

ADVANT E CORP  
Form 10QSB  
August 11, 2005

---

**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 June 30, 2005

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)

Edgar Filing: ADVANT E CORP - Form 10QSB

---

**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 August 5, 2005 the issuer had 6,294,917 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 INCOME (Unaudited)

|  | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | June 30,           |           | June 30,         |           |
|  | 2005               | 2004      | 2005             | 2004      |
| Revenue  | \$ 1,076,385       | 851,982   | 2,115,873        | 1,690,617 |
| Cost of revenue  | 374,335            | 310,264   | 763,379          | 604,481   |
| Gross margin   | 702,050            | 541,718   | 1,352,494        | 1,086,136 |
| Marketing, general and administrative expenses         | 501,680            | 361,375   | 977,015          | 716,152   |
| Income before taxes                                    | 200,370            | 180,343   | 375,479          | 369,984   |
| Income tax expense                                     | 80,100             | 73,000    | 150,100          | 148,400   |
| Net income   | \$ 120,270         | 107,343   | 225,379          | 221,584   |
| Basic earnings per share                               | \$ 0.02            | 0.02      | 0.04             | 0.04      |
| Diluted earnings per share                             | \$ 0.02            | 0.02      | 0.04             | 0.03      |
| Weighted average shares outstanding                    | 6,294,917          | 6,244,917 | 6,281,657        | 6,244,917 |
| Weighted average shares outstanding, assuming dilution | 6,294,917          | 6,722,654 | 6,281,657        | 6,627,694 |

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

ADVANT-E CORPORATION AND SUBSIDIARY  
CONSOLIDATED CONDENSED BALANCE SHEETS

|   | June 30,<br>2005<br>(Unaudited) | December 31,<br>2004 |
|---|---------------------------------|----------------------|
| <b>Assets</b>   |                                 |                      |
| Current Assets  |                                 |                      |
| Cash and cash equivalents   | \$ 1,412,245                    | 944,892              |
| Accounts receivable, net  | 303,116                         | 290,394              |
| Prepaid expenses and deposit  | 32,710                          | 26,420               |
| <b>Total current assets</b>   | <b>1,748,071</b>                | <b>1,261,706</b>     |
| Software development costs, net   | 208,479                         | 298,809              |
| Property and equipment, net   | 294,934                         | 271,604              |
| <b>Total assets</b>   | <b>\$ 2,251,484</b>             | <b>1,832,119</b>     |
| <b>Liabilities and Shareholders' Equity</b>   |                                 |                      |
| Current liabilities   |                                 |                      |
| Accounts payable  | \$ 109,210                      | 39,681               |
| Accrued salaries and other expenses   | 106,545                         | 99,810               |
| Income taxes payable  | 174,100                         | 26,000               |
| Deferred revenue  | 84,160                          | 142,788              |
| <b>Total current liabilities</b>  | <b>474,015</b>                  | <b>308,279</b>       |
| Deferred income taxes   | 159,000                         | 191,000              |
| <b>Total liabilities</b>  | <b>633,015</b>                  | <b>499,279</b>       |
| Shareholders' equity  |                                 |                      |
| Common stock, \$.001 par value; 20,000,000 shares authorized; 6,294,917 outstanding at June 30, 2005 and 6,244,917 outstanding at December 31, 2004 | 6,295                           | 6,245                |
| Paid-in capital   | 1,535,784                       | 1,475,584            |
| Retained earnings (deficit)   | 76,390                          | (148,989)            |
| <b>Total shareholders' equity</b>   | <b>1,618,469</b>                | <b>1,332,840</b>     |
| <b>Total liabilities and shareholders' equity</b>   | <b>\$ 2,251,484</b>             | <b>1,832,119</b>     |

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

## ADVANT-E CORPORATION AND SUBSIDIARY

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

|  | Six Months Ended    |                  |
|--|---------------------|------------------|
|  | June 30,            |                  |
|  | 2005                | 2004             |
| Cash flows from operating activities:  |                     |                  |
| Net income   | \$ 225,379          | 221,584          |
| Adjustments to reconcile net income to net cash flows from operating activities: |                     |                  |
| Depreciation   | 51,389              | 34,099           |
| Amortization of software development costs                                       | 134,639             | 164,014          |
| Deferred income taxes  | (32,000)            | 148,400          |
| Increase (decrease) in cash arising from changes in assets and liabilities:      |                     |                  |
| Accounts receivable  | (12,722)            | (28,533)         |
| Prepaid expenses   | (6,290)             | 6,825            |
| Accounts payable   | 69,529              | 32,803           |
| Accrued salaries, interest and other expenses                                    | 6,735               | 16,359           |
| Income taxes payable   | 148,100             |                  |
| Deferred revenue   | (58,628)            | 31,348           |
| <b>Net cash flows from operating activities</b>                                  | <b>526,131</b>      | <b>626,899</b>   |
| Cash flows from investing activities:  |                     |                  |
| Purchases of equipment   | (74,719)            | (126,614)        |
| Software development costs   | (44,309)            | (84,245)         |
| <b>Net cash flows from investing activities</b>                                  | <b>(119,028)</b>    | <b>(210,859)</b> |
| Cash flows from financing activities:  |                     |                  |
| Issuance of common stock   | 60,250              |                  |
| Payments on notes  |                     | (94,965)         |
| Payments of direct costs of securities registration                              |                     | (7,945)          |
| <b>Net cash flows from financing activities</b>                                  | <b>60,250</b>       | <b>(102,910)</b> |
| <b>Net increase in cash and cash equivalents</b>                                 | <b>467,353</b>      | <b>313,130</b>   |
| Cash and cash equivalents, beginning of period                                   | 944,892             | 216,448          |
| <b>Cash and cash equivalents, end of period</b>                                  | <b>\$ 1,412,245</b> | <b>529,578</b>   |
| Supplemental disclosures of cash flow items:                                     |                     |                  |
| Interest paid  | \$                  | 3,014            |

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

ADVANT-E CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

June 30, 2005

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). Inter-company accounts and transactions are eliminated in consolidation.

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 condensed 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 six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full year ending December 31, 2005. These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in Advant-e Corporation's 2004 Form 10-KSB filed with the Securities and Exchange Commission.

Note 2: Software Development Costs

Software development costs at June 30, 2005 and the changes during the six months then ended are summarized as follows:

|                            | <b>Cost</b>       | <b>Accumulated<br/>Amortization</b> | <b>Net</b>        |
|----------------------------|-------------------|-------------------------------------|-------------------|
|                            | <u>          </u> | <u>          </u>                   | <u>          </u> |
| Balance, December 31, 2004 | \$ 1,216,858      | 918,049                             | 298,809           |
| Additions                  | 44,309            |                                     | 44,309            |
| Amortization               |                   | 134,639                             | (134,639)         |
|                            | <u>          </u> | <u>          </u>                   | <u>          </u> |
| Balance, June 30, 2005     | \$ 1,261,167      | 1,052,688                           | 208,479           |
|                            | <u>          </u> | <u>          </u>                   | <u>          </u> |

## Edgar Filing: ADVANT E CORP - Form 10QSB

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:

|   | <b>June 30,</b>   | <b>December 31,</b> |
|---|-------------------|---------------------|
|   | <b>2005</b>       | <b>2004</b>         |
|   | <u>          </u> | <u>          </u>   |
| Annual software license fees recognized as revenue ratably over twelve months   | \$ 32,304         | 56,259              |
| Amounts received for customized Web EDI and EnterpriseEC development recognized as revenue over twelve months when services are performed | 51,856            | 56,541              |
| Advance payments from a customer in exchange for discounted future services recognized as revenue monthly as services are performed       |                   | 29,988              |
|   | <u>          </u> | <u>          </u>   |
|   | <b>\$ 84,160</b>  | <b>142,788</b>      |
|   | <u>          </u> | <u>          </u>   |

Note 4: Income taxes

Income tax expense consists of the following:

|                                 | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |                |
|---------------------------------|--------------------------------|---------------|------------------------------|----------------|
|                                 | 2005                           | 2004          | 2005                         | 2004           |
| Current expense                 | \$ 84,100                      |               | 182,100                      |                |
| Deferred expense (benefit)      | (4,000)                        | 73,000        | (32,000)                     | 148,400        |
| <b>Total income tax expense</b> | <b>\$ 80,100</b>               | <b>73,000</b> | <b>150,100</b>               | <b>148,400</b> |

The current tax expense for the three months ended June 30, 2004 of \$136,900 and for the six months ended June 30, 2004 of \$214,000 was offset by the benefit from a net operating loss carryforward.

The following is a reconciliation of income tax at the federal statutory rate of 34% to the income tax expense:

|  | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |                |
|--|--------------------------------|---------------|------------------------------|----------------|
|  | 2005                           | 2004          | 2005                         | 2004           |
| Income taxes at federal statutory rate | \$ 68,000                      | 61,000        | 128,000                      | 125,500        |
| State income taxes                     | 12,100                         | 12,000        | 22,100                       | 22,900         |
| <b>Income tax expense</b>              | <b>\$ 80,100</b>               | <b>73,000</b> | <b>150,100</b>               | <b>148,400</b> |

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 six months ended June 30, 2005 and 2004, respectively, follows:

|   | Income<br>(Numerator) | Average Shares<br>(Denominator) | Per Share<br>Amount |
|---|-----------------------|---------------------------------|---------------------|
| <u>Three months ended June 30, 2005</u> |                       |                                 |                     |



Edgar Filing: ADVANT E CORP - Form 10QSB

|   |            |           |         |
|---|------------|-----------|---------|
| Basic and diluted earnings per share:   |            |           |         |
| Net income available to shareholders  | \$ 120,270 | 6,294,917 | \$ 0.02 |
| Effect of potentially dilutive securities:  |            |           |         |
| Outstanding warrants  |            |           |         |
|   |            |           |         |
| Net income available to shareholders with assumed exercise of warrants  | \$ 120,270 | 6,294,917 | \$ 0.02 |
|   |            |           |         |
| <u>Three months ended June 30, 2004</u>   |            |           |         |
| Basic earnings per share:   |            |           |         |
| Net income available to shareholders  | \$ 107,343 | 6,244,917 | \$ 0.02 |
| Effect of potentially dilutive securities:  |            |           |         |
| Outstanding warrants  |            | 477,737   |         |
|   |            |           |         |
| Diluted earnings per share:   |            |           |         |
| Net income available to shareholders with assumed exercise of warrants and conversion of convertible subordinated notes | \$ 107,343 | 6,722,654 | \$ 0.02 |
|   |            |           |         |

|   | Income      | Average Shares | Per Share |
|---|-------------|----------------|-----------|
|   | (Numerator) | (Denominator)  | Amount    |
| <b>Six months ended June 30, 2005</b>   |             |                |           |
| Basic and diluted earnings per share:   |             |                |           |
| Net income available to shareholders  | \$ 225,379  | 6,281,657      | \$ 0.04   |
| Effect of potentially dilutive securities:  |             |                |           |
| Outstanding warrants  |             |                |           |
| Net income available to shareholders with assumed exercise of warrants  | \$ 225,379  | 6,281,657      | \$ 0.04   |
| <b>Six months ended June 30, 2004</b>   |             |                |           |
| Basic earnings per share:   |             |                |           |
| Net income available to shareholders  | \$ 221,584  | 6,244,917      | \$ 0.04   |
| Effect of potentially dilutive securities:  |             |                |           |
| Outstanding warrants  |             | 374,959        | (0.01)    |
| Convertible subordinated notes  | 200         | 7,818          |           |
| Diluted earnings per share:   |             |                |           |
| Net income available to shareholders with assumed exercise of warrants and conversion of convertible subordinated notes | \$ 221,784  | 6,627,694      | \$ 0.03   |

At June 30, 2005 the Company has 970,000 outstanding warrants for the purchase of the Company's common stock, as follows: 700,000 shares at \$1.205 per share; 250,000 shares at \$1.25 per share; and 20,000 shares at \$1.48 per share. The warrants expire as follows: 875,000 warrants between September 27, 2005 and December 13, 2005; 75,000 warrants through December 5, 2006; and 20,000 through June 25, 2006.

Warrants for 50,000 shares at \$1.205 per common share were exercised in February 2005.

## 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

## Edgar Filing: ADVANT E CORP - Form 10QSB

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:

Web-based Electronic Commerce/Electronic Data Interchange (web-EDI) document processing systems (WebEDI.com) and branded vertical industry sites such as GroceryEC.com, RetailEC.com, CPGSupplier.com, MfgEC.com, and LogisticsEC.com.

Internet-based business-to-business Electronic Commerce Network Services EnterpriseEC®

Electronic Commerce and Bar Coding Software Formula\_One® EDI software and Bar Code Label Modules.

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.

*Software Development Costs*

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 the Company's products could have an economic life of less than (or more than) three years. In addition, the products could become economically obsolete if the Company cannot sell the products in the marketplace at a margin that is adequate to produce positive cash flow. The economic lives of the capitalized products, expected cash flow, and profitability of our products are reviewed quarterly. Capitalized software costs are reported at the lower of unamortized cost or net realizable value.

Results of Operations

*Revenue*

Revenue for the second quarter of 2005 of \$1,076,385 exceeded revenue for the second quarter of 2004 of \$851,982 by \$224,403, or 26%. Revenue for the six months ended June 30, 2005 of \$2,115,873 exceeded revenue for the six months ended June 30, 2004 of \$1,690,617 by \$425,256, or 25%. On a quarter-to-quarter basis, revenue in the second quarter of 2005 increased by \$36,897, or 4%, over revenue in the first quarter of 2005.

Edgar Filing: ADVANT E CORP - Form 10QSB

The following table details revenues by product and percentage growth for the quarter and the six months ended June 30, 2005 and 2004, respectively:

|                                       | Quarter Ended June 30, |            |                     | Six Months Ended June 30, |              |                     |
|---------------------------------------|------------------------|------------|---------------------|---------------------------|--------------|---------------------|
|                                       | 2005                   | 2004       | Growth<br>(Decline) | 2005                      | 2004         | Growth<br>(Decline) |
| <b>Internet products and services</b> |                        |            |                     |                           |              |                     |
| Web EDI groceryEC                     | \$ 838,306             | \$ 729,456 | 15%                 | 1,645,679                 | \$ 1,432,875 | 15%                 |
| Web EDI other industries              | 111,213                | 25,968     | 328%                | 218,015                   | 54,177       | 302%                |
| EnterpriseEC                          | 108,202                | 71,218     | 52%                 | 209,165                   | 136,438      | 53%                 |
|                                       | 1,057,721              | 826,642    | 28%                 | 2,072,859                 | 1,623,490    | 28%                 |
| Software and software licenses        | 18,664                 | 25,340     | (26)%               | 43,014                    | 67,127       | (36)%               |
|                                       | \$ 1,076,385           | 851,982    | 26%                 | 2,115,873                 | 1,690,617    | 25%                 |

Our Web-EDI service for the grocery industry 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. Revenue from other industries including retail and automotive grew at a rate in excess of 300% reflecting the Company's continuing attempts to increase market share for Web-EDI services in industries other than grocery. Revenues from the sale of software and software licenses continue to decline as the Company focuses on Internet products and services.

*Gross Margin*

The Company's gross margin, as a percent of revenue, was relatively constant at 65% in the second quarter of 2005 compared to 64% in the second quarter of 2004 and 64% in the first six months of both 2004 and 2005.

*Expenses*

Marketing, general and administrative expenses amounted to approximately 47% of revenue in the second quarter of 2005 compared to 42% in the second quarter of 2004, and 46% in the first six months of 2005 compared to 42% in the first six months of 2004. These percentage increases as well as absolute dollar increases of \$140,305 in the second quarter and \$260,863 in the first six months reflect the increased cost of the Company's continuing efforts to strengthen its sales and marketing programs designed to increase market penetration in the grocery industry and to diversify more rapidly into industries other than the grocery industry; and for salary increases for key personnel.

*Income taxes*

Income taxes are recorded at 40% in 2005 and 2004, respectively, reflecting statutory rates for Federal and state income taxes.

*Net income*

Net income in the second quarter of \$120,270 increased by 14% over net income reported in the first quarter of 2005 and by 12% over net income reported in the second quarter of last year, indicating that the Company's revenue increases are beginning to exceed the additional costs of its sales and marketing efforts, infrastructure improvements and additional personnel costs.

Capitalized Development Costs

The following table sets forth the cost and accumulated amortization of the products comprising the Software Development Costs asset at June 30, 2005:

| <b>Product</b>                | <b>Accumulated</b>  |                     |                |
|-------------------------------|---------------------|---------------------|----------------|
|                               | <b>Cost</b>         | <b>Amortization</b> | <b>Net</b>     |
| Web EDI (including GroceryEC) | \$ 428,260          | 428,260             |                |
| Web EDI enhancements          | 362,246             | 173,378             | 188,868        |
| EnterpriseEC                  | 470,661             | 451,050             | 19,611         |
| <b>Total</b>                  | <b>\$ 1,261,167</b> | <b>1,052,688</b>    | <b>208,479</b> |

Web EDI, including GroceryEC, is the Company's largest and primary source of revenue and continues to grow. Sales of EnterpriseEC continue to grow in 2005, up 53% compared to the first six months of 2004. Based on our ongoing review of the marketplace and our marketing efforts we expect cash flow and revenue from EnterpriseEC services to continue.

Liquidity and Capital Resources

In the first six months of 2005, net cash flows from operating activities was \$526,131, which added to the Company's cash position and was used to fund additional investments in software development costs and equipment purchases. The Company's cash and cash equivalents increased by \$467,353 during this period to \$1,412,245.

In February 2005 the Company received \$60,250 cash proceeds for the issuance of 50,000 shares of the Company's common stock as a result of the exercise of warrants at \$1.205 per common share.

**ITEM 3. Controls and Procedures**

Disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer 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 June 30, 2005, Advant-e's disclosure controls and procedures were effective.

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.

**ITEM 4. Submission of Matters to a Vote of Security Holders**

On April 25, 2005, a majority of the shareholders of the Company took action by written consent in lieu of a special meeting to increase the size of the Board of Directors from two to three members and elected James E. Lesch to serve on the Board in the newly created position. The term of office of the other two directors, Jason D. Wadzinski and John F. Sheffs, continued after this action.

**PART II. OTHER INFORMATION**

**ITEM 6. Exhibits and Reports on Form 8-K**

| Exhibit |                                      | Method     |
|---------|--------------------------------------|------------|
| Number  | Description                          | of Filing  |
| 3(i)    | Amended Certificate of Incorporation | Previously |



Edgar Filing: ADVANT E CORP - Form 10QSB

|       |  |                         |
|-------|--|-------------------------|
| 3(ii) | By-laws  | filed (A)<br>Previously |
| 4     | Instruments defining the rights of security holders including indentures   | filed (B)<br>Previously |
| 31.1  | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)  | filed (C)<br>Filed      |
| 31.2  | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)  | herewith<br>Filed       |
| 32.1  | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 | herewith<br>Filed       |
| 32.2  | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 | herewith<br>Filed       |

- 
- (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-SB filed as of July 1, 2000.

**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)

August 11, 2005

By: /s/ Jason K. Wadzinski

---

Jason K. Wadzinski  
Chief Executive Officer  
Chairman of the Board of Directors

August 11, 2005

By: /s/ John F. Sheffs

---

John F. Sheffs  
Member of the Board of Directors

August 11, 2005

By: /s/ James E. Lesch

---

James E. Lesch  
Chief Financial Officer  
Member of the Board of Directors