

Edgar Filing: ADVANT E CORP - Form 10QSB

ADVANT E CORP
Form 10QSB
August 14, 2003

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

COMMISSION FILE NUMBER: 0-30983

ADVANT-E CORPORATION

(Name of Small Business Issuer in its Charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

88-0339012

(I.R.S. Employer
Identification No.)

2680 Indian Ripple Rd.
DAYTON, OH 45440

(Address of principal executive offices)

937-429-4288

(Issuer's telephone number, including area code)

Name, address and fiscal year of registrant have not changed since last report.

As of July 31, 2003 the issuer had 5,661,002 outstanding shares of Common
Stock, \$.001 Par Value.

Transitional Small Business Disclosure Format: Yes [] No [X]

PART I. FINANCIAL INFORMATION

Edgar Filing: ADVANT E CORP - Form 10QSB

ITEM 1. FINANCIAL STATEMENTS

ADVANT-E CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	June 30, 2003 ----	December 31, 2002 ----
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 126,887	98,740
Accounts receivable, net	175,267	157,655
Prepaid expenses	37,151	46,817
Deferred income taxes	48,655	40,600
	-----	-----
Total current assets	387,960	343,812
	-----	-----
SOFTWARE DEVELOPMENT COSTS, net of accumulated amortization of \$434,648 at June 30, 2003 and \$294,767 at December 31, 2002	578,241	634,956
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$126,305 at June 30, 2003 and \$103,460 at December 31, 2002	170,826	171,589
OTHER ASSETS		
Deferred income taxes	79,046	79,046
Deposits	6,583	6,583
	-----	-----
	85,629	85,629
	-----	-----
Total assets	\$ 1,222,656	1,235,986
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 134,067	158,320
Accrued interest	167,065	118,025
Other accrued expenses	67,105	49,600
Deferred revenue	77,355	93,893
Bank note payable	12,027	14,097
Convertible subordinated notes payable, net 8% demand notes payable to shareholder	773,207	729,621
	45,000	45,000
	-----	-----
Total current liabilities	1,275,826	1,208,556
	-----	-----
LONG-TERM LIABILITIES		
Bank note payable, less current maturities	-	4,797
	-----	-----
Total liabilities	1,275,826	1,213,353
	-----	-----
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock, \$.001 par value; 20,000,000		

Edgar Filing: ADVANT E CORP - Form 10QSB

shares authorized; 5,661,002 issued and outstanding	5,661	5,661
Paid-in capital	850,459	850,459
Accumulated deficit	(909,290)	(833,487)
	-----	-----
Total shareholders' equity (deficit)	(53,170)	22,633
	-----	-----
Total liabilities and shareholders' equity (deficit)	\$ 1,222,656	1,235,986
	=====	=====

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

ADVANT-E CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	----	----	----	----
REVENUES				
Internet products and services \$	655,497	383,507	1,265,441	727,516
Software and license fees	59,611	107,930	99,045	167,171
	-----	-----	-----	-----
Total revenues	715,108	491,437	1,364,486	894,687
	-----	-----	-----	-----
OPERATING EXPENSES				
Production	31,981	36,327	59,719	68,885
Salaries and benefits	383,541	245,536	770,006	475,711
General and administrative	163,410	123,110	349,530	193,444
Depreciation	13,510	8,100	22,846	14,802
Amortization of software development costs	71,617	31,168	139,881	58,312
Interest	53,076	73,830	106,362	158,980
	-----	-----	-----	-----
Total operating expenses	717,135	518,071	1,448,344	970,134
	-----	-----	-----	-----
LOSS BEFORE TAXES	(2,027)	(26,634)	(83,858)	(75,447)
INCOME TAXES (BENEFIT)	3,952	4,815	(8,055)	7,410
	-----	-----	-----	-----
NET LOSS	\$ (5,979)	(31,449)	(75,803)	(82,857)
	=====	=====	=====	=====
LOSS PER SHARE				
Basic and diluted	\$ (0.00)	(0.01)	(0.01)	(0.01)
	=====	=====	=====	=====
AVERAGE SHARES OUTSTANDING				
Basic and diluted	5,661,002	5,661,002	5,661,002	5,661,002
	=====	=====	=====	=====

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

Edgar Filing: ADVANT E CORP - Form 10QSB

ADVANT-E CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended	
	June 30,	
	2003	2002
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (75,803)	(82,857)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	22,846	14,802
Amortization of software development costs	139,881	58,312
Deferred income taxes (benefit)	(8,055)	7,410
Amortization of note discount resulting from valuation of warrants and beneficial conversion features	43,586	112,505
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(17,612)	(83,534)
Prepaid expenses	9,666	35,777
Accounts payable	(24,253)	50,766
Accrued interest	49,040	41,175
Other accrued expenses	17,505	1,390
Deferred revenue	(16,538)	1,789
	-----	-----
Net cash provided by operating activities	140,263	157,535
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(22,083)	(11,592)
Software development costs	(83,166)	(181,917)
	-----	-----
Net cash used in investing activities	(105,249)	(193,509)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bank loans	(6,867)	(43,592)
	-----	-----
Net cash used in financing activities	(6,867)	(43,592)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,147	(79,566)
Cash and cash equivalents, beginning of period	98,740	180,679
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 126,887	101,113
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ITEMS		
Interest paid	\$ 12,382	5,299

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

Edgar Filing: ADVANT E CORP - Form 10QSB

ADVANT-E CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

	Common Stock		Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2002	5,661,002	\$ 5,661	763,287	(525,953)	242,995
Net loss				(307,534)	(307,534)
Warrants issued with 10% convertible subordinated notes			27,500		27,500
Beneficial conversion feature of 10% convertible subordinated notes			52,500		52,500
Beneficial conversion feature of extension of 15% convertible subordinated notes			7,172		7,172
	5,661,002	5,661	850,459	(833,487)	22,633
Balance December 31, 2002				(75,803)	(75,803)
Net loss				(75,803)	(75,803)
	5,661,002	\$ 5,661	850,459	(909,290)	(53,170)
Balance June 30, 2003	5,661,002	\$ 5,661	850,459	(909,290)	(53,170)

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

ADVANT-E CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED 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 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.

Edgar Filing: ADVANT E CORP - Form 10QSB

Results of operations for the three months and for the six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the full year ending December 31, 2003. 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 2002 Form 10-KSB filed with the Securities and Exchange Commission.

NOTE 2 - OPERATIONS AND MANAGEMENT'S INTENT

The Company has incurred substantial operating losses to date. During the year ended December 31, 2002 and the six-month period ended June 30, 2003, the Company generated positive cash flow from operations. On July 1, 2003 the Company implemented certain cost savings initiatives that included modest workforce and salary reductions. Management believes that current cash and cash equivalents and cash that may be generated from operations in the ensuing year will be sufficient to meet the anticipated capital expenditure requirements and cash interest requirements, provided that the maturity date of certain subordinated notes is extended as discussed below. Such projections are based on historical trends related to growth of revenue from existing customers and new customer acquisition, and anticipated revenue growth from EnterpriseEC. The projections also include anticipated cash requirements to provide continuing customer support, installation, sales and marketing, product development and enhancement, and general overhead.

To achieve these projections, the Company anticipates the need to maintain existing capital levels. The Company is currently negotiating with certain holders of its subordinated notes to obtain extensions of the due dates of the notes, which are primarily due in the third and fourth quarters of 2003. On June 30, 2003 the largest single note holder agreed to extend the maturity date of its \$250,000 15% note to January 5, 2004 provided the Company pays all accrued interest before September 22, 2003. These interest payments are contemplated in the Company's cash flow projections. Management is negotiating with the other note holders to also extend the maturity dates on their notes to January 5, 2004. Management also expects that, if the Company's financial and operating results in the last two quarters of 2003 are satisfactory to the note holders, some, if not all, of the note holders will further extend the maturity dates. Additionally, the Company is currently pursuing other potential sources of available capital.

If such extensions are not obtained, the Company may be forced to raise additional capital from new sources, issue new shares, or reduce current overhead. Any projections of future cash needs and cash flows are subject to substantial uncertainty.

NOTE 3 - INCOME TAX BENEFIT

Income tax benefits consist solely of deferred tax benefits.

The following is a reconciliation of the income tax expense (benefit) for federal income tax to the amount computed at the statutory rate of 34% for the six months and three months ended June 30, 2003:

Six months ended
June 30, 2003

Edgar Filing: ADVANT E CORP - Form 10QSB

Tax benefit at expected statutory rate	\$ (28,512)
Amount attributable to lower graduated rates expected to apply when tax benefits are expected to be realized, and state income taxes	5,641
Non-deductible interest on debt discount amortization	14,816

Federal income tax benefit applicable to loss before income tax	(8,055)
	=====
	Three months ended
	June 30, 2003

Tax benefit at expected statutory rate	(689)
Amount attributable to lower graduated rates expected to apply when tax benefits are expected to be realized, and state income taxes	(2,769)
Non-deductible interest on debt discount amortization	7,410

Federal income tax applicable to loss before income tax	\$ 3,952
	=====

The net deferred tax asset arises principally from net operating loss carryforwards, capitalization of software development costs (net of accumulated amortization) for financial reporting purposes that have been charged to expenses when incurred for income tax purposes, and use of the cash basis for income tax purposes.

Management has recognized no valuation allowance for the net deferred tax asset because it believes that it is more likely than not that future taxable income will result in realization of such assets. This amount, however, could be reduced in the near term if estimates of future taxable income during the net operating loss carryforward period are reduced. The Company's net operating loss carryforwards, of approximately \$1.1 million, begin to expire in 2020.

NOTE 4 - EARNINGS (LOSS) PER SHARE

Both the numerator and the denominator used in the calculation of diluted earnings (loss) per share are the same as those used in the calculation of basic earnings (loss) per share for the six months and the three months ended June 30, 2003 and 2002, respectively. This occurs because the effect of the Company's dilutive securities, the detachable warrants and beneficial conversion features of the convertible subordinated notes, are anti-dilutive.

Warrants to purchase 20,000 shares of the Company's common stock at \$1.48 per share were outstanding at June 30, 2003 and 2002 but were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of the common shares during the periods the warrants were outstanding. The warrants are exercisable during the period from June 25, 2002 to June 25, 2006. No warrants have been exercised.

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

Edgar Filing: ADVANT E CORP - Form 10QSB

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 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.

OVERVIEW

The Company, via its wholly-owned subsidiary Edict Systems, Inc. is a provider of business-to-business ("B2B") electronic commerce ("e-commerce") products and services, offering comprehensive, standards-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 e-commerce data processing services that help businesses process reoccurring transactions required in the electronic procurement of goods and services and other B2B relationships.

The Company's software products enable businesses to engage in e-commerce with one another by allowing companies to fully integrate e-commerce data into their business infrastructure and operations as well as allowing smaller companies the ability to manually process electronic transactions.

The Company also provides consultative services for its customers, generally small and medium sized suppliers to large buying organizations wherein it acts as a liaison between the buyers and their suppliers to interface with the buyer on behalf of the Company's customers. Customers consist of businesses across a number of industries throughout the United States and Canada.

Revenue recognition policies with respect to Internet-based subscription fees-- 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 recognizes monthly subscription fees of \$25 per month per customer (\$45 if the Customer does not pay by credit card) upon the completion of one month of services provided. These fees are non-refundable. The Company recognizes transaction fees (document processing fees) upon completion of the processed transactions; these transactions are billed 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.

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 first year with 90-days prior written notice and in subsequent years with 30-days prior written notice.

Edgar Filing: ADVANT E CORP - Form 10QSB

Periodically customers do cancel the service, usually because they no longer need to process EDI documents electronically. Other customers may have their accounts deactivated for non-payment per the terms of the services agreement. Such sales returns and allowances are minimal - less than one-half of one per cent of sales.

Revenues from sales of Formula_One and BCLM software products are recognized when the software is shipped to the customer. Recurring license and maintenance fees relating to software products are billed annually and recognized as revenue ratably as earned over the 1-year license period.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 AND 2002

Revenues of \$715,108 in the second quarter of 2003 (Q2 2003) increased by \$223,671 (46%) over revenues in the second quarter of 2002 (Q2 2002) of \$491,437. Revenues from Internet-based subscription services increased from \$383,507 in Q2 2002 to \$655,497 in Q2 2003 (71% increase). Revenues from software and license fees decreased from \$107,930 in Q2 2002 to \$59,611 in Q2 2003 (45% decrease). The increase in revenues from Internet-based subscription services and the decline in revenues from software and license fees reflects the Company's continuing shift of its primary focus from EDI and bar coding software to Internet-based subscription services. The increase in Internet-based revenues reflects the Company's continuing marketing efforts and customer acceptance in the marketplace of the Company's Internet-based services.

Operating expenses of \$717,135 in Q2 2003 increased by \$199,064 from Q2 2002. Salaries and benefits increased by \$138,005 due to additional personnel to market our Internet-based subscription services and to improve the effectiveness and efficiency of our product development and technical support functions, salary increases for key personnel, and ratably less development cost capitalized. These increases were partially offset by personnel reductions in our development department. General and administrative expenses increased by \$40,300 due to increased costs associated with marketing web-EDI and EnterpriseEC services, increased costs of the Company's new general offices, and expenses associated with non-compete agreements. Amortization of software development costs increased by \$40,449 due primarily to amortization of EnterpriseEC software development costs. Interest expense decreased by \$20,754 because the discount related to the 15% convertible subordinated notes issued in 2001 was substantially amortized to expense in 2002.

Interest expense in Q2 2003 included \$21,793 in non-cash charges associated primarily with the issuance of warrants and the beneficial conversion feature of the convertible subordinated notes issued in 2002.

The income tax expense of \$3,952 in Q2 2003 and \$4,815 in Q2 2002 resulted from the non-deductibility for income tax purposes of the non-cash interest expense associated with the convertible subordinated notes issued in 2001 and 2002.

The Company reports a net loss in Q2 2003 of \$5,979 (\$0.00 per common share) compared to the net loss in Q2 2002 of \$31,449 (\$0.01 per common share).

THREE MONTHS ENDED JUNE 30, 2003 AND MARCH 31, 2003

Shown below are comparative results of operations for the quarters ended June 30, 2003 and March 31, 2003:

Edgar Filing: ADVANT E CORP - Form 10QSB

	Three Months Ended	
	June 30,	March 31,
	2003	2003
	----	----
REVENUES		
Internet products and services \$	655,497	609,944
Software and license fees	59,611	39,434
	-----	-----
Total revenues	715,108	649,378
	-----	-----
OPERATING EXPENSES		
Production	31,981	27,738
Salaries and benefits	383,541	386,465
General and administrative	163,410	186,120
Depreciation	13,510	9,336
Amortization of software development costs	71,617	68,264
Interest	53,076	53,286
	-----	-----
Total operating expenses	717,135	731,209
	-----	-----
LOSS BEFORE TAXES	(2,027)	(81,831)
INCOME TAXES (BENEFIT)	3,952	(12,007)
	-----	-----
NET LOSS	\$ (5,979)	(69,824)
	=====	=====

Revenues of \$715,108 in the second quarter of 2003 (Q2 2003) increased by \$65,730 (10%) over revenues in the first quarter of 2003 (Q1 2003) of \$649,378. The increase resulted primarily from increases in sales of web-EDI services and EnterpriseEC services and software and license fees.

Operating expenses of \$717,135 in Q2 2003 decreased by \$14,074 from Q1 2003 due primarily to reductions in expenditures for professional services. Salaries and benefits of \$383,541 in Q2 2003 were down slightly from \$386,465 in Q1 2003.

Interest expense in both quarters included \$21,793 in non-cash charges associated primarily with the issuance of warrants and the beneficial conversion feature of the convertible subordinated notes issued in 2002.

The income tax expense of \$3,952 in Q2 2003 resulted from the non-deductibility for income tax purposes of the non-cash interest expense associated primarily with the convertible subordinated notes issued in 2002.

SIX MONTHS ENDED JUNE 30, 2003 AND 2002

Revenues of \$1,364,486 in the first six months of 2003 increased by \$469,799 (53%) over revenues in the first six months of 2002 of \$894,687. Revenues from Internet-based subscription services increased from \$727,516 in the first six months of 2002 to \$1,265,441 in the first six months of 2003 (74% increase). Revenues from software and license fees decreased from \$167,171 in the first six months of 2002 to \$99,045 in the first six months of 2003 (41% decrease). The increase in revenues from Internet-based subscription services and the decline in revenues from software and license fees reflect the Company's continuing shift of its primary focus from EDI and bar coding software to Internet-based subscription services.

Edgar Filing: ADVANT E CORP - Form 10QSB

Operating expenses of \$1,448,344 in the first six months of 2003 increased by \$478,210 from the first six months of 2002. Salaries and benefits increased by \$294,295 due to additional personnel to maintain, support and market our Internet-based subscription services; to improve the effectiveness and efficiency of our product development and technical support functions; for salary increases for key personnel; and ratably less development cost capitalized. These increases were partially offset by personnel reductions in our development department. General and administrative expenses increased by \$156,086 due to increased costs associated with marketing web-EDI and EnterpriseEC services, increased costs of the Company's new general offices, and expenses related to non-compete agreements. Amortization of software development costs increased by \$81,569 due primarily to amortization of EnterpriseEC software development costs. Interest expense decreased by \$52,618 because the discount related to the 15% convertible subordinated notes issued in 2001 was substantially amortized to expense in 2002.

Interest expense in the first six months of 2003 included \$43,586 in non-cash charges associated primarily with the issuance of warrants and the beneficial conversion feature of the convertible subordinated notes issued in 2002.

The Company reports a net loss in the first six months of 2003 of \$75,803 (\$0.01 per common share) compared to the net loss in the first six months of 2002 of \$82,857 (\$0.01 per common share).

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

The following table sets forth the cost and accumulated amortization of the products comprising the Software Development Costs asset at June 30, 2003:

Product -----	Cost ----	Accumulated Amortization -----	Net ---
Bar Code Label Module (BCLM) Software	\$ 32,670	32,670	-
Formula_One for Windows Software	128,486	128,486	-
GroceryEC (Web EDI)	428,260	285,036	143,224
Web EDI enhancements	113,968	12,336	101,632
EnterpriseEC	470,661	137,276	333,385
	-----	-----	-----
Total	1,174,045	595,804	578,241
Less: fully amortized BCLM and Formula_One for Windows software	(161,156)	(161,156)	-
	-----	-----	-----
	\$ 1,012,889	434,648	578,241
	=====	=====	=====

Bar Code Label Module (BCLM) and Formula_One for Windows currently generate a small amount of positive cash flow, but were the primary revenue source before 2001. GroceryEC is currently generating positive cash flow and is the Company's largest and primary source of revenue. Sales of EnterpriseEC totaled \$41,177 in Q2 2003 and \$ 74,689 in the first six months of 2003. Based on our marketplace analysis and marketing efforts we expect EnterpriseEC

Edgar Filing: ADVANT E CORP - Form 10QSB

to ramp up in 2003 to produce positive cash flow by the end of 2003 or early in 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred substantial operating losses to date. During the year ended December 31, 2002 and the six-month period ended June 30, 2003, the Company generated positive cash flow from operations. On July 1, 2003 the Company implemented certain cost savings initiatives that included modest workforce and salary reductions. Management believes that current cash and cash equivalents and cash that may be generated from operations in the ensuing year will be sufficient to meet the anticipated capital expenditure requirements and cash interest requirements, provided that the maturity date of certain subordinated notes is extended as discussed below. Such projections are based on historical trends related to growth of revenue from existing customers and new customer acquisition, and anticipated revenue growth from EnterpriseEC. The projections also include anticipated cash requirements to provide continuing customer support, installation, sales and marketing, product development and enhancement, and general overhead.

To achieve these projections, the Company anticipates the need to maintain existing capital levels. The Company is currently negotiating with certain holders of its subordinated notes to obtain extensions of the due dates of the notes, which are primarily due in the third and fourth quarters of 2003. On June 30, 2003 the largest single note holder agreed to extend the maturity date of its \$250,000 15% note to January 5, 2004 provided the Company pays all accrued interest before September 22, 2003. These interest payments are contemplated in the Company's cash flow projections. Management is negotiating with the other note holders to also extend the maturity dates on their notes to January 5, 2004. Management also expects that, if the Company's financial and operating results in the last two quarters of 2003 are satisfactory to the note holders, some, if not all, of the note holders will further extend the maturity dates. Additionally, the Company is currently pursuing other potential sources of available capital.

If such extensions are not obtained, the Company may be forced to raise additional capital from new sources, issue new shares, or reduce current overhead. Any projections of future cash needs and cash flows are subject to substantial uncertainty.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board in April 2003 issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under FASB Statement No. 133. This statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying instrument relative to Guarantees, and amends certain other existing pronouncements so as to result in more consistent reporting of contracts as either derivatives or hybrid instruments. The statement is effective, generally, for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company has had no transactions that are covered by the provisions of SFAS No. 149. As a result, SFAS No. 149 has no effect on the Company's financial position or results of operations.

The Financial Accounting Standards Board in May 2003 issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." This statement requires that an issuer classify certain defined financial instruments as liabilities, many of which were

Edgar Filing: ADVANT E CORP - Form 10QSB

previously classified as equity or between the liabilities section and the equity section of the statement of financial position. This statement requires classification as liabilities any financial instruments that are issued in the form of shares that are mandatorily redeemable; that embody an obligation to repurchase the issuer's equity shares; that embody an obligation that issuer must or may settle by issuing a variable number of its equity shares if at inception the monetary value of the obligation is based on either a fixed monetary amount, variations in something other than the fair value of the issuer's equity shares, or variations inversely related to changes in the fair value of the issuer's equity shares. The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of this Statement and still existing at the beginning of the interim period of adoption. The Company has had no transactions that are covered by the provisions of SFAS No. 150. As a result, SFAS No. 150 has no effect on the Company's financial position or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

a) 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 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, 2003, Advant-e's disclosure controls and procedures were adequate.

b) 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 1. LEGAL PROCEEDINGS

The Company is not currently subject to any legal proceedings. The Company may from time to time become a party to various legal proceedings arising in the ordinary course of business.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to the stockholders of the Company during the second quarter of the 2003 fiscal year or through the date of filing this report.

ITEM 5. OTHER INFORMATION

None

Edgar Filing: ADVANT E CORP - Form 10QSB

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number -----	Description -----	Method of Filing -----
2	Plan of acquisition, reorganization, arrangement, liquidation, or succession	N/A
3(a)(i)	Amended Certificate of Incorporation	Previously Filed*
3(a)(ii)	By-laws	Previously Filed**
4.1	Instruments defining the rights of security holders including indentures	Previously Filed*
4.2	Convertible Subordinated Note	Previously Filed***
4.3	Convertible Subordinated Note with warrant to purchase common shares issued on September 27, 2001	Previously Filed*****
4.4	10% Convertible Subordinated Note	Previously Filed*****
10.1	Lease Agreement, dated as of January 1, 2000, between Jason K. Wadzinski and EDICT Systems, Inc.	Previously Filed**
10.2	Stock Purchase Agreement, dated April 10, 2000, among Twilight Productions, Ltd., Halter Financial Group, Inc. and Art Howard Beroff	Previously Filed**
10.3	Software Term License Agreement, including Amendment No. 1, dated as of April 18, 2001 between Cyclone Commerce, Inc. and Edict Systems Inc.	Previously Filed****
10.4	Lease, dated as of July 30, 2002, between Fritz J. Russ and Dolores H. Russ and Edict Systems, Inc.	Previously Filed*****
11	Statement re: computation of per share earnings	Filed Herewith
15	Letter on unaudited interim financial information	N/A
18	Letter on change in accounting principles	N/A
19	Report furnished to security holder	N/A
22	Published report regarding matters submitted to vote	N/A
23	Consent of experts and counsel	N/A
24	Power of attorney	N/A
31	Certifications	Filed herewith

Edgar Filing: ADVANT E CORP - Form 10QSB

32 Certification pursuant to 18 U.S.C. Section 1350, Filed
as adopted pursuant to Section 906 of the Sarbanes- Herewith
Oxley Act of 2002

- * Filed with Amendment No. 2 to Form 10-SB filed as of October 13, 2000
- ** Filed with Amendment No. 1 to Form 10-SB filed as of July 17, 2000
- *** In substantially the form filed with Form 10-QSB for the quarter ended March 31, 2001 filed as of May 9, 2001
- **** Filed with Form 10-QSB for the quarter ended June 30, 2001 filed as of August 14, 2001
- ***** In substantially the form filed with Form 10-QSB for the quarter ended September 30, 2001 filed as of November 14, 2001
- *****In substantially the form filed with Form 10-QSB for the quarter ended September 30, 2002 filed as of December 16, 2002
- *****In substantially the form filed with Form 10-QSB for the quarter ended March 31, 2003 filed as of May 14, 2003

(b) Reports on Form 8-K

None

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 14, 2003 By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

August 14, 2003 By: /s/ John F. Sheffs

John F. Sheffs
Treasurer

EXHIBIT 11 - STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

Per share earnings are computed and displayed on the Consolidated Statement of Operations for the six months and three months ended June 30, 2003 and 2002 and included in Item 1 of this Form.

Average shares used in the computation of per share earnings for the Statement of Operations presentations include the following shares issued for basic and diluted per share earnings:

Date and Description -----	# shares -----		# shares -----	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----

Edgar Filing: ADVANT E CORP - Form 10QSB

Basic and diluted:

Outstanding at beginning and end of period	5,661,002 =====	5,661,002 =====	5,661,002 =====	5,661,002 =====
---	--------------------	--------------------	--------------------	--------------------

The calculation of both basic and diluted loss per share for the six months and three months ended June 30, 2003 and 2002 are the same because the Company's convertible subordinated notes are anti-dilutive and the Company's outstanding warrants for the purchase of additional shares of the Company's common shares resulted in no change to the numerator or denominator.

If the 15% convertible subordinated notes convertible to common shares at \$1.06 per share that are outstanding at June 30, 2003 are converted at maturity, there would be 655,012 additional outstanding and weighted average common shares included in the calculation of diluted earnings per share for the six months and the three months ended June 30, 2003.

If the 10% Convertible Subordinated Notes convertible to common shares at \$1.10 per share that are outstanding at June 30, 2003 are converted at maturity, there would be 255,555 additional outstanding and weighted average common shares included in the calculation of diluted earnings per share for the six months and the three months ended June 30, 2003.

If the 15% Convertible Subordinated Notes convertible to common shares at \$1.06 per share that are outstanding at June 30, 2002 are converted at maturity, there would be 655,012 additional outstanding and weighted average common shares included in the calculation of diluted earnings per share for the six months and the three months ended June 30, 2002.

Warrants to purchase 20,000 shares of the Company's common stock at \$1.48 per share were outstanding during the six months and the three months ended June 30, 2003 and 2002 but were not included in the computation of diluted EPS because the warrants' exercise price was greater than the average market price of the common shares during the period the warrants were outstanding. The warrants are exercisable during the period from June 25, 2002 to June 25, 2006.

EXHIBIT 31 - CERTIFICATIONS

I, Jason K. Wadzinski, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Advant-e Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period covered by this report;

Edgar Filing: ADVANT E CORP - Form 10QSB

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2003

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

I, James E. Lesch, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Advant-e Corporation;

Edgar Filing: ADVANT E CORP - Form 10QSB

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period covered by this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2003

By: /s/ James E. Lesch

Edgar Filing: ADVANT E CORP - Form 10QSB

James E. Lesch
Director of Accounting

EXHIBIT 32 - SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Advant-e Corporation (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Advant-e Corporation (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

By: /s/ James E. Lesch

James E. Lesch
Director of Accounting