executive Officer

Pursuant to the 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.

Date: December 14, 2010

/s/ David E. Chymiak
David E. Chymiak, Chairman of the Board of Directors

Date: December 14, 2010

/s/ Kenneth A. Chymiak
Kenneth A. Chymiak, President and Chief Executive Officer
(Principal Executive Officer) and Director

Date: December 14, 2010

/s/ Scott A. Francis
Scott A. Francis, Chief Financial Officer (Principal Financial Officer)

Date: December 14, 2010

/s/ Thomas J. Franz
Thomas J. Franz, Director

Date: December 14, 2010

/s/ Paul F. Largess
Paul F. Largess, Director

Date: December 14, 2010

/s/ James C. McGill
James C. McGill, Director

Date: December 14, 2010

/s/ Stephen J. Tyde
Stephen J. Tyde, Director

INDEX TO EXHIBITS

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THIS AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT is dated November 30, 2010 ("Effective Date"), by and between ADVANTAGE TECHNOLOGIES GROUP, INC., an Oklahoma corporation ("Borrower") and BANK OF OKLAHOMA, N.A. ("Lender").

RECITALS

A. Reference is made to the Revolving Credit and Term Loan Agreement between Borrower and Lender dated September 30, 2004, amended September 30, 2005, September 30, 2006, November 20, 2006 and November 30, 2007 (as amended, the "2004 Credit Agreement"), pursuant to which exists a \$7,000,000 Revolving Line ("Line"), a \$16,300,000 Term Loan, and a \$2,760,000 Term Loan, and pursuant to which other instruments, documents and agreements have been executed including without limitation the following: \$7,000,000 Promissory Note dated November 27, 2007 ("Existing Line Note"); \$16,300,000 Promissory Note ("16,300,000 Note") dated November 27, 2007, with an outstanding principal balance as of the Effective Date equal to \$11,410,000; \$2,760,000 Promissory Note ("2,760,000 Note") dated November 20, 2006, with an outstanding principal balance as of the Effective Date equal to \$2,023,968; Existing Security Agreements; Existing Guaranty Agreements; Mortgage; Assignment of Life Insurances; and other Loan Documents defined in the 2004 Credit Agreement.

B. Borrower has requested that Lender extend the Line and the maturity date of the \$7,000,000 Revolving Line to November 30, 2011, and Lender is willing to accommodate such request pursuant to the terms and conditions set forth in this Agreement.

C. Borrower and Lender hereby intend to restate and replace the 2004 Credit Agreement by the execution of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Borrower and Lender do hereby agree as follows:

1. CONSTRUCTION AND DEFINITION OF TERMS

All terms used herein without definition which are defined by the Oklahoma Uniform Commercial Code shall have the meanings assigned to them by the Oklahoma Uniform Commercial Code, as in effect on the date hereof, unless and to the extent varied by this Agreement. All accounting terms used herein without definition shall have the meanings assigned to them as determined by generally accepted accounting principles. Whenever the phrase "satisfactory to Lender" is used in this Agreement, such phrase shall mean "satisfactory to Lender in its sole discretion." The use of any gender or the neuter herein shall also refer to the other gender or the neuter and the use of the plural shall also refer to the singular, and vice versa. In addition to the terms defined elsewhere in this Agreement, unless the context otherwise requires, when used herein, the following terms shall have the following meanings:

1.1. "Affiliate" means any Person: (i) which directly or indirectly controls, or is controlled by, or is under common control with, Borrower; (ii) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of either Borrower; or (iii) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by either Borrower. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

1.2. "Agreement" means this Revolving Credit and Term Loan Agreement, as amended, supplemented, or modified from time to time.

1.3. "Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of the Lender.

1.4. "Borrower's Authority Documents" shall mean the following: (i) a Certificate of Good Standing from Borrower's state of incorporation and such other states in which Borrower does business and is required to domesticate or otherwise register; (ii) a certified copy of Borrower's certificate of incorporation (iii) a copy of Borrower's bylaws and (iv) a certificate of the secretary of Borrower, in form and content satisfactory to Lender, certifying resolutions authorizing Borrower to enter into the Loan.

1.5. "Borrowing Base" means, at any date of determination thereof, the sum of (i) eighty percent (80%) of Borrower's Qualified Receivables at such date, *plus* (ii) fifty percent (50%) of Borrower's Qualified Inventory, *less* (a) the outstanding principal balance of the \$16,300,000 Term Note, and (b) the Exposure (as defined in the Credit Support Annex Paragraph 12 of the ISDA), to the extent that it exceeds \$900,000.

1.6. "Borrowing Base Certificate" means each certificate from Borrower to Lender relating to the Borrowing Base, substantially in the form of Schedule "1.6" hereto.

1.7. "Business Day," means any day other than a Saturday, Sunday, or other day on which commercial banks in Oklahoma are authorized or required to close under the laws of the State of Oklahoma.

1.8. "Business Premises" means Borrower's principal place of business, located at 1221 East Houston Street, Broken Arrow, Oklahoma 74012.

1.9. "Capital Lease" means all leases which have been or should be capitalized on the books of the lessee in accordance with GAAP.

1.10. "Closing" shall mean the date on which this Agreement is executed.

1.11. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

1.12. "Collateral" means all property in which Lender is intended to have a security interest, as described in Section 3.

1.13. "Commitment" means the Lender's obligation to make loans to the Borrower pursuant to this Agreement.

1.14. "Commonly Controlled Entity," means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or 414(c) of the Code.

1.15. "Debt" means, including but not limited to: (i) indebtedness or liability for borrowed money; (ii) obligations evidenced by bonds, debentures, notes, or other similar instruments; (iii) obligations for the deferred purchase price of property or services (including trade obligations); (iv) obligations under letters of credit; (v) obligations under acceptance facilities; (vi) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or entity, or otherwise to assure a creditor against loss; (vii) obligations secured by any Liens,

whether or not the obligations assumed; and (viii) any other terms included in the liability section of a balance sheet or in a footnote to a financial statement in accordance with GAAP, and shall also include all contingent liabilities.

1.16. "EBITDA" shall mean net income *plus* (i) interest expense, (ii) depreciation, depletion, obsolescence and amortization of property (iii) cash interest on capitalized lease, (iv) tax expense, and (v) certain non-recurring charges or extraordinary items included and approved by Lender in its sole discretion, all determined in accordance with GAAP, for a particular Reporting Period.

1.17. "Environmental Audit" means an audit performed by an inspecting entity or person reasonably acceptable to Borrower and Lender verifying that no hazardous wastes, toxic substances, asbestos insulation and/or UREA formaldehyde insulation (as those terms are then defined by any Governmental Authority) has been or are presently stored, treated, disposed of or incorporated into, on or around the Mortgaged Property, and no underground tanks exist on the Mortgaged Property. Borrower shall pay all costs and expenses relating to the Environmental Audit. Any exceptions, conditions or disclaimers set forth in the Environmental Audit must be reasonably acceptable to Lender.

1.18. "Environmental Law" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any material into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

1.19. "Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of Borrower, any other Loan Party or any of their respective subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any hazardous materials into the environment, or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

1.20. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

1.21. "Existing Collateral Documents" means the Collateral Documents executed pursuant to the 2004 Credit Agreement, including without limitation the Mortgage, Existing Security Agreements and Existing Guaranty Agreements.

1.22. "Existing Guaranty Agreements" means the Guaranty Agreements executed pursuant to the 2004 Credit Agreement, including the Guaranty Agreements executed by ATGM, ATGN, ATGT, NCSI, TC, TA AND TP, as defined in Section 1.30.

1.23. "Existing Loan Documents" means the 2004 Credit Agreement and any instruments, documents and agreements executed in connection therewith, including without limitation the Existing Collateral Documents and the Existing Guaranty Agreements.

1.24. "Existing Security Agreements" means the Security Agreements executed pursuant to the 2004 Credit Agreement, including the Security Agreements executed by Borrower, ATGM, ATGN, ATGT, NCSI, TC, and TA.

1.25. "Fixed Charge Coverage Ratio" means the ratio of (i) Net Cash Flow for the Reporting Period, to (ii) Total Debt Service for the same Reporting Period.

1.26. "Fixed Charge Coverage Ratio Determination Date" means the end of each fiscal quarter, commencing with the Reporting Period ending December 31, 2010.

1.27. "Funded Debt" means all outstanding Debt of the Borrower and its Subsidiaries.

1.28. "GAAP" means generally accepted accounting principles in the United States, applied on a consistent basis.

1.29. "Guarantor Authority Documents" means, as to each Guarantor, the following: (i) a Certificate of Good Standing from Guarantor's state of organization and such other states in which Guarantor does business and is required to domesticate or otherwise register; (ii) a certified copy of Guarantor's certificate of incorporation (iii) a copy of Guarantor's bylaws and (iv) a certificate of the secretary of Guarantor, in form and content satisfactory to Lender, certifying resolutions authorizing Guarantor to enter into the Loan, in form and content satisfactory to Lender.

1.30. "Guarantor" means, separately and collectively, (i) ADVANTAGE TECHNOLOGIES GROUP OF MISSOURI, INC., a Missouri corporation ("ATGM"); (ii) ADVANTAGE TECHNOLOGIES GROUP OF NEBRASKA, INC., a Nebraska corporation ("ATGN"); (iii) ADVANTAGE TECHNOLOGIES GROUP OF TEXAS, INC., a Texas corporation ("ATGT"); (iv) NCS INDUSTRIES, INC., a Pennsylvania corporation ("NCS"); (v) TULSAT CORPORATION, an Oklahoma corporation ("TC"); (vi) TULSAT-ATLANTA, L.L.C., an Oklahoma limited liability company ("TA"); (vii) TULSAT-PENNSYLVANIA, L.L.C., a Pennsylvania limited liability company ("TP"); (viii) JONES BROADBAND INTERNATIONAL, a California corporation ("JBI"); and (ix) BROADBAND REMARKETING INTERNATIONAL, LLC, an Oklahoma limited liability company ("BRI").

1.31. "Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos, or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental law.

1.32. "Initial Default" means the occurrence of any event described in Section 9.

1.33. "Insurance Certificate" means a certificate or certificates evidencing that policies of insurance, with insurance companies satisfactory to Lender, in such amounts and against such risks as shall be required by Lender, as set forth herein, have been obtained by Borrower and are in full force and effect, and that Lender is listed as an additional insured or loss payee thereon.

1.34. "Letter of Credit" means any letter of credit issued pursuant to Section 2.2.

1.35. "Letter of Credit Fee" means a fee of two and seventy-five one hundredths percent (2.75 %) per annum on the face amount of any Letter of Credit issued or renewed after the date hereof, payable quarterly in arrears and upon the termination date thereof.

1.36. "Letter of Credit Obligations" means, at any time, the sum of (i) the aggregate unpaid amount under the Letters of Credit outstanding at such time *plus* (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

1.37. "Leverage Ratio" means the ratio of (i) Funded Debt for the Reporting Period, to (ii) EBITDA for the same Reporting Period.

1.38. "Leverage Ratio Determination Date" means the end of each fiscal quarter, commencing with the Reporting Period ending December 31, 2010.

1.39. "Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing.)

1.40. "LIBOR Rate" means a fluctuating interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) as in effect from time to time, which interest rate per annum shall at all times be equal to the thirty (30) day London Interbank Offered Rate per annum set forth on page 72 of the Knight-Ridder Money Center (Bridge Composite Rating) service ("Issuer") for said interest period. The initial LIBOR Rate shall be that which is in effect as of the date hereof, and shall thereafter be adjusted on each change thereof as published by Issuer, without notice to Maker. In the event such information is no longer available from the Issuer, Lender shall utilize another source which in its sole opinion provides such information.

1.41. "Loan" means advances under the \$7,000,000 Revolving Line, the \$16,300,000 Term Loan and/or the \$2,760,000 Term Loan.

1.42. "Loan Documents" shall mean any and all agreements, contracts, promissory notes, security agreements, assignments, subordination agreements, pledge or hypothecation agreements, mortgages, deeds of trust, leases, guaranties, instruments, letters of credit, letter of credit agreements and documents now and hereafter existing between Lender and Borrower, executed and/or delivered pursuant to the 2004 Credit Agreement and/or this Agreement or otherwise or guaranteeing, securing or in any other manner relating to any of the Obligations, including, without limitation, the instruments and documents referred to in Section 3 hereof, together with any other instrument or document executed by Borrower, Lender or any other Loan Party in connection with the Loans.

1.43. "Loan Party" means each Person (other than Lender) executing a Loan Document.

1.44. "Loan Parties" means, collectively, Borrower and each Person (other than Lender) executing a Loan Document.

1.45. "Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of a Loan Party or any Loan Party and its subsidiaries; (b) a material impairment of the ability of any Loan Party to perform its obligations under an Loan document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

1.46. "Matured Default" means the occurrence of an Initial Default and the passage on the applicable Notice and Cure Period.

1.47. "Mortgage" means the Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated November 20, 2006, executed by Borrower in favor of Lender, recorded in the office of the Tulsa County Clerk, State of Oklahoma on December 7, 2006, as Document # 2006139450, affecting the property described therein, and securing payment of the \$2,760,000 Promissory Note dated November 20, 2006, maturing November 20, 2021.

1.48. "Multiemployer Plan" means a Plan described in Section 4001(a) (3) of ERISA.

1.49. "Net Cash Flow" means EBITDA *less* the sum of cash taxes, maintenance capital expenditures (for purposes of this definition shall mean fifteen percent (15%) of total depreciation as permitted by GAAP), dividends and changes in treasury stock.

1.50. "Note" or "Notes" means, separately and collectively, (A) the \$7,000,000 Promissory Note payable by Borrower to Lender ("\$7,000,000 Line Note"), in form and content as set forth on Schedule "1.50" attached hereto; (B) the \$16,300,000 Term Note ; and (C) the \$2,760,000 Term Note, together with extensions, renewals, modifications and changes in form thereto.

1.51. "Notice and Cure Period" means a period of time commencing from the date upon which Lender notifies Borrower of the occurrence of an Initial Default and the curative time during which Borrower must cure such Initial Default, which (i) for monetary Initial Defaults (which shall not apply to payments under the Note or Notes) shall be ten (10) days, and (ii) for non-monetary Initial Defaults shall be thirty (30) days.

1.52. "Obligations" shall include the full and punctual observance and performance of all present and future duties, covenants and responsibilities due to Lender by Borrower under this Agreement, the Note, the Loan Documents and otherwise, all present and future obligations and liabilities of Borrower to Lender for the payment of money under this Agreement, the Note, the Loan Documents, and otherwise, and including without limitation payment of all Rate Management Obligations (extending to all principal amounts, interest, late charges, fees and all other charges and sums, as well as all costs and expenses payable by Borrower under this Agreement, the Note, the Loan Documents and otherwise), whether direct or indirect, contingent or noncontingent, matured or unmatured, accrued or not accrued, related or unrelated to this Agreement, whether or not now contemplated, whether or not any instrument or agreement relating thereto specifically refers to this Agreement and whether or not of the same character or class as Borrower's obligations under this Agreement or the Note, including, without limitation, overdrafts in any checking or other account of Borrower at Lender and claims against Borrower acquired by assignment to Lender, whether or not secured under any other document, or agreement or statutory or common law provision, as well as all renewals, refinancings, consolidations, re-castings and extensions of any of the foregoing, the parties acknowledging that the nature of the relationship created hereby contemplates the making of future advances by Lender to Borrower.

1.53. "Outstanding Credit Exposure" means, at any time, the sum of (i) the aggregate principal amount of advances under the Line outstanding at such time, plus (ii) an amount equal to the Letter of Credit Obligations.

1.54. "PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

1.55. "Permitted Liens" means, as to Borrower and all Subsidiaries:

(1) Liens in favor of the Lender;

(2) Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable or, if they are being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained;

(3) Liens imposed by law, such as mechanics', materialmen's, landlords', warehousemen's, and carriers' liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than thirty (30) days or which are being contested in good faith by appropriate proceedings and for which appropriate reserves have been established;

(4) Liens under workers' compensation, unemployment insurance, Social Security, or similar legislation; and

(5) Liens, deposits, or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;

(6) Judgment and other similar liens arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively bonded, stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(7) Easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by the Borrower of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto; and

(8) Purchase-money liens on any property hereafter acquired or the assumption of any lien on property existing at the time of such acquisition (and not created in contemplation of such acquisition), or a lien incurred in connection with any conditional sale or other title retention agreement or a Capital Lease; provided that:

(a) Any property subject to any of the foregoing is acquired by the Borrower or any subsidiary in the ordinary course of its business; and

(b) Each such lien shall attach only to the property so acquired and fixed improvements thereon.

1.56. "Person" shall include natural persons, corporations, associations, limited liability companies, partnerships, joint ventures, trusts, governments and agencies and departments thereof and every other entity of every kind.

1.57. "Plan" means any pension plan which is covered by Title IV of ERISA and in respect of which the Borrower or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

1.58. "Principal Office" means the Lender's main office located at BOK Tower, 8th Floor, One Williams Center, Tulsa, OK 74172.

1.59. "Prohibited Transaction" means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

1.60. "Qualified Receivables" means and includes only accounts receivable of Borrower and each Loan Party to a Security Agreement which meet the following specifications at the time they came into existence and continue to meet the same until collected in full.

1.60.1. The account is due and payable. No account shall be outstanding for more than ninety (90) days from the date of the applicable invoice.

1.60.2. The account arose from a bona fide outright sale of goods previously made or from the performance of services, but not from leasing, and the applicable Borrower has possession of or has delivered to Lender shipping and delivery receipts evidencing shipment of the goods or, if representing services, the services have been fully performed for the respective account debtor.

1.60.3. The account is not subject to any assignment, claim, lien or security interest of any character or subject to any attachment, levy, garnishment or other judicial process, except the security interest of Lender.

1.60.4. The account is not subject to any claim for credit, setoff, allowance, adjustment by the account debtor or counterclaim, and no Borrower has received any notice of any such claim for credit, setoff, allowance, adjustment or counterclaim from or on behalf of the account debtor.

1.60.5. The account arose in the ordinary course of each Borrower's business and no notice of the bankruptcy, insolvency or adverse change in the financial condition of the account debtor has been received by any Borrower or Lender.

1.60.6. Lender has not previously notified any Borrower that the account or the account debtor is or has become unsatisfactory, based upon reasonable credit standards, or the account debtor has been adjudicated bankrupt or is subject to a similar proceeding.

1.60.7. The account is not evidenced by a judgment, an instrument or chattel paper.

1.60.8. The account debtor is not a governmental entity or a foreign (i.e., residing or incorporated in or organized under a jurisdiction outside the United States) person or company and is not a parent, subsidiary, officer, employee, director, agent or Affiliate of any Borrower, and the account debtor and any Borrower do not have common shareholders, officers or directors.

1.60.9. All receivables of one account debtor shall become ineligible if more than ten percent (10%) of such receivables of such debtor are over ninety (90) days past due from the invoice.

1.60.10. The account debtor (excluding any Lender Approved Account Debtor, provided that the amount of receivables for each Lender Approved Account Debtor shall not exceed fifty percent (50%) of all Qualified Receivables) cannot exceed \$850,000 of the total accounts receivable, and any amounts over \$850,000 will be excluded from the Borrowing Base unless specifically waived in writing in each instance by Lender in its sole discretion.

1.60.11. With regard only to Section 1.60.10, the term "Lender Approved Account Debtor" means an express written designation acceptable to Borrower and Lender as to an account debtor on an annual basis, effective October of each calendar year. Borrower shall submit a proposed list of account debtors to Lender at least ten (10) days prior to the annual designation date, which list must be accompanied by such information relating to the proposed account debtor as Lender may reasonably require. Lender shall advise Borrower on or before the applicable annual effective date whether any or all of the proposed account debtors has been designated as a Lender Approved Account Debtor. Any such designation shall be effective only for the ensuing twelve (12) month period, and any designation by Lender shall have no relevance with regard to subsequent designations. The initially approved Lender Approved Account Debtors are Power & Telephone, Time Warner, Cox Communications, Comcast, Cisco, and Tech Data.

1.61. "Qualified Inventory," means the amount of inventory of Borrower and each Subsidiary a party to a Security Agreement located in the United States of America or Canada that is not subject to any Lien or adverse claim and that conforms to the representations and warranties contained in this Agreement and that is acceptable to the Lender in its sole discretion, less any packaging materials and supplies, damaged or unsalvageable goods returned or rejected by its customers, goods to be returned to its suppliers, goods in transit to third parties (other than its agent or warehouses) and goods out at contractors, less any reserves required by the Lender in its sole discretion for special order goods, market value declines and bill and hold (deferred shipment) sales, and less any obsolete goods.

1.62. "Rate Management Obligations" means any and all obligations of Borrower, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

1.63. "Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered by the Borrower which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

1.64. "Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Borrower then outstanding to reimburse Lender for amount paid by Lender under any Letter of Credit.

1.65. "Reportable Event" means any of the events set forth in Section 4043 of ERISA.

1.66. "Reporting Period" means the consecutive four (4) quarters immediately preceding any date of determination with respect to financial covenants.

1.67. "Security Agreements" means the Existing Security Agreements and any other security agreements required to be executed and delivered pursuant to this Agreement.

1.68. "Shareholder Notes" means the promissory notes described in the Subordination Agreements.

1.69. "Subordinating Parties" means each of the subordinating parties to the Subordination Agreements.

1.70. "Subordination Agreements" means the Subordination Agreements executed by each of the Subordinating Parties pursuant to the 2004 Credit Agreement.

1.71. "Subsidiaries" means any corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by the Borrower, currently including ATGM, ATGN, ATGT, NCST, TC, TA, TP, JBI and BRI.

1.72. "Termination Date" means, as to Lender's commitment under the \$7,000,000 Line, November 30, 2011.

1.73. "Total Debt Service" means the sum of interest expense, scheduled principal payments on long term debt, and capital lease payments.

1.74. "UCC" shall mean the Uniform Commercial Code of the State of Oklahoma.

1.75. "UCC Search" means a UCC records search from the appropriate filing office for the Collateral, and from any other office deemed necessary or advisable by Lender, which records search must evidence no conflicting security interests, except the Permitted Liens.

1.76. "UCC-1 Financing Statement" means a financing statement in form and content acceptable to Lender, which will be filed with the appropriate filing office and shall evidence perfection of a first and prior security interest in the Collateral in favor of Lender, except for the Permitted Liens.

2. AMOUNT AND TERMS OF THE LOANS.

2.1. \$16,300,000 Term Loan. Subject to the terms and conditions of this Agreement, the Lender has extended a loan to Borrower \$16,300,000, as further evidenced by the \$16,300,000 Term Note, which Borrower hereby ratifies and confirms.

2.2. \$2,760,000 Term Loan. Subject to the terms and conditions of this Agreement, the Lender has extended a loan to Borrower \$2,760,000, as further evidenced by the \$2,039,302 Term Note, which Borrower hereby ratifies and confirms.

2.3. \$7,000,000 Revolving Line. Subject to the terms and conditions of this Agreement, and so long as no Initial Default has occurred, Lender has extended a loan to Borrower (by advancing funds or issuing Letters of Credit pursuant to Section 2.8), such amounts up to \$7,000,000 as Borrower may request from time to time on or before the maturity of the \$7,000,000 Line Note, provided that the Aggregate Outstanding Credit Exposure shall not exceed the lesser of (i) \$7,000,000, or (ii) the Borrowing Base. Such Borrowing Base shall be computed on a monthly basis, and Borrower agrees to provide to Lender on the last day of each month with regard to the period commencing with the 16th day of the immediately preceding month through the 15th day of the current month, all information requested in connection therewith, including without limitation a Borrowing Base Certificate. In the event Lender shall make advances in excess of the formula set forth above, any such advance shall, nevertheless, be secured by all Collateral. In the event outstanding advances with respect to Qualified Receivables or Qualified Inventory fail to comply with such formula, by reason of any accounts receivable or inventory ceasing to be so qualified, for whatever reason, then Borrower shall immediately notify Lender of such situation and shall, within five (5) Business Days of the imbalance, either (i) reduce the amount of the outstanding balances to bring such amounts within the formulas prescribed, or (ii) provide additional Qualified Receivables or Qualified Inventory, without any additional advance being made by Lender with respect thereto, necessary to comply with the formulas required herein. Within the limits set forth in this Section 2.3, Borrower may borrow, repay and reborrow at any one time and from time to time.

2.4. Notice and Manner of Borrowing. The Borrower shall give the Lender at least one (1) Business Day's notice of any Loans under this Agreement, specifying the date and amount thereof. Such notice shall be in writing or via telephone (with voice verification by the appropriate officer), no later than 10:00 a.m. (Tulsa time) on the date of such Loan and upon fulfillment of the applicable conditions, the Lender will make such Loan available to the Borrower in immediately available funds by crediting the amount thereof to the Borrower's account with the Lender.

2.5. Amount Owed. Notwithstanding the principal amount stated on the face of the \$7,000,000 Line Note, the actual principal amount due from the Borrower on account of such \$7,000,000 Line Note shall be the sum of all amounts advanced against such \$7,000,000 Line Note, less all principal payments actually received in collected

funds to be applied toward repayment of the \$7,000,000 Line Note. Each Advance made against the \$7,000,000 Line Note and each principal payment thereon shall be recorded by the Bank in its books and records, and the unpaid principal balances so recorded shall be presumptive evidence of the principal amounts owing thereon, absent manifest error.

2.6. Assignment of Life Insurance. Lender hereby releases the Assignment of Life Insurance dated November 27, 2007 executed by Borrower in favor of Lender as to David Chymiak.

2.7. Tax Credits. Lender shall exercise reasonable efforts to offer tax credits to Borrower through the second anniversary date of this Agreement in amounts not to exceed \$300,000 in the aggregate at a purchase price of 90/100 (.90) per dollar; provided, that the failure of Lender to provide such tax credits shall have no effect on the Obligations of Borrower under this Agreement and all other Loan Documents.

2.8. Letters of Credit.

2.8.1. Issuance. The Lender hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the date of this Agreement and prior to the Termination Date upon the request of the Borrower; provided that immediately after each such Facility LC is issued or modified, the Aggregate Outstanding Credit Exposure shall not exceed the lesser of (i) the Borrowing Base or (ii) \$7,000,000. No Facility LC shall have an expiry date later than the earlier of (a) the fifth Business Day prior to the Termination Date and (b) one year after its issuance, provided that letter of credit with a one (1) year expiration date may include renewals for additional one year periods, so long as it does not extend beyond (a).

2.8.2. LC Fees. The Borrower shall pay to the Lender, with respect to each standby Facility LC, a letter of credit fee at a per annum rate equal to the Letter of Credit Fee. The Borrower shall also pay to the Lender documentary and processing charges in connection with the issuance or modification of and draws under any Facility LC in accordance with the Lender's standard schedule for such charges as in effect from time to time.

2.8.3. Reimbursement by Borrower. The Borrower shall be irrevocably and unconditionally obligated to reimburse the Lender on or before the applicable date upon which any advance is made under a Letter of Credit ("LC Payment Date"), without presentment, demand, protest or other formalities of any kind; provided that neither the Borrower nor the Lender shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Borrower or the Lender to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Lender in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the Lender's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the Lender and remaining unpaid by the Borrower shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (a) the rate accruing under the Line Note, plus 2% until paid. The Borrower may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

2.8.4. Obligations Absolute. The Borrower's obligations under this Section 2.4 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Lender or any beneficiary of a Facility LC. The Borrower further agrees with the Lender that the Lender shall not be responsible for, and the Borrower's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, any of its Affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Borrower or of any of its Affiliates against the beneficiary of any Facility LC or any such transferee. The Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Borrower agrees that any action taken or omitted by the Lender under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Borrower and shall not put the Lender under any liability to the Borrower. Nothing in this Section 2.4.4 is intended to limit the right of the Borrower to make a claim against the Lender for damages as contemplated by the proviso to the first sentence of Section 2.4.3.

2.8.5. Actions of Lender. The Lender shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Lender.

2.8.6. Indemnification. The Borrower hereby agrees to indemnify and hold harmless the Lender and its directors, officers, agents and employees from and against any and all claims and damages, losses, liabilities, costs or expenses which Lender may incur (or which may be claimed against Lender by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the Lender may incur by reason of or in connection with (i) the failure of any other Lender to fulfill or comply with its obligations to the Lender hereunder or (ii) by reason of or on account of the Lender issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the Lender, evidencing the appointment of such successor Beneficiary; provided that the Borrower shall not be required to indemnify Lender for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the Lender in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the Lender's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 2.4.6 is intended to limit the obligations of the Borrower under any other provision of this Agreement.

3. SECURITY. As security for the Obligations, Borrower shall grant to Lender the following liens and security interests:

3.1. A first and prior security interest in all assets of Borrower and each Subsidiary, including without limitation all accounts; chattel paper; deposit accounts; documents; equipment; general intangibles; goods; instruments; inventory; letter-of-credit rights; commercial tort claims; and proceeds and products of all of the foregoing; whether now owned or hereafter acquired, howsoever arising or wheresoever located, all as evidenced by the Security Agreement in form and content satisfactory to Lender.

3.2. A first and prior lien on the property subject to the Mortgage.

3.3. All proceeds and products of the foregoing.

Borrower also agrees to execute and deliver all financing statements or other instruments, documents or agreements required by Lender in order to effectuate the intent of the parties in connection herewith, including without limitation documents necessary for proper perfection as deemed necessary and/or advisable by Lender and legal counsel.

4. CONDITIONS PRECEDENT.

4.1. Closing. The Closing shall occur when all conditions described in this Section 4.1 have been satisfied.

4.1.1. Borrower shall execute and /or deliver to Lender the following:

A.This Agreement;

B.\$7,000,000 Line Note;

C.UCC Search satisfactory to Lender;

D.Borrower Authority Documents, if required by Lender;

E.Guarantor Authority Documents, if required by Lender;

F.Security Agreement executed by JBI, in form and content satisfactory to Lender;

G.Guaranty Agreement executed by JBI, in form and content satisfactory to Lender;

H.Secretary Certification as to JBI, authorizing the execution of the items in F. and G., in form and content satisfactory to Lender, accompanied by its Guarantor Authority Documents;

I.Security Agreement executed by BRI, in form and content satisfactory to Lender;

J.Guaranty Agreement executed by BRI, in form and content satisfactory to Lender;

K.LLC Certificate from BRI, in form and content satisfactory to Lender, authorizing the execution of the items in I. and J., accompanied by its Guarantor Authority Documents;

L.Security Agreement executed by TP, in form and content satisfactory to Lender;

M.LLC Certificate from TP, authorizing the execution of the item L., in form and content satisfactory to Lender, accompanied by its authority documents;

N.completion of all schedules to this Agreement;

O.Any other instruments, documents or agreements reasonably requested by Lender in connection herewith.

4.1.2. The following statements shall be true and correct.

A. The representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct; and

B. No Event of Default has occurred and is continuing or will occur as a result of the execution, delivery and/or performance by Borrower under any of the Loan Documents.

4.1.3. The Lender shall have received such other approvals, opinions, instruments, documents and/or agreements which it may reasonably request.

4.1.4. In the event any Subsidiaries are established after the date of this Agreement, such Subsidiary shall execute and deliver to Lender a security agreement and guaranty agreement, in form and content satisfactory to Lender, accompanied by such other instruments, documents and agreements required by Lender, including without limitation authorization certifications.

5. REPRESENTATIONS AND WARRANTIES. To induce Lender to enter into this Agreement, Borrower represents and warrants to Lender that:

5.1. State of Organization and Legal Name. Borrower's state of organization or formation and exact legal name are set forth in the first paragraph of this Agreement.

5.2. Good Standing. Borrower is a duly organized, legally existing corporation and in good standing under the laws of the State of its formation, has the power to own its property and to carry on its business and is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary.

5.3. Authority. Borrower has full power and authority to enter into this Agreement, to make the borrowings hereunder, to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, all of which have been duly authorized by all necessary and proper action, and no consent or approval of any person, including, without limitation, members of Borrower and any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

5.4. Binding Agreements. This Agreement has been duly and properly executed by Borrower, constitutes the valid and legally binding obligation of Borrower and is fully enforceable against Borrower in accordance with its terms, subject only to laws affecting the rights of creditors generally and application of general principles of equity.

5.5. No Conflicting Agreements. The execution, delivery and performance by Borrower of this Agreement and the borrowings hereunder will not (a) violate (i) any provision of law or any order, rule or regulation of any court or agency of government, (ii) any award of any arbitrator, (iii) the organization and authority documents of Borrower or (iv) any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Borrower is a party or by which Borrower or any of its property is bound, or (b) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a material default under, any such award, indenture, contract,

agreement, mortgage, deed of trust or other instrument, result in the creation or imposition of any Lien upon any of the property or assets of Borrower except for Liens created in favor of Lender under or pursuant to this Agreement.

5.6. Litigation. Except as set forth on Schedule "5.6" hereto, there are no judgments, injunctions or similar orders or decrees, claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any property of Borrower, at law or in equity, by or before any court or any federal, State, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could result in any material adverse change in the business, operations, prospects, properties or in the condition, financial or otherwise, of Borrower, and Borrower is not, to Borrower's knowledge, in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or any federal, State, county, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which could have a material adverse effect on Borrower.

5.7. Financial Condition. The financial statements of Borrower heretofore delivered to Lender are true and complete, fairly present the financial condition of Borrower as at such dates and the results of its operations for the period then ended and were prepared in accordance with GAAP applied on a consistent basis for prior periods. There is no Debt of Borrower as of the date of such statements which is not reflected therein and no material adverse change in Borrower's financial condition has occurred since the date of such statements. No information, exhibit, or report furnished by the Borrower to the Lender in connection with the negotiation of this Agreement contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statement contained therein not materially misleading.

5.8. Insurance. The properties of each Loan Party and their subsidiaries are insured with financially sound and reputable insurance companies, in such amount (after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engages in similar businesses and owning similar properties in localities where each Loan Party or the applicable subsidiary operates.

5.9. Taxes. Borrower has paid or caused to be paid all federal, State and local taxes to the extent that such taxes have become due and has filed or caused to be filed all federal, State and local tax returns which are required to be filed by Borrower.

5.10. Title to Properties. Borrower has good and marketable title to all of its properties and assets (including the Collateral) and all of the properties and assets of Borrower are free and clear of Liens, except for Permitted Liens.

5.11. Place of Business. Borrower's principal place of business and chief executive office is located at the Business Premises. Borrower will not change the location of the Business Premises or open additional business locations (other than those locations heretofore disclosed to Lender) without Lender's prior written consent, which shall not be unreasonably withheld.

5.12. Financial Information. All financial statements, schedules, reports and other information supplied to Lender by or on behalf of Borrower heretofore and hereafter are and will be true and complete.

5.13. Licenses and Permits. Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like required by federal, State and local laws of the jurisdictions in which Borrower conducts its business, and each remains valid and in full force and effect.

5.14. Certain Debt. There is no Debt of Borrower owing to any employee, officer, stockholder or director of Borrower other than accrued salaries, commissions and the like.

5.15. Broker's or Finder's Commissions. No broker's or finder's fee or commission is or will be payable in connection with this Agreement or the transactions contemplated hereby, and Borrower agrees to save harmless and indemnify Lender from and against any claim, demand, action, suit, proceeding or liability for any such fee or commission, including any costs and expenses (including attorneys' fees) incurred by Lender in connection therewith. The provisions of this Section shall survive the termination of this Agreement and Lender's security interest hereunder and the payment of all other Obligations.

5.16. Outstanding Debt. Borrower has no outstanding Debt except as permitted by Section 7.1 hereof and there exist no default under the provisions of any instrument evidencing such Debt or under the provisions of any agreement relating thereto.

5.17. Regulation U. Borrower does not own or presently intend to acquire any "margin stock" as defined in Regulation U (12 CFR Part 221) of the Board of Governors of the Federal Reserve System. None of the proceeds of any of the Loan hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any margin stock or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of Regulation U. Neither Borrower nor any agent acting on its behalf has taken or will take any action which might cause this Agreement to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

5.18. Government Contracts. Borrower is not now, and has not been within the past 3 years, in receipt of any communication from any officer or employee of the United States Government regarding Borrower's actual or possible disqualification, suspension or debarment from contracting with the United States Government. Further, Borrower has no information, in relation to the obtaining, formation, pricing, performance, billing or administration of any one of its contracts with the United States Government, of: (a) a violation of law, regulation or contract provision, or any such fact(s) or circumstance(s) reasonably indicating any such violation; (b) a pending or threatened investigation; (c) an existing or threatened adverse audit finding, whether draft or final; (d) an existing or threatened cost disallowance or finding of defective pricing; (e) a pending or threatened claim or action seeking a fine, penalty or damages; (f) a communication regarding, or actual initiation of, payment withholding or suspension, setoff, recoupment or debt collection; or (g) a contract termination or a communication reasonably indicating the potential for such a termination.

5.19. Environmental Compliance. The Loan Parties have conducted a review of the effect of existing and applicable Environmental Law as to their respective businesses, operations and properties, and as a result thereof the Loan Parties have reasonably concluded that, except as specifically disclosed in Schedule "5.19" hereto, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.20. Patents, Trademarks, etc. Borrower owns, possesses or has the right to use all necessary patents, patent rights, licenses, trademarks, trade names, trade name rights, copyrights and franchises to conduct its business as now conducted, without any known conflict with any patent, patent right, license, trademark, trademark rights, trade name right, trade name, copyright or franchise right of any other person.

5.21. Perfection and Priority of Collateral. Lender has or upon proper recording of any financing statement, execution of any control agreement or delivery of Collateral to Lender's possession, will have and will continue to have as security for the Obligations, a valid and perfected Lien on and security interest in all Collateral free of all other Liens, claims and rights of third parties whatsoever except Permitted Liens.

5.22. Commercial Purpose. The Loan is not a "consumer transaction" as defined in the Uniform Commercial Code and none of the Collateral was or will be purchased or held primarily for personal, family or household purposes.

5.23. Survival; Updates and Warranties. All representations and warranties contained in or made under or in connection with this Agreement and the other Loan Documents shall survive the Closing and any advance made hereunder. Lender acknowledges and agrees that any and all representations and warranties contained in or made under or in connection with this Agreement may be amended, changed or otherwise modified by Borrower, with the consent of Lender, at any time and from time to time after the Closing so as to accurately reflect the matters represented and warranted therein; provided, that such amendments, changes and/or modifications are disclosed in writing to and approved by Lender. Lender shall have no obligation to waive any Event of Default due to any present or future inaccuracy of such representation or warranty or to agree to any amendment, change or modification of such representation or warranty.

5.24. Labor Disputes and Acts of God. Neither the business nor the properties of Borrower is affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or other casualty (whether or not covered by insurance), materially adversely affecting such business or the operation of Borrower.

6. AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, until (a) all Obligations have been paid in full, and (b) there exists no commitment by Lender which could give rise to any Obligations, Borrower will:

6.1. Reporting Requirements. Furnish to Lender in writing:

6.1.1. Financial Statements. Furnish to Lender in writing: (a) as soon as available, but in no event more than 45 days after the close of each fiscal quarter during each fiscal year, the *consolidated* balance sheet, profit and loss statement and statement of cash flow of Borrower as of the close of such period, all as prepared and certified by the chief financial officer, controller or other duly authorized officer and accompanied by a Compliance Certificate and statement of calculations of the chief financial officer or other duly authorized officer evidencing that Borrower is in compliance with all covenants contained in this Agreement and, if not, stating the facts with respect thereto and certifying that no Event of Default exists or is believed to exist; (b) as soon as available, but in no event more than 120 days after the close of each fiscal year, a copy of the annual financial statement of Borrower, prepared in accordance with GAAP and audited by an independent certified public accountant satisfactory to Lender, which financial statement shall include, on a *consolidated* basis, a balance sheet of Borrower as of the end of such fiscal year and a statement of income and changes in shareholders' equity of Borrower for such fiscal year and a Compliance Certificate (including all calculations) that Borrower is in compliance with all of the covenants contained herein and, if not, stating the facts with respect thereto and certifying that no Event of Default exists or is believed to exist; (c) as soon as available, but in no event more than 30 days after each fiscal quarter, an accounts receivable report and a summary aging of accounts payable; and (d) such additional information, reports or statements as Lender may from time to time reasonably request.

6.1.2. Compliance Certificate. Accompanying each financial statement required to be delivered by Borrower to Lender, Borrower shall deliver to Lender a compliance certificate with respect to the financial covenant requirements set forth in this Agreement, substantially in form and content as set forth on Schedule "6.1.2" attached hereto.

6.1.3. Other Financial Information. Deliver such additional information, reports or statements as Lender may reasonably request from time to time.

6.2. Taxes. Pay and discharge all taxes, assessments and governmental charges upon Borrower, its income and properties, prior to the date on which penalties attach thereto unless and to the extent only that the same are being diligently contested by Borrower in good faith in the normal course of business by appropriate proceedings, provided, however, that: (a) Lender shall have been given reasonable prior written notice of intention to contest; (b) nonpayment of the same will not, in Lender's sole discretion, materially impair any of the Collateral or Lender's rights or remedies with respect thereto or the prospect for full and punctual payment of all of the Obligations; (c) Borrower at all times effectively stays or prevents any official or judicial sale of or action or filing against any of the Collateral by reason of nonpayment of the same; and (d) Borrower establishes reasonable reserves for any liabilities being contested and for expenses arising out of such contest.

6.3. Existence, Continuation of Business and Compliance with Laws. Maintain its current entity existence in good standing; continue its business operations as now being conducted; and comply with all applicable federal, State and local laws, rules, ordinances, regulations and orders unless and to the extent only that the validity or applicability thereof is being diligently contested by Borrower in good faith by appropriate proceedings, provided, however, that: (a) Lender shall have been given reasonable prior written notice of intention to contest; (b) such noncompliance will not, in Lender's sole discretion, cause a Material Adverse Effect; (c) Borrower at all times effectively stays or prevents any official or judicial sale of or action or filing against any of the Collateral by reason of such noncompliance; and (d) Borrower establishes reasonable reserves for any liabilities or expenses which may arise out of such noncompliance and contest.

6.4. Civil and Criminal Proceedings. Promptly notify Lender in writing of (a) the filing of any Criminal Referral Form or the threatened or actual commencement of a criminal proceeding or investigation or (b) any action, suit or proceeding at law or in equity by or before any court, governmental agency or instrumentality which could result in any material adverse change in the business, operations, prospects, properties or assets or in the condition, financial or otherwise, of Borrower.

6.5. Extraordinary Loss. Promptly notify Lender in writing of any event causing extraordinary loss or depreciation of the value of Borrower's assets (whether or not insured) and the facts with respect thereto.

6.6. Books and Records. Keep and maintain proper and current books and records in accordance with GAAP and permit access by Lender to, reproduction by Lender of and copying by Lender from, such books and records during normal business hours. All reasonable costs and expenses of such inspections and examinations shall be paid by Borrower.

6.7. Right of Inspection. At any reasonable time and from time to time, and following twenty-four (24) hours prior written notice, permit the Lender or any agent or representative thereof, to reasonably examine and make copies of and abstracts from the records and books of account of, and visit the properties of, Borrower, and to discuss the affairs, finances, and accounts of Borrower with any of its officers and directors and Borrower's independent accountants. Lender contemplates conducting at least semi-annual field audits of the Borrower's property. Borrower agrees to pay all reasonable costs, expenses and fees (or reimburse Lender for any reasonable costs, expenses and fees incurred) relating to any such inspections, payable on demand.

6.8. Maintenance of Properties. Maintain all properties and improvements necessary to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and cause replacements and repairs to be made when necessary for the proper conduct of its business.

6.9. Patents, Franchises, etc. Maintain, preserve and protect all licenses, patents, franchises, trademarks and trade names of Borrower or licensed by Borrower which are necessary to the conduct of the business of Borrower as now conducted, free of any conflict with the rights of any other person.

6.10. Maintenance of Insurance. Borrower will keep or cause to be kept adequately insured by financially sound and reputable insurers its plant, equipment, motor vehicles, and all other property of a character usually insured by businesses engaged in the same or similar businesses. Any insurance policies covering the Collateral shall be endorsed to provide for payment of losses to the Lender as its interest may appear, to provide that such policies may not be canceled, reduced or affected in any manner for any reason without thirty (30) days prior notice to the Lender, and to provide for any other matters which the Lender may reasonably require; and such insurance shall be against fire, casualty and any other hazards normally insured against and shall be in the amount of the full value (less a reasonable deductible not to exceed amounts customary in the industry for similarly situated businesses and properties) of the property insured. The Borrower shall at all times maintain adequate insurance against damage to persons or property, which insurance shall be by financially sound and reputable insurers and shall, without limitation, provide the following coverages:

comprehensive general liability (including, without limitation, coverage, broad form property damage coverage, broad form coverage for contractually independent contractors), worker's compensation, products liability and automobile liability.

6.11. Evidence of Insurance. Deliver to Lender from time to time, and periodically if Lender shall so require, evidence satisfactory to Lender that all insurance and endorsements required pursuant to this Agreement and the Loan Documents are in effect.

6.12. Further Assurances and Corrective Instruments. Promptly execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, to Lender from time to time such supplements hereto and such financing statements and other instruments and documents as may be requested by Lender to protect and preserve the Collateral, Lender's security interest therein, perfection of Lender's security interest and/or Lender's rights and remedies hereunder.

6.13. Financial Information. Deliver to Lender promptly upon Lender's request, and periodically if Lender shall so require, such written statements, schedules or reports (which shall be Certified if required by Lender) in such form, containing such information and accompanied by such documents as may be satisfactory to Lender from time to time concerning the Collateral, Borrower's financial condition or business operations or any other matter or matters, including, without limitation, copies of federal, State and local tax returns of Borrower, and permit Lender, its agents and designees, to discuss Borrower's financial condition and business operations with Borrower's officers and employees.

6.14. Notice of Event of Default. Immediately notify Lender in writing of the occurrence of any Event of Default or any event or existing condition which, with the giving of notice and/or the lapse of time, could constitute an Event of Default or which might materially and adversely affect the financial conditions or operations of Borrower and the facts with respect thereto.

6.15. ERISA. (a) At all times maintain each of its employee pension benefit plans, as that term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA"), in conformity with all applicable provisions of ERISA and other federal and State statutes relating to employee benefit plans; (b) at all times make prompt payments of contributions required to meet the minimum funding standards set forth in Sections 302 and 305 of ERISA with respect to each such plan; (c) if requested by Lender, promptly after the filing thereof, furnish to Lender copies of each annual report required to be filed pursuant to Section 103 of ERISA in connection with each such plan for each plan year, including any certified financial statements or actuarial statements required pursuant to said Section 103; (d) notify Lender immediately of any fact, including, without limitation, any "Reportable Event" (as that term is defined in Section 4043(b) of ERISA) arising in connection with any such plan which might constitute grounds for the termination thereof by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer the plan; and (e) furnish to Lender, promptly upon its request therefor such additional information concerning any such plan as Lender may request.

6.16. Continuance of Business. Continue to operate the business as set forth in Borrower's loan application to Lender and not to acquire or operate any other business enterprise without Lender's prior consent, except as otherwise provided herein.

6.17. Proceeds. Use of the proceeds of advances hereunder only for the purposes set forth herein and to pay the costs, expenses and fees payable by Borrower under this Agreement and the other Loan Documents.

6.18. Hazardous Materials: Contamination. Borrower agrees to, (a) give notice to Lender immediately upon Borrower's acquiring knowledge of the presence of any Hazardous Materials (other than those stored in compliance with Environmental Laws and are in Borrower's possession in the ordinary course of business) on any property owned or controlled by Borrower or for which Borrower is responsible or of any Hazardous Materials contamination with a full description thereof for which remedial or corrective action is required; (b) promptly take action to comply with any Laws requiring the removal, treatment or disposal of Hazardous Materials or Hazardous Materials contamination and provide Lender with satisfactory evidence of such action, which action must be in all respects sufficient to avoid any penalty, assessment or notice of non-compliance with any required remedial or corrective action on the part of any Governmental Authority; (c) provide Lender, within Thirty (30) days after a demand by Lender, with a bond, letter of credit or similar financial assurance evidencing to Lender's reasonable satisfaction that the necessary funds are available to pay the cost of removing, treating and disposing of Hazardous Materials described in item (b) or Hazardous Materials contamination and discharging any Lien which may be established as a result thereof on any property owned or controlled by Borrower or for which Borrower is responsible; and (d) defend, indemnify and hold harmless Lender and its employees, trustees, successors and assigns from any and all claims which may now or in the future (whether before or after the termination of this Agreement) be asserted as a result of the presence of any Hazardous Materials on any property owned or controlled by Borrower for which Borrower is responsible for any Hazardous Materials contamination.

6.19. Compliance with Laws. Comply in all material respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property.

6.20. Lender as Depository. Maintain Lender as its principal depository for its deposit and other commercial accounts.

7. NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that, until (a) all Obligations have been paid in full and (b) there exists no commitment by Lender which could give rise to any Obligations, Borrower will not, directly or indirectly, without Lender's prior written consent:

7.1. Debt. Create, incur, assume or permit to exist, directly or indirectly, any Debt except: (a) Debt to Lender; (b) trade Debt (which shall not include any borrowing, trade acceptance or notes given in settlement of trade Debt) incurred in the ordinary course of business and not in dispute or more than thirty days past due; (c) existing Debt (e.g., Shareholder Notes) set forth on Schedule "7.1" hereto; (d) Debt incurred in the ordinary course of business not to exceed \$500,000 in the aggregate at any time; and (e) Debt which shall be consented to by Lender in writing in advance, in Lender's sole but reasonable discretion, and if required by Lender, subordinated to the Obligations by a written agreement in form and content satisfactory to Lender.

7.2. Liens. Create, incur, assume or permit to exist, directly or indirectly, any Lien upon any of Borrower's properties or assets, now owned by Borrower, other than Permitted Liens and Liens to Lender.

7.3. Merger. Enter into or be a party to any merger, consolidation, reorganization or exchange of stock or assets.

7.4. Sale of Assets, etc. Sell, assign, transfer, convey or lease any interest in all or any substantial part of its property except in the ordinary course of Borrower's business as now being conducted; purchase or otherwise acquire all or substantially all of the assets of any other person or persons, or any shares of stock of, or similar interest in, any other person or persons.

7.5. Investments. Make any capital contribution to any other person or purchase or acquire a beneficial interest in any stock, securities or evidences of Debt of, or make any investment or acquire any interest in, any other person in excess of \$500,000 at any given time, except investments in federally insured certificates of deposit or in direct obligations of the United States of America maturing within one year from the date of acquisition or in investment grade securities.

7.6. Fiscal Year. Change Borrower's fiscal year.

7.7. Subsidiaries. Organize or cause to exist any Subsidiaries without Lender's prior written consent, which consent may be conditioned, without limitation, upon the granting by such Subsidiary of a guarantee of payment of the Note and all other indebtedness of Borrower to Lender. Lender shall have the right at any time and from time to time at its sole discretion to require any existing Subsidiaries to guarantee the Obligations.

7.8. Change of Name. Change the name of Borrower.

7.9. Trade Names. Use any trade name other than Borrower's true corporate name.

7.10. ERISA Compliance. Engage in any "prohibited transaction" (as defined in Section 406 or Section 2003(a) of ERISA and not otherwise exempted under Title I, Part 4 of ERISA), any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, or terminate any pension plan in a manner which could result in the imposition of a Lien on the property of Borrower pursuant to Section 4068 of ERISA.

7.11. Dividends, Redemptions. Directly or indirectly declare or pay any dividend on, or make any other distribution with respect to (whether by reduction of capital or otherwise), any ownership interest, or make any advances to owners of the Borrower other than for payment of tax liabilities; provided, that so long a no Event of Default exists, Borrower may make distributions to equity owners limited to 50% of net income, subject to prior delivery to Lender of a Compliance Certificate confirming compliance by Borrower of all financial covenants herein.

7.12. Sale of Ownership Interests. Sell, convey, transfer, assign, pledge or otherwise encumber any of the ownership interests of Borrower to any person.

7.13. Loans and Guaranties. Loan or make advances to any other person or guarantee, indorse or otherwise be or become liable or contingently liable in connection with the obligations or Debt of any other person, firm or corporation, directly or indirectly, except:

7.13.1. as an endorser of negotiable instruments for the payment of money deposited to Borrower's bank account for collection in the ordinary course of business;

7.13.2. trade credit extended in the ordinary course of Borrower's business; or

7.13.3. advances made in the usual course of business to officers and employees of Borrower for travel and other out-of-pocket expenses incurred by them on behalf of Borrower in connection with such business.

7.14. Sale Leaseback. Except for leases existing on the date hereof and previously disclosed to Lender in writing, and renewals or extension thereof, become or be liable as lessee with respect to any lease of any property (real, personal or mixed) which has been or is to be sold or transferred by Borrower to any person or which Borrower intends to use for substantially the same purpose as any other property which has been or is to be sold or transferred by Borrower to any person in connection with such lease.

7.15. Leases. Become liable as lessee with respect to any lease of any property, real, personal or mixed, except for leases in existence on the date hereof and previously disclosed to Lender in writing and renewals and extensions thereof.

7.16. Acquisitions. Acquire all or substantially all of the assets or stock of another Person in excess of \$500,000 in the aggregate during any given Reporting Period.

7.17. Asset Investments. Make any investments in non-current assets (which shall include fixed assets and capitalized value of leased equipment and leased real property) in excess of \$500,000 in the aggregate during any given Reporting Period.

7.18. Funded Debt. Redeem, call for redemption, purchase or otherwise acquire or retire, directly or indirectly, or make any optional prepayment of principal on, any Funded Debt, or amend, alter or otherwise modify the provisions relating to any Funded Debt, if the affect of such amendment, alteration or modification would or might be to accelerate such Funded Debt. For the purposes of this Section, "Funded Debt" shall include any obligation of Borrower to any person other than Lender payable more than one year from the date of its creation which, under GAAP, is shown on the balance sheet as a liability (excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation).

7.19. Transactions with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of each Borrower's business and upon fair and reasonable terms no less favorable to the Borrower than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

8. FINANCIAL COVENANTS. So long as any Obligations shall remain unpaid or the Lender shall have any Commitment under this Agreement, Borrower shall comply with the following on a *consolidated basis*:

8.1. Leverage Ratio. Maintain a Leverage Ratio less than or equal to 3.00 to 1.00.

8.2. Fixed Charge Coverage Ratio. Maintain a Fixed Charge Coverage Ratio equal to or greater than 1.25 to 1.00.

9. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an "Event of Default":

9.1. Failure to Pay. The failure of Borrower, any Guarantor or other Loan Party to pay any of the Obligations as and when due and payable (whether by acceleration, declaration, extension or otherwise).

9.2. Covenants and Agreements. The failure of Borrower, any Guarantor or other Loan Party to perform, observe or comply with any of the covenants of this Agreement or any of the Loan Documents.

9.3. Information, Representations and Warranties. If any representation or warranty made herein or if any information contained in any financial statement, application, schedule, report or any other document given by Borrower, any Guarantor or any other Loan Party, with the Collateral, or with any of the Loan Documents is not in all material respects true and accurate or if Borrower, any Guarantor or other Loan Party omitted to state any material fact or any fact necessary to make such information not misleading.

9.4. Default under Loan Documents. The occurrence of an Event of Default under any of the Loan Documents.

9.5. Default on Other Obligations. The occurrence of any default under any Borrowing if the result of such default would permit the acceleration of the maturity of any note, loan or other agreement between Borrower, any Guarantor or other Loan Party and any Person other than Lender.

9.6. Insolvency. Borrower, any Guarantor or other Loan Party shall be or become insolvent (as defined in Section 101 of the United States Bankruptcy Code) or unable to pay their debts as they become due, or admit in writing to such insolvency or to such inability to pay their debts as they become due.

9.7. Involuntary Bankruptcy. There shall be filed against Borrower, any Guarantor, or other Loan Party an involuntary petition or other pleading seeking the entry of a decree or order for relief under the United States Bankruptcy Code or any similar federal or state insolvency or similar laws ordering: (a) the liquidation of Borrower, any Guarantor or other Loan Party, or (b) a reorganization of Borrower, any Guarantor or other Loan Party or the business and affairs of Borrower, the Guarantor or other Loan Party, or (c) the appointment of a receiver, liquidator, assignee, custodian, trustee or similar official for Borrower, any Guarantor or other Loan Party of the property of Borrower, the Guarantor or other Loan Party and the failure to have such petition or other pleading denied or dismissed within 45 calendar days from the date of filing.

9.8. Voluntary Bankruptcy. The commencement by Borrower, any Guarantor or other Loan Party of a voluntary case under the federal bankruptcy laws or any federal or state insolvency or similar laws or the consent by Borrower, any Guarantor or other Loan Party to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official for Borrower, any Guarantor or other Loan Party of any of the property of Borrower, any Guarantor or other Loan Party or the making by Borrower, any Guarantor or other Loan Party of an assignment for the benefit of creditors, or the failure by Borrower, any Guarantor or other Loan Party generally to pay their debts as the debts become due.

9.9. Judgments, Awards. The entry of any judgment, order, award or decree against Borrower, any Guarantor or other Loan Party and a determination by Lender, in good faith but in its sole discretion, that the same, when aggregated with all other judgments, orders, awards and decrees outstanding against Borrower, any Guarantor or other Loan Party, could have a Material Adverse Effect.

9.10. Injunction. The injunction or restraint of Borrower, any Guarantor or other Loan Party in any manner from conducting its business in whole or in part and a determination by Lender, in good faith but in its sole discretion, that the same could have a Material Adverse Effect.

9.11. Attachment by Creditors. Any assets of Borrower, any Guarantor or other Loan Party shall be attached, levied upon, seized or repossessed, or come into the possession of a trustee, receiver or other custodian and a determination by Lender, in good faith but in its sole discretion, that the same could have a Material Adverse Effect.

9.12. Dissolution, Merger, Consolidation, Reorganization. The voluntary or involuntary dissolution, merger, consolidation, winding up or reorganization of Borrower, any Guarantor or other Loan Party or the occurrence of any action preparatory thereto.

10. RIGHTS AND REMEDIES.

10.1. Rights and Remedies of Lender. Upon and after the occurrence of an Event of Default, Lender may, following any applicable Notice and Cure Period, without further notice or demand, exercise in any jurisdiction in which enforcement hereof is sought, the following rights and remedies, in addition to the rights and remedies available to Lender under the Loan Documents, the rights and remedies of a secured party under the Uniform Commercial Code and all other rights and remedies available to Lender under applicable law, all such rights and remedies being cumulative and enforceable alternatively, successively or concurrently provided, however, that in the case of any Event of Default the unpaid principal balance of the Note, together with all accrued and unpaid interest and all other Obligations then outstanding shall be automatically due and payable by Borrower to Lender without notice, presentment or demand:

10.1.1. Declare the Note, all interest accrued and unpaid thereon and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand for payment, protest or notice of any kind, all of which are hereby expressly waived.

10.1.2. Institute any proceeding or proceedings to enforce the Obligations and any Liens of Lender.

10.1.3. Take possession of the Collateral, and for that purpose, so far as Borrower may give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom without any liability for suit, action or other proceeding, and require Borrower, at Borrower's expense, to assemble and deliver the Collateral to such place or places as Lender may designate.

10.1.4. Operate, manage and control the Collateral (including use of the Collateral and any other property or assets of Borrower in order to continue or complete performance of Borrower's obligations under any contracts of Borrower), or permit the Collateral or any portion thereof to remain idle or store the same, and collect all rents and revenues therefrom and sell or otherwise dispose of any or all of the Collateral upon such terms and under such conditions as Lender, in its sole discretion, may determine, and purchase or acquire any of the Collateral at any such sale or other disposition, all to the extent permitted by applicable law.

10.1.5. Enforce Borrower's rights against any account debtors and other obligors.

10.1.6. Cease making advances hereunder and under any other commitments or credit accommodations of Lender to Borrower and stop and retract the making of any advance hereunder or thereunder which may have been requested by Borrower.

10.1.7. Lender may apply any payments received from Borrower, Guarantor or any other Loan Party, to the Notes, or either of them, at Lender's discretion, notwithstanding any designation allocated by the payer with respect thereto

10.2. Power of Attorney. Effective upon the occurrence of an Event of Default, Borrower hereby designates and appoints Lender and its designees as attorney-in-fact of Borrower, irrevocably and with power of substitution, with authority to endorse Borrower's name on any notes, acceptances, checks, drafts, money orders, instruments or other evidences of payment or proceeds of the Collateral that may come into Lender's possession; to execute proofs of claim and loss; to adjust and compromise any claims under insurance policies; and to perform all other acts necessary and advisable, in Lender's sole discretion, to carry out and enforce this Agreement and the Loan Documents. All acts of said attorney or designee are hereby ratified and approved by Borrower and said attorney or designee shall not be liable for any acts of commission or omission nor for any error of judgment or mistake of fact or law. This power of attorney is coupled with an interest and is irrevocable so long as any of the Obligations remain unpaid or unperformed or there exists any commitment by Lender which could give rise to any Obligations.

10.3. Costs and Expenses. Borrower agrees to pay to Lender on demand the amount of all expenses paid or incurred by Lender in consulting with counsel concerning any of its rights hereunder, under the Loan Documents or under applicable law, all expenses, including attorneys' fees and court costs paid or incurred by Lender in exercising or enforcing any of its rights hereunder, under the Loan Documents or under applicable law together with interest on all such expenses paid by Lender at the highest rate and calculated in the manner provided in the Note. The provisions of this Section shall survive the termination of this Agreement and the payment of all other Obligations.

If Lender institutes any suit or action in connection with the terms of this Agreement and Borrower shall be entitled to recover all sums provided by applicable law. It is the intention of Lender and Borrower that all of the foregoing shall be preserved post-judgment.

11. MISCELLANEOUS.

11.1. Performance for Borrower. Borrower agrees and hereby authorizes that Lender may, in Lender's sole discretion, but Lender shall not be obligated to, whether or not an Event of Default shall have occurred, advance funds on behalf of Borrower, without prior notice to Borrower, in order to insure Borrower's compliance with any covenant, warranty, representation or agreement of Borrower made in or pursuant to this Agreement or any of the Loan Documents, to continue or complete, or cause to be continued or completed, performance of Borrower's obligations under any contracts of Borrower, to cover overdrafts in any checking or other accounts of Borrower at Lender or to preserve or protect any right or interest of Lender in the Collateral or under or pursuant to this Agreement or any of the Loan Documents, including, without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Collateral or other property or assets of Borrower; provided, however, that the making of any such advance by Lender shall not constitute a waiver by Lender of any Event of Default with respect to which such advance is made nor relieve Borrower of any such Event of Default. Borrower shall pay to Lender upon demand all such advances made by Lender with interest thereon at the highest rate and calculated in the manner provided in the Note. All such advances shall be deemed to be included in the Obligations and secured by the security interest granted Lender hereunder; provided, however, that the provisions of this Section shall survive the termination of this Agreement and Lender's security interest hereunder and the payment of all other Obligations.

11.2. Expenses. Whether or not any of the transactions contemplated hereby shall be consummated, Borrower agrees to pay to Lender on demand the amount of all expenses paid or incurred by Lender (including the fees and expenses of its counsel) in connection with the preparation of all written commitments of Lender antedating this Agreement, this Agreement and the Loan Documents and all documents and instruments referred to herein and all expenses paid or incurred by Lender in connection with the filing or recordation of all financing statements and instruments as may be required by Lender at the time of, or subsequent to, the execution of this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower shall pay Lender \$25.00 for each response to Borrower's request for an accounting or confirmation of a list of Collateral or statement of account exceeding one request per 6-month period. Further, Borrower shall pay all reasonable costs, expenses and fees (including without limitation those relating to any appraisals, audits, field examination, environmental site assessments and reasonable attorneys' fees) incurred by Lender in connection with the administration of this Agreement or any other Loan Documents. Borrower agrees to save harmless and indemnify Lender from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs or any other expenses incurred by Lender in connection with this Agreement. The provisions of this Section shall survive the termination of this Agreement, Lender's security interest, and the payment of all other Obligations.

11.3. Applications of Payments and Collateral. Except as may be otherwise specifically provided in this Agreement, all Collateral and proceeds of Collateral coming into Lender's possession and all payments made by any Obligor may be applied by Lender to any of the Obligations, whether matured or unmatured, as Lender shall determine in its sole but reasonable discretion.

11.4. Waivers by Borrower. Borrower hereby waives, to the extent the same may be waived under applicable law: (a) notice of acceptance of this Agreement; (b) all claims, causes of action and rights of Borrower against Lender on account of actions taken or not taken by Lender in the exercise of Lender's rights or remedies hereunder, under the Loan Documents or under applicable law; (c) all claims of Borrower for failure of Lender to comply with any requirement of applicable law relating to enforcement of Lender's rights or remedies hereunder, under the Loan Documents or under applicable law; (d) all rights of redemption of Borrower with respect to the Collateral; (e) in the event Lender seeks to repossess any or all of the Collateral by judicial proceedings, any bond(s) or demand(s) for possession which otherwise may be necessary or required; (f) presentment, demand for payment, protest and notice of non-payment and all exemptions; (g) any and all other notices or demands which by applicable law must be given to or made upon Borrower by Lender; (h) settlement, compromise or release of the obligations of any person primarily or secondarily liable upon any of the Obligations; (i) trial by jury in any action or proceeding of any kind or nature in connection with any of the Obligations, this Agreement or any of the Loan Documents; and (j) substitution, impairment, exchange or release of any Collateral for any of the Obligations. Borrower agrees that Lender may exercise any or all of its rights and/or remedies hereunder, under the Loan Documents and under applicable law without resorting to and without regard to any Collateral or sources of liability with respect to any of the Obligations. Upon termination of this Agreement and Lender's security interest hereunder and payment of all Obligations, within 60 days following Borrower's request to Lender, Lender shall release control of any security interest in the Collateral perfected by control and Lender shall send Borrower a statement terminating any financing statement filed against the Collateral.

11.5. Waivers by Lender. Neither any failure nor any delay on the part of Lender in exercising any right, power or remedy hereunder, under any of the Loan Documents or under applicable law shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

11.6. Lender's Setoff. Lender shall have the right, in addition to all other rights and remedies available to it, following an Event of Default, to set off against any Obligations due Lender, any debt owing to Borrower by Lender, including, without limitation, any funds in any checking or other account now or hereafter maintained by Borrower at Lender. Borrower hereby confirms Lender's right to banker's lien and setoff, and nothing in this Agreement or any of the Loan Documents shall be deemed a waiver or prohibition of Lender's right of banker's lien and setoff.

11.7. Modifications. No modifications or waiver of any provision of this Agreement or any of the Loan Documents, and no consent by Lender to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon Borrower in any case shall entitle Borrower to any other or further notice or demand in the same, similar or other circumstances.

11.8. Notices. Any notice or other communication in connection with this Agreement, if by registered or certified mail, shall be deemed to have been given when received by the party to whom directed, or, if by mail but not registered or certified, when deposited in the mail, postage prepaid, provided that any such notice or communication shall be addressed to a party hereto as provided below (or at such other address as such party shall specify in writing to the other parties hereto):

If to Borrower:

ADVANTAGE TECHNOLOGIES GROUP, INC.
1221 East Houston Street
Broken Arrow, OK 74012
Attention: Scott Francis, Chief Financial Officer

If to Lender:

BANK OF OKLAHOMA, N.A.
P.O. Box 2300
Tulsa, OK 74172
Attention: Matt Crew, Senior Vice President

Notwithstanding anything to the contrary, all notices and demands for payment from Lender actually received in writing by Borrower shall be considered to be effective upon receipt thereof by Borrower regardless of the procedure or method utilized to accomplish such delivery thereof to Borrower.

11.9. Applicable Law and Consent to Jurisdiction. The performance and construction of this Agreement and the Loan Documents shall be governed by the internal laws of the State of Oklahoma. Borrower agrees that any suit, action or proceeding instituted against Borrower with respect to any of the Obligations, the Collateral, this Agreement or any of the Loan Documents may be brought in any court of competent jurisdiction located in the State of Oklahoma. By its execution hereof, Borrower hereby irrevocably waives any objection and any right of immunity on the ground of venue, the convenience of the forum or the jurisdiction of such courts or from the execution of judgment s resulting therefrom. Borrower hereby irrevocably accepts and submits to the jurisdiction of the aforesaid courts in any such suit, action or proceeding.

11.10. Survival: Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the Loan Documents shall survive the execution and delivery hereof and thereof, shall survive Closing and shall continue in full force and effect until all Obligations have been paid in full, there exists no commitment by Lender which could give rise to any Obligations and all appropriate termination statements have been filed terminating the security interest granted Lender hereunder. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. In the event that Lender assigns the Note, this Agreement and/or its security interest in the Collateral, Lender shall give written notice to Borrower of any such assignment. All covenants, agreements, representations and warranties by or on behalf of Borrower which are contained in this Agreement and the Loan Documents shall inure to the benefit of Lender, its successors and assigns. Borrower may not assign this Agreement or any of its rights hereunder without the prior written consent of Lender.

11.11. Severability. If any term, provision or condition, or any part thereof, of this Agreement or any of the Loan Documents shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

11.12. Merger and Integration. This Agreement and the attached Schedules (if any) contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby, and no other agreement, statement or promise made by any party hereto, or by any employee, officer, agent or attorney of any party hereto, which is not contained herein shall be valid or binding.

11.13. WAIVER OF JURY TRIAL. BORROWER HEREBY (a) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY A JURY, AND (b) WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH LENDER AND BORROWER MAY BE PARTIES, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO THIS AGREEMENT, ANY OF THE LOAN DOCUMENTS AND/OR ANY TRANSACTIONS, OCCURRENCES, COMMUNICATIONS OR UNDERSTANDINGS (OR THE LACK OF ANY OF THE FOREGOING) RELATING IN ANY WAY TO THE BORROWER-LENDER RELATIONSHIP BETWEEN THE PARTIES. IT IS UNDERSTOOD AND AGREED THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER OF JURY TRIAL IS SEPARATELY GIVEN, KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY BORROWER AND BORROWER HEREBY AGREES THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. LENDER IS HEREBY AUTHORIZED TO SUBMIT THIS AGREEMENT TO ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND BORROWER AND LENDER, SO AS TO SERVE AS CONCLUSIVE EVIDENCE OF SUCH WAIVER OF RIGHT TO TRIAL BY JURY. BORROWER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND/OR THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

11.14. JURISDICTION AND VENUE. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO THIS AGREEMENT AND OTHER LOAN DOCUMENTS MAY BE INSTITUTED IN ANY STATE OR FEDERAL COURT SITTING IN TULSA, OKLAHOMA, AS THE LENDER MAY ELECT, AND BY EXECUTING AND DELIVERY OF THIS AGREEMENT, THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION (BOTH SUBJECT MATTER AND PERSON) OF EACH SUCH COURT AND IRREVOCABLY AND UNCONDITIONALLY WAIVES (I) ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY OF SUCH COURTS AND (II) ANY CLAIM THAT ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

11.15. USA Patriot Act Notification. The Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act of 2001, 31 U.S.C. Section 5318, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance therewith.

11.16. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

11.17. Headings. The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and shall not be used or deemed to limit or diminish any of the provisions hereof.

11.18. Recitals. The Recitals hereto are hereby incorporated into and made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[Signature page follows]

"Borrower"

ADVANTAGE TECHNOLOGIES GROUP, INC.,
an Oklahoma corporation

By /s/ Scott A. Francis

Scott A. Francis, Vice President, Chief Financial Officer and Chief Accounting Officer

"Lender"

BANK OF OKLAHOMA, N.A.

By /s/ Matt Crew

Matt Crew, Senior Vice President

RATIFICATION OF GUARANTY

As inducement for the Lender to enter into the Amended and Restated Revolving Credit and Term Loan Agreement dated effective November 30, 2010 to which this Ratification is affixed, the undersigned Guarantors each (i) agrees to this Amendment, (ii) ratifies and confirms the Guaranty, (iii) confirms that, after giving effect to the amendments provided for herein, the Guaranty shall continue in full force and effect, and (iv) represents that each representation and warranty set forth therein remains true and correct as of the date hereof, except to the extent they relate to a specific time. This Ratification may be executed in multiple counterparts.

ADVANTAGE TECHNOLOGIES GROUP OF MISSOURI, INC.,
a Missouri corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

ADVANTAGE TECHNOLOGIES GROUP OF NEBRASKA, INC.,
a Nebraska corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

ADVANTAGE TECHNOLOGIES GROUP OF TEXAS, INC.,
a Texas corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

NCS INDUSTRIES, INC.,
a Pennsylvania corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

TULSAT CORPORATION,
an Oklahoma corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

TULSAT-ATLANTA, L.L.C.,
an Oklahoma limited liability company

By ADDvantage Technologies Group, Inc.,
Its sole member and manager

By /s/ Scott A. Francis
Scott A. Francis, Vice President, Chief Financial Officer and Chief Accounting Officer

TULSAT-PENNSYLVANIA, L.L.C.,
a Pennsylvania limited liability company

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

RATIFICATION OF COLLATERAL DOCUMENTS

As inducement for the Lender to enter into the Amended and Restated Revolving Credit and Term Loan Agreement (“Loan Agreement”) dated effective November 30, 2010 to which this Ratification is affixed, the undersigned grantors each hereby (i) agrees to this Amendment, (ii) ratifies and confirms each Collateral Document to which it is a party, (iii) ratifies and agrees that each Collateral Document secures payment of the Obligation defined in the Loan Agreement due and owing by Borrower to Lender, (iv) confirms that, after giving effect to the amendments provided for herein, the collateral Documents shall continue in full force and effect, and (v) represents that each representation and warranty set forth therein remains true and correct as of the date herein, except to the extent they relate to a specific time. This Ratification may be executed in multiple counterparts.

ADVANTAGE TECHNOLOGIES GROUP, INC.,
an Oklahoma corporation

By /s/ Scott A. Francis
Scott A. Francis, Vice President, Chief Financial Officer and Chief Accounting Officer

ADVANTAGE TECHNOLOGIES GROUP OF MISSOURI, INC.,
a Missouri corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

ADVANTAGE TECHNOLOGIES GROUP OF NEBRASKA, INC.,
a Nebraska corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

ADVANTAGE TECHNOLOGIES GROUP OF TEXAS, INC.,
a Texas corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

NCS INDUSTRIES, INC.,
a Pennsylvania corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

TULSAT CORPORATION,
an Oklahoma corporation

By /s/ Scott A. Francis
Scott A. Francis, Secretary/Treasurer

TULSAT-ATLANTA, L.L.C.,
an Oklahoma limited liability company

By ADDvantage Technologies Group, Inc.,
Its sole member and manager

By /s/ Scott A. Francis
Scott A. Francis, Vice President, Chief Financial Officer and Chief Accounting Officer

Schedule "1.6"

(Borrowing Base Certificate)

Schedule "1.50"

(\$7,000,000 Line Note)

Schedule "5.6"

(Litigation)

Schedule "5.19"

(Environmental Compliance)

Schedule "6.1.2"

(Compliance Certificate)

Schedule "7.1"

(Debt)

ADDvantage Technologies Group, Inc.

Subsidiaries

Tulsat Corporation, an Oklahoma corporation

Tulsat–Atlanta LLC, a subsidiary of Tulsat, an Oklahoma corporation

ADDvantage Technologies Group of Nebraska, Inc. (dba “Tulsat–Nebraska”), a Nebraska corporation

ADDvantage Technologies Group of Texas (dba “Tulsat–Texas”), a Texas corporation

Jones Broadband International, Inc. (dba “Tulsat–West”), a California corporation

ADDvantage Technologies Group of Missouri, Inc. (dba “ComTech Services”), a Missouri corporation

NCS Industries, Inc., a Pennsylvania corporation

Tulsat–Pennsylvania LLC (dba “Broadband Remarketing International”), a subsidiary of Tulsat, an Oklahoma corporation

Broadband Remarketing International LLC, an Oklahoma corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report on the consolidated financial statements of ADDvantage Technologies Group, Inc (the Company) as of September 30, 2010 and 2009, and for each of the three years in the period ended September 30, 2010, dated December 14, 2010, included in this Form 10-K Annual Report of the Company into its previously filed Registration Statement on Form S-8 (File Number 333-110645).

/s/ HoganTaylor LLP

December 14, 2010

Tulsa, Oklahoma

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth A. Chymiak, certify that:

1. I have reviewed this annual report on Form 10-K of ADDvantage Technologies Group, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2010

/s/ Kenneth A. Chymiak

Kenneth A. Chymiak

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott A. Francis, certify that:

1. I have reviewed this annual report on Form 10-K of ADDvantage Technologies Group, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 14, 2010

/s/ Scott A. Francis

Scott A. Francis

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ADDvantage Technologies Group, Inc. (the "Company") for the year ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Kenneth A. Chymiak, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth A. Chymiak

Name: Kenneth A. Chymiak

Title: President and Chief Executive Officer

Date: December 14, 2010

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ADDvantage Technologies Group, Inc. (the "Company") for the year ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Scott A. Francis, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Francis

Name: Scott A. Francis

Title: Chief Financial Officer

Date: December 14, 2010