

ADVANT E CORP
Form 10QSB
November 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from to

COMMISSION FILE NUMBER: 0-30983

ADVANT-E CORPORATION

(Exact name of small business issuer as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

88-0339012
(IRS Employer
Identification No.)

2680 Indian Ripple Rd.

Dayton, Ohio 45440

(Address of principal executive offices)

(937) 429-4288

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of October 20, 2004 the issuer had 6,244,917 outstanding shares of Common Stock, \$.001 Par Value.

Transitional Small Business Disclosure Format: Yes No

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADVANT-E CORPORATION AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|----------------|-------------------|------------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Revenue | \$ 920,038 | 759,865 | 2,610,655 | 2,124,351 |
| Cost of revenue | 309,224 | 268,342 | 913,705 | 877,506 |
| Gross margin | 610,814 | 491,523 | 1,696,950 | 1,246,845 |
| Marketing, general and administrative expenses | 408,186 | 322,893 | 1,122,158 | 1,055,711 |
| Operating income | 202,628 | 168,630 | 574,792 | 191,134 |
| Interest | | 33,003 | 2,180 | 139,365 |
| Income before income taxes | 202,628 | 135,627 | 572,612 | 51,769 |
| Income taxes | 82,000 | 27,485 | 230,400 | 19,430 |
| Net income | \$ 120,628 | 108,142 | 342,212 | 32,339 |
| Basic earnings per common share | \$ 0.02 | 0.02 | 0.05 | 0.01 |
| Diluted earnings per common share | \$ 0.02 | 0.02 | 0.05 | 0.01 |
| Weighted average common shares outstanding | 6,244,917 | 5,661,002 | 6,244,917 | 5,661,002 |
| Weighted average common shares outstanding, assuming dilution | 6,634,107 | 5,908,532 | 6,628,571 | 5,745,797 |

The accompanying notes to consolidated condensed financial statements are an integral part of the financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)

| | September 30, | December 31, |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 698,556 | 216,448 |
| Accounts receivable, net | 245,310 | 215,895 |
| Prepaid expenses and deposit | 23,026 | 16,187 |
| Deferred income taxes | 57,000 | 266,400 |
| Total current assets | 1,023,892 | 714,930 |
| Software development costs, net | 347,439 | 481,678 |
| Property and equipment, net | 282,646 | 168,687 |
| Total assets | \$ 1,653,977 | \$ 1,365,295 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 32,396 | 72,172 |
| Accrued salaries and other expenses | 130,588 | 71,867 |
| Deferred revenue | 107,760 | 90,931 |
| Notes payable | | 94,965 |
| Total current liabilities | 270,744 | 329,935 |
| Long-term liabilities | | |
| Deferred income taxes | 177,000 | 156,000 |
| Total liabilities | 447,744 | 485,935 |
| Shareholders' equity | | |
| Common stock, \$.001 par value; 20,000,000 shares authorized; 6,244,917 outstanding | 6,245 | 6,245 |
| Paid-in capital | 1,476,088 | 1,491,427 |
| Accumulated deficit | (276,100) | (618,312) |
| Total shareholders' equity | 1,206,233 | 879,360 |
| Total liabilities and shareholders' equity | \$ 1,653,977 | \$ 1,365,295 |

The accompanying notes to consolidated condensed financial statements are an integral part of the financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

| | Nine Months Ended | |
|---|-------------------|------------------|
| | September 30, | |
| | 2004 | 2003 |
| Cash flows from operating activities | | |
| Net income | \$ 342,212 | 32,339 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 57,238 | 36,660 |
| Amortization of software development costs | 250,828 | 214,942 |
| Deferred income taxes | 230,400 | 19,430 |
| Amortization of note discount resulting from valuation of warrants and beneficial conversion features | | 45,379 |
| Increase (decrease) in cash arising from changes in assets and liabilities: | | |
| Accounts receivable | (29,415) | (37,200) |
| Prepaid expenses | (6,839) | 26,455 |
| Accounts payable | (39,776) | (98,357) |
| Accrued salaries, interest and other expenses | 58,721 | (164) |
| Deferred revenue | 16,829 | 20,343 |
| Net cash provided by operating activities | 880,198 | 259,827 |
| Cash flows from investing activities | | |
| Purchases of equipment | (171,197) | (28,181) |
| Software development costs | (116,589) | (110,757) |
| Net cash used in investing activities | (287,786) | (138,938) |
| Cash flows from financing activities | | |
| Payments on bank notes | (94,965) | (35,373) |
| Payments of direct costs of securities registration | (15,339) | |
| Net cash used in financing activities | (110,304) | (35,373) |
| Net increase in cash and cash equivalents | 482,108 | 85,516 |
| Cash and cash equivalents, beginning of period | 216,448 | 98,740 |
| Cash and cash equivalents, end of period | \$ 698,556 | 184,256 |
| Supplemental disclosures of cash flow information | | |
| Interest paid | \$ 3,014 | 137,804 |

The accompanying notes to consolidated condensed financial statements are an integral part of the financial statements.

ADVANT-E CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)**Note 1: Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Advant-e Corporation and its wholly-owned subsidiary Edict Systems, Inc. (the Company).

The statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and notes to financial statements required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods.

The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates.

Results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year ending December 31, 2004. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in Advant-e Corporation's 2003 Form 10-KSB filed with the Securities and Exchange Commission.

Note 2: Software Development Costs

Software development costs at September 30, 2004 and the changes during the nine months then ended are summarized as follows:

| | Cost | Accumulated Amortization | Net |
|-----------------------------|---------------------|-------------------------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Balance, January 1, 2004 | \$ 1,067,297 | 585,619 | 481,678 |
| Additions | 116,589 | | 116,589 |
| Amortization | | 250,828 | (250,828) |
| | <u> </u> | <u> </u> | <u> </u> |
| Balance, September 30, 2004 | <u>\$ 1,183,886</u> | <u>836,447</u> | <u>347,439</u> |

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The unamortized costs relate exclusively to internal use software and costs associated with web site development and related enhancements.

The ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in software and hardware technologies. Impairment of asset value is considered whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Note 3: Deferred revenue

Deferred revenue is comprised of the following:

| | September 30, | December 31, |
|---|-------------------|---------------|
| | 2004 | 2003 |
| Annual software license fees recognized as revenue ratably over twelve months | \$ 48,688 | 58,451 |
| Amounts received for customized Web EDI and EnterpriseEC development recognized as revenue over twelve months when services are performed | 48,283 | 14,625 |
| Advance payments from a customer in exchange for discounted future services recognized as revenue monthly as services are performed | 10,789 | 17,855 |
| | <u>\$ 107,760</u> | <u>90,931</u> |

Note 4: Income taxes

Income taxes of \$82,000 and \$27,485 for the three months ended September 30, 2004 and 2003, respectively, and \$230,400 and \$19,430 for the nine months ended September 30, 2004 and 2003, respectively, consist solely of deferred taxes. Income taxes that would have been currently payable in the amounts of \$74,000 for the three months ended September 30, 2004 and \$268,000 for the nine months ended September 30, 2004 were offset in both periods by the benefits from a net operating loss carryforward recognized for financial reporting purposes in prior years. The Company at September 30, 2004 has available remaining net operating loss carryforwards of approximately \$139,000 that begin to expire in 2020.

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The following is a reconciliation of income taxes to the amount computed at the statutory rate of 34%:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------|-------------------|---------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Income taxes at statutory rate | \$ 69,000 | 46,113 | 195,000 | 17,601 |
| State income taxes | 13,000 | 8,138 | 35,400 | 3,108 |
| Amount attributable to lower graduated rates expected to apply when tax benefits are expected to be realized | | (27,376) | | (16,707) |
| Non-deductible interest on debt discount amortization | | 610 | | 15,428 |
| Federal income taxes applicable to income before income tax | \$ 82,000 | 27,485 | 230,400 | 19,430 |

Deferred taxes consisted of the following at September 30, 2004 and December 31, 2003:

| | September 30, | December 31, |
|--|---------------------|----------------|
| | 2004 | 2003 |
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ 55,743 | 323,951 |
| Accounts payable and accrued expenses | 65,193 | 57,282 |
| Allowance for uncollectible accounts | 4,400 | 2,000 |
| Deferred revenue from licenses | 43,104 | 36,372 |
| Total deferred tax assets | 168,440 | 419,605 |
| Deferred tax liabilities: | | |
| Capitalized software costs, net of accumulated amortization | 138,976 | 192,671 |
| Accounts receivable | 102,524 | 88,358 |
| Depreciation for tax purposes in excess of depreciation for financial reporting purposes | 38,334 | 24,334 |
| Prepaid expenses | 8,606 | 3,842 |
| Total deferred tax liabilities | 288,440 | 309,205 |
| Net deferred tax asset (liability) | \$ (120,000) | 110,400 |

Note 5: Earnings per share

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three months and the nine months ended September 30, 2004 and 2003, respectively, follows:

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| | Income | Shares | Per Share |
|--|-------------------|-------------------|-------------------|
| | (Numerator) | (Denominator) | Amount |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Three months ended September 30, 2004</u> | | | |
| Basic earnings per share: | | | |
| Net income available to common shareholders | \$ 120,628 | 6,244,917 | \$ 0.02 |
| Effect of dilutive securities: | | | |
| Outstanding warrants | | 389,190 | |
| Diluted earnings per share: | | | |
| Net income available to common shareholders plus assumed exercise of warrants | \$ 120,628 | 6,634,107 | \$ 0.02 |
| <u>Three months ended September 30, 2003</u> | | | |
| Basic earnings per share: | | | |
| Net income available to common shareholders | \$ 108,142 | 5,661,002 | \$ 0.02 |
| Effect of dilutive securities: | | | |
| Outstanding warrants | | 247,530 | |
| Convertible subordinated notes | | | |
| Diluted earnings per share: | | | |
| Net income available to common shareholders plus assumed exercise of warrants and conversion of convertible subordinated notes | \$ 108,142 | 5,908,532 | \$ 0.02 |
| <u>Nine months ended September 30, 2004</u> | | | |
| Basic earnings per share: | | | |
| Net income available to common shareholders | \$ 342,212 | 6,244,917 | \$ 0.05 |
| Effect of dilutive securities: | | | |
| Outstanding warrants | | 378,471 | |
| Convertible subordinated notes | 200 | 5,183 | |
| Diluted earnings per share: | | | |
| Net income available to common shareholders plus assumed exercise of warrants | \$ 342,412 | 6,628,571 | \$ 0.05 |
| <u>Nine months ended September 30, 2003</u> | | | |
| Basic earnings per share: | | | |
| Net income available to common shareholders | \$ 32,339 | 5,661,002 | \$ 0.01 |
| Effect of dilutive securities: | | | |
| Outstanding warrants | | 84,795 | |
| Convertible subordinated notes | | | |
| Diluted earnings per share: | | | |
| Net income available to common shareholders plus assumed exercise of warrants and conversion of convertible subordinated notes | \$ 32,339 | 5,745,797 | \$ 0.01 |

In both the three-month and the nine-month periods ended September 30, 2003 the effects of the assumed conversion of the convertible subordinated notes are antidilutive.

At September 30, 2004 the Company has outstanding warrants for: the issuance of 750,000 shares of the Company's common stock at \$1.205 per common share; the issuance of 250,000 shares at \$1.25 per common share; and the issuance of 20,000 shares at \$1.48 per common share. The warrants are exercisable as follows: 925,000 warrants through dates that range from September 27, 2005 through December 13, 2005, 20,000 warrants through June 25, 2006, and 75,000 warrants through December 5, 2006.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Form 10-QSB contains forward-looking statements, including statements regarding the expectations of future operations. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate, or continue or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company's control. These factors include, but are not limited to, economic conditions generally and in the industries in which the Company may participate, competition within the chosen industry, including competition from much larger competitors, technological advances, and the failure to successfully develop business relationships. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The Company acknowledges that the safe harbor contained in the Litigation Reform Act of 1995 is not applicable to the disclosure in this Form 10-QSB. This item should be read in conjunction with Item 1. Financial Statements and other items contained elsewhere in this report.

Products and services

The Company, through its wholly owned subsidiary Edict Systems, Inc., is a provider of business-to-business (B2B) electronic commerce (e-commerce) products and services, offering Electronic Data Interchange (EDI) based and proprietary solutions for businesses of all sizes. The Company develops, markets, and supports B2B e-commerce software products and provides Internet-based communication and data processing services that enable businesses to process transactions electronically.

The Company's software products enable businesses to integrate e-commerce data into their businesses and enable smaller companies to process electronic transactions.

The Company provides consultative services for its customers, generally small and medium sized suppliers of larger companies, where the Company interfaces between its customers and the buyers to facilitate the EDI connectivity required for document processing.

The following comprise the Company's four principal business products/services:

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Web EDI Internet-based supply chain solution for the grocery and other industries

EnterpriseEC® Internet-based Electronic Business Transaction Network Services

Formula_One® EDI software and Bar Code Label Module software

Value-Added Applications Internet-based solutions that enhance the value of electronic commerce capabilities

Critical Accounting Estimates and Policies

Revenue recognition for Web-EDI and EnterpriseEC subscription fees

The Company recognizes monthly subscription fees of \$25 per month per customer (\$45 if the Customer does not pay by credit card) and \$5 per month per trading partner the customer connects to (up to 5 partners) upon the completion of one month of services. These fees are non-refundable. The Company recognizes transaction fees (document processing fees) upon completion of the processed transactions; these transactions are invoiced or charged to a customer's credit card once per month at the end of a monthly period. These fees are non-refundable and are only billed after services are provided.

The Company recognizes as revenues one-time Account Activation Fees (\$100 per new customer), Trading Partner Setup Fees (\$50 per partner for web-EDI) and Interconnect Setup Fees (\$50 per interconnect) after the Company performs consultative work required in order to establish the electronic trading partnership between the customer and their desired trading partner. The Company's EDI administration, technical support and systems maintenance personnel provide these consultative services that enable the Company's customers (suppliers) and their trading partners (usually buying organizations of large companies or "hubs") to conduct EDI transactions as requested by the hub by interfacing with the hub on behalf of the Company's customers. Because each hub has established processes in place to migrate a non-EDI supplier to an EDI-enabled supplier, and because these procedures vary among the hubs, the Company acts as a liaison between its customers and the hub to establish this EDI connection. Since most of the Company's customers are small to medium-sized companies, they recognize that the Company has the resources and expertise to establish this connection for them. This trading partner connection and relationship, once established, is portable to other EDI service providers if the customer chooses to do so.

Time periods of these web-EDI agreements can be cancelled at any time by customers with 30-days prior written notice. EnterpriseEC agreements can be cancelled at any time during the one-year contract period with 90-days prior written notice and in subsequent years, when the agreement extends automatically on a month-to-month basis, with 30-days prior written notice.

The Company periodically receives payments from customers in advance for the Company's development of Web-EDI and EnterpriseEC applications designed to meet specific customer specifications for processing Internet transactions. The Company expects to re-sell some of these applications, with minor modifications, to other customers. The Company recognizes these advance payments as revenue over the twelve-month contract period. The Company recognizes revenue from the transaction fees that result from processing Internet transactions upon completion of the processed transactions at the end of each month. These transaction fees are non-refundable and are only invoiced after services are provided.

Software Development Costs

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The Company capitalizes software development costs and amortizes those costs over a three-year estimated economic life of the software applications. Internet technology can change and does change rapidly. As a result, any or all of our products could have an economic life of less than (or more than) three years. In addition, our products could become economically obsolete if we cannot sell the products in the marketplace at a margin that is adequate to produce positive cash flow. We review quarterly the economic lives of our capitalized products, expected cash flow, and profitability of our products. Capitalized software costs are reported at the lower of unamortized cost or net realizable value.

Deferred Income Taxes

Deferred income taxes are provided to recognize future tax benefits of net operating loss carry forwards, to the extent realization of such benefits is more likely than not. Deferred income taxes are also provided for temporary differences in recognition of assets and liabilities for financial statements and for income tax purposes. The tax rates used are those expected to be in effect when the temporary differences reverse.

Results of Operations

Revenue

Revenue for the third quarter of 2004 exceeded revenue for the same quarter of 2003 by \$160,173, or 21%. Revenue for the first nine months of 2004 exceeded revenue for the first nine months of 2003 by \$486,304, or 23%. On a quarter-to-quarter basis, revenues increased by 8% in the third quarter compared to quarter-to-quarter increases of 2% in both the first and second quarters.

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The following table details revenues by product and percentage growth for the quarters ended September 30, 2004 and 2003, respectively:

| | Quarter Ended September 30, | | | Nine Months Ended September 30, | | |
|---------------------------------------|-----------------------------|---------|-----------|---------------------------------|-----------|-----------|
| | Growth | | | Growth | | |
| | 2004 | 2003 | (Decline) | 2004 | 2003 | (Decline) |
| Internet products and services | | | | | | |
| Web-EDI | \$ 806,373 | 657,802 | 23% | 2,306,840 | 1,848,554 | 25% |
| EnterpriseEC | 90,778 | 64,609 | 41% | 228,013 | 139,298 | 64% |
| | 897,151 | 722,411 | 24% | 2,534,853 | 1,987,852 | 28% |
| Software and software licenses | 22,887 | 37,454 | (39)% | 75,802 | 136,499 | (44)% |
| | \$ 920,038 | 759,865 | 21% | 2,610,655 | 2,124,351 | 23% |

Our Web-EDI service, primarily for the grocery and retail industries, continues to provide the largest source of revenue for the Company. The Company is a leading provider of web-based B2B e-commerce in the grocery industry with its GroceryEC service. Revenues from the sale of software and software licenses continue to decline as the Company focuses on Internet products and services.

The Company is strengthening its sales and marketing capabilities to achieve increased market share in the grocery industry, improved marketing of Web-EDI services to companies in other industries and increased revenues from EnterpriseEC services. In addition, the Company is identifying for future development new products that have significant sales potential.

Expenses

Marketing, general and administrative expenses amounted to approximately 44% of revenue in the third quarter of 2004 and 43% of revenue in the first nine months of 2004. Those same expenses in absolute dollars increased by \$85,275 in the third quarter and by \$66,447 in the first nine months reflecting the Company's efforts to strengthen its sales and marketing programs and by increasing salaries for key personnel.

Interest expense in 2004 decreased significantly compared to 2003 due to the Company paying in full the principal and accrued interest on all outstanding interest bearing payables in the first quarter of 2004.

Margins

The Company's gross margin, as a percent of revenue was 66% in the third quarter of 2004 and 65% in the first nine months of 2004, compared to 2003 levels (65% and 59%, respectively). This improvement was primarily due to the revenue increases in both periods in 2004 compared to 2003 and the Company's efforts to control costs.

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The Company reported income before income taxes of \$202,628, or 22% of revenue in the third quarter of 2004 and \$572,612, or 22% of revenue for the first nine months of 2004.

Income taxes

Income taxes in the first nine months of 2004 were recorded at a 40% tax rate; no income taxes are currently payable, however, because the Company has a net operating loss carryforward sufficient to offset taxable income. At September 30, 2004 the Company has a remaining unused net operating loss carryforward of \$139,000.

Capitalized Development Costs

The following table sets forth the cost and accumulated amortization of the products comprising the Software Development Costs asset at September 30, 2004:

| <u>Product</u> | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> |
|----------------------|---------------------|-------------------------------------|----------------|
| GroceryEC (Web EDI) | \$ 428,260 | 410,997 | 17,263 |
| Web EDI enhancements | 284,965 | 92,065 | 192,900 |
| EnterpriseEC | 470,661 | 333,385 | 137,276 |
| Total | \$ 1,183,886 | 836,447 | 347,439 |

GroceryEC (WebEDI) is the Company's largest and primary source of revenue. Sales of EnterpriseEC continue to grow in 2004, up 64% compared to the first nine months of 2003. Based on our current marketplace analysis and marketing efforts we expect EnterpriseEC product revenues and cash flows to continue to increase.

Liquidity and Capital Resources

In the nine months ended September 30, 2004 the Company reported net cash provided by operating activities of \$880,198. The Company acquired during the nine-month period computer equipment and related software to increase internal IT infrastructure and other capabilities at a cost of \$171,197. The Company increased its cash balance from June 30, 2004 by \$168,978 to \$698,556 at September 30, 2004.

ITEM 3. CONTROLS AND PROCEDURES

Disclosure controls and procedures. The Chief Executive Officer and the Director of Accounting have carried out an evaluation of the effectiveness of Advant-e's disclosure controls and procedures that are designed to ensure that information relating to Advant-e required to be disclosed by Advant-e in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon this evaluation, these officers have concluded, that as of September 30, 2004, Advant-e's disclosure controls and procedures were adequate.

Changes in internal control over financial reporting. During the period covered by this report, there were no changes in Advant-e's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Advant-e's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. Other Information

(a) Reports on Form 8-K

The Company filed Form 8-K on August 6, 2004 to announce that on August 5, 2004 the Company issued a press release announcing its financial results for the quarterly period ended June 30, 2004. The press release included the Company's Consolidated Condensed Balance Sheets at June 30, 2004 and December 31, 2003 and the Consolidated Condensed Statements of Operations and Cash Flows for the quarterly periods ended June 30, 2004 and 2003. The text of the press release including the above-described financial statements was attached as an exhibit to the Form 8-K.

(b) Changes in Board Nomination Procedures

The Company did not change the procedures for recommending nominees to the Board of Directors.

ITEM 6. EXHIBITS

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| Exhibit | | Method |
|----------------|--|-------------------------|
| Number | Description | of Filing |
| 3(i) | Amended Certificate of Incorporation | Previously filed (A) |
| 3(ii) | By-laws | Previously filed (B) |
| 10.4 | Lease, dated as of July 30, 2002, between Fritz J. Russ and Dolores H. Russ and Edict Systems, Inc. | Previously filed (C) |
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13A-14(a) | Filed herewith |
| 31.2 | Certification of Director of Accounting pursuant to Securities Exchange Act Rule 13A-14(a) | Filed herewith |
| 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 | Filed herewith |
| 32.2 | Certification of Director of Accounting pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 | Filed herewith |

(A) Filed with Amendment No. 2 to Form 10-SB filed as of October 13, 2000

(B) Filed with Amendment No. 1 to Form 10-SB filed as of July 17, 2000

(C) Filed with Form 10-QSB for the quarterly period ended March 31, 2003 filed as of May 15, 2003.

Signatures

In accordance with 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.

Advant-e Corporation
(Registrant)

November 12, 2004

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

November 12, 2004

By: /s/ John F. Sheffs

John F. Sheffs
Treasurer