

ADVANT E CORP  
Form 10QSB  
November 14, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D. C. 20549

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**FORM -10-QSB**

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(Mark One)

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

For the quarterly period ended September 30, 2006

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 0-30983

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**ADVANT-E CORPORATION**

(Exact name of small business issuer as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

2680 Indian Ripple Rd.

Dayton, Ohio 45440

(Address of principal executive offices)

(937) 429-4288

**88-0339012**  
(IRS Employer

Identification No.)

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(Issuer's telephone number)

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

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

As of November 13, 2006 the issuer had 6,403,714 outstanding shares of Common Stock, \$.001 Par Value.

Transitional Small Business Disclosure Format: Yes  No

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## ADVANT-E CORPORATION AND SUBSIDIARY

## CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited)

|  | Three Months Ended    |           | Nine Months Ended     |           |
|--|-----------------------|-----------|-----------------------|-----------|
|  | September 30,<br>2006 | 2005      | September 30,<br>2006 | 2005      |
| Revenue  | \$ 1,368,582          | 1,143,058 | 3,964,509             | 3,258,931 |
| Cost of revenue  | 422,394               | 379,142   | 1,199,923             | 1,142,521 |
| Gross margin   | 946,188               | 763,916   | 2,764,586             | 2,116,410 |
| Marketing, general and administrative expenses         | 589,891               | 494,103   | 1,799,812             | 1,471,118 |
| Operating income                                       | 356,297               | 269,813   | 964,774               | 645,292   |
| Other income, net                                      | 14,142                | 5,132     | 46,531                | 5,132     |
| Income before taxes                                    | 370,439               | 274,945   | 1,011,305             | 650,424   |
| Income tax expense                                     | 138,064               | 110,000   | 380,369               | 260,100   |
| Net income   | \$ 232,375            | 164,945   | 630,936               | 390,324   |
| Basic earnings per share                               | \$ 0.04               | 0.02      | 0.10                  | 0.06      |
| Diluted earnings per share                             | \$ 0.04               | 0.02      | 0.10                  | 0.06      |
| Weighted average shares outstanding                    | 6,403,174             | 6,332,423 | 6,403,174             | 6,298,765 |
| Weighted average shares outstanding, assuming dilution | 6,432,246             | 6,364,810 | 6,429,770             | 6,308,378 |

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

**ADVANT-E CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

|   | September 30,       | December 31,     |
|---|---------------------|------------------|
|   | 2006                | 2005             |
|   | (Unaudited)         |                  |
| <b>Assets</b>   |                     |                  |
| Current assets:   |                     |                  |
| Cash and cash equivalents   | \$ 1,850,956        | 1,763,435        |
| Short-term investments  | 264,503             | 225,902          |
| Accounts receivable, net  | 446,581             | 351,482          |
| Prepaid expenses and deposit  | 46,143              | 25,128           |
| <b>Total current assets</b>   | <b>2,608,183</b>    | <b>2,365,947</b> |
| Software development costs, net   | 258,365             | 160,656          |
| Property and equipment, net   | 361,012             | 262,523          |
| <b>Total assets</b>   | <b>\$ 3,227,560</b> | <b>2,789,126</b> |
| <b>Liabilities and Shareholders' Equity</b>   |                     |                  |
| <b>Liabilities</b>  |                     |                  |
| Current liabilities:  |                     |                  |
| Accounts payable  | \$ 56,376           | 44,838           |
| Accrued salaries and other expenses   | 126,825             | 115,510          |
| Income taxes payable  | 26,305              | 375,652          |
| Deferred income taxes   | 70,966              | 26,000           |
| Deferred revenue  | 81,250              | 76,173           |
| <b>Total current liabilities</b>  | <b>361,722</b>      | <b>638,173</b>   |
| Deferred income taxes   | 212,530             | 136,000          |
| <b>Total liabilities</b>  | <b>574,252</b>      | <b>774,173</b>   |
| <b>Shareholders' Equity:</b>  |                     |                  |
| Common stock, \$.001 par value; 20,000,000 shares authorized; 6,403,714 outstanding | 6,403               | 6,403            |
| Paid-in capital   | 1,551,606           | 1,551,606        |
| Accumulated other comprehensive income  | 13,034              | 5,615            |
| Retained earnings   | 1,082,265           | 451,329          |
| <b>Total shareholders' equity</b>   | <b>2,653,308</b>    | <b>2,014,953</b> |
| <b>Total liabilities and shareholders' equity</b>                                   | <b>\$ 3,227,560</b> | <b>2,789,126</b> |

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

## ADVANT-E CORPORATION AND SUBSIDIARY

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2006                               | 2005      |
| Cash flows from operating activities:  |                                    |           |
| Net income   | \$ 630,936                         | 390,324   |
| Adjustments to reconcile net income to net cash flows from operating activities: |                                    |           |
| Depreciation   | 105,624                            | 80,115    |
| Amortization of software development costs                                       | 93,793                             | 185,280   |
| Loss on disposal of assets   | 41,921                             |           |
| Net realized gains on sales of available-for-sale investments                    | (8,768)                            |           |
| Deferred income taxes  | 116,963                            | (16,000)  |
| Increase (decrease) in cash arising from changes in assets and liabilities:      |                                    |           |
| Accounts receivable  | (95,099)                           | (7,529)   |
| Prepaid expenses   | (21,015)                           | (16,635)  |
| Accounts payable   | 11,538                             | 691       |
| Accrued salaries and other expenses  | 11,315                             | 7,515     |
| Income taxes payable   | (349,347)                          | 242,100   |
| Deferred revenue   | 5,077                              | (55,594)  |
| Net cash flows from operating activities   | 542,938                            | 810,267   |
| Cash flows from investing activities:  |                                    |           |
| Purchases of available-for-sale investments                                      | (107,966)                          | (235,175) |
| Proceeds from sales of available-for-sale investments                            | 90,085                             | 16,006    |
| Purchases of equipment   | (238,480)                          | (83,485)  |
| Software development costs   | (199,056)                          | (64,519)  |
| Net cash flows from investing activities   | (455,417)                          | (367,173) |
| Cash flows from financing activities:  |                                    |           |
| Issuance of common stock   |                                    | 91,500    |
| Payments of direct costs of securities registration                              |                                    | (6,741)   |
| Net cash flows from financing activities   |                                    | 84,759    |
| Net increase in cash and cash equivalents  | 87,521                             | 527,853   |
| Cash and cash equivalents, beginning of period                                   | 1,763,435                          | 944,892   |
| Cash and cash equivalents, end of period   | \$ 1,850,956                       | 1,472,745 |
| Supplemental disclosures of cash flow items:                                     |                                    |           |
| Income taxes paid  | \$ 641,000                         | 34,000    |

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

## ADVANT-E CORPORATION AND SUBSIDIARY

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

September 30, 2006

**Note 1: Basis of Presentation**

The accompanying unaudited consolidated condensed financial statements include the accounts of Advant-e Corporation and its wholly-owned subsidiary Edict Systems, Inc. (the Company). Inter-company accounts and transactions are eliminated in consolidation.

The statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and notes to financial statements required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated condensed financial statements include all adjustments considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006. These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in Advant-e Corporation's 2005 Form 10-KSB filed with the Securities and Exchange Commission.

**Note 2: Software Development Costs**

Software development costs at September 30, 2006 and the changes during the nine months then ended are summarized as follows:

|                             | Cost         | Accumulated<br>Amortization | Net      |
|-----------------------------|--------------|-----------------------------|----------|
| Balance, January 1, 2006    | \$ 1,296,485 | 1,135,829                   | 160,656  |
| Additions                   | 199,056      |                             | 199,056  |
| Disposals                   | (18,130)     | (10,576)                    | (7,554)  |
| Amortization                |              | 93,793                      | (93,793) |
| Balance, September 30, 2006 | \$ 1,477,411 | 1,219,046                   | 258,365  |

The unamortized costs relate exclusively to internal use software and costs associated with web site development and related enhancements. The additions in the first nine months of 2006 relate primarily to costs capitalized in connection with a general upgrade of the existing web EDI product to a new version.

The ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in software and hardware technologies. Impairment of asset value is considered whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

**Note 3: Income taxes**

Income tax expense consists of the following:

|                                 | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                |
|---------------------------------|-------------------------------------|----------------|------------------------------------|----------------|
|                                 | 2006                                | 2005           | 2006                               | 2005           |
| Current expense                 | \$ 84,779                           | 94,000         | 263,406                            | 276,100        |
| Deferred expense (benefit)      | 53,285                              | 16,000         | 116,963                            | (16,000)       |
| <b>Total income tax expense</b> | <b>\$ 138,064</b>                   | <b>110,000</b> | <b>380,369</b>                     | <b>260,100</b> |

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

|  | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                |
|--|-------------------------------------|----------------|------------------------------------|----------------|
|  | 2006                                | 2005           | 2006                               | 2005           |
| Income taxes at federal statutory rate | \$ 125,949                          | 93,000         | 345,844                            | 221,000        |
| State income taxes                     | 12,115                              | 17,000         | 34,525                             | 39,100         |
| <b>Income tax expense</b>              | <b>\$ 138,064</b>                   | <b>110,000</b> | <b>380,369</b>                     | <b>260,100</b> |

**Note 4: Earnings per share**

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three months and the nine months ended September 30, 2006 and 2005, respectively, follows:

|  | Income<br>(Numerator) | Average Shares<br>(Denominator) | Per Share<br>Amount |
|--|-----------------------|---------------------------------|---------------------|
| <b>Three months ended September 30, 2006</b>                           |                       |                                 |                     |
| Basic earnings per share:  |                       |                                 |                     |
| Net income available to shareholders                                   | \$ 232,375            | 6,403,174                       | \$ 0.04             |
| Effect of potentially dilutive securities:                             |                       |                                 |                     |
| Outstanding warrants   |                       | 29,072                          |                     |
| Diluted earnings per share:  |                       |                                 |                     |
| Net income available to shareholders plus assumed exercise of warrants | \$ 232,375            | 6,432,246                       | \$ 0.04             |
| <b>Three months ended September 30, 2005</b>                           |                       |                                 |                     |
| Basic and diluted earnings per share:                                  |                       |                                 |                     |
| Net income available to shareholders                                   | \$ 164,945            | 6,332,423                       | \$ 0.02             |
| Effect of potentially dilutive securities:                             |                       |                                 |                     |
| Outstanding warrants   |                       | 32,387                          |                     |
| Net income available to shareholders plus assumed exercise of warrants | \$ 164,945            | 6,364,810                       | \$ 0.02             |

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|  | Income<br>(Numerator) | Average Shares<br>(Denominator) | Per Share<br>Amount |
|--|-----------------------|---------------------------------|---------------------|
| <b><u>Nine months ended September 30, 2006</u></b>                     |                       |                                 |                     |
| Basic earnings per share:  |                       |                                 |                     |
| Net income available to shareholders                                   | \$ 630,936            | 6,403,174                       | \$ 0.10             |
| Effect of potentially dilutive securities:                             |                       |                                 |                     |
| Outstanding warrants   |                       | 26,596                          |                     |
| Diluted earnings per share:  |                       |                                 |                     |
| Net income available to shareholders plus assumed exercise of warrants | \$ 630,936            | 6,429,770                       | \$ 0.10             |
| <b><u>Nine months ended September 30, 2005</u></b>                     |                       |                                 |                     |
| Basic and diluted earnings per share:                                  |                       |                                 |                     |
| Net income available to shareholders                                   | \$ 390,324            | 6,298,765                       | \$ 0.06             |
| Effect of potentially dilutive securities:                             |                       |                                 |                     |
| Outstanding warrants   |                       | 9,613                           |                     |
| Net income available to shareholders plus assumed exercise of warrants | \$ 390,324            | 6,308,378                       | \$ 0.06             |

Warrants for 50,000 shares at \$1.205 per share were exercised in February 2005 resulting in proceeds of \$60,250.

At September 30, 2006 the Company has outstanding 75,000 warrants for the purchase of 75,000 shares of the Company's common stock at \$1.205 per share, expiring on December 6, 2006.

**Note 5: Comprehensive income**

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

|   | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |
|---|-------------------------------------|---------|------------------------------------|---------|
|   | 2006                                | 2005    | 2006                               | 2005    |
| Net income  | \$ 232,375                          | 164,945 | 630,936                            | 390,324 |
| Other comprehensive income:   |                                     |         |                                    |         |
| Net unrealized gain (loss) on available-for-sale securities   | (842)                               | 1,996   | 20,720                             | 1,996   |
| Income tax expense (benefit)  | (307)                               | 1,015   | 7,777                              | 1,015   |
|   | (535)                               | 981     | 12,943                             | 981     |
| Reclassification adjustment for net realized (gain) loss on sales of available-for-sale securities included in net income |                                     |         |                                    |         |
|   | 1,099                               |         | (8,768)                            |         |
| Income tax benefit (expense)  | (407)                               |         | 3,244                              |         |
|   | 692                                 |         | (5,524)                            |         |
| Total comprehensive income  | \$ 232,532                          | 165,926 | 638,355                            | 391,305 |

The sole component of accumulated other comprehensive income, net of tax, of \$13,034 at September 30, 2006 is accumulated net unrealized holding gain on available-for-sale investments.

**Note 6: Recently Issued Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). The purpose of SFAS No. 157 is to define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. The measurement and disclosure requirements are effective for the Company beginning in the first quarter of fiscal 2008. The Company is



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currently evaluating the potential impact that SFAS No. 157 may have on the Company's financial statements.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes. The Interpretation requires that realization of an uncertain income tax position must be more likely than not (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Further, the Interpretation prescribes the benefit to be recorded in the financial statements as the amount most likely to be realized assuming a review by tax

authorities having all relevant information and applying current conventions. The Interpretation also clarifies the financial statement classification of tax-related penalties and interest and sets forth new disclosures

regarding unrecognized tax benefits. The Interpretation is effective in the first quarter of 2007 and the Company plans to adopt the Interpretation when required. The Company does not believe the adoption of this Interpretation will have a material impact on the financial statements.

## **ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

This Form 10-QSB contains forward-looking statements, including statements regarding the expectations of future operations. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate, or continue or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company's control. These factors include, but are not limited to, economic conditions generally and in the industries in which the Company may participate, competition within the chosen industry, including competition from much larger competitors, technological advances, and the failure to successfully develop business relationships. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. This item should be read in conjunction with Item 1. Financial Statements and other items contained elsewhere in this report.

### **Products and Services**

The Company, through its wholly-owned subsidiary Edict Systems, Inc., is a provider of business-to-business ( B2B ) electronic commerce ( e-commerce ) products and services, offering Electronic Data Interchange ( EDI ) based and proprietary solutions for businesses of all sizes. The Company develops, markets, and supports B2B e-commerce software products and provides Internet-based communication and data processing services that enable businesses to process transactions electronically.

The Company provides consultative services for its customers, generally small and medium sized suppliers of larger companies, where the Company interfaces between its customers and the buyers to facilitate the EDI connectivity required for document processing.

The following comprise the Company's three principal business products/services:

Web EDI Internet-based supply chain solution for the grocery and other industries

EnterpriseEC® Internet-based Electronic Business Transaction Network Services

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

### **Critical Accounting Policies and Estimates**

#### ***Revenue Recognition***

The Company recognizes revenues in accordance with the Securities Exchange Commission Staff Accounting Bulletin 101 (SAB 101), which requires the Company to recognize revenue when, in addition to other criteria, delivery has occurred or services have been rendered.

Revenues from Internet-based products and services (Web EDI and EnterpriseEC, etc.) are comprised of four components account activation and trading partner set-up fees, monthly subscription fees, usage based transactional fees and customer payments for the Company's development of applications designed to meet specific customer specifications.

Revenues earned from account activation and trading partner set-up fees are recognized after the Company performs consultative work required in order to establish an electronic trading partnership between the customer and their desired trading partners. Trading partnerships, once established, require no ongoing effort on the part of the Company and customers are able to utilize the electronic trading partnerships either directly with their customers or via a service provider other than the Company.

Revenue from monthly subscription fees is recognized over the period to which the subscription applies.

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Revenue from usage-based transaction fees is recognized in the period in which the transactions are processed.

Revenue from customer payments for the Company's development of applications designed to meet specific customer specifications is recognized over the twelve-month to twenty-four-month contract period.

Revenues from software product sales are recognized when the product is shipped. Ongoing software license fees are recognized ratably over the license period of generally twelve months.

#### ***Software Development Costs***

The Company accounts for the costs of computer software that it develops for internal use and costs associated with operation of its web sites in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use and Emerging Issues Task Force (EITF) No. 00-2 Accounting for Web Site Development Costs. Such capitalized costs represent the salaries and benefits of employees working on the graphics and content development stages, or adding functionality or features. Under SOP 98-1 and EITF No. 00-2, overhead, general and administrative and training costs are not capitalized. The Company accounts for the costs of computer software that it sells, leases and markets as a separate product in accordance with Financial Accounting Standards Board Statement No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed. Capitalized costs are amortized by the straight-line method over the remaining estimated economic lives of the software application, generally three years, and are reported at the lower of unamortized cost or net realizable value.

#### **Results of Operations**

Revenue in the third quarter of 2006 of \$1,368,582 exceeded revenue in the third quarter of 2005 of \$1,143,058 by \$225,424, or 20%. Revenue for the nine months ended September 30, 2006 of \$3,964,509 exceeded revenue in the nine months ended September 30, 2005 of \$3,258,931 by \$705,578, or 22%. The increases reflect continued market acceptance of the Company's core Web EDI and EnterpriseEC® services to small and medium size suppliers of large grocery and other retailers, automotive manufacturers and other large buying organizations. Revenue growth was particularly strong in the automotive sector for Web EDI and EnterpriseEC. Revenue in the grocery sector for Web EDI grew, but at a slower rate than automotive.

The Company's gross margin, as a percent of revenue, was 69% in the third quarter of 2006 and 70% in the first nine months of 2006 compared to 67% in the third quarter of 2005 and 65% in the first nine months of 2005. The improvement in the gross margin resulted in part from:

Reduced software development cost amortization expense in 2006 compared to 2005: amortization expense was \$30,705 in the third quarter of 2006 compared to \$50,641 in the third quarter of 2005, and \$93,793 in the first nine months of 2006 compared to \$185,280 in the first nine months of 2006. This decrease occurred because the capitalized development costs related to EnterpriseEC were fully amortized during the second quarter of 2005.

Increased capitalized software development costs in 2006 compared to 2005: capitalized software development costs totaled \$62,007 in the third quarter of 2006 compared to \$20,210 in the third quarter of 2005, and \$199,056 in the first nine months of 2006 compared to \$64,519 in the first nine months of 2005. In 2006 the Company capitalized software development costs in connection with a general upgrade of the existing web EDI product to a new version, whereas in 2005 the software development costs capitalized were for new features and enhanced functionality of the existing version.

Marketing, general and administrative expenses increased in both the three months and nine months ended September 30, 2006 compared to the same periods last year primarily due to increased spending on sales and marketing personnel and programs intended to accelerate revenue growth; salary increases for key personnel; and a quarterly incentive bonus plan for non-senior management personnel implemented in 2006. As a percent of revenue, marketing, general and administrative expenses remained constant, at 43% in the third quarter and 45% in the first nine months in both 2006 and 2005.

Net income in the third quarter of 2006 of \$232,375 increased by \$67,430, or 41%, over net income for the third quarter of 2005. Net income in the first nine months of 2006 of \$630,936 increased by \$240,612, or 62%, over net income for the first nine months of 2005.

**Capitalized Development Costs**

The following table sets forth the cost and accumulated amortization of the products comprising software development costs at September 30, 2006:

| <b>Product</b>           | <b>Cost</b>         | <b>Accumulated<br/>Amortization</b> | <b>Net</b>     |
|--------------------------|---------------------|-------------------------------------|----------------|
| Web EDI and enhancements | \$ 1,006,750        | 748,385                             | 258,365        |
| EnterpriseEC             | 470,661             | 470,661                             |                |
| <b>Total</b>             | <b>\$ 1,477,411</b> | <b>1,219,046</b>                    | <b>258,365</b> |

Web EDI, including GroceryEC, is the Company's largest and primary source of revenue and has continued to grow. Sales of EnterpriseEC continued to grow substantially in both the three month and nine month periods ended September 30, 2006.

**Liquidity and Capital Resources**

In the first nine months of 2006, the Company's balance of cash and cash equivalents increased by \$87,521 and net cash flows from operating activities was \$542,938. Significant cash payments in the first nine months of 2006 included \$238,480 for equipment related to infrastructure improvements and \$199,056 for software development costs for new and improved products.

**ITEM 3. Controls and Procedures**

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

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

In September 2006 the CEO and CFO became aware that the Company's system of backing up its computerized accounting records was inadequate. This control weakness resulted in the loss of computerized accounting records for 2006, and required re-entry of transactions into the accounting system from original source documents and other computerized and paper records. The CEO and the CFO determined that the process of re-entering the transactions for 2006 resulted in the successful restoration of the historical accounting data. To correct the deficient system of backing up its computerized accounting records, the Company replaced certain hardware and initiated new procedures to insure that the Company's accounting records and other operating files are backed-up sufficiently.

Based upon the controls evaluation, including the improvements made to the accounting system backup equipment and procedures as described above, our CEO and CFO have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure; and that the Company's disclosure controls and procedures were, except as described above, effective during the period covered by the Company's report on Form 10-QSB for the quarterly period ended September 30, 2006.

The CEO and CFO evaluated the changes to the backup system described above and concluded the changes were sufficient to assure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. During the period covered by this report, there were no changes, except as noted above regarding the accounting system backup equipment and procedures, in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

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

| <b>Exhibit Number</b> | <b>Description</b>   | <b>Method of Filing</b> |
|-----------------------|--|-------------------------|
| 3(i)                  | Amended Certificate of Incorporation                                     | Previously filed (A)    |
| 3(ii)                 | By-laws  | Previously filed (B)    |
| 4                     | Instruments defining the rights of security holders including indentures | Previously filed (C)    |
| 4.1                   | Amendment to warrant certificated dated August 9, 2005                   | Previously Filed(D)     |
| 31.1                  | Rule 13a-14(a)/15d-14(a) Certification                                   | Filed herewith          |
| 31.2                  | Rule 13a-14(a)/15d-14(a) Certification                                   | Filed herewith          |
| 32.1                  | Section 1350 Certification   | Filed herewith          |
| 32.2                  | Section 1350 Certification   | Filed herewith          |

- (A) Filed with Amendment No. 2 to Form 10-SB filed as of October 13, 2000  
 (B) Filed with Amendment No. 1 to Form 10-SB filed as of July 17, 2000  
 (C) Filed with Form 10-SB filed as of July 1, 2000.  
 (D) Filed with Form 10-QSB for the quarterly period ended September 30, 2005 as of November 14, 2005.

**Signatures**

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Advant-e Corporation  
(Registrant)

November 14, 2006

By: /s/ Jason K. Wadzinski  
Jason K. Wadzinski  
Chief Executive Officer  
Chairman of the Board of Directors

November 14, 2006

By: /s/ James E. Lesch  
James E. Lesch  
Chief Financial Officer  
Principal Accounting Officer  
Member of the Board of Directors