

ADVANT E CORP
Form 10-K
March 30, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-30983

ADVANT-E CORPORATION

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

88-0339012
(I.R.S. Employer
Identification No.)

2680 Indian Ripple Rd., Dayton, Ohio
(Address of Principal Executive Offices)

45440
(Zip Code)

Registrant's telephone number: (937) 429-4288

Securities registered pursuant to Section 12(b) of the Exchange Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.001 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period than the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009, based upon the closing price of the common stock as reported by Over the Counter Bulletin Board on such date, was \$3,917,876.

The number of shares of outstanding common stock of the issuer as of March 30, 2010 was 66,722,590.

PART I

Item 1. Business.

Advant-e Corporation was incorporated in the State of Delaware on March 9, 1994. On April 10, 2000, Advant-e Corporation acquired all of the issued and outstanding shares of Edict Systems, Inc., which was incorporated in the State of Ohio in September 1994. On July 2, 2007 Advant-e Corporation acquired all the issued and outstanding shares of Merkur Group, Inc., which was incorporated in the State of Delaware on August 28, 2001. Advant-e Corporation and its wholly-owned subsidiaries Edict Systems, Inc. and Merkur Group, Inc. are collectively referred to herein as the Company .

Advant-e Corporation through its wholly-owned subsidiaries, Edict Systems, Inc. and Merkur Group, Inc., develops, markets, resells, and hosts software and provides services that allow its customers to send and receive business documents electronically in standard and proprietary formats. Customers consist of businesses across a number of industries primarily throughout the United States, and to a much lesser extent some foreign locations, principally Canada and Mexico, and Puerto Rico.

Edict Systems specializes in providing hosted Electronic Data Interchange solutions that utilize the Internet as the primary communications method. Customers use Edict Systems solutions to connect with business partners, integrate data with internal systems, expand and manage electronic trading communities, and validate data via a hosted business rule service.

Merkur Group develops and resells software, provides professional services, and provides technical maintenance and support that enables customers to automate delivery and receipt of business documents. Merkur Group provides proprietary software that integrates and connects large Supply Chain Management (SCM), Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) systems with third party software that provides multiple delivery and document capture options.

The Market

Business-to-business (B2B) e-commerce involves the automation of business processes and transactions through the use of computers and telecommunications to exchange and electronically process commercial information and transactions between businesses. The advantages of B2B e-commerce typically include elimination of redundant data entry, a reduction in administration associated with processing paper documents, a reduction in lead-time necessary to process documents, the ability to reduce inventory based on just in time methodologies, and increased data accuracy. The use of data standards for e-commerce is important for companies with disparate computer systems to communicate business documents electronically in an effective manner.

Strategy

The Company plans to become a leading provider of hosted B2B solutions by providing services to the marketplace for the broadest possible use. By focusing on vertical markets within the B2B marketplace along with providing horizontal solutions, the Company intends to target a broad potential customer base.

The Company utilizes its many years of experience in the e-commerce industry to market EnterpriseEC, the Company's Electronic Transaction Network and Trading Community Management Platform, horizontally to companies currently doing e-commerce as well as companies that will be conducting e-commerce in the future. Because EnterpriseEC is not industry specific and utilizes both standards-based data formats as well as proprietary formats, any company doing Electronic Data Interchange (EDI) or which wants to conduct business electronically is a potential customer.

The Company's Web EDI solution, a hosted, web-based system that allows small and medium size suppliers to conduct EDI, is currently widely used in the grocery industry and to a lesser but substantial extent in the automotive industry. The Company intends to duplicate the success of GroceryEC and AutomotiveEC in other vertical industries where there is a high concentration of EDI usage among large buyers, but relatively low support from small and medium size suppliers.

The strategy for Merkur Group, Inc. is to target additional customers for automating outbound documents and to increase inbound document processing installations by targeting existing outbound-only customers. Merkur also intends to identify and target specific vertical applications for both inbound and outbound document processing opportunities as well as additional ERP, MRP, and CRM packages with which it can integrate.

Competition

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The B2B e-commerce market is highly competitive and fragmented. Numerous companies supply B2B e-commerce software products, private network services, Internet value added network (VAN) services, and web EDI capabilities. The Company s competitors range from small companies with limited resources to large companies with substantially greater financial and marketing resources than the Company. The Company believes that existing competitors who compete with the Company in one segment of the

market are likely to expand the range of their e-commerce services to include other market segments that the Company has targeted or will target. In addition, barriers to entry into the Company's markets are not sizeable, so it is likely that new competitors will enter the Company's markets on an ongoing basis. Large telecommunication, media, and software companies may offer services in direct competition to the Company. The Company believes the principal competitive factors in the commercial B2B e-commerce industry include responsiveness to customer needs, efficiency in the delivery of solutions, ease of product use, and quality of service, price and value. The Company believes it competes favorably with regard to these factors.

Merkur Group, Inc. competes in a fragmented market with many competitors, both software and hosted service providers. Merkur's proprietary software that allows it to integrate deeply with several major ERP/MRP systems, and its deep knowledge of the industry and the software which it resells, provides it with what the Company believes to be a strategic competitive advantage.

Intellectual and Proprietary Rights

The Company regards portions of its internally developed software and other designs, including its web site designs, as proprietary and will attempt to protect them by all available means including trade secret laws, employee and third-party nondisclosure agreements, and built-in software protections.

Although the Company believes that its current technology and designs have been independently developed, there can be no assurance that the technology does not or will not infringe on the rights of others. The Company has no patents or registered copyrights pertaining to its products, and it may be possible for unauthorized third parties to copy certain portions of the Company's products or to reverse engineer or otherwise obtain and use, to the Company's detriment, information that the Company regards as proprietary. Moreover, the laws of some countries do not offer the same protection to the Company's proprietary rights as do those of the United States and Canada. There can be no assurance that legal protections relied upon by the Company to protect its proprietary position will be adequate or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to those utilized by the Company. It is the intention of the Company to apply for patent protection of any processes or business methods determined to be patentable and in the best interest of the Company to do so.

The Company owns United States trademark rights to EnterpriseEC and Merkur. Other trademarks may be acquired by the Company if and when management determines that it is in the best interest of the Company to do so.

Third Party Technology

The Company incorporates in its products certain software licensed to it by other software developers. These include software components and development objects licensed from various vendors. The Company also relies on licensed software development tools, database software, and server software from third party providers for the development and operation of its products.

If the Company was 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 did not meet the standards set by the Company, there could be serious disruptions to its business.

The Company's wholly-owned subsidiary, Merkur Group, Inc., buys its software for resale almost exclusively from a single supplier. The Company has a contract with that supplier through June 30, 2010. While this software is somewhat unique, similar software that includes substantially the same capabilities is available from other sources at competitive prices. The loss of the current source of supply, however, could result in disruption to the business and could have an adverse impact on the Company's revenue and net income.

Employees

The Company believes its success depends to a significant extent on its ability to attract, motivate and retain highly skilled vision-oriented management and employees. To this end, the Company focuses on incentive programs for its employees and endeavors to create a corporate culture that challenges and rewards employees and encourages development of their careers, professionalism, and entrepreneurship. As of March 30, 2010, the Company had a total of sixty-six (66) employees sixty-five (65) were full-time employees and one (1) was a part-time employee. Forty-three (43) employees are technical personnel engaged in developing, maintaining or providing technical support for the Company's products and services, sixteen (16) employees are marketing and sales personnel and seven (7) are involved in administration and finance.

Research and Development

Expenditures for research and development were nominal in 2009 and 2008.

Government Regulation

Based upon its experience and knowledge of the industry, the Company believes that its products comply substantially with applicable regulations in the markets which the Company has targeted, however, there can be no assurances that future regulations or laws will not be adopted that would have an adverse effect on the Company. The Company cannot predict the extent or impact of future legislation or regulation by federal, state or local authorities.

The Company believes that it is in full compliance with the applicable rules and regulations of the Securities Exchange Commission and is in full compliance with applicable provisions of the Sarbanes-Oxley Act of 2002 and its regulations, recognizing that, as a non-accelerated filer, the Company is required to comply with Section 404 by providing management's report over financial reporting when it files its annual report Form 10-K, and by providing the independent registered public accounting firm's attestation report on internal control over financial reporting when it files its annual report Form 10-K for the year ended December 31, 2010.

Continued compliance with Section 404 of the Sarbanes-Oxley Act of 2002 will require expenditures associated with the independent registered public accounting firm's attestation engagement and report relating to the Company's internal control over financial reporting. Expenditures such as these, related to compliance requirements of the Sarbanes-Oxley Act of 2002, may be large enough to substantially reduce future earnings and/or become so prohibitive and onerous that it may be extremely difficult for the Company to compete and grow. In this event, the Company's management would likely need to consider business alternatives that could include conversion to a non-reporting entity whereby its shares of stock would no longer be traded on the over the counter bulletin board.

Reports to Security Holders

We are currently subject to the reporting requirements of the Securities Exchange Act, and we file periodic reports including annual Form 10-K and quarterly Form 10-Q, and other information with the Securities and Exchange Commission ("Commission"). In addition, we will, upon request, furnish shareholders with annual reports containing audited financial statements certified by our independent registered public accounting firm and interim reports containing unaudited financial information. We will provide without charge to each person who receives a copy of this Form 10-K, upon written or oral request, a copy of any information that is incorporated by reference in this Form 10-K (not including exhibits to the information that is incorporated by reference unless the exhibits are themselves specifically incorporated by reference). Such request should be directed to Advant-e Corporation, Attention: Investor Relations, 2680 Indian Ripple Rd., Dayton, OH 45440, telephone 937-429-4288. Our web sites are www.advant-e.com, www.edictsystems.com, and www.merkur.com.

For further information with respect to the Company, reference is made to all other reports and information that we have filed with the Commission, which may be inspected and copied at the public reference facilities of the Commission in Washington D.C. Copies of such material can be obtained from the Public Reference Section of the Commission, 100 F Street, N.E. Room 1580, Washington, D.C. 20549, telephone 1-800-SEC-0330, at prescribed rates and are available on the Internet at <http://www.sec.gov>. The Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. Visitors to the site may access such information by searching the EDGAR database.

Item 1A. Risk Factors

Not required for a smaller reporting company.

Item 1B. Unresolved Staff Comments

Not required for a smaller reporting company.

Item 2. Properties.

The Company leases for \$105,480 per year 12,000 square feet of office space as its corporate office and principal place of business of Edict Systems, Inc. in Dayton, Ohio. The lease expires on September 30, 2011, except that the Company has two three-year renewal options through 2017.

The Company leases for \$69,991 per year 4,170 square feet of office space as the principal place of business of Merkur Group, Inc. in West Chester, Ohio. The lease expires on March 31, 2012.

Item 3. Legal Proceedings.

None.

Item 4. (Removed and Reserved)

PART II

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Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following table sets forth, during the periods indicated, the range of high and low bid prices for the Company's Common Stock (symbol ADVC) on the OTC Bulletin Board. The Company's Common Stock symbol was AVEE before it was changed to ADVC effective as of November 2, 2009.

The following table shows per share amounts that reflect retrospectively the ten-for-one stock split effective December 1, 2009. Such high and low bid information reflects inter-dealer quotes, without retail mark-up, mark-down or commissions and may not represent actual transactions:

	Dividends	High	Low
2009			
Quarter ended:			
March 31, 2009	\$.000	0.144	0.096
June 30, 2009	.000	0.130	0.101
September 30, 2009	.000	0.140	0.102
December 31, 2009	.030	0.400	0.120
2008			
Quarter ended:			
March 31, 2008	.000	0.210	0.165
June 30, 2008	.000	0.225	0.105
September 30, 2008	.000	0.199	0.150
December 31, 2008	.014	0.170	0.100

As of March 30, 2010 the Company had approximately 292 registered holders of record of common stock. Some of those registered holders are brokers who are holding shares for multiple clients in street name. Accordingly, the Company believes the number of actual shareholders of common stock exceeds the number of registered holders of record.

The Company declared a special dividend of \$0.03 per share, \$2,001,678 in total, payable in three installments of \$0.01 per share, or \$667,226, each by no later than December 31, 2009, June 30, 2010, and December 31, 2010. The Company paid the first installment, \$0.01 per share, or \$667,226, on December 28, 2009. The Company paid a special cash dividend in the fourth quarter of 2008 of \$0.014 per share, or \$940,704 in total.

The Company declared special dividends in 2008 and 2009, and is committed to paying in 2010 the final two installments of the 2009 dividend declaration. These declarations and payments, however, are not meant to indicate that the Company will necessarily declare and pay a dividend in 2011 and beyond on a regular basis. Any dividend payments are at the discretion of the Board of Directors. Dividend payments depend on various facts and circumstances including, but not limited to, the Company's earnings and financial position, general economic conditions, opportunities for the Company's development and expansion, and other pertinent factors

No securities are authorized for issuance under share-based compensation plans.

Issuer Purchases of Equity Securities

The Company's share repurchase program for up to \$750,000 in fair market value of the Company's common stock on the open market or in privately negotiated transactions was announced on August 9, 2007, and subsequently extended through December 31, 2009. During the life of the program the Company purchased 2,027,560 shares, reflecting the 10-for 1 stock split in 2010, for \$274,354 at an average cost of approximately \$0.135 per share. The following table summarizes the share repurchase program by month during the fourth quarter of 2009:

Period	(a) Total number of shares purchased	(b) Average price per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Approximate dollar value of shares that were not purchased under the plan or program
November 2009	100	\$.135	100	\$ 475,646

Item 6. Selected Financial Data

Not required for a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward looking statements

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

This item should be read in conjunction with Item 8. Financial Statements and Supplementary Data and other items contained elsewhere in this Form 10-K.

2009 Results Compared to 2008

Executive Summary

Revenue for 2009 of \$8,649,199 declined by \$219,970, or 2%, compared to 2008 due primarily to reduced software revenue for Merkur Group.

Net income for 2009 of \$1,194,802 increased by \$131,012, or 12%, due primarily to our efforts to reduce costs and expenses.

The Company implemented a ten-for-one stock split of its common stock, wherein shareholders of record on November 30, 2009 received on December 2, 2009 nine additional shares of stock for each share held on that date. As a result, the Company issued 60,255,909 additional shares. Per share amounts for both 2009 and 2008 reflect this stock split.

The Company declared dividends on October 30, 2009 of \$0.03 per share (after the aforementioned ten-for-one stock split), payable in three installments of \$.01, the first of which was paid on December 28, 2009 and totaled \$667,226. The remaining two installments of \$0.01 per share each will be paid on or before June 30, 2010 totaling \$667,226 and on or before December 31, 2010 totaling \$667,226.

The Company generated net cash flows from operating activities of \$1,594,305 in 2009 compared to \$1,427,412 in 2008.

Revenue

Total revenue in 2009 decreased by 2%, compared to 2008. Revenue for Edict Systems increased by 6% and revenue for Merkur Group decreased by 29%.

Total Revenue