ADVANT E CORP
Form 424B3
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PROSPECTUS

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Reg. No. 333-110851

ADVANT-E CORPORATION

1,603,915 COMMON SHARES, $.001 PAR VALUE

The registration statement of which this prospectus is a part relates to the offer and sale of up to 1,603,915 shares of common stock, par value $.001, for sale by certain security holders.

We are registering shares of the Company s common stock for resale by certain security holders and we will only receive proceeds to the extent that outstanding warrants are exercised. All other shares being registered were issued upon conversion of outstanding Convertible Subordinated Notes, and we derived no proceeds from the conversion of such Convertible Subordinated Notes into shares of the Company s common stock nor will we derive proceeds from the resale of such shares. The shares to be registered for sale by selling security holders were issued as a result of the conversion of Convertible Subordinated Notes into 583,915 common shares; will possibly be issued as a result of the exercise in the future of warrants that were issued in connection with the same Convertible Subordinated Notes for up to 1,000,000 shares; and will possibly be issued as a result of the exercise in the future of a warrant issued pursuant to an agreement for services rendered for up to 20,000 common shares.

The Company has retained no underwriter to assist in selling the common shares.

The Company s common shares are traded on the over-the-counter Bulletin Board under the symbol AVEE.

THE PURCHASE OF THE COMMON SHARES INVOLVES A HIGH DEGREE OF RISK AND POTENTIAL DILUTION. SEE RISK FACTORS BEGINNING ON PAGE 6 AND DILUTION ON PAGE 14.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July 23, 2004.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR ANY OTHER PERSON. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ITS SUBSIDIARY SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY STATE WHERE SUCH OFFER WOULD BE UNLAWFUL.

WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. THE SELLING SECURITY HOLDERS ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED.

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PROSPECTUS SUMMARY

This prospectus contains statements about our future operations, which involve risks and uncertainties. Our actual results could differ in important ways from our anticipated future operations, due to many factors, including Risk Factors, beginning on page 6, and other factors. We have attempted to summarize only the most significant aspects of the prospectus. You should be aware that this Prospectus Summary does not contain all the information that may be important to you. You should read the entire prospectus, especially Risk Factors and the Consolidated Financial Statements and Notes, before deciding to invest in the Company s common shares.

The Company: (Advant-e Corporation and its wholly-owned subsidiary, Edict Systems, Inc.)

The Company provides business-to-business electronic commerce products and services focusing primarily on supply chain connectivity. The Company provides high-quality, cost-effective solutions which give the Company s customers the ability to leverage technology to improve their businesses.

The Company provides software and Internet-based solutions to small and medium sized suppliers (often called spokes) of large companies allowing them to satisfy the Electronic Commerce requirements (most often electronic data interchange (EDI) requirements) of their customers. Advant-e provides services to large companies (often called hubs) to enable them to maximize their current supply chain Electronic Commerce investments by increasing the number of suppliers who can conduct business with them electronically. The Company 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.

The Company, through its operating subsidiary Edict Systems, has been a provider of Electronic Data Interchange (EDI) and Electronic Commerce products and services since 1990. Our company is comprised of 4 principal business products/services. These are:

Web-EDI - web-based supply chain solution for the grocery and other industries (GroceryEC.com, RetailEC.com, MfgEC.com, CPGSupplierEC.com, web-edi.com, etc.)

EnterpriseEC - Internet-based Electronic Business Transaction Network Services

Formula_One - EDI software and Bar Code Label Modules (legacy software products)

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

Many small and medium size companies have resisted doing Electronic Commerce and EDI with their business partners due to many factors, but primarily due to high cost and low transaction volume. By leveraging the economy and ubiquitousness of the Internet, our Internet-based solutions have minimal technological requirements (access to Internet and a web browser), and are cost effective. EDI and other business technologies have proven to be valuable tools to reduce cost, increase accuracy, shorten supply lead times, insure product availability, and increase customer satisfaction.

Advant-e Corporation (formerly Twilight Productions Ltd.) was incorporated in the State of Delaware on March 9, 1994. On April 10, 2000, Twilight acquired all of the issued and outstanding shares of Edict Systems, Inc. (Edict), an Ohio company incorporated in September of 1994. Immediately following the Merger, the shareholders of Edict owned approximately 81% of the issued and outstanding common stock of Twilight and the Directors and Officers of Edict became the Directors and Officers of Twilight. On August 6, 2000, Advant-e formally changed its name from Twilight Productions Ltd. to Advant-e Corporation . As a result, the Company is now comprised of Advant-e Corporation and its wholly-owned and sole operating subsidiary, Edict Systems, Inc.

In 2001 the Company issued seven 15% Convertible Subordinated Notes in the aggregate principal amount of $525,000; four Notes in the aggregate principal amount of $170,000 were paid in full in 2003 and January 2004; three Notes in the aggregate principal amount of $355,000 were converted into 334,906 shares of the Company s common stock in November and December 2003 at $1.06 per common share; in addition, the accrued interest at December 5, 2003 on one of the Notes was converted into 21,735 shares of the Company s common stock.

The former Note holders have warrants whereby they can acquire 750,000 shares of the Company s common stock at a price of $1.205 per common share. The warrants expire on several dates in 2005, except for 75,000 warrants that expire on December 5, 2006.

In 2002 the Company issued six 10% Convertible Subordinated Notes. The Notes were converted into 227,274 shares of the Company s common stock in December 2003 at $1.10 per common share.

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The former Note holders have warrants whereby they can acquire 250,000 common shares of the Company at a price of $1.25 per common share. These warrants expire on September 27, 2005.

In 2001 the Company issued warrants to an unrelated third party, in exchange for investor relations services, for the purchase of 20,000 shares of the Company s stock at $1.48 per share, exercisable through June 25, 2006.

The Company expects to issue up to 1,603,915 common shares, resulting from the conversion of the Convertible Subordinated Notes and future exercise of the warrants by the selling security holders. The total proceeds to the Company, assuming the exercise of all warrants, is $1,245,850 ($1,210,850 net of issuance expenses); the Company realized no proceeds from the conversion of the Notes.

The principal executive offices of both Advant-e Corporation and Edict Systems, Inc. are located at 2680 Indian Ripple Rd., Dayton, Ohio 45440. The Company s telephone number is 937-429-4288. Edict Systems, Inc. is the sole and wholly- owned subsidiary of Advant-e Corporation.

The Offering

Number of shares of common stock currently outstanding	6,244,917
Number of shares of common stock offered by selling shareholders	1,603,915

Expenses	We estimate the expenses associated with this offering to be:	
	SEC filing fee	$ 1,000
	NASD filing fee	1,000
	Printing	2,000
	Blue Sky	2,000
	Legal	14,000
	Accounting	12,000
	Transfer agent	1,000
	Edgar	1,000
	Miscellaneous	1,000
	Total	$ 35,000

Plan of Distribution	The offering of the Company s shares of common stock is being made by the selling security holders. Sales of the Company s common stock may be made by the selling shareholders in the open market or in privately negotiated transactions and at fixed or negotiated prices.
Risk factors	Investment in the Company s common stock involves a high degree of risk, including the risk that investors could lose their entire cash investment. For a discussion of risk factors you should consider before buying shares of our common stock, see the section entitled Risk Factors beginning on page 6.
Dividend Policy	We do not intend to pay dividends on our common stock. We plan to retain any earnings in the foreseeable future in the operations of the business to help fund future growth.
Plan of offering	There is no underwriter for this offering.

Selected Financial Data

The following selected financial data is derived from the Company s financial statements included elsewhere in this prospectus and should be read in conjunction with the more detailed financial statements, including notes thereto, appearing elsewhere in this prospectus and should also be read in conjunction with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. The financial information as of December 31, 2003 and 2002 and for the years then ended has been derived from the financial statements audited by J. D. Cloud & Co. L.L.P. The financial information as of March 31, 2004 and for the three month periods ended March 31, 2004 and 2003 has been derived from unaudited financial statements prepared by management.

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Balance sheet data:

	March 31, 2004	December 31, 2003	December 31, 2002
Total Assets	$ 1,417,366	1,365,295	1,235,986
Total Liabilities	425,805	485,935	1,213,353
Shareholders Equity	991,561	879,360	22,633

Statement of Operations data:

	Three Months Ended March 31		Year Ended December 31	
	2004	2003	2003	2002
Revenues	$ 838,635	649,378	2,942,992	2,008,389
Expenses	648,994	731,209	2,718,571	2,342,189
Income (loss) before taxes	189,641	(81,831)	224,421	(333,800)
Income taxes (benefit)	75,400	(12,007)	9,246	(26,266)
Net income (loss)	$ 114,241	(69,824)	215,175	(307,534)

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RISK FACTORS

An investment in the common shares offered by this prospectus is speculative and involves a high degree of risk, including the risk factors described below. In addition to the other information presented in this prospectus, each prospective investor should carefully consider the following risk factors inherent in and affecting our business and this offering before making an investment decision. Each of the following risks could have a material adverse effect on the business, financial condition or operating results of the Company. In such a case, the trading price of common stock would likely decline, and investors could lose all or part of their investment.

RISKS RELATED TO OUR FINANCIAL CONDITION

THE COMPANY HAS A RECENT HISTORY OF NET LOSSES INCLUDING LOSSES IN FISCAL 1999 ($434,776), IN FISCAL 2000 ($485,256), IN FISCAL 2001, ($161,629), IN FISCAL 2002 ($307,534), AND FOR THE SIX MONTHS ENDED JUNE 30, 2003 ($75,803). THE COMPANY COULD INCUR LOSSES AGAIN IN THE FORESEEABLE FUTURE. Such losses could result from large investments in capital resources for enhancing existing products and services and for new products and services, large investments in sales and marketing efforts, continued declines in revenues for our legacy software product line, and potential declines in revenues from the Company s primary revenue source, GroceryEC.com. The Company s future profitability depends, in part, on the success of its product development efforts; the acceptance of its business model by targeted customers; and its sales and marketing activities.

Although the Company reported net income for the third and fourth quarters of 2003, for the year ended December 31, 2003, and for the first quarter of 2004 the success of the Company s business model depends upon potential customers being attracted to and using its Internet-based electronic commerce products and services. This business model is not yet fully proven. Several factors, including customer acceptance, retailer arrangements, competitive factors and our ability to successfully develop and market our products, make it impossible to predict when or whether we will generate sufficient revenue to sustain long-term profitability. Consequently, we may never achieve sufficient revenues or profitability, and even if we do, we may not sustain or increase profitability on a quarterly or an annual basis in the future. Our ability to continue in business could be jeopardized if we are not able to achieve and sustain positive cash flow or profitability or if we are not able to obtain necessary financing on satisfactory terms.

THE COMPANY S REVENUES COULD DECREASE AS IT CONTINUES ITS TRANSITION FROM ITS HISTORICAL SOFTWARE BUSINESS MODEL TO A TRANSACTION-BASED BUSINESS MODEL. The Company has been transitioning, and will continue to transition, its business model to focus on providing customers with the ability to process their electronic commerce documents via the Internet for fees based on the number and/or size of the transactions. The Company expects that this model will provide an increase in recurring revenues, but it has also resulted in a decrease in licensing and sales revenue the Company receives from its software products, which would have normally been offered to potential customers.

Under the new model, the Company provides transaction services wherein customers pay for transactions that they process. The Company believes that this service will allow its customers to receive, transmit, and process electronic commerce documents without having to bear significant up-front software and on-going third-party network expenditures. Any failure in the Company s ability to implement and grow its Internet-based services could have a material adverse affect on the Company s business and financial results. In addition, the Company s business and financial results could also suffer if revenue from increased volume experienced by existing and new customers does not make up for the loss in revenue from the decrease in the per-customer amount of licensing fees and other charges for its software products.

THE COMPANY S CAPITAL RESOURCES MAY BE INSUFFICIENT TO FUND IMPLEMENTATION OF ITS PRODUCTS AND SERVICES AND MARKETING ITS ADVANTAGES TO POTENTIAL USERS. Substantial funds are required to complete the Company s planned product development efforts and expand its sales and marketing activities. The Company expects that existing capital resources along with cash flows generated from its current activities will be adequate to fund its operations, but the Company cannot guarantee that this will be the case. The Company s future capital requirements and the adequacy of available funds will depend on numerous factors, including the successful marketing of existing products; and progress in product development efforts to enhance and generate new products and services; the ability to target additional vertical industries for the Company s products and services; and the growth and success of effective sales and marketing activities.

If funds generated from the Company s operations, together with its existing capital are insufficient to meet current or planned operating requirements, the Company will have to obtain additional funds through equity or debt financing. Except for a $100,000 bank line of credit, the Company does not have any committed sources of additional financing, and it cannot provide assurance that additional funding, if necessary, will be available on acceptable terms, if at all. If adequate funds are not available, the Company may have to delay, scale-back or eliminate certain aspects of its operations.

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Therefore, the inability to obtain adequate funds could have a material adverse impact on its business, financial condition and results of operations.

INABILITY TO OBTAIN FUTURE CAPITAL. As of the date of this filing, the Company had cash in the amount of approximately $475,000. The Company anticipates that it may need to raise additional funds if its operations do not generate anticipated revenues. If the Company is unable to obtain necessary additional financing, its business may suffer. It cannot be assured that any additional financing will be available on reasonable terms or at all. In addition, the Company may need to raise additional funds sooner if it attempts to expand more rapidly or if competitive pressures or technological changes are greater than anticipated. Even if the Company is able to obtain additional financing, the Company may subsequently need to raise additional funds if it does not sustain profitability.

RISKS RELATED TO OUR BUSINESS

THE COMPANY S LIMITED OPERATING EXPERIENCE MAY CAUSE IT TO MISJUDGE ITS MARKETS OR NEEDS. Although the Company has been providing software and solutions for the electronic commerce market since 1990, its involvement in Internet-based products and services has been a much more recent development. Its initial Internet product has been in operation for approximately four (4) years. Accordingly, the Company has limited operating history in this environment. An investor in Common Stock must consider the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development.

THE COMPANY MAY BE UNABLE TO IMPLEMENT ITS BUSINESS STRATEGY. Although the Company believes its strategy can be successful, there are many reasons why it may be unable to implement it, including the Company s inability to deploy its products and services on a large scale due to software development, information technology infrastructure, or other problems; to attract a sufficiently large audience of users to its Internet-based electronic commerce network; to increase awareness of its brand; to strengthen customer loyalty; to continue to develop and improve its products; to continue to develop and upgrade its technology; and to attract, retain and motivate qualified personnel.

THE COMPANY MAY BE UNSUCCESSFUL AT MANAGING ITS GROWTH. The Company believes its business model has the potential for rapid growth. This growth could place a significant strain on management and operations, including sales, marketing, customer support, research and development, finance and administrative operations. Achieving and maintaining profitability during a growth period will depend, among other things, on the Company s ability to successfully expand its products, services and markets and to manage its operations effectively. Difficulties in managing growth, including difficulties in obtaining and retaining talented management and other personnel could have a material adverse affect on the Company s business and financial results.

THE COMPANY HAS INTRODUCED SEVERAL ELECTRONIC COMMERCE B2B PRODUCTS, AND MARKET ACCEPTANCE OF THESE PRODUCTS IS CRITICAL TO THE COMPANY S SUCCESS. The Company is currently marketing EnterpriseEC, GroceryEC, RetailEC, LogisticsEC and ManufacturingEC and other products. As of June 25, 2004 approximately 2,700 customers were utilizing these products. Broad and timely acceptance of the Company s recently introduced products, which is critical to its future success, is subject to a number of significant risks. These risks include the ability to successfully market and sell these products; the products ability to support large numbers of customers; the need to enhance the features and services of the Company s products; and the need to significantly expand internal resources to support planned growth of these products.

Although the Company expects to derive a significant portion of its long-term future revenue from its electronic commerce products and services, the pricing and revenue models for these products are ever changing in a fluid market environment. If these products do not achieve the level of market acceptance anticipated at a satisfactory pricing level, the Company s business and financial results would suffer.

The Company s success depends highly upon our achieving broad market acceptance of our products and services. Market acceptance requires, among other things, that we:

- educate potential customers on the benefits of our products
- commit a substantial amount of human and financial resources to secure strategic partnerships and relationships
- develop internal sales, marketing and support activities to customers

There can be no assurance that we will be able to achieve any or all of these objectives, and thus obtain sufficient acceptance of our products to achieve profitable operations. Potential customers may perceive nominal benefit from our products and services. As a result, potential customers may not value, and may be unwilling to pay for our products. We also do not have established brand images, nor do we expect to spend significant marketing expenses to build and promote brand images.

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If our products do not achieve broad market acceptance, we may not be able to continue operating in our business or operate at sufficient levels or profitability.

SYSTEM ENHANCEMENTS, UPGRADES AND OTHER FACTORS COULD CAUSE SERVICE DISRUPTIONS OF INTERNET-BASED PRODUCTS. As the Company enhances and upgrades its Internet-based products and services, customers could suffer temporary service interruptions. Other factors, such as unauthorized intervention and access into the Company s servers may also cause system delays or denials of service. The Company has and will continue to take steps to ensure that such disruptions do not occur, and that any disruptions that do occur are insignificant. However, any problems not resolved in a timely manner could negatively affect the Company s business and financial results.

IF THE COMPANY ACQUIRES OTHER COMPANIES, IT MAY NOT BE ABLE TO EFFECTIVELY INTEGRATE THEM. Currently, there are no plans to acquire any other companies, but it may be deemed advantageous to the Company s growth to do so. If the Company is unable to effectively integrate any acquired company, the results could negatively affect the Company s business and financial results.

PRODUCTS MAY NOT BE ACCEPTED BY THE MARKET. To date, the Company has experienced success on a limited basis for its FORMULA_ONE, BCLM, EnterpriseEC, GroceryEC and other Web EDI products.

The FORMULA_ONE product, although initially available as a DOS program in 1992 and later available to segments of its customer base in Microsoft Windows, has had limited success due primarily to the Company s insufficient expenditures on sales and marketing efforts and the Company s lack of sufficient capital.

The BCLM products have had limited success because they require, in most cases, the customer s use of FORMULA_ONE.

The Company s first Web EDI product, GroceryEC.com, has been successful, but the Company s other products, including EnterpriseEC and other Web EDI products which have only been recently introduced to the marketplace, have been far less successful due primarily to longer than expected development time, insufficient expenditures on sales and marketing efforts and the Company s lack of sufficient capital.

THE COMPANY HAS LIMITED SALES AND MARKETING EXPERIENCE. A major thrust of the Company s strategy is to make potential customers aware of its products, their features and benefits. This will require sales and marketing expertise. However, the Company s current sales and marketing staff is small compared to competitors. Although the Company intends to identify and recruit employees with sales and marketing experience, it may be unable to do so and may therefore be unable to successfully establish and maintain a significant sales and marketing organization.

THE COMPANY S ABILITY TO RECRUIT AND RETAIN SKILLED EMPLOYEES. The Company is substantially dependent on the continued services and performance of its President and current employees. In addition, the Company believes it will need to expand significantly its product development, marketing and customer service staffs. Competition for employees in the Company s industry is intense. If the Company is unable to attract, assimilate and retain highly qualified employees, management may not be able to effectively manage the business, explore opportunities and respond to competitive challenges. As a result, the Company s business and financial results would suffer. Many competitors may be able to offer more lucrative compensation packages that include stock options and other stock-based compensation and higher-profile employment opportunities.

INABILITY TO COMPETE SUCCESSFULLY AGAINST COMPANIES OFFERING SIMILAR FUNCTIONS. A large number of companies compete with us for customers, electronic commerce transactions and other sources of on-line revenue. We face significant competition in the markets in which we offer our products from competitors that also offer high quality products. In addition, management expects that new competitors will attempt to enter the market and that existing competitors will improve the performance of their current products or introduce new products or new technologies that provide improved performance characteristics. New product introductions by our competitors could cause a significant decline in sales or loss of market acceptance of our existing products and future products. The number of companies offering B2B e-commerce services is large and increasing at a rapid rate. The Company believes that competition for B2B e-commerce products and services will continue to increase as the Internet develops as a communication and commercial medium. Although the Company believes its products and marketing strategy are unique, the Company directly and indirectly competes for customers with numerous Internet and non-Internet businesses, including traditional Value Added Networks (Sterling Commerce, Inovis, IBM, GXS, Easylink, etc.); Internet VANs (Internet Commerce Corporation, SPS Commerce, etc.); and web-based B2B e-commerce companies (EB2B Inc., SPS, Inovis, GXS, etc.). Most of our competitors are well established, better known, and significantly larger, with substantially greater technical, marketing, and financial resources than we have. The greater resources of many of our competitors may permit them to respond more rapidly than we can to changes in technology. As a result, many of the products and services we offer are developed and offered by other companies in the industry.

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Many of these potential competitors are likely to enjoy substantial competitive advantages compared to the Company, including the ability to offer a wider array of products and services, larger production and technical staffs, greater name recognition, larger marketing budgets and resources, larger customer and user bases and substantially greater financial, technical and other resources.

Our ability to compete in the market will depend upon a number of factors including the success of our marketing efforts and our continued ability to secure and maintain ongoing relationships with companies in the industries we serve. We expect to compete based upon the quality, reliability, flexibility and the ease of use of our products. We also expect to compete on value relative to the features our products offer.

To be competitive, the Company must respond promptly and effectively to the challenges of technological change, evolving standards, and competitors innovations by continuing to enhance its products and services and to expand its sales and marketing channels. Increased competition could result in loss of market share, reduced prices or reduced margins, any of which could adversely affect the Company s business. Competition is likely to increase significantly as new companies enter the market and current competitors expand their services.

GOVERNMENT REGULATION COULD ADVERSELY AFFECT THE COMPANY. The Company is subject to government regulation. Laws and regulations have been or may be adopted with respect to the Internet or other on-line services covering issues such as user liability and privacy, copyright protection, and distribution.

The applicability to the Internet of existing laws in various jurisdictions governing issues is uncertain and may take years to resolve. Demand for the Company s products features and services may be affected by additional regulation of the Internet. Federal, State, or governments of foreign countries may attempt to regulate the Company s transmissions, levy sales or other taxes relating to the Company s activities or impose other restrictions on the Company s services. The laws governing the Internet, however, remain largely unsettled, even in areas where there has been some legislative action. In addition, the growth and development of the market for B2B e-commerce may prompt the adoption of more stringent laws, both in the United States and abroad, that impose additional burdens on companies conducting business over the Internet. The requirement that the Company comply with any new legislation or regulation, or any unanticipated application or interpretation of existing laws, may decrease the demand for the Company s services, increase the cost of doing business or otherwise have a material adverse effect on the Company s business, results of operations and financial condition.

INTERNET CAPACITY CONSTRAINTS MAY INHIBIT THE COMPANY S SUCCESS. The Company s success depends, in large part, on Internet access and the ability of the Internet to accommodate rapidly increasing traffic. The Internet may not prove to be a viable commercial medium because of inadequate development of the necessary infrastructure (e.g., reliable network backbone), timely development of complementary technologies, delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity, or increased government regulation. If the Internet continues to experience significant growth in the number of users and the level of use, then the Internet infrastructure may not be able to continue to support the demands placed on it.

RISKS RELATED TO SYSTEMS OPERATION. The Company relies on the Internet and, accordingly, depends upon the continuous, reliable and secure operation of Internet servers and related hardware and software. Recently, several large Internet commerce companies have suffered highly publicized system failures that resulted in adverse reactions to their stock prices, significant negative publicity and, in certain instances, litigation. Although agreements are in place to host the Company s systems and provide bandwidth with suitable precautions in place to prevent system failures and outages, it is likely that the Company will also suffer service outages from time to time. To the extent that the Company s service is interrupted, its users will be inconvenienced and the Company s reputation may be diminished. Some of these outcomes could directly result in a reduction in the Company s stock price, significant negative publicity, a reduction in revenues, a loss of customers and a potential for litigation. Although the Company anticipates that its computer and communications hardware will be protected through physical and software safeguards, they will still be vulnerable to fire, storm, flood, power loss, telecommunications failures, physical or software break-ins and other similar events. The Company does not currently have full redundancy for all of the Company s computer and telecommunications facilities in separate geographic locations to counter an area-wide catastrophe where the Company does business. A catastrophic event could have a significant negative effect on the Company s business, results of operations, and financial condition.

The Company also depends upon third parties to provide potential users with web browsers and Internet and on-line services necessary for access to the Company s services. It is possible that users will experience difficulties with the Internet and other on-line services due to system failures, including failures unrelated to the Company s systems. Any sustained disruption in Internet access provided by third parties could have a material adverse effect on the Company s business, results of operations and financial condition.

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The Company also retains confidential customer information in the Company s database. It is, therefore, critical that the Company s facilities and infrastructure remain secure and that the facilities and infrastructure are perceived by customers to be secure. Despite the implementation of measures in the Internet industry, the Company s infrastructure is potentially vulnerable to physical break-ins, computer viruses, programming errors or similar disruptive problems. A material security breach could damage the Company s reputation or result in liability.

THE COMPANY S PLATFORM INFRASTRUCTURE AND ITS SCALABILITY ARE NOT PROVEN. If the Company s Internet-based products are used by an increasing number of users, the network infrastructure would need to be expanded from time to time. In addition, the Company will need to accommodate changing customer requirements. The Company may not be able to accurately project the rate or timing of increases, if any, in the use of its systems or to expand and upgrade the systems and infrastructure to accommodate such changes on a timely basis, at a commercially reasonable cost, or at all. The systems may not accommodate increased use while maintaining acceptable overall performance.

POTENTIAL LIABILITY IF CONFIDENTIAL INFORMATION IS DISCLOSED INAPPROPRIATELY. Claims for unlawful disclosure of confidential information have been brought, sometimes successfully, against on-line service providers in the past. Any such liability will have a material adverse effect on the Company s reputation, business, results of operations and financial condition.

DEPENDENCY ON INTELLECTUAL PROPERTY RIGHTS. The Company s intellectual property is important to its business. The Company relies on a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. The Company s efforts to protect its intellectual property may not be adequate. Competitors may independently develop similar technology or duplicate the Company s products or services. Unauthorized parties may infringe upon or misappropriate the Company s products, services or proprietary information. In addition, the laws of some foreign countries do not protect proprietary rights as well as the laws of the United States, and the global nature of the Internet makes it difficult to control the ultimate destination of its products and services. In the future, litigation may be necessary to enforce the Company s intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly. It may even be cost prohibitive, and there is always a risk that the Company will not prevail if a suit is filed. The Company could be subject to intellectual property infringement claims as the number of competitors grows and the content and functionality of its services overlaps with competitive offerings. Defending against these claims, even if not meritorious, could be expensive and divert the Company s attention from its operations. If the Company becomes liable to third parties for infringing their intellectual property rights, it could be required to pay a substantial damage award and forced to develop noninfringing technology, obtain a license or cease selling the applications that contain the infringing technology. The Company may be unable to develop noninfringing technology or obtain a license on commercially reasonable terms, or at all. The Company also intends to rely on a variety of technologies that it will license from third parties, including any product development, database, and Internet server software that will be used to operate its products and services. These third-party licenses may not be available to the Company on commercially reasonable terms. If the Company were deprived of the right to use software incorporated in its products for any reason, or if the tools utilized in the development of its products were discontinued or the capabilities contained in future releases were not up to the standards set by the Company, there could be a serious disruption to the business.

THE COMPANY MAY NOT ACHIEVE SUFFICIENT AND SUSTAINED LEVELS OF PROFITABILITY. The sustained profit potential of the Company s business model is unproven. The Company s revenue is dependent on the number of customers who subscribe to its Internet-based products and services, and the volume of the data, documents or other information those customers send or retrieve utilizing these services. The success of the Company s products and services and other proposed products and services depend to a large extent on the future of B2B e-commerce using the Internet, which is uncertain. In addition, the Company anticipates increasing its operating expenses, especially in the areas of sales, marketing, product development, and customer service. As a result, the Company may not be able to achieve and/or sustain levels of profitability that are satisfactory to investors and shareholders. If the Company experiences a shortfall in its estimated revenue, it may be unable to adjust spending in a timely manner to achieve desired profits.

INTERNET USAGE STAGNATES OR THE INTERNET S INFRASTRUCTURE FAILS. If the Internet does not gain increased acceptance for B2B e-commerce, the Company will not grow and profitability will be hampered. Concerns about the security of on-line transactions and the privacy of users may inhibit the growth of the Internet as a means of delivering business documents and data. The Company may need to incur significant expenses and use significant resources to protect against the threat of security breaches or to alleviate problems caused by security breaches. The Company cannot be certain that the infrastructure or complementary services necessary to maintain the Internet as a useful and easy means of transferring documents and data will continue to develop.

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DEPENDENCY ON DATA CENTERS, WHICH COULD BE DESTROYED OR DAMAGED. The Company s Internet-based products are dependent upon the ability to protect computer equipment and the information stored on this equipment against damage that may be caused by fire, power loss, telecommunication or Internet failures, unauthorized intrusion, computer viruses and disabling devices, internal errors and other similar events. The Company currently leases space in a data center located in Dayton, Ohio that provides physical security (24 hour security guards), environment control (humidity and temperature), and electricity (battery operated, backfilled from the Dayton power grid, with six hours of battery backup in the event of a power failure). Additional motor generator services are available within the six hour battery backup timeframe if necessary) and bandwidth (multiple Internet backbone providers with load balancing). The Company also maintains backup systems at its facility in Beavercreek, Ohio located approximately twelve miles from the data center. In the event of a regional catastrophe, the Company may suffer a significant loss to its systems and may be unable to provide services to customers, which would have a substantial effect on the Company.

Depending on future financial position, the Company has plans to lease backup data center space, which is geographically separated from its current data center with procedures to provide for switching to the backup data center in the event of a catastrophic event or system failure.

RISKS RELATED TO OUR COMMON STOCK

THE COMPANY S OPERATING RESULTS COULD FLUCTUATE, CAUSING ITS STOCK PRICE TO FALL. Due to the volatile nature of Internet Stocks and particularly over the counter or bulletin board stocks, the Company s stock price could be adversely affected based on fluctuations in its operating results.

THE LACK OF AN ESTABLISHED TRADING MARKET MAY MAKE IT DIFFICULT TO TRANSFER OUR STOCK. The Company s common stock is traded on the OTC Bulletin Board. Although there is limited trading in the common stock, there is no established trading market. Until there is an established trading market, holders of the common stock may find it difficult to dispose of, or to obtain accurate quotations for the price, of the common stock. See Description of Securities and Market for Common Equity and Related Shareholder Matters.

SINCE WE HAVE NOT PAID ANY DIVIDENDS ON OUR COMMON STOCK AND DO NOT INTEND TO DO SO IN THE FORESEEABLE FUTURE, A PURCHASER IN THE OFFERING WILL ONLY REALIZE AN ECONOMIC GAIN ON HIS OR HER INVESTMENT FROM APPRECIATION, IF ANY, IN THE MARKET PRICE OF THE COMMON STOCK. We have not paid and have no intentions in the foreseeable future to pay any dividends on our common stock. Therefore, an investor in all likelihood will only realize a profit on his investment if the market price of our common stock increases in value.

BECAUSE SHARES OF OUR COMMON STOCK TRADE UNDER $5.00 THE APPLICATION OF THE PENNY STOCK REGULATION COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK AND MAY AFFECT YOUR ABILITY TO RESELL YOUR SHARES. Our securities may be deemed a penny stock. Penny stocks generally are equity securities with a price of less than $5.00 per share other than securities registered on certain national securities exchanges or quoted on the NASDAQ stock market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Our securities may be subject to penny stock rules that impose additional sales practice requirements on broker-dealers who sell penny stock securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of penny stock securities and have received the purchaser s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the penny stock rules require the delivery, prior to the transaction, of a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell our securities and may have the effect of reducing the level of trading activity of our common stock in the secondary market. The foregoing required penny stock restrictions will not apply to our securities if our securities maintain a market price of $5.00 or greater. The price of our securities may not reach or maintain a $5.00 price level.

THE SELLING SHAREHOLDERS, IF THEY CHOOSE TO SELL PART OR ALL OF THEIR SHARES IN SUFFICIENTLY LARGE VOLUMES IN A RELATIVELY SHORT TIME PERIOD, MAY CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DECLINE. Often sales of large blocks of stock can reduce the price of a common stock.

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THE COMPANY S OFFICERS HAVE EFFECTIVE CONTROL OF THE COMPANY AND OTHER STOCKHOLDERS MAY HAVE LITTLE OR NO VOICE IN CORPORATE MANAGEMENT. The President beneficially owns 58.58% of the outstanding shares of common stock. As a result, the President effectively controls the election of directors and matters requiring approval by the Company s shareholders. Thus, he may be able to prevent corporate transactions such as future mergers, which might be favorable from the Company s standpoint or the standpoint of the other shareholders.

QUARTERLY, SEASONAL AND OTHER FLUCTUATIONS IN OUR BUSINESS AND OPERATING RESULTS MAY DEPRESS THE TRADING PRICE OF OUR COMMON STOCK. Our operating results have fluctuated widely in the past, and we expect that these results will fluctuate in the future due to do a number of factors. We do not control several of these factors. These factors include the following (as well as other factors described in other Risk Factors):

Changes in general economic conditions

Changes in specific economic conditions prevailing in our industry and in other technology industries

Our ability to obtain new customers

The impact of accounting for non-cash interest expense

As a result of the factors discussed herein as well as others, we believe that period-to-period comparisons of our historical results of operations are not necessarily good predictors of indications of our future performance. If our future operating results are below the expectations of investors or any stock market securities analysts who may follow our stock, our stock price may decline.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements including statements regarding the expectations of future operations within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For this purpose, any statements contained in this prospectus 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-lookin 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. For example, statements included in this prospectus regarding our financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future demand for our services and products, supply, costs, marketing and pricing factors are all forward-looking statements.

We believe that the assumptions and expectations reflected in the above stated forward-looking statements are reasonable, based on information available to us on the date of this prospectus, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We have disclosed certain important factors that could cause our actual results to differ materially from our current expectations under Risk Factors and elsewhere in this prospectus. You should understand that forward-looking statements made in connection with this offering are necessarily qualified by these factors. We are not undertaking to publicly update or revise any forward-looking statement if we obtain new information or upon the occurrence of future events or otherwise.

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DILUTION

The following summarizes the dilution of ownership of the current shareholders assuming the sale of all shares to be registered:

	# shares	Percentage ownership Before offering	Percentage ownership After offering
Shares currently owned by shareholders other than selling security holders	5,561,782	98.25 %	76.56 %
Shares currently owned by selling security holders	99,220	1.75	1.36
Total shares owned before conversion	5,661,002	100.00	77.92 %
Shares to be registered:			
Issued upon conversion of Convertible Subordinated Notes and accrued interest	583,915		8.04
Total shares currently owned at June 29, 2004	6,244,917		85.96
Shares to be issued upon future exercise of warrants	1,020,000		14.04
Total shares to be outstanding	7,264,917		100.00 %

DIVIDEND POLICY

The Company does not intend to pay dividends on our common stock. Management plans to retain any earnings in the foreseeable future in the development and expansion of the Company s business. Management can give no assurance that any dividends on the common stock will ever be paid.

CAPITALIZATION

The following sets forth the capitalization of the Company as of March 31, 2004, and the adjusted capitalization assuming the sale of the common stock offered in this offering as if it occurred on March 31, 2004. This information should be read in conjunction with the financial statements and related notes thereto included elsewhere in this prospectus.

	March 31, 2004 Actual	March 31, 2004 As Adjusted

Current liabilities	$ 219,805	219,805
Long-term liabilities	206,000	206,000
Total liabilities	425,805	425,805
Shareholders equity		
Common stock, $0.01 par value; 20,000,000 shares authorized; 6,244,917 issued and outstanding at March 31, 2004; 7,264,917 issued and outstanding at March 31, 2004 as adjusted for sale of shares in this offering	6,245	7,265
Paid-in Capital	1,489,387	2,712,495
Accumulated deficit	(504,071)	(504,071)
Total shareholders equity	991,561	2,215,689
Total liabilities and shareholders equity	$ 1,417,366	2,641,494