

SECURITIES AND EXCHANGE COMMISSION

FORM DEF 14A

Definitive proxy statements

Filing Date: **1999-09-10** | Period of Report: **1999-09-29**
SEC Accession No. **0000950170-99-001417**

(HTML Version on secdatabase.com)

FILER

ADVANCED ELECTRONIC SUPPORT PRODUCTS INC

CIK: **1026744** | IRS No.: **592327381** | State of Incorporation: **FL** | Fiscal Year End: **1231**
Type: **DEF 14A** | Act: **34** | File No.: **001-12739** | Film No.: **99709334**
SIC: **3577** Computer peripheral equipment, nec

Mailing Address
*1810 N E 144TH STREET
NORTH MIAMI FL 33181*

Business Address
*1810 N E 144TH STREET
NORTH MIAMI FL 33181
3059447710*

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. _____)

- Filed by the Registrant [X]
Filed by a Party other than the Registrant []
Check the appropriate box:
 [] Preliminary Proxy Statement
 [X] Definitive Proxy Statement
 [] Definitive Additional Materials
 [] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
 [] Confidential, For Use of the Commission Only (as permitted by
Rule 14a-6(e) (2))

ADVANCED ELECTRONIC SUPPORT PRODUCTS, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No Fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant
to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee
is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

 [] Fee paid previously with preliminary materials:

 [] Check box if any part of the fee is offset as provided by Exchange Act
Rule 0-11(a) (2) and identify the filing for which the offsetting fee was
paid previously. Identify the previous filing by registration statement
number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ADVANCED ELECTRONIC SUPPORT PRODUCTS, INC.
1810 N.E. 144TH STREET
NORTH MIAMI, FLORIDA 33181

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

SEPTEMBER 29, 1999

NOTICE IS HEREBY GIVEN that the 1999 Annual Meeting of Shareholders of Advanced Electronic Support Products, Inc., a Florida corporation (the "Company"), will be held on September 29, 1999 at 9:00 a.m., local time, at the principal executive offices of the Company located at 1810 N.E. 144th Street, North Miami, Florida 33181 for the following purposes, all of which are set forth more completely in the accompanying Proxy Statement:

- (1) To elect five persons to the Board of Directors to serve until the next Annual Meeting of Shareholders or until the election and qualification of their respective successors; and
- (2) To approve an amendment to the Company's 1996 Stock Option Plan to increase the number of shares of common stock for which options may be granted under such plan from 265,000 shares to 530,000 shares; and
- (3) To transact such other business as may properly come before the meeting.

Pursuant to the Company's By-laws, the Board of Directors has fixed the close of business on September 3, 1999 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting.

A FORM OF PROXY AND THE ANNUAL REPORT OF THE COMPANY FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 ARE ENCLOSED. IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE WHICH DOES NOT REQUIRE POSTAGE IF MAILED IN THE UNITED STATES.

BY ORDER OF THE BOARD OF DIRECTORS

Roman Briskin, Corporate Secretary

North Miami, Florida
September 10, 1999

ADVANCED ELECTRONIC SUPPORT PRODUCTS, INC.
1810 N.E. 144TH STREET
NORTH MIAMI, FLORIDA 33181
(305) 944-7710

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors (the "Board") of Advanced Electronic Support Products, Inc., a Florida corporation (the "Company"), for use at the 1999 Annual Meeting of Shareholders (the "Annual Meeting") to be held on September 29, 1999 at 9:00 a.m., local time, at the principal executive offices of the Company located at 1810 N.E. 144th Street, North Miami, Florida 33181. The approximate date on which this proxy statement and the enclosed proxy will be sent to shareholders will be September 10, 1999. The form of proxy provides a space for you to withhold your vote for any proposal. You are urged to indicate your vote on each matter in the space provided. If signed but no space is marked, it will be voted by the persons therein named at the meeting: (i) for the election of five directors to serve until the next Annual Meeting of Shareholders, or until their successors are elected and qualified; (ii) to amend the 1996 Stock Option Plan as provided herein, and (iii) in their discretion, upon such other business as may properly come before the meeting.

Whether or not you plan to attend the Annual Meeting, please fill in,

sign and return your proxy card to the transfer agent in the enclosed envelope, which requires no postage if mailed in the United States. The cost of the Board's proxy solicitation will be borne by the Company. In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies personally and by telephone and telegraph, all without extra compensation.

At the close of business on September 3, 1999 (the "Record Date"), the Company had outstanding 3,205,921 shares of \$.001 par value common stock ("Common Stock"). Each share of Common Stock outstanding on the Record Date entitles the holder thereof to one vote on each matter submitted to a vote of shareholders at the Annual Meeting. Only shareholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. In the event that there are not sufficient votes for approval of any of the matters to be voted upon at the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies. The quorum necessary to conduct business at the Annual Meeting consists of a majority of the outstanding shares of Common Stock.

Two of the Company's directors who collectively own an aggregate of 1,612,004 shares (50.3%) of the Company's outstanding Common Stock (assuming no exercise of stock options held by such directors) have advised the Company that they intend to vote in favor of the proposals to be considered at the meeting.

Shares represented by proxies which are marked "abstain" or which are marked to deny discretionary authority will only be counted for determining the presence of a quorum. Votes withheld in connection with the election of one or more of the nominees for director will not be counted as votes cast for such individuals. In addition, where brokers are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions (commonly referred to as "broker non-votes"), those shares will not be included in the vote totals.

A list of the shareholders entitled to vote at the Annual Meeting will be available at the Company's principal executive offices located at 1810 N.E. 144th Street, North Miami, Florida 33181 for a period of ten days prior to the Annual Meeting for examination by any shareholder.

A SHAREHOLDER WHO SUBMITS A PROXY ON THE ACCOMPANYING FORM HAS THE POWER TO REVOKE IT AT ANY TIME PRIOR TO ITS USE BY DELIVERING A WRITTEN NOTICE TO THE CORPORATE SECRETARY OF THE COMPANY, BY EXECUTING A LATER-DATED PROXY OR BY ATTENDING THE MEETING AND VOTING IN PERSON. UNLESS AUTHORITY IS WITHHELD, PROXIES WHICH ARE PROPERLY EXECUTED WILL BE VOTED FOR THE PURPOSES SET FORTH THEREON.

BOARD OF DIRECTORS

The Articles of Incorporation and By-laws of the Company provide for one class of Board of Directors. At the date of this Proxy Statement, the members of the Board and the length of service as Directors were as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITIONS	DIRECTOR SINCE
----	---	-----	-----
<S>	<C>	<C>	<C>
Slav Stein(1)	54	President, Chief Executive Officer and Director	1983
Roman Briskin(1)	49	Executive Vice President, Secretary and Director	1984
Terrence R. Daidone(1)(3)	39	Director	1997
William B. Coldrick(2)(3)	57	Director	1997
L. Phillips Reames(2)	55	Director	1997

</TABLE>

- (1) Member of the Executive Committee.
 (2) Member of the Audit Committee.
 (3) Member of the Compensation Committee.

BUSINESS EXPERIENCE

The principal occupations for the past five years of each of the Directors of the Company are as follows:

Mr. Stein is a founder of the Company and has been employed by the Company in a senior executive capacity and has been a Director of the Company since its formation in 1983. Mr. Stein has been the President, Chief Executive Officer and a Director of the Company since the Company's initial public offering in February 1997 (the "IPO"). Mr. Stein is also a principal shareholder of the Company. See "Principal Shareholders" and "Certain Transactions."

Mr. Briskin has been a senior executive officer of the Company since 1984, a Director since 1992 and has served as Executive Vice President, Secretary and a Director of the Company since the IPO. Mr. Briskin is also a principal shareholder of the Company. See "Principal Shareholders" and "Certain Transactions."

Mr. Daidone has served as a Director of the Company since January 1997. Mr. Daidone has been Vice President of Sales and Marketing of Fugate and Associates, Inc./ERS Imaging Supplies, Inc., a private corporation engaged in the collection and distribution of empty printer cartridges, since January 1996. From 1993 to 1996, Mr. Daidone served as Director of Mass Merchant Operations with Nashua Corporation, a company engaged in the manufacturing of coated products.

Mr. Coldrick has served as a Director of the Company since June 1997. Mr. Coldrick is also a Director of Focus Enhancements, Inc., a Delaware corporation, where he has served since 1993. See "Certain

2

Transactions." Mr. Coldrick is retired. Prior to his retirement, Mr. Coldrick served in various senior capacities with Apple Computer and Unisys Corporation. Mr. Coldrick currently acts as an investor in and a consultant to several companies.

Mr. Reames has served as a Director of the Company since June 1997. For the last five years, Mr. Reames has served as Chairman of Argent Securities, Inc., a full-service investment banking firm headquartered in Atlanta, Georgia. See "Certain Transactions."

MEETINGS OF THE BOARD

The Board of Directors held a total of six meetings during the year ended December 31, 1998. Each of the Directors attended at least 75 percent of the meetings of the Board of Directors except director L. Philip Reames who attended four of the six meetings of the Board. Additionally, during 1998 the Compensation Committee met once and the Executive and Audit committees did not meet.

NOMINEES TO THE BOARD

At the Annual Meeting, five Directors will be elected to serve until the next Annual Meeting of Shareholders or until their successors are elected and qualified. The Board has nominated the following persons for election to the Board: Slav Stein, Roman Briskin, Terrence R. Daidone, William B. Coldrick and L. Phillips Reames. For information regarding the candidates for election, see the biographical information set forth above.

The Company will consider director candidates for the next Annual Meeting recommended by shareholders of the Company. Any shareholder wishing to submit a recommendation to the Company with respect to the 2000 Annual Meeting of Shareholders should send a signed letter of recommendation to Advanced Electronic Support Products, Inc., 1810 N.E. 144th Street, North Miami, Florida 33181, Attention: Corporate Secretary. To be considered, recommendation letters must be received prior to March 31, 2000, must state the reasons for the recommendations and contain the full name and address of each proposed nominee, as well as a brief biographical history setting forth past and present directorships, employment and occupations. The recommendation letter must also include a statement indicating that such nominee has consented to being named in the proxy statement and to serve if elected.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board has the responsibility for establishing broad corporate policies and for the overall performance of the Company. In July 1997, the Board established several committees to assist it in carrying out its duties. The standing committees of the Board are the Executive Committee, the Audit Committee and the Compensation Committee.

The Executive Committee is authorized to meet between meetings of the Board and to exercise the powers of the Board, subject to limitations imposed by law.

The Audit Committee is responsible for maintaining communications between the Board and the Company's independent auditors, monitoring performance of the independent auditors, reviewing audit scope and results, reviewing the organization and performance of the Company's internal systems of audit and financial controls, and recommending the retention or, where appropriate, the replacement of independent auditors.

3

The Compensation Committee's responsibilities include reviewing and approving compensation policies and practices for all executive officers and for fixing the total compensation of the executive officers. The Compensation Committee also administers the Company's 1996 Stock Option Plan.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company are annually granted options to purchase 25,000 shares of Common Stock at an option exercise price equal to the closing price of the Common Stock on the date of grant. These options vest immediately. Directors also receive \$3,000 per year for service on the Board of Directors and on committees of the Board of Directors. Directors who are employees of the Company receive no additional compensation for their service on the Board of Directors. All Directors are also reimbursed for expenses incurred in attending Board meetings.

EXECUTIVE OFFICERS

The following list reflects the Company's executive officers, as of the date of this Proxy Statement, the capacity in which they serve the Company, and when they took office:

<TABLE>
<CAPTION>

NAME	AGE	POSITION	EXECUTIVE OFFICER SINCE
----	---	-----	-----
<S>	<C>	<C>	<C>
Slav Stein.....	54	President and Chief Executive Officer	1983
Roman Briskin....	49	Executive Vice President and Secretary	1984

</TABLE>

BUSINESS EXPERIENCE

SLAV STEIN. See the biographical information contained in "Board of Directors."

ROMAN BRISKIN. See the biographical information contained in "Board of Directors."

FAMILY RELATIONSHIPS

There are no family relationships between or among any of the directors and executive officers of the Company.

4

EXECUTIVE COMPENSATION

The following table shows remuneration paid or accrued by the Company during the year ended December 31, 1998 and for each of the two preceding years, to the Chief Executive Officer and to each of the other most highly compensated executive officers of the Company whose total annual salary and bonus exceeded \$100,000:

<TABLE>

<CAPTION>

LONG-TERM COMPENSATION

		AWARDS					ALL OTHER
NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)(1)	RESTRICTED STOCK AWARDS	OPTION/ SARS (#)	PAYMENTS	COMPEN- SATION (2)(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Slav Stein	1998	\$164,423	\$ -	-	100,000	-	\$6,000
	1997	149,723	62,516	-	180,250	-	6,000
	1996	122,477	-	-	100,000	-	-
Roman Briskin	1998	\$164,423	\$ -	-	100,000	-	\$6,000
	1997	149,723	62,516	-	180,250	-	6,000
	1996	122,477	-	-	100,000	-	-

</TABLE>

- (1) Bonus is based on a percentage of pre-tax income pursuant to current employment agreements. See "Employment Agreements."
- (2) Does not include compensation paid to the executive to allow the executive to pay taxes on the Company's income incurred while the Company was an S corporation for federal income tax purposes and interest on promissory notes due to the executive from the Company, which notes were converted into shares of Common Stock effective December 31, 1998. See "Certain Transactions."
- (3) Messrs. Stein and Briskin receive an automobile allowance of \$6,000 per year. See "Employment Agreements."

5

OPTION GRANTS DURING LAST FISCAL YEAR

The following table sets forth information concerning options granted during the fiscal year ended December 31, 1998 to the persons named in the preceding summary compensation table under the caption "Executive Compensation":

<TABLE>
<CAPTION>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

(A)	NUMBER OF SECURITIES UNDERLYING OPTIONS/ SARS GRANTED (#)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH) *	EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>
Slav Stein	100,000	38.2%	1.50	7/23/2008
Roman Briskin	100,000	38.2%	1.50	7/23/2008

</TABLE>

* Options were originally granted at an exercise price of \$3.35 per share. Options were repriced in October 1998 to an exercise price of \$1.50 per share.

6

AGGREGATED OPTIONS EXERCISED DURING LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

The following table sets forth information concerning the value of unexercised stock options at the end of the 1998 fiscal year for the persons named in the preceding summary compensation table under the caption "Executive Compensation":

<TABLE>
<CAPTION>

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES

(A)	(B)	(C)	(D)	(E)
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) ----- EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FY-END (\$) ----- EXERCISABLE/ UNEXERCISABLE*
<S>	<C>	<C>	<C>	<C>
Slav Stein	-	-	175,000/205,250	0/0
Roman Briskin	-	-	175,000/205,250	0/0

* Computed based upon the difference between the closing price of the Common Stock at December 31, 1998 (1 5/16) and the exercise price (\$1.50). No value has been assigned to options which are not in the money.

EMPLOYMENT AGREEMENTS

On February 19, 1997, Messrs. Stein and Briskin each entered into an employment agreement with the Company. The term of such employment agreements (subject to earlier termination for cause) are for an initial period of five years and will thereafter continue for successive one-year terms unless canceled by either party. During the term of such employment agreements, Messrs. Stein and Briskin will each receive a salary of \$150,000 per year, which salary will increase annually by 10 percent of the prior year's salary plus the increase in the consumer price index, which annual increase may not, in any event, exceed 20 percent of the prior year's salary. In addition, Messrs. Stein and Briskin will each be entitled to receive an annual bonus equal to five percent of the Company's pre-tax net income in each fiscal year. The Company provides each of Messrs. Stein and Briskin with an automobile allowance of \$500 per month and a term life insurance policy in the amount of \$500,000.

In the event that during the term of such employment agreements there is a change of control of the Company which has not been approved by the Company's Board of Directors, Messrs. Stein and Briskin will have the option to terminate their employment with the Company within three months of the change of control and receive a lump sum payment of \$750,000 each. In such event, all previously granted stock options would become automatically vested. If the Board of Directors approves a change of control, Messrs. Stein and Briskin may terminate their employment, but would only be entitled to receive a payment equal to the prior year's annual salary and to become automatically vested in a portion of their stock option equal

to their percentage completion of the term of their employment agreement. For purposes of the employment agreements, a "change in control" is defined as an event that: (i) would be required to be reported in response to Item 6(e) of Schedule 14(a) of Regulation 14A under the Exchange Act; or (ii) causes a person other than Messrs. Stein and Briskin to beneficially own more than 30 percent of the Company's outstanding securities. As part of such employment agreements, each of Messrs. Stein and Briskin have agreed not to compete against the Company for a 12-month period following the termination of their employment with the Company for any reason other than a change in control without the approval of the Board of Directors.

STOCK OPTION PLAN

The Company has adopted the 1996 Stock Option Plan (the "1996 Plan"). Pursuant to the 1996 Plan, options to acquire a maximum of 265,000 shares of Common Stock may be granted to directors, executive officers, employees (including employees who are directors), independent contractors and consultants of the Company. At this date options to purchase 205,300 shares of Common Stock are outstanding under the 1996 Plan and options to purchase 31,700 shares of Common Stock are reserved for future issuance under the 1996 Plan. See Proposal 2.

The 1996 Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee determines which persons will receive options and the number of options to be granted to such persons. The Compensation Committee also interprets the provisions of the 1996 Plan and makes all other determinations that it may deem necessary or advisable for the administration of the 1996 Plan.

Pursuant to the 1996 Plan, the Company may grant both ISOs (Incentive Stock Options) and NQSOs (Non-Qualified Stock Options). The price at which the Company's Common Stock may be purchased upon the exercise of options granted under the 1996 Plan are required to be at least equal to the per share fair market value of the Common Stock on the date particular options are granted. Options granted under the 1996 Plan may have maximum terms of not more than 10 years and are not transferable, except by will or the laws of descent and distribution. None of the ISOs under the 1996 Plan may be granted to an individual owning more than 10 percent of the total combined voting power of all classes of stock issued by the Company unless the purchase price of the Common Stock under such option is at least 110 percent of the fair market value of the shares issuable on exercise of the option determined as of the date the option is granted, and such option is not exercisable more than five years after the grant date.

Generally, unless otherwise determined by the Compensation Committee or the Board of Directors, options granted under the 1996 Plan remain outstanding and may be exercised at any time up to three months after the person to whom such options were granted is no longer employed or retained by the Company or serving on the Company's Board of Directors.

Pursuant to the 1996 Plan, unless otherwise determined by the Compensation Committee, one-third of the options granted to an individual are exercisable upon grant, one-third are exercisable on the first anniversary of such grant and the final one-third are exercisable on the second anniversary of such grant. However, options granted under the 1996 Plan shall become immediately exercisable if the holder of such options is terminated by the Company or is no longer a director of the Company, as the case may be, subsequent to certain events which are deemed to be a "change in control" of the Company. A "change in control" of the Company generally is deemed to occur when (i) any person becomes the beneficial owner of or acquires voting control with respect to more than 20 percent of the Common Stock (or 35 percent if

8

such person is a holder of Common Stock on the effective date of the IPO) (ii) a change occurs in the composition of a majority of the Company's Board of Directors during a two-year period, provided that a change with respect to a member of the Company's Board of Directors shall be deemed not to have occurred if the appointment of a member of the Company's Board of Directors is approved by a vote of at least 75 percent of the individuals who constitute the then existing Board of Directors; or (iii) the Company's shareholders approve the sale of substantially all of the Company's assets.

ISOs granted under the 1996 Plan are subject to the restriction that the aggregate fair market value (determined as of the date of grant) of options which first become exercisable in any calendar year cannot exceed \$100,000.

COMPLIANCE WITH SECTION 16(A)

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), during the Company's fiscal year ended December 31, 1998 and any Forms 5 and amendments thereto furnished to the Company with respect to such fiscal year, and any written representations referred to in subparagraph (b)(2)(i) of Item 405 of Regulation S-B, except as set forth below, no person who at any time during the fiscal year ended December 31, 1998 was a director, officer or, to the knowledge of the Company, a beneficial owner of more than 10% of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act, failed to file on a timely basis, as disclosed in Forms 3, 4 and 5, reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 1998. L. Phillips Reames, who became a Director of the Company in May 1997, has not to date filed a Form 3, Form 4 or a Form 5 to reflect his directorship or stock options.

9

PRINCIPAL SHAREHOLDERS

As of the Record Date, the Company had outstanding 3,205,921 shares of Common Stock. The following table sets forth, as of the Record Date, certain information regarding the Common Stock owned of record or beneficially by (i) each person who owns beneficially more than 5% of the outstanding Common Stock; (ii) each of the Company's directors and named executive officers; and (iii) all directors and executive officers as a group.

<TABLE>

<CAPTION>

NAME OF BENEFICIAL OWNER(1)	BENEFICIAL OWNERSHIP OF COMMON STOCK(1)	
	SHARES	PERCENT
<S>	<C>	<C>
Slav Stein(2)	981,007	29.0%
Roman Briskin(2)	981,007	29.0%
Terrence R. Daidone(3)	65,000	2.0%
William B. Coldrick(3)	62,000	1.9%
L. Phillips Reames(3)	62,000	1.9%
All directors and executive officers as a group (5 persons) (4)	2,151,014	57.4%

</TABLE>

- (1) Unless otherwise indicated, each person named in the table has the sole voting and investment power with respect to the shares beneficially owned. The address for each beneficial owner is c/o the Company, 1810 N.E. 144th Street, North Miami, Florida 33181.
- (2) Includes options to purchase 175,000 shares of Common Stock issuable upon the exercise of vested stock options. Excludes unvested options to purchase 205,250 shares of Common Stock.
- (3) Shares of Common Stock issuable upon the exercise of vested stock options.
- (4) Includes vested stock options to purchase an aggregate of 539,000 shares of Common Stock.

CERTAIN TRANSACTIONS

As of July 15, 1996, the Company entered into a five year lease with RSB Holdings, Inc., a Florida corporation ("RSB Holdings"), pursuant to which the Company leases its corporate headquarters and warehouse in North Miami, Florida. The Company makes annual payments under such lease in the amount of approximately \$43,200. Messrs. Stein and Briskin each own 50 percent of the issued and outstanding common stock of RSB Holdings, and are its sole officers and directors.

Immediately prior to the effective date of the IPO (February 13, 1997), Messrs. Stein and Briskin, who owned all of the outstanding stock of AESP Computerzuberhor GmbH, a German company, and Advanced Electronic Support Products Computertillbehör i Sweden Aktiebolag, a Swedish company, contributed their interests in said corporations to the Company for no additional consideration.

In February 1997, the Company issued two Principal Shareholders' Notes, each in the amount of \$869,562. The Principal Shareholders' Notes bore interest at a rate of one percent over the prime rate, payable monthly. Principal and accrued but unpaid interest was due on February 19, 2005. The Principal Shareholders' Notes were originally convertible into Common Stock of the Company at a conversion price of \$4.00 per share. In February and March 1997, the Company paid Messrs. Stein and Briskin \$150,000 each as a prepayment of a portion of the Principal Shareholders Notes.

Effective December 31, 1998, the Principal Shareholders Notes were converted into an aggregate of 799,514 shares of Common Stock. The conversion price was \$1.80 per share. The conversion price was determined by the independent members of the Board, after negotiation with the principal shareholders and represented a 31% premium over the price of the Common Stock on the conversion date. The new conversion price, which amended the original conversion price, was agreed to in order to induce the holders of the notes to

immediately convert the notes, thus saving the Company future interest on the notes and immediately increasing the net worth of the Company.

In July 1995, US Advantage Corporation, a Florida corporation ("US Advantage") loaned the Company \$120,000, pursuant to a Demand Promissory Note, at an interest rate of 8.5 percent per annum. During 1997, the Company paid \$125,350 to US Advantage in satisfaction of all the principal and a portion of the interest of the Demand Promissory Note. Messrs. Stein and Briskin each own 50 percent of the issued and outstanding capital stock of US Advantage. Approximately \$33,000 of accrued but unpaid interest remains due and payable under this note.

Argent Securities, Inc. ("Argent"), acted as one of the managing underwriters in the IPO. Pursuant to the Underwriting Agreement, dated February 13, 1997, between Argent and the Company, among other parties, Argent was provided the right to designate a nominee for election to the Company's Board of Directors. Mr. Reames, who serves as Chairman of Argent, also serves on the Company's Board of Directors as Argent's nominee director.

In September 1997, the Company purchased the assets of the networking division of Focus Enhancements, Inc. ("Focus"). Mr. Coldrick, who serves as a Director of the Company, also serves as a director on the Board of Directors of Focus.

The Company believes that all the foregoing related-party transactions were on terms, as a whole, no less favorable to the Company than could reasonably be obtained from unaffiliated third parties. Since the IPO, all transactions with affiliates have been approved by a majority of disinterested directors of the Company and on terms no less favorable to the Company than those that are generally available from unaffiliated third parties.

11

PROPOSAL 1. ELECTION OF DIRECTORS

At the Annual Meeting, five directors will be elected to serve on the Company's Board of Directors. The five directors will be elected to serve until the next Annual Meeting of Shareholders or until their successors are elected and qualified.

It is intended that proxies will be voted for the following nominees: Slav Stein, Roman Briskin, Terrence R. Daidone, William B. Coldrick and L. Phillips Reames. Brief biographies of each of the nominees for director are set forth under "Board of Directors."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL.

PROPOSAL 2. APPROVAL OF AMENDMENT TO THE 1996 STOCK OPTION PLAN

The Board of Directors recommends that the 1996 Plan be amended to increase the aggregate number of shares of Common Stock subject to issuance under the 1996 Plan by 265,000 shares from the current 265,000 shares, to a total of 530,000 shares. The proposed increase is intended to serve the purposes of the 1996 Plan, which are to enable the recruitment and retention of executive personnel, key employees, consultants and advisors upon whose judgment, initiative and effort the Company is largely dependent and to provide additional incentive by permitting such individuals to participate in the ownership of the Company.

The 1996 Plan is administered by the Compensation Committee of the Board of Directors. Under the 1996 Plan, employees, officers and consultants are eligible to receive incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, phantom stock and stock bonuses. Options and SARs may be granted for a term of up to ten years. The exercise price of the options is at the discretion of the Committee, except that the exercise price of incentive stock options shall be no less than 100% of the fair market value on the date of the grant.

Since adoption of the 1996 Plan, a total of 251,200 options have been granted under the plan, of which 28,000 have been exercised and 17,900 have been forfeited, leaving 205,300 options currently outstanding under the 1996 Plan (of which options to purchase 146,034 shares of Common Stock are currently exercisable). All options grants under the 1996 Plan have included a fair market value exercise price, a ten year term and vesting periods ranging up to three

years. Additionally, the Company currently has outstanding non-plan stock options held by officers and directors to purchase an additional 910,500 shares of Common Stock, of which options to purchase 425,000 shares of Common Stock are presently exercisable.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THIS PROPOSAL.

OTHER MATTERS

The Board of Directors is not aware of any other business that may come before the meeting. However, if additional matters properly come before the meeting, proxies will be voted at the discretion of the proxy-holders.

VOTES REQUIRED

The affirmative vote of shareholders holding a majority of the Company's issued and outstanding Common Stock in attendance at the meeting, either in person or by proxy, is required to approve Proposals 1 and 2. Messrs. Stein and Briskin, who collectively own 50.3% of the Company's outstanding Common Stock

12

(assuming no exercise of stock options held by such directors), have advised the Company that they intend to vote in favor of Proposals 1 and 2.

SHAREHOLDER PROPOSALS

Shareholder proposals intended to be presented at the 2000 Annual Meeting of Shareholders of the Company must be received by the Company not later than March 31, 2000 at its principal executive offices, 1810 N.E. 144th Street, North Miami, Florida 33181, Attention: Corporate Secretary, for inclusion in the proxy statement and proxy relating to the 2000 Annual Meeting of Shareholders.

ADDITIONAL INFORMATION

The Company will furnish without charge to any shareholder submitting a written request the Company's Form 10-KSB Annual Report for the fiscal year ended December 31, 1998 as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto. Such written request should be directed to the Company, Attention: Corporate Secretary, at the address set forth above.

BY ORDER OF THE BOARD OF DIRECTORS

Roman Briskin, Corporate Secretary

September 10, 1999
North Miami, Florida

13

ADVANCED ELECTRONIC SUPPORT PRODUCTS, INC.
1810 N.E. 144TH STREET
NORTH MIAMI, FLORIDA 33181

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Slav Stein and Roman Briskin, and each of them, with full power of substitution, proxies of the undersigned, to attend and vote all the shares of Common Stock, \$0.001 par value, of Advanced Electronic Support Products, Inc., a Florida corporation (the "Company") which the undersigned would be entitled to vote at the 1999 Annual Meeting of Shareholders to be held at the executive offices of the Company located at 1810 N.E. 144th Street, North Miami, Florida 33181 at 9:00 a.m., local time, on September 29, 1999, or any adjournment thereof, according to the number of votes the undersigned would be entitled to cast if personally present upon the matters referred to on this proxy and, in their discretion, upon any other business as may come before the meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE PROPOSALS.

1. Proposal 1 - Election of Directors.

Election of the following persons as Directors of the Company:

Slav Stein
William B. Coldrick

Roman Briskin
L. Phillips Reames

Terrence R. Daidone

FOR all nominees
except as indicated

WITHHOLD authority to vote
for all nominees

(INSTRUCTION: To withhold authority to vote for an individual nominee,
strike a line through that nominee's name in the list
above.)

2. Proposal 2-Approval of Amendment to the 1996 Stock Option Plan.

FOR AGAINST ABSTAIN

3. Proposal 3-To transact such other business as may properly come before the
meeting.

FOR AGAINST ABSTAIN

(CONTINUED AND TO BE SIGNED ON OTHER SIDE)

This Proxy when properly executed will be voted in the manner directed
herein by the undersigned shareholder. If no direction is made, this proxy will
be voted FOR the proposals as set forth herein.

The undersigned acknowledges receipt of Notice of Annual Meeting of
Shareholders and the accompanying Proxy Statement.

Date: _____, 1999.

Signature

Name(s) (typed or printed)

Address(es)

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

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE
ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED.