

ADVANT E CORP
Form 10QSB
November 14, 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 September 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)

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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

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

As of November 14, 2005 the issuer had 6,403,714 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 September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Revenue | \$ 1,143,058 | 920,038 | 3,258,931 | 2,610,655 |
| Cost of revenue | 379,142 | 309,224 | 1,142,521 | 913,705 |
| Gross margin | 763,916 | 610,814 | 2,116,410 | 1,696,950 |
| Marketing, general and administrative expenses | 494,103 | 408,186 | 1,471,118 | 1,122,158 |
| Operating income | 269,813 | 202,628 | 645,292 | 574,792 |
| Other income (expense) | 5,132 | | 5,132 | (2,180) |
| Income before taxes | 274,945 | 202,628 | 650,424 | 572,612 |
| Income tax expense | 110,000 | 82,000 | 260,100 | 230,400 |
| Net income | \$ 164,945 | 120,628 | 390,324 | 342,212 |
| Basic earnings per share | \$ 0.02 | 0.02 | 0.06 | 0.05 |
| Diluted earnings per share | \$ 0.02 | 0.02 | 0.06 | 0.05 |
| Weighted average shares outstanding | 6,332,423 | 6,244,917 | 6,298,765 | 6,244,917 |
| Weighted average shares outstanding, assuming dilution | 6,364,810 | 6,634,107 | 6,308,378 | 6,628,571 |

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

ADVANT-E CORPORATION AND SUBSIDIARY
CONSOLIDATED CONDENSED BALANCE SHEETS

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,472,745 | 944,892 |
| Short-term investments | 220,750 | |
| Accounts receivable, net | 297,923 | 290,394 |
| Prepaid expenses and deposit | 43,055 | 26,420 |
| Total current assets | 2,034,473 | 1,261,706 |
| Software development costs, net | 178,048 | 298,809 |
| Property and equipment, net | 274,974 | 271,604 |
| Total assets | \$ 2,487,495 | 1,832,119 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 40,372 | 39,681 |
| Accrued salaries and other expenses | 107,325 | 99,810 |
| Income taxes payable | 268,100 | 26,000 |
| Deferred income taxes | 27,600 | |
| Deferred revenue | 87,194 | 142,788 |
| Total current liabilities | 530,591 | 308,279 |
| Deferred income taxes | 148,000 | 191,000 |
| Total liabilities | 678,591 | 499,279 |
| Shareholders' equity | | |
| Common stock, \$.001 par value; 20,000,000 shares authorized; 6,403,714 outstanding at September 30, 2005 and 6,244,917 outstanding at December 31, 2004 | 6,403 | 6,245 |
| Paid-in capital | 1,560,185 | 1,475,584 |
| Accumulated other comprehensive income | 981 | |
| Retained earnings (deficit) | 241,335 | (148,989) |
| Total shareholders' equity | 1,808,904 | 1,332,840 |
| Total liabilities and shareholders' equity | \$ 2,487,495 | 1,832,119 |

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)

| | Nine Months Ended September 30, | |
|--|------------------------------------|------------------|
| | 2005 | 2004 |
| Cash flows from operating activities: | | |
| Net income | \$ 390,324 | 342,212 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation | 80,115 | 57,238 |
| Amortization of software development costs | 185,280 | 250,828 |
| Deferred income taxes | (16,000) | 230,400 |
| Increase (decrease) in cash arising from changes in assets and liabilities: | | |
| Accounts receivable | (7,529) | (29,415) |
| Prepaid expenses | (16,635) | (6,839) |
| Accounts payable | 691 | (39,776) |
| Accrued salaries, interest and other expenses | 7,515 | 58,721 |
| Income taxes payable | 242,100 | |
| Deferred revenue | (55,594) | 16,829 |
| Net cash flows from operating activities | 810,267 | 880,198 |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale investments | (235,175) | |
| Proceeds from sale of available-for-sale investments | 16,006 | |
| Purchases of equipment | (83,485) | (171,197) |
| Software development costs | (64,519) | (116,589) |
| Net cash flows from investing activities | (367,173) | (287,786) |
| Cash flows from financing activities: | | |
| Issuance of common stock | 91,500 | |
| Payments on notes | | (94,965) |
| Payments of direct costs of securities registration | (6,741) | (15,339) |
| Net cash flows from financing activities | 84,759 | (110,304) |
| Net increase in cash and cash equivalents | 527,853 | 482,108 |
| Cash and cash equivalents, beginning of period | 944,892 | 216,448 |
| Cash and cash equivalents, end of period | \$ 1,472,745 | 698,556 |
| Supplemental disclosures of cash flow items: | | |
| Interest paid | \$ | 3,014 |
| Income taxes paid | \$ 34,000 | |

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)

September 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 nine months ended September 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: Short-term investments

Short-term investments consist entirely of investments designated as available-for-sale. They include marketable equity, debt and U.S. government securities, and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. The cost of securities sold is based on the specific identification method. The change in the net unrealized holding gain on available-for-sale securities, which is included in the accumulated other comprehensive income component of shareholders' equity, was \$981 during both the three month period and the nine month period ended September 30, 2005 and was comprised of gross unrealized gains of \$7,769 and gross unrealized losses of \$6,188 less applicable deferred income taxes of \$600. At September 30, 2005 the unrealized losses on investments have been determined by management to be temporary.

During both the three-month and the nine-month periods ended September 30, 2005 proceeds from the sale of available-for-sale securities were \$16,006.

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Note 3: Software Development Costs

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

| | Accumulated | | |
|-----------------------------|---------------------|---------------------|----------------|
| | Cost | Amortization | Net |
| Balance, December 31, 2004 | \$ 1,216,858 | 918,049 | 298,809 |
| Additions | 64,519 | | 64,519 |
| Amortization | | 185,280 | (185,280) |
| Balance, September 30, 2005 | <u>\$ 1,281,377</u> | <u>1,103,329</u> | <u>178,048</u> |

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 4: Deferred revenue

Deferred revenue is comprised of the following:

| | September 30, | December 31, |
|---|-------------------|-------------------|
| | 2005 | 2004 |
| | <u> </u> | <u> </u> |
| Annual software license fees recognized as revenue ratably over twelve months | \$ 19,728 | 56,259 |
| Amounts received for customized Web EDI and EnterpriseEC development recognized as revenue over twelve months when services are performed | 67,466 | 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> |
| | <u>\$ 87,194</u> | <u>142,788</u> |

Note 5: Income taxes

Income tax expense consists of the following:

| | Three Months Ended | | Nine Months Ended | |
|----------------------------|--------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Current expense | \$ 94,000 | | 276,100 | |
| Deferred expense (benefit) | 16,000 | 82,000 | (16,000) | 230,400 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total income tax expense | <u>\$ 110,000</u> | <u>82,000</u> | <u>260,100</u> | <u>230,400</u> |

The current tax expense for the three months ended September 30, 2004 of \$74,000 and for the nine months ended September 30, 2004 of \$268,000 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 | Nine Months |
|--------------------|-------------------|
| September 30, | Ended |
| <u> </u> | September 30, |
| <u> </u> | <u> </u> |

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| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
|--|-------------------|---------------|----------------|----------------|
| Income taxes at federal statutory rate | \$ 93,000 | 69,000 | 221,000 | 195,000 |
| State income taxes | 17,000 | 13,000 | 39,100 | 35,400 |
| Income tax expense | <u>\$ 110,000</u> | <u>82,000</u> | <u>260,100</u> | <u>230,400</u> |

Note 6: 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, 2005 and 2004, respectively, follows:

| | <u>Income</u> | <u>Average Shares</u> | <u>Per Share</u> |
|---|--------------------|-----------------------|------------------|
| | <u>(Numerator)</u> | <u>(Denominator)</u> | <u>Amount</u> |
| <u>Three months ended September 30, 2005</u> | | | |
| Basic and diluted earnings per share: | | | |
| Net income available to shareholders | \$ 164,945 | 6,332,423 | \$ 0.02 |
| Effect of potentially dilutive securities: | | | |
| Outstanding warrants | | 32,387 | |
| Net income available to shareholders with assumed exercise of warrants | <u>\$ 164,945</u> | <u>6,364,810</u> | <u>\$ 0.02</u> |
| <u>Three months ended September 30, 2004</u> | | | |
| Basic earnings per share: | | | |
| Net income available to shareholders | \$ 120,628 | 6,244,917 | \$ 0.02 |
| Effect of potentially dilutive securities: | | | |
| Outstanding warrants | | 389,190 | |
| Diluted earnings per share: | | | |
| Net income available to shareholders with assumed exercise of warrants and conversion of convertible subordinated notes | <u>\$ 120,628</u> | <u>6,634,107</u> | <u>\$ 0.02</u> |

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| | Income | Average Shares | Per Share |
|---|-------------|----------------|-----------|
| | (Numerator) | (Denominator) | Amount |
| <u>Nine months ended September 30, 2005</u> | | | |
| Basic and diluted earnings per share: | | | |
| Net income available to shareholders | \$ 390,324 | 6,298,765 | \$ 0.06 |
| Effect of potentially dilutive securities: | | | |
| Outstanding warrants | | 9,613 | |
| Net income available to shareholders with assumed exercise of warrants | \$ 390,324 | 6,308,378 | \$ 0.06 |
| <u>Nine months ended September 30, 2004</u> | | | |
| Basic earnings per share: | | | |
| Net income available to shareholders | \$ 342,212 | 6,244,917 | \$ 0.05 |
| Effect of potentially dilutive securities: | | | |
| Outstanding warrants | | 378,471 | |
| Convertible subordinated notes | 200 | 5,183 | |
| Diluted earnings per share: | | | |
| Net income available to shareholders with assumed exercise of warrants and conversion of convertible subordinated notes | \$ 342,412 | 6,628,571 | \$ 0.05 |

Warrants for 50,000 shares at \$1.205 per share were exercised in February 2005 and warrants for 25,000 shares at \$1.25 per share were exercised in September 2005, resulting in proceeds of \$91,500.

On August 9, 2005 the Company's Board of Directors amended the Warrant Certificates issued to the former holders of the Convertible Subordinated Notes giving the former note holders the option of exercising their warrant certificates via the Cashless Exercise Option. In the third quarter of 2005, 850,000 of those warrants were exercised via a cashless exercise option, with no cash proceeds to the Company, resulting in the issuance of 83,797 shares.

At September 30, 2005 the Company has 95,000 outstanding warrants for the purchase of the Company's common stock, as follows: 75,000 shares at \$1.205 per share and 20,000 shares at \$1.48 per share. The warrants expire as follows: 75,000 warrants on December 6, 2006 and 20,000 on June 25, 2006.

Note 7: Comprehensive income

The components of comprehensive income, net of tax, were as follows:

| Three Months Ended | | Nine Months Ended | |
|--------------------|------|-------------------|------|
| September 30, | | September 30, | |
| 2005 | 2004 | 2005 | 2004 |

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| | | | | |
|---|-------------------|----------------|----------------|----------------|
| Net income | \$ 164,945 | 120,628 | 390,324 | 342,212 |
| Change in net unrealized holding gain on available-for-sale investments | 981 | | 981 | |
| Total comprehensive income | \$ 165,926 | 120,628 | 391,305 | 342,212 |

The sole component of accumulated other comprehensive income, net of tax, of \$981 at September 30, 2005 is accumulated net unrealized holding gain on available-for-sale investments.

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. 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:

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 EnterpriseE[®]

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.

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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. Once the developed application become operational 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 third quarter of 2005 of \$1,143,058 exceeded revenue for the third quarter of 2004 of \$920,038 by \$223,020, or 24%. Revenue for the nine months ended September 30, 2005 of \$3,258,931 exceeded revenue for the nine months ended September 30, 2004 of \$2,610,655 by \$648,276, or 25%. On a quarter-to-quarter basis, revenue in the third quarter of 2005 increased by \$66,673, or 6%, over revenue in the second quarter of 2005.

Our Web-EDI service for the grocery industry continues to provide the largest source of revenue for the Company approximately 77% of total revenue. The Company is a leading provider of web-based B2B e-commerce in the grocery industry with its GroceryEC service. Revenue from other industries, however, including retail and automotive, continue to grow at accelerated rates, reflecting the Company's continuing and successful 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, and will completely phase out by the end of 2005.

Gross Margin

The Company's gross margin, as a percent of revenue, was relatively constant at 67% in the third quarter of 2005 compared to 66% in the third quarter of 2004 and 65% in the first nine months of both 2004 and 2005.

Expenses

Marketing, general and administrative expenses amounted to 43% of revenue in the third quarter of 2005 compared to 44% in the third quarter of 2004, and 45% in the first nine months of 2005 compared to 43% in the first nine months of 2004. Marketing, general and administrative expenses increased by \$85,917 in the third quarter and \$348,960 in the first nine months as a result 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.

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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 third quarter of 2005 of \$164,945 increased by \$44,317, or 37%, over net income reported in the third quarter of 2004 and by 37% over net income reported in the second quarter of this year, indicating that the Company's revenue increases are continuing to increase proportionally faster than the additional incremental costs of its sales and marketing efforts and organizational improvements including 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 September 30, 2005:

| Product | Accumulated | | |
|-------------------------------|---------------------|---------------------|----------------|
| | Cost | Amortization | Net |
| Web EDI (including GroceryEC) | \$ 428,260 | 428,260 | |
| Web EDI enhancements | 382,456 | 204,408 | 178,048 |
| EnterpriseEC | 470,661 | 470,661 | |
| Total | \$ 1,281,377 | 1,103,329 | 178,048 |

Web EDI, including GroceryEC, is the Company's largest and primary source of revenue and continues to grow. Sales of EnterpriseEC continued to grow and through the first nine months of 2005 were up 84% compared to the first nine 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.

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

Liquidity and Capital Resources

In the first nine months of 2005, net cash flows from operating activities was \$810,267, 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 \$527,853 during this period to \$1,472,745. In addition, the Company has invested at September 30, 2005 a total of \$220,750 in short-term available-for sale securities.

The Company received a total of \$91,500 when warrants for 50,000 shares at \$1.205 per share were exercised in February 2005 and warrants for 25,000 shares at \$1.25 per share were exercised in September 2005.

ITEM 3. Controls and Procedures

Attached as exhibits to the Form 10-QSB are certifications of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the Exchange Act). These Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

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The CEO and the CFO have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Form 10-QSB. Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Based upon the controls evaluation, our CEO and CFO have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure; and that the Company's disclosure controls and procedures were effective during the period covered by the Company's report on Form 10-QSB for the quarterly period ended September 30, 2005.

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

The Company's management, including the CEO and CFO, believes that our disclosure controls and procedures over financial reporting, while adequate and effective, will not necessarily prevent or detect all error and fraud. A control system can provide only reasonable, not absolute, assurance the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected.

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 filed (A) |
| 3(ii) | By-laws | Previously filed (B) |
| 4 | Instruments defining the rights of security holders including indentures | Previously filed (C) |
| 4.1 | Amendment to warrant certificated dated August 9, 205 | Filed herewith |
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a) | Filed herewith |
| 31.2 | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a) | Filed herewith |
| 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 | Filed herewith |
| 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 | 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-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)

November 14, 2005

By: /s/ Jason K. Wadzinski

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

November 14, 2005

By: /s/ John F. Sheffs

John F. Sheffs
Member of the Board of Directors

November 14, 2005

By: /s/ James E. Lesch

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