

B. Riley Financial, Inc.
Form 4
February 13, 2019

FORM 4

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

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Form 4 or
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obligations
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See Instruction
1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

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(Print or Type Responses)

1. Name and Address of Reporting Person *
NHC Holdings, LLC

2. Issuer Name and Ticker or Trading
Symbol
NATIONAL HOLDINGS CORP
[NHLD]

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
21255 BURBANK BLVD, SUITE
400,

3. Date of Earliest Transaction
(Month/Day/Year)
02/11/2019

____ Director ____X____ 10% Owner
____ Officer (give title below) ____ Other (specify below)

(Street)
WOODLAND HILLS, CA 91367

4. If Amendment, Date Original
Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check
Applicable Line)
____ Form filed by One Reporting Person
X Form filed by More than One Reporting
Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	02/11/2019		J ⁽¹⁾	V Amount (A) or (D) Price 3,149,496 A \$ 3.25	6,159,550	D	
Common Stock					6,159,550	I	See notes (1) (2) (3)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NHC Holdings, LLC 21255 BURBANK BLVD, SUITE 400 WOODLAND HILLS, CA 91367		X		
B. Riley Financial, Inc. 21255 BURBANK BLVD. SUITE 400 WOODLAND HILLS, CA 91367		X		

Signatures

NHC Holdings, LLC, by: /s/ Phillip J. Ahn, Authorized Signatory 02/13/2019

**Signature of Reporting Person Date

B. Riley Financial, Inc., by: /s/ Bryant R. Riley, Co-Chief Executive Officer

02/13/2019

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

On November 14, 2018, NHC Holdings, LLC ("NHC") entered into a Stock Purchase Agreement (the "SPA") with Fortress Biotech, Inc. and FBIO Acquisition, Inc. ("FBIO"). Pursuant to the SPA, Purchaser acquired beneficial ownership of 3,010,054 shares of the Issuer's Common Stock from FBIO on November 16, 2018, as part of the first closing under the SPA. In addition, and pursuant to the SPA, and following approval by the Financial Industry Regulatory Authority, Inc. ("FINRA") received on February 4, 2019, NHC agreed to acquire beneficial ownership of an additional 4,027,428 shares of the Issuer's Common Stock from FBIO in a second closing. NHC completed the purchase of 3,149,496 shares of the Issuer's Common Stock on February 11, 2019 and assigned their right to purchase the remaining 877,932 to third parties unaffiliated with NHC.

- (2) In addition to NHC, this Form 4 is being filed jointly with B. Riley Financial, Inc. ("B. Riley" and together with NHC, the "Filing Persons"). Each of the Filing Persons disclaims beneficial ownership of the outstanding shares of Common Stock, par value \$0.02 per

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share ("Common Stock"), of National Holdings Corporation, a Delaware corporation, reported herein except to the extent of its pecuniary interest therein.

- (3) NHC is a wholly-owned subsidiary of B. Riley. As a result, each of NHC and B. Riley may be deemed to beneficially own the shares of Common Stock owned directly by NHC.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Accrued expenses

543,952 126,705

Other Liabilities

45,642 -

Net cash provided by operating activities

1,214,127 1,862,508

Cash Flows from Investing Activities

Additions to machinery and equipment

(17,406) (261,774)

Additions of land and building

(520,554) (3,250,000)

Acquisition of business and certain assets

- (166,951)

Net cash (used in) investing activities

(537,960) (3,678,725)

Cash Flows from Financing Activities

Net borrowings under bank revolving line of credit

103,092 (358,800)

Proceeds from notes payable

12,000,000 2,760,000

Repurchase of preferred stock

(12,000,000) -

Payments on notes payable

(156,719) (325,451)

Proceeds from stock options exercised

1,500 810

Payments of preferred dividends

(343,480) (210,000)

Net cash (used in) provided by financing activities

(395,607) 1,866,559

Net increase in cash

280,560 50,342

Cash, beginning of period

60,993 98,898

Cash, end of period

\$341,553 \$149,240

Supplemental Cash Flow Information

Cash paid for interest

\$34,705 \$122,023

Cash paid for income taxes

\$18,800 \$251,000

Explanation of Responses:

See notes to unaudited consolidated financial statements.

Notes to unaudited consolidated financial statements

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, the information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The consolidated financial statements as of September 30, 2007 have been audited by an independent registered public accounting firm. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

Reclassifications

Certain reclassifications have been made to the fiscal 2007 financial statements to conform to the fiscal 2008 presentation.

Note 2 - Description of Business

ADDvantage Technologies Group, Inc., through its subsidiaries Tulsat Corporation, ADDvantage Technologies Group of Nebraska, Inc., NCS Industries, Inc., ADDvantage Technologies Group of Missouri, Inc., (dba ComTech Services), ADDvantage Technologies Group of Texas, Tulsat – Atlanta, LLC, Jones Broadband International, Inc., and Tulsat-Pennsylvania LLC (dba Broadband Remarketing International) (collectively, the "Company"), sells new and refurbished cable television equipment throughout North America and Latin America in addition to being a repair center for various cable companies. The Company operates in one business segment and product sales consist of different types of equipment used in the cable television equipment industry (CATV).

Note 3 – Earnings Per Share

Basic and diluted net earnings per share were computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Basic net earnings per share is computed by dividing net earnings available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period and excludes the dilutive effect of stock options. Diluted net earnings per share gives effect to all potentially dilutive common stock equivalents during a period. In computing diluted net earnings per share, the average stock price for the period is used in determining the number of shares assumed to be reacquired under the treasury stock method from the exercise of stock options.

	Three Months Ended December 31,	
	2007	2006
Basic EPS Computation:		
Net income attributable to common stockholders	\$ 1,459,631	\$ 1,428,279
Weighted average outstanding common shares	10,250,656	10,232,756

Earnings per Share – Basic	\$	0.14	\$	0.14
Diluted EPS Computation:				
Net income attributable to common stockholders	\$	1,459,631	\$	1,428,279
Weighted average outstanding common shares		10,250,656		10,232,756
Potentially dilutive securities				
Effect of dilutive stock options		44,703		20,727
Weighted average shares outstanding - assuming dilution		10,295,359		10,253,483
Earnings per Share – Diluted	\$	0.14	\$	0.14

Note 4 – Line of Credit and Notes Payable

On November 27, 2007 the Company executed the Fourth Amendment to Revolving Credit and Term Loan Agreement (“Fourth Amendment”) with its primary financial lender, Bank of Oklahoma. The Fourth Amendment renewed the \$7.0 Million Revolving Line of Credit (“Line of Credit”) and extended the maturity date to November 30, 2010. The Fourth Amendment also extended the maturity of and increased the \$8.0 Million Term Loan Commitment to \$16.3 million.

At December 31, 2007, a \$1.8 million balance was outstanding under a \$7.0 million line of credit due November 30, 2010, with interest payable monthly based on the prevailing 30-day LIBOR rate plus 1.4% (6.03% at December 31, 2007). \$5.2 million of the \$7.0 million line of credit was available to the Company to borrow at December 31, 2007. 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. Among other financial covenants, the line of 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.

Cash receipts are applied from the Company’s lockbox account directly against the bank line of credit, and checks clearing the bank are funded from the line of credit. The resulting overdraft balance, consisting of outstanding checks, was \$0.6 million at December 31, 2007 and is included in the bank revolving line of credit.

The outstanding balance of the \$8.0 million Term Loan prior to being amended on November 27, 2007 was \$4.3 million. The \$12.0 million of additional funds available under the amended \$16.3 million Term Loan were fully advanced upon executing the Fourth Amendment and the proceeds were used to redeem all of the issued and outstanding shares of the Company’s Series B 7% Cumulative Preferred Stock. These shares of preferred stock were beneficially held by David E. Chymiak, Chairman of the Company, and Kenneth A. Chymiak, President and Chief Executive Officer of the Company, and his spouse. The outstanding balance on this note was \$16.3 million at December 31, 2007. The note is due on November 30, 2012, with quarterly payments beginning the last business day of February 2008 of approximately \$0.4 million plus accrued interest. The note bears interest at the prevailing 30-day LIBOR rate plus 1.4% (6.03% as of December 31, 2007).

The Revolving Line of Credit and Term Loan Agreement also includes a Term Loan Commitment of \$2.8 million. This loan was secured to finance the purchase of Company’s headquarters facility located in Broken Arrow, OK on November 20, 2006. The outstanding balance on this note was \$2.6 million at December 31, 2007. The note is due on November 20, 2021, with monthly principal payments of \$15,334 plus accrued interest. Interest on the outstanding note balance accrues at the prevailing 30-day LIBOR rate plus 1.4% (6.03% at December 31, 2007).

The Company’s other note payable of \$0.3 million, secured by real estate, is due in monthly payments through 2013 with interest at 5.5% through 2008, converting thereafter to prime minus .25%.

Note 5 – Derivative Financial Instruments

In 2004, the Company entered into an interest rate swap to effectively fix the interest rate of the \$8.0 million term note at 6.13%. 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 Statement of Financial Accounting Standards 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS 133”). The changes in the fair market value of this interest rate swap has been reflected in the other comprehensive income section of the Consolidated Statements of Income and

Comprehensive Income and the fair value of the swap has been recorded on the Company's Consolidated Balance Sheet. On November 20, 2007 the Company terminated this swap agreement upon amending and extending the \$8.0 million term note to \$16.3 million. The Company received approximately \$22,000 upon termination of this agreement which represented the fair value of the swap on that date and recognized this gain as interest expense in the current period.

Additionally, on November 27, 2007, the Company entered into a new interest rate swap agreement to effectively fix the interest rate on the \$16.3 million term note at 5.92%. The notional value of the interest rate swap amortizes quarterly with payments that mirror the \$16.3 million term note. 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 SFAS 133. The change in the fair market value of this interest rate swap has been reflected in the other comprehensive income section of the Consolidated Statements of Income and Comprehensive Income and the fair value of the swap has been recorded on the Company's Consolidated Balance Sheet. At December 31, 2007, the notional value of the swap was \$16.3 million and the fair value of the interest rate swap was approximately \$0.2 million, which is reflected in other liabilities on the Company's Consolidated Balance Sheet.

Note 6 – Stock Option Plans

The 1998 Incentive Stock Plan (the "Plan") provides for the award to officers, directors, key employees and consultants of stock options and restricted stock. 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 December 31, 2007, 1,024,656 shares of common stock were reserved for the exercise of stock awards under the 1998 Incentive Stock Plan. Of the shares reserved for exercise of stock awards, 744,656 shares were available for future grants.

A summary of the status of the Company's stock options for the three months ended December 31, 2007 is presented below.

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	2008	
	Shares	Wtd. Avg. Ex. Price
Outstanding at September 30, 2007	117,850	\$ 4.20
Granted	-	-
Exercised	1,000	1.50
Canceled	-	-
Outstanding at December 31, 2007	116,850	\$ 4.22
Exercisable at December 31, 2007	109,350	\$ 4.11

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In the first quarter of fiscal year 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment ("SFAS 123R"). SFAS 123R requires all share-based payments to employees, including grants of employee stock options, be recognized as compensation costs in the financial statements based on their grant date fair value. 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.

The Company estimates the fair value of the options granted using the Black-Scholes option valuation model and the assumptions shown in the table below. The Company estimates the expected term of options granted based on the historical grants and exercises of the Company's options. The Company estimates 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 SFAS 123R and Securities and Exchange Commission Staff Accounting Bulletin No. 107 (SAB No. 107). The Company bases the risk-free rate that is 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 term. The Company has never paid cash dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future. Consequently, the Company uses 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 uses historical data to estimate the pre-vesting option forfeitures and records share-based expense only for those awards that are expected to vest. A summary of the Company's current estimates are presented below.

	Three Months Ended December 31, 2007
Average expected life	5.0
Average expected volatility factor	25%
Average risk-free interest rate	4.45%
Average expected dividend yield	-----

For the three months ended December 31, 2007, the Company recorded compensation expense of \$1,627 representing the amortizing fair value of the unvested options granted prior to fiscal 2007. As of December 31, 2007, compensation costs related to unvested stock awards not yet recognized in the statements of operations totaled \$8,250 which will be recognized over the remaining two year vesting term.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Special Note on Forward-Looking Statements

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements generally are identified by the words "believe," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. 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, formation of competitors, changes in governmental regulation or taxation, changes in our personnel and other such factors. We undertake no obligation to update or revise publicly any

forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should carefully review the risk factors described under Item 1A of our Annual Report on Form 10-K filed for the year ended September 30, 2007 and in other documents we file from time to time with the Securities and Exchange Commission.

Overview

The following MD&A is intended to help the reader understand the results of operations, financial condition, and cash flows of ADDvantage Technologies Group, Inc. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements ("Notes").

We are a Value Added Reseller ("VAR") for select Scientific-Atlanta and Motorola new products and we are a distributor for several other manufacturers of cable television ("CATV") equipment. We also specialize in the sale of surplus new and refurbished previously-owned CATV equipment to CATV 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 multiple system operators ("MSOs") and telecommunication companies ("telcoms"). 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.

Results of Operations

Comparison of Results of Operations for the Three Months Ended December 31, 2007 and December 31, 2006

Total Net Sales. Total Net Sales during the first quarter of fiscal 2008 totaled \$14.7 million, which was consistent with \$14.7 million Total Net Sales reported during the first quarter of fiscal 2007. New equipment sales declined \$1.6 million, or 15.6%, to \$8.7 million in the first quarter of fiscal 2008 from \$10.2 million in the first quarter of fiscal 2007. The decrease in new equipment sales was due primarily to a decline in the sales of new equipment to two large customers of approximately \$1.0 million each. The decline in sales to the first customer was attributed to the postponement of its scheduled rebuilding projects, and the second customer's reduced sales volumes were attributed to an overall decline in the volume of regional upgrades being performed during the period. Net refurbished sales increased \$1.6 million, or 50%, to \$4.8 million in the first quarter of fiscal 2008 from \$3.2 million for the same period last year. Sales of refurbished digital converter boxes increased approximately \$1.3 million due to increased sales to domestic customers that received waivers from the FCC ban on the purchases of these boxes and sales to international customers, who are not subject to the FCC ban. The remaining increase in refurbished sales was primarily attributed to a customer's project to upgrade a service area with refurbished transmission equipment, which generated incremental sales of \$0.4 million for the quarter. Net service income totaled \$1.3 million for the first quarter of fiscal 2008 which was consistent with the \$1.3 million of revenue earned in the first quarter of fiscal 2007.

Costs of Sales. Costs 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 equipment sales. Costs of sales decreased \$0.1 million to \$10.0 million in the first quarter of fiscal 2008 from \$10.1 million in the first quarter of fiscal 2007. The decrease in costs of sales was attributable to the change in product line mix, as refurbished equipment generally involved a higher profit margin than new equipment.

Gross Profit. Gross Profit increased \$0.1 million, or 2.1%, to \$4.8 million in the first quarter of fiscal 2008 from \$4.7 million for the same period in fiscal 2007. The increase in gross profit was the result of the change in product line mix sold during the quarter.

Operating, Selling, General and Administrative Expenses. Operating, selling, general and administrative expenses include personnel costs (including fringe benefits, insurance and taxes), occupancy, communication and professional services, among other less significant cost categories. Operating, selling, general and administrative expenses increased \$0.1 million to \$2.0 million in the first quarter of fiscal 2008 from \$1.9 million reported in the same period of fiscal 2007. This increase was primarily driven by \$0.1 million increase in payroll costs associated with new employees hired in the past 9 months due to our business growth.

Income from Operations. Income from operations decreased \$0.1 million, or 3.5%, to \$2.7 million in the first quarter of fiscal 2008 from \$2.8 million for the same period of fiscal 2007. Income from operations decreased primarily as the result of our increased payroll costs.

Interest Expense. On November 27, 2007 we amended our \$8.0 million term note with our primary financial lender to \$16.3 million and extended the maturity of the amended note to November 30, 2012. The outstanding balance of the \$8.0 million term loan prior to the amendment was \$4.3 million. The \$12.0 million of additional funds available under the amended \$16.3 million term loan were fully advanced at closing and the proceeds were used to redeem all of the issued and outstanding shares of our Series B 7% Cumulative Preferred Stock. The impact on income available to holders of common stock from the increased interest expense is expected to be fully offset by the elimination of dividends paid on the outstanding preferred shares. On November 27, 2007, we entered into an interest rate swap agreement to effectively fix the interest on the new \$16.3 million quarterly amortizing note at 5.92%. Interest on the remaining debt instruments, which had outstanding principal balances totaling \$4.7 million as of December 31, 2007, fluctuates periodically based on the specific criteria outlined in the corresponding debt agreements. Interest expense for the first quarter of fiscal 2008 was \$0.2 million, or an increase of \$0.1 million over the \$0.1 million of interest expense reported in fiscal 2007. The increased interest expense was associated with the additional borrowings under the amended \$16.3 million term note.

Income Taxes – The provision for income taxes for the first quarter of fiscal 2008 was \$1.0 million, or 37.5% of profit before taxes, compared to \$1.0 million or 38.0% of profit before taxes for the same period last year. Our estimated effective tax rate for 2008 was decreased due to a slight decline in the estimated state income tax rates for 2008.

Recently issued Accounting Standards

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Companies are not allowed to adopt SFAS No. 159 on a retrospective basis unless they choose early adoption. We plan to adopt SFAS No. 159 beginning in the first quarter of fiscal 2009. We are evaluating the impact, if any, the adoption of SFAS No. 159 will have on our operating income or net earnings.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Current Year Misstatements. SAB No. 108 requires analysis of misstatements from both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. We adopted SAB No. 108 in the first quarter of fiscal year 2007 and its adoption had no impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. This statement is effective for us beginning October 1, 2008. We do not expect the adoption of SFAS No. 157 to have a material effect on our financial statements.

In June 2006, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on EITF Issue No. 06-2, Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43. EITF Issue No. 06-2 requires companies to accrue the costs of compensated absences under a sabbatical or similar benefit arrangement over the requisite service period. We adopted EITF Issue No. 06-2 beginning October 1, 2007. The adoption of EITF Issue No. 06-2 did not result in a material impact to the financial statements.

Critical Accounting Policies

Note 1 to the Consolidated Financial Statements in Form 10-K for fiscal 2007 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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. 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 may differ from these estimates. 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

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.

We market our products primarily to MSOs and other users of cable television equipment who are seeking products (i) that can be shipped on a same-day basis, or (ii) of which manufacturers have discontinued production. Our position in the industry requires us to carry large inventory quantities relative to quarterly sales, but also allows us to realize high overall gross profit margins on our sales. Carrying these significant inventories represents our greatest risk. 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 we make in a reasonable period. Our investment in inventory is represented predominantly by new products purchased from manufacturers and surplus-new products, which are unused products purchased from other distributors or MSOs.

In order to address the risks associated with our investment in inventory, we regularly review inventory quantities on hand and reduce the carrying value by recording a provision for excess and obsolete inventory based primarily on inventory aging and forecasts of product demand and pricing. The broadband industry is characterized by changing

customer demands and changes in technology that could result in significant increases or decreases of inventory pricing or increases in excess or obsolete quantities on hand. Our estimates of future product demand may prove to be inaccurate; in which case the provision required for excess and obsolete inventory may have been understated or overstated. Although every effort is made to ensure the accuracy of internal forecasting, any significant changes in demand or prices could have a significant impact on the carrying value of our inventory and reported operating results. As of December 31, 2007 we have reduced inventories by maintaining an allowance for excess and obsolete inventories totaling approximately \$0.8 million.

Accounts Receivable Valuation

Management judgments and estimates are made in connection with establishing the allowance for returns and doubtful accounts. Specifically, we analyze historical return volumes, the aging of accounts receivable balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms. Significant changes in customer concentration or payment terms, deterioration of customer creditworthiness, or weakening in economic trends could have a significant impact on the collectibility 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, additional allowances may be required. At December 31, 2007, accounts receivable, net of allowance for returns and doubtful accounts of approximately \$0.3 million, amounted to \$6.2 million.

Liquidity and Capital Resources

We finance our operations primarily through internally generated funds and a bank line of credit. During the first quarter of fiscal 2008, we generated approximately \$1.2 million of cash flow from operations including \$0.4 million absorbed from changes in receivables, inventories, and other assets, accounts payable and accrued liabilities.

During the quarter, we invested approximately \$0.5 million of our available cash flows towards the completion of two warehouse construction projects in Broken Arrow, Oklahoma and Sedalia, Missouri. The new 62,500 square foot warehouse facility in Broken Arrow, Oklahoma is located at the back section of our 10 acre headquarters facility. The completed warehouse addition, which cost approximately \$1.6 million, was constructed to gain additional operating efficiencies by consolidating the operations and multiple outside warehouses of our Tulsat subsidiary into one facility. The new 18,000 square foot warehouse facility in Sedalia, Missouri, which cost approximately \$0.4 million, will expand the revenue generating capacity of this location as it increased the square footage of the operation by approximately 30% and allowed us to consolidate our Stockton, California warehouse into a more cost effective location. The combined annual savings from vacated rental properties is expected to total approximately \$0.2 million per year.

During the quarter we also executed the Fourth Amendment to Revolving Credit and Term Loan Agreement with our primary financial lender, Bank of Oklahoma. The Fourth Amendment renews the \$7.0 Million Revolving Line of Credit ("Line of Credit") and extends the maturity date to November 30, 2010. The Fourth Amendment also extends the maturity of and increases the \$8.0 Million Term Loan Commitment to \$16.3 million.

The \$7.0 Million Line of Credit will continue to be used to finance our working capital requirements. The lesser of \$7.0 million or the total of 80% of the qualified accounts receivable, plus 50% of qualified inventory, less the outstanding balances under of the term loans identified in the agreement, is available to us under the revolving credit facility. The entire outstanding balance on the revolving credit facility is due on maturity.

The outstanding balance of the \$8.0 million Term Loan prior to being amended was \$4.3 million. The \$12.0 million of additional funds available under the amended \$16.3 million Term Loan were fully advanced at closing and the proceeds were used to redeem all of the issued and outstanding shares of our Series B 7% Cumulative Preferred Stock. These shares of preferred stock were beneficially held by David A. Chymiak, Chairman of the Company, and Kenneth A. Chymiak, President and Chief Executive Officer of the Company, and his spouse. The \$16.3 million Term Loan is payable over a 5 year period with quarterly payments beginning the last business day of February 2008 of approximately \$0.4 million plus accrued interest.

The Revolving Line of Credit and Term Loan Agreement also includes a Term Loan Commitment of \$2.8 million. This loan was secured to finance the purchase of the Company's headquarters facility located in Broken Arrow, Oklahoma on November 20, 2006. The \$2.8 million Term Loan matures over 15 years and payments are due monthly at \$15,334 plus accrued interest.

Explanation of Responses:

Also during the quarter we paid the scheduled accrued dividends of approximately \$0.2 million and additional accrued dividends of approximately \$0.1 million, representing the final dividends earned on the outstanding Series B 7% Cumulative Preferred Stock from October 1, 2007 to November 20, 2007, as well as other scheduled note payments totaling approximately \$0.2 million.

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

Item 3A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact our financial position, results of operations, or cash flow due to adverse changes in market prices, foreign currency exchange rates, and interest rates. We maintain no material assets that are subject to market risk and attempt to limit our exposure to market risk on material debts by entering into swap arrangements that effectively fix the interest rates. In addition, the Company has limited market risk associated with foreign currency exchange rates as all sales and purchases are denominated in U.S. dollars.

We are exposed to market risk related to changes in interest rates on our \$7.0 million revolving line of credit and our \$2.8 million term note. Borrowings under these obligations bear interest at rates indexed to the 30 day LIBOR rate, which exposes us to increased costs if interest rates rise. At December 31, 2007, the outstanding borrowings subject to variable interest rate fluctuations totaled \$4.4 million, and was as high as \$4.6 million and as low as \$2.6 million at different times during the quarter. A hypothetical 30% increase in the published LIBOR rate, causing our borrowing costs to increase, would not have a material impact on our financial results. We do not expect the LIBOR rate to fluctuate more than 30% in the next twelve months.

In addition to these debts, we have a \$16.3 million term note which also bears interest at a rate indexed to the 30 day LIBOR rate. To mitigate the market risk associated with the floating interest rate, we entered into an interest rate swap on November 27, 2007, in an amount equivalent to the \$16.3 million term note. Although the note bears interest at the prevailing 30-day LIBOR rate plus 1.4%, the swap effectively fixed the interest rate at 5.92%. The fair value of this derivative will increase or decrease opposite any future changes in interest rates.

Item 4T. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure the information we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to accomplish their objectives and to ensure the information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the period covered by this report on Form 10-Q, there have been no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements 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.

ADVANTAGE TECHNOLOGIES GROUP, INC.
(Registrant)

Date: February 13,
2008
Chymiak,

President and Chief Executive Officer
(Principal Executive Officer)

Kenneth A.

Date: February 13,
2008
O'Keefe

Chief Financial Officer
(Principal Financial Officer)

Daniel E.

Exhibit Index

The following documents are included as exhibits to this Form 10-Q:

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