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ADVANT E CORP
Form 10QSB
November 12, 2003

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

COMMISSION FILE NUMBER: 0-30983

ADVANT-E CORPORATION

(Name of Small Business Issuer in its Charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

88-0339012

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

2680 Indian Ripple Rd.
DAYTON, OH 45440

(Address of principal executive offices)

937-429-4288

(Issuer's telephone number, including area code)

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

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

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

PART I. FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

ADVANT-E CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	September 30, 2003 ----	December 31, 2002 ----
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 184,256	98,740
Accounts receivable, net	194,855	157,655
Prepaid expenses	20,362	46,817
Deferred income taxes	21,170	40,600
	-----	-----
Total current assets	420,643	343,812
	-----	-----
SOFTWARE DEVELOPMENT COSTS, net of accumulated amortization of \$509,708 at September 30, 2003 and \$294,767 at December 31, 2002	530,771	634,956
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$140,120 at September 30, 2003 and \$103,460 at December 31, 2002	163,110	171,589
OTHER ASSETS		
Deferred income taxes	79,046	79,046
Deposits	6,583	6,583
	-----	-----
	85,629	85,629
	-----	-----
Total assets	\$ 1,200,153	1,235,986
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 59,963	158,320
Accrued interest	74,206	118,025
Other accrued expenses	93,255	49,600
Deferred revenue	114,236	93,893
Bank note payable	8,521	14,097
Convertible subordinated notes payable, net	750,000	729,621
8% demand notes payable to shareholder	45,000	45,000
	-----	-----
Total current liabilities	1,145,181	1,208,556
	-----	-----
LONG-TERM LIABILITIES		
Bank note payable, less current maturities	-	4,797
	-----	-----
Total liabilities	1,145,181	1,213,353
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, \$.001 par value; 20,000,000		

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shares authorized; 5,661,002 issued and outstanding	5,661	5,661
Paid-in capital	850,459	850,459
Accumulated deficit	(801,148)	(833,487)
	-----	-----
Total shareholders' equity	54,972	22,633
	-----	-----
Total liabilities and shareholders' equity \$	1,200,153	1,235,986
	=====	=====

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	----	----	----	----
REVENUES				
Internet products and services \$	722,411	478,361	1,987,852	1,205,877
Software and license fees	37,454	68,049	136,499	235,220
	-----	-----	-----	-----
Total revenues	759,865	546,410	2,124,351	1,441,097
	-----	-----	-----	-----
OPERATING EXPENSES				
Production	27,191	38,658	86,910	107,543
Salaries and benefits	338,667	281,346	1,108,673	757,057
General and administrative	136,502	132,089	486,032	325,533
Depreciation	13,814	5,889	36,660	20,691
Amortization of software development costs	75,061	53,282	214,942	111,594
Interest	33,003	97,322	139,365	256,302
	-----	-----	-----	-----
Total operating expenses	624,238	608,586	2,072,582	1,578,720
	-----	-----	-----	-----
INCOME (LOSS) BEFORE TAXES	135,627	(62,176)	51,769	(137,623)
INCOME TAXES	27,485	1,200	19,430	8,610
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 108,142	(63,376)	32,339	(146,233)
	=====	=====	=====	=====
EARNINGS (LOSS) PER SHARE				
Basic	\$ 0.02	(0.01)	0.01	(0.03)
	=====	=====	=====	=====
Diluted	0.02	(0.01)	0.01	(0.03)
	=====	=====	=====	=====
AVERAGE SHARES OUTSTANDING				
Basic	5,661,002	5,661,002	5,661,002	5,661,002
	=====	=====	=====	=====
Diluted	5,908,532	5,661,002	5,745,797	5,661,002
	=====	=====	=====	=====

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

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

	Nine Months Ended September 30,	
	2003	2002
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 32,339	(146,233)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	36,660	20,691
Amortization of software development costs	214,942	111,594
Deferred income taxes	19,430	8,610
Amortization of note discount resulting from valuation of warrants and beneficial conversion features	45,379	180,680
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(37,200)	(73,682)
Prepaid expenses	26,455	18,256
Accounts payable	(98,357)	12,415
Accrued interest	(43,819)	62,708
Other accrued expenses	43,655	43,982
Deferred revenue	20,343	(15,677)
Deposits	-	(6,584)
	-----	-----
Net cash provided by operating activities	259,827	216,760
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(28,181)	(69,742)
Software development costs	(110,757)	(276,901)
	-----	-----
Net cash used in investing activities	(138,938)	(346,643)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible subordinated notes	-	250,000
Payments on convertible subordinated notes	(25,000)	-
Payments on bank loans	(10,373)	(58,115)
	-----	-----
Net cash provided by (used in) financing activities	(35,373)	191,885
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,516	62,002
Cash and cash equivalents, beginning of period	98,740	180,679
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 184,256	242,681
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW ITEMS		
Interest paid	\$ 137,804	12,759
Non-cash transactions		

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Fair value of warrants issued with convertible subordinated notes	-	27,500
Value of beneficial conversion feature of convertible subordinated notes	-	52,000

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

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

	Common Stock		Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, January 1, 2002	5,661,002	\$ 5,661	763,287	(525,953)	242,995
Net loss				(307,534)	(307,534)
Warrants issued with 10% convertible subordinated notes			27,500		27,500
Beneficial conversion feature of 10% convertible subordinated notes			52,500		52,500
Beneficial conversion feature of extension of 15% convertible subordinated notes			7,172		7,172
Balance December 31, 2002	5,661,002	5,661	850,459	(833,487)	22,633
Net income				32,339	32,339
Balance September 30, 2003	5,661,002	\$ 5,661	850,459	(801,148)	54,972

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

ADVANT-E CORPORATION AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Advant-e Corporation and its wholly-owned subsidiary Edict Systems, Inc. (the "Company").

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,

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the unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of financial position, results of operations, and cash flows for the interim periods.

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

Results of operations for the three months and for the nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year ending December 31, 2003. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, accounting policies, and financial notes thereto included in Advant-e Corporation's 2002 Form 10-KSB filed with the Securities and Exchange Commission.

NOTE 2 - OPERATIONS AND MANAGEMENT'S INTENT

Prior to the quarter ended September 30, 2003, the Company incurred substantial operating losses. The Company reported net income for the current quarter ended September 30, 2003, and generated positive cash flow from operations in the nine-month period ended September 30, 2003 and in the year ended December 31, 2002. This improvement in 2003 results were, in part, due to certain cost saving initiatives implemented in the third quarter of 2003 that included modest workforce and salary reductions and reductions in general and administrative expenses including travel, professional fees and other expenses.

Management believes that current cash and cash equivalents and cash that may be generated from operations in the ensuing year will be sufficient to meet the anticipated capital expenditure requirements and cash interest requirements, provided that the maturity date of certain subordinated notes is extended, the terms modified, or replacement capital is obtained as discussed below. Such projections are based on historical trends related to growth of revenue from existing customers and new customer acquisition, and anticipated revenue growth from EnterpriseEC. The projections also include anticipated cash requirements to provide continuing customer support, installation, sales and marketing, product development and enhancement, and general overhead.

To achieve these projections, the Company anticipates the need to maintain existing capital levels. The Company has completed negotiations with most holders of its convertible subordinated notes, and is currently negotiating, with certain other holders of its subordinated notes to obtain extensions of the due dates of the notes, which were primarily due in the third quarter of 2003 or which are due in the fourth quarter of 2003. Substantially all of the note holders agreed to extend the maturity dates of their notes to January 5, 2004 provided the Company pays all accrued interest before due dates ranging from September 22, 2003 to December 17, 2003. The Company, to date, has made all such interest payments. Those interest payments were contemplated in the Company's cash flow projections. Management also expects that, if the Company's financial and operating results in the last two quarters of 2003 are satisfactory to the note holders, some, if not all, of the note holders will further extend the maturity dates, convert the notes into the Company's common stock pursuant to the note agreements, or modify the terms of the notes. In addition, the Company is pursuing additional sources of capital to replace the convertible subordinated notes in the event that the note holders request payment.

Any projections of future cash needs and cash flows are subject to substantial

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uncertainty.

NOTE 3 - INCOME TAX BENEFIT

Income tax benefits consist solely of deferred tax benefits.

The following is a reconciliation of income taxes to the amount computed at the statutory rate of 34% for the nine months and three months ended September 30, 2003:

	Nine months ended September 30, 2003 -----
Income taxes at expected statutory rate	\$ 17,601
Amount attributable to lower rates used to calculate deferred income tax assets and expected to apply when tax benefits are realized, and state income taxes	(13,599)
Non-deductible interest on debt discount amortization	15,428 -----
Income taxes applicable to income before taxes	19,430 =====
	Three months ended September 30, 2003 -----
Income taxes at expected statutory rate	46,113
Amount attributable to lower rates used to calculate deferred income tax assets and expected to apply when tax benefits are realized, and state income taxes	(19,238)
Non-deductible interest on debt discount amortization	610 -----
Income taxes applicable to income before taxes	\$ 27,485 =====

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

Management has recognized no valuation allowance for the net deferred tax asset because it believes that it is more likely than not that future taxable income will result in realization of such assets. This amount, however, could be reduced in the near term if estimates of future taxable income during the net operating loss carryforward period are reduced. The Company's net operating loss carryforwards, of approximately \$1.0 million, begin to expire in 2020.

NOTE 4 - EARNINGS (LOSS) PER SHARE

The reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the nine months and the three months ended

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September 30, 2003 follows:

	Income (Numerator) -----	Shares (Denominator) -----	Per Share Amount -----
Nine months ended September 30, 2003 -----			
Basic Earnings Per Share:			
Net income available to common shareholders	32,339	5,661,002	0.01
Effect of dilutive securities:			
Warrants attached to convertible subordinated notes	-	84,795	0.00
Diluted earnings per share:			
Net income available to common shareholders plus assumed exercise of warrants	32,339	5,745,797	0.01
Three months ended September 30, 2003 -----			
Basic Earnings Per Share:			
Net income available to common shareholders	108,142	5,661,002	0.02
Effect of dilutive securities:			
Warrants attached to convertible subordinated notes	-	245,397	-
Warrants granted in exchange for services	-	2,133	-
Diluted earnings per share:			
Net income available to common shareholders plus assumed exercise of warrants	108,142	5,908,532	0.02

In both the three-month and the nine-month periods ended September 30, 2003 the beneficial conversion features of the Company's convertible subordinated notes are excluded from the calculation of diluted earnings per share because the effects are antidilutive.

In both the three-month and the nine-month periods ended September 30, 2002 the numerator and the denominator used in the calculation of diluted earnings (loss) per share are the same as those used in the calculation of basic earnings (loss) per share. This occurs because the exercise prices of the warrants attached to the Company's convertible subordinated notes and the exercise price of warrants to purchase 20,000 shares issued in 2001 in exchange for services are greater than the average market price of the Company's shares during both periods, and the beneficial conversion features of the Company's convertible subordinated notes are antidilutive.

NOTE 5 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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The Financial Accounting Standards Board in January 2003 issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIEs expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable to public companies no later than the first interim period ending after December 15, 2003. The Company has no such variable interest entities covered by the provisions of FIN 46. As a result, FIN 46 has no effect on the Company's financial position or results of operations.

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

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

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

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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 chosen industry, including competition from much larger competitors, technological advances, and the failure to successfully develop business relationships. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward looking statements. The Company acknowledges that the safe harbor contained in the Litigation Reform Act of 1995 is not applicable to the disclosure in this Form 10-QSB.

This item should be read in conjunction with "Item 1. Financial Statements" and other items contained elsewhere in this report.

OVERVIEW

The Company, via its wholly-owned subsidiary Edict Systems, Inc. is a provider of business-to-business ("B2B") electronic commerce ("e-commerce") products and services, offering comprehensive, standards-based and proprietary solutions for businesses of all sizes. The Company develops, markets, and supports B2B e-commerce software products and provides Internet-based communication and e-commerce data processing services that help businesses process reoccurring transactions required in the electronic procurement of goods and services and other B2B relationships.

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

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

Revenue recognition policies with respect to Internet-based subscription fees-- The Company recognizes as revenues one-time Account Activation Fees (\$100 per new customer), Trading Partner Setup Fees (\$50 per partner for web-EDI) and interconnect Setup Fees (\$50 per interconnect) after the Company performs consultative work required in order to establish the electronic trading partnership between the customer and their desired trading partner.

The Company recognizes monthly subscription fees of \$25 per month per customer (\$45 if the Customer does not pay by credit card) upon the completion of one month of services provided. These fees are non-refundable. The Company recognizes transaction fees (document processing fees) upon completion of the processed transactions; these transactions are billed or charged to a customer's credit card once per month at the end of a monthly period. These fees are non-refundable and are only billed after services are provided.

Time periods of these web-EDI agreements can be cancelled at any time by customers with 30-days prior written notice. EnterpriseEC agreements can be

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cancelled at any time during the first year with 90-days prior written notice and in subsequent years with 30-days prior written notice.

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

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

Revenues of \$759,865 in the third quarter of 2003 (Q3 2003) increased by \$213,455 (39%) over revenues in the third quarter of 2002 (Q3 2002). Revenues from Internet-based subscription services increased by \$244,050 (51%) in Q3 2003. Revenues from software and license fees decreased by \$30,595 (45%) in Q3 2003. The increase in revenues from Internet-based subscription services and the decline in revenues from software and license fees reflects the Company's continuing shift of its focus from software sales to Internet-based subscription services. The increase in Internet-based revenues reflects the Company's continuing marketing efforts and customer acceptance of the Company's Internet-based services, primarily web-EDI concentrated in the grocery industry and EnterprisEC.

Operating expenses of \$624,238 in Q3 2003 increased by \$15,652 (3%) from Q3 2002. Production expenses decreased by \$11,467 (30%) primarily due to reduced leased software expenses. Salaries and benefits increased by \$57,321 (20%) due to additional personnel to improve the effectiveness and efficiency of our product development and technical support functions, salary increases for key personnel, commission increases for key sales personnel and less development costs capitalized; these increases were partially offset by the Company's cost-cutting measures initiated in July 2003 and by personnel reductions.

General and administrative expenses increased by \$4,413 (3%) due primarily to increased costs of the Company's newly leased (beginning October 1, 2002) general offices and expenses associated with non-compete agreements; these increases were partially offset by reduced professional services resulting from the Company's cost reduction measures initiated in July 2003. Depreciation expense increased by \$7,925 (134%) due primarily to the Company's capital expenditures in the fourth quarter of 2002 to increase its computer processing capacity and to purchase furniture and equipment for the Company's newly leased offices. Amortization of software development costs increased by \$21,779 (41%) due primarily to amortization of EnterpriseEC software development costs which did not begin until mid-third quarter in 2002. Interest expense decreased by \$64,319 (66%) because the discount related to the 15% convertible subordinated notes issued in 2001 was substantially amortized to expense in 2002.

The income tax expense of \$27,485 in Q3 2003 is computed at an approximate effective tax rate of 20%--the rate at which deferred tax assets are expected to be realized. Income tax expense of \$1,200 in Q3 2002 reflects the effect of the non-deductibility for income tax purposes of the non-cash interest expense associated with the convertible subordinated notes issued in 2001 and 2002.

The Company reports net income in Q3 2003 of \$108,142 compared to the net loss in Q3 2002 of \$63,376.

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THREE MONTHS ENDED SEPTEMBER 30, 2003 AND JUNE 30, 2003

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

	Three Months Ended	
	September 30,	June 30,
	2003	2003
	----	----
REVENUES		
Internet products and services \$	722,411	655,497
Software and license fees	37,454	59,611
	-----	-----
Total revenues	759,865	715,108
	-----	-----
OPERATING EXPENSES		
Production	27,191	31,981
Salaries and benefits	338,667	383,541
General and administrative	136,502	163,410
Depreciation	13,814	13,510
Amortization of software development costs	75,061	71,617
Interest	33,003	53,076
	-----	-----
Total operating expenses	624,238	717,135
	-----	-----
INCOME (LOSS) BEFORE TAXES	135,627	(2,027)
INCOME TAXES	27,485	3,952
	-----	-----
NET INCOME (LOSS)	\$ 108,142	(5,979)
	=====	=====

Revenues in Q3 2003 increased by \$44,757 (6%) over revenues in the second quarter of 2003 (Q2 2003). Revenues from Internet-based subscription services increased by \$66,914(10%). Revenues from software and license fees decreased by \$22,157 (37%). The increase in revenues from Internet-based subscription services (primarily from grocery industry web-EDI and EnterpriseEC) and the decline in revenues from software and license fees reflects the Company's continuing shift of its focus from software sales to Internet-based subscription services.

Total operating expenses in Q3 2003 decreased by \$92,897 (13%) from Q2 2003 due in large part to reductions in expenditures from the Company's cost reduction initiatives beginning July 2003. These initiatives included personnel reductions in development, customer service and sales, across the board payroll salary reductions, adoption of a lower cost health care plan together with increased employee contribution to its cost, reduced reliance on outside consultants for marketing and promotion, reductions in legal and accounting professional services, and reduced travel and entertainment. Interest expense declined because debt discount related the valuation of warrants and beneficial conversion features of the 10% convertible subordinated notes was fully charged to expense in Q2 2003.

The income tax expense of \$27,485 in Q3 2003 is computed at an approximate

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effective tax rate of 20%--the rate at which deferred tax assets are expected to be utilized. Income tax expense of \$3,952 in Q2 2003 reflects the effect of the non-deductibility for income tax purposes of the non-cash interest expense associated with the convertible subordinated notes.

The Company reports net income in Q3 2003 of \$108,142 compared to the net loss in Q2 2003 of \$5,979.

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

Revenues in the first nine months of 2003 increased by \$683,254 (47%) over revenues in the first nine months of 2002. Revenues from Internet-based subscription services increased by \$781,975 (65%). Revenues from software and license fees decreased by \$98,721 (42%). The increase in revenues from Internet-based subscription services (primarily from grocery industry web-EDI and EnterpriseEC) and the decline in revenues from software and license fees reflects the Company's continuing shift of its focus from software sales to Internet-based subscription services.

Operating expenses increased by \$493,862 (31%). Salaries and benefits increased by \$351,616 (46%) due to additional personnel to maintain and support our Internet-based subscription services; to improve the effectiveness and efficiency of our product development and technical support functions; for salary increases for key personnel; and ratably less development cost capitalized. These increases were partially offset by personnel reductions. General and administrative expenses increased by \$160,499 (49%) due to increased costs associated with marketing web-EDI and EnterpriseEC services, increased costs of the Company's new general offices, and expenses related to non-compete agreements. Depreciation expense increased by \$15,969 (77%) resulting primarily from the Company's capital expenditures in the fourth quarter of 2002 to increase its computer processing capacity and to purchase furniture and equipment for the Company's newly leased offices. Amortization of software development costs increased by \$103,348 due primarily to amortization of EnterpriseEC software development costs. Interest expense decreased by \$116,937 because the discount related to the 15% convertible subordinated notes was substantially amortized to expense in 2002 and the discount related to the 10% convertible subordinated notes was fully-amortized to expense at the end of the second quarter of 2003.

Interest expense in the first nine months of 2003 included \$45,379 in non-cash charges associated primarily with the issuance of warrants and the beneficial conversion feature of the convertible subordinated notes issued in 2002.

The income tax expense of \$19,430 in 2003 is computed at an approximate effective tax rate of 20%--the rate at which deferred tax assets are expected to be utilized. Income tax expense of \$8,610 in 2002 reflects the effects of the non-deductibility for income tax purposes of the non-cash interest expense associated with the convertible subordinated notes issued in 2001 and 2002.

The Company reports net income in the nine months ended September 30, 2003 of \$32,339 compared to the net loss in the nine months ended September 30, 2002 of \$146,233.

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

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

Accumulated

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Product -----	Cost ----	Amortization -----	Net ---
GroceryEC (Web EDI)	428,260	310,228	118,032
Web EDI enhancements	141,558	22,983	118,575
EnterpriseEC	470,661	176,497	294,164
	-----	-----	-----
Total	\$1,040,479	509,708	530,771
	=====	=====	=====

GroceryEC (WebEDI) is currently generating cash flow and is the Company's largest and primary source of revenue. Sales of EnterpriseEC continue to grow in 2003. Based on our current marketplace analysis and marketing efforts we expect EnterpriseEC product revenues and cash flows to continue to increase.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the quarter ended September 30, 2003, the Company incurred substantial operating losses. The Company reported net income for the current quarter ended September 30, 2003, and generated positive cash flow from operations in the nine-month period ended September 30, 2003 and in the year ended December 31, 2002. This improvement in 2003 results were, in part, due to certain cost saving initiatives implemented in the third quarter of 2003 that included modest workforce and salary reductions and reductions in general and administrative expenses including travel, professional fees and other expenses.

Management believes that current cash and cash equivalents and cash that may be generated from operations in the ensuing year will be sufficient to meet the anticipated capital expenditure requirements and cash interest requirements, provided that the maturity date of certain subordinated notes is extended, the terms modified, or replacement capital is obtained as discussed below. Such projections are based on historical trends related to growth of revenue from existing customers and new customer acquisition, and anticipated revenue growth from EnterpriseEC. The projections also include anticipated cash requirements to provide continuing customer support, installation, sales and marketing, product development and enhancement, and general overhead.

To achieve these projections, the Company anticipates the need to maintain existing capital levels. The Company has completed negotiations with most holders of its convertible subordinated notes, and is currently negotiating, with certain other holders of its subordinated notes to obtain extensions of the due dates of the notes, which were primarily due in the third quarter of 2003 or which are due in the fourth quarter of 2003. Substantially all of the note holders agreed to extend the maturity dates of their notes to January 5, 2004 provided the Company pays all accrued interest before due dates ranging from September 22, 2003 to December 17, 2003. The Company, to date, has made all such interest payments. Those interest payments were contemplated in the Company's cash flow projections. Management also expects that, if the Company's financial and operating results in the last two quarters of 2003 are satisfactory to the note holders, some, if not all, of the note holders will further extend the maturity dates, convert the notes into the Company's common stock pursuant to the note agreements, or modify the terms of the notes. In addition, the Company is pursuing additional sources of capital to replace the convertible subordinated notes in the event that the note holders request payment.

Any projections of future cash needs and cash flows are subject to substantial uncertainty.

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CHANGES IN FINANCIAL CONDITION FROM DECEMBER 31, 2002 TO SEPTEMBER 30, 2003

Accounts receivable at September 30, 2003 increased by \$37,200 (24%), reflecting the Company's growth in revenues in 2003. Software development costs decreased by \$104,185 as additions of \$110,757 were more than offset by amortization of those costs of \$214,942. The Company amortizes its software development costs using the straight-line method over three years.

The Company produced \$259,827 cash from operations in the nine months ended December 31, 2003. As a result, during that period the Company reduced its accounts payable by \$98,357, reduced accrued interest by \$43,819 primarily resulting from payments of \$129,084 to the holders of the Company's convertible subordinated debt net of additional interest expense on those notes of \$86,063, and increased its Cash balance at September 30, 2003 by \$85,516.

Other accrued expenses, which consists primarily of salaries, payroll taxes, and property taxes, increased by \$43,655 due primarily to the timing of the final payrolls in the quarter. Deferred revenue increased \$20,343 as the Company received prepayments from two customers for future services of \$46,041, which were offset by reduced deferred license fees of \$25,698. The balance of deferred license fees is expected to continue to decline due to the Company's continuing shift of its focus from software sales, including resulting license fees for the use of the software, to Internet-based subscription services.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board in January 2003 issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIEs expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable to public companies no later than the first interim period ending after December 15, 2003. The Company has no such variable interest entities covered by the provisions of FIN 46. As a result, FIN 46 has no effect on the Company's financial position or results of operations.

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

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

ITEM 3. CONTROLS AND PROCEDURES

a) Disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer have carried out an evaluation of the effectiveness of Advant-e's disclosure controls and procedures that ensure that information relating to Advant-e required to be disclosed by Advant-e in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon this evaluation, these officers have concluded, that as of September 30, 2003, Advant-e's disclosure controls and procedures were adequate.

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

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

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

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ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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24	Power of attorney	N/A
31	Certifications	Filed Herewith
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002	Filed Herewith

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

(b) Reports on Form 8-K

The Company filed Form 8-K on July 24, 2003 to announce that on the same date the Company issued a press release announcing its financial results for the quarter ending June 30, 2003 and for the six months ending June 30, 2003. The press release included the Company's Consolidated Balance Sheets at June 30, 2003 and December 31, 2002, the Consolidated Statements of Operations for the three months and the six months ended June 30, 2003 and 2002, respectively, and the Consolidated Statements of Cash Flows for the six months ended June 30, 2003 and 2002, respectively. The text of the press release including the above described financial statements was attached as an exhibit to the Form 8-K.

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 12, 2003

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

November 12, 2003

By: /s/ John F. Sheffs

John F. Sheffs
Treasurer

EXHIBIT 11 - STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

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

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

Date and Description	# shares		# shares	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
	----	----	----	----
 Basic:				
Outstanding at beginning of period	5,661,002	5,661,002	5,661,002	5,661,002
 Diluted:				
Warrants attached to convertible subordinated notes	245,397	-	84,795	-
Warrants issued for services	2,133	-	-	-
	5,908,532	5,661,002	5,745,797	5,661,002
	=====	=====	=====	=====

In both the three month and the nine month periods ended September 30, 2002 the numerator and the denominator used in the calculation of diluted earnings (loss) per share are the same as those used in the calculation of basic earnings (loss) per share. This occurs because the exercise prices of the warrants attached to the Company's convertible subordinated notes and the exercise price of warrants to purchase 20,000 shares issued in 2001 in exchange for services are greater than the average market price of the Company's shares during both periods, and the beneficial conversion features of the Company's convertible subordinated notes are anti-dilutive.

If the 15% convertible subordinated notes convertible to common shares at \$1.06 per share that are outstanding at September 30, 2003 are converted at maturity, there would be 540,814 outstanding and weighted average common shares included in the calculation of diluted earnings per share for the nine months and the three months ended September 30, 2003.

If the 10% Convertible Subordinated Notes convertible to common shares at \$1.10 per share that are outstanding at September 30, 2003 are converted at maturity, there would be 227,462 outstanding and weighted average common shares included in the calculation of diluted earnings per share for the nine months and the three months ended September 30, 2003.

If the 15% and the 10% notes are converted at maturity, there would be 909,937 additional outstanding common shares at September 30, 2002, 884,979 additional weighted average common shares for the three months ended September 30, 2002, and 732,517 additional weighted average common shares for the nine months ended September 30, 2002.

Warrants to purchase 20,000 shares of the Company's common stock at \$1.48 per share were outstanding during the nine months and the three months ended

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September 30, 2003 and 2002. They were not included in the computation of diluted EPS in the periods in 2002 because the warrants' exercise price was greater than the average market price of the common shares during the period the warrants were outstanding. The warrants are exercisable during the period from June 25, 2002 to June 25, 2006.

EXHIBIT 31 - CERTIFICATIONS

I, Jason K. Wadzinski, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Advant-e Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period covered by this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on

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our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2003

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

I, James E. Lesch, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of Advant-e Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period covered by this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this

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report based on such evaluation; and

- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2003

By: /s/ James E. Lesch

James E. Lesch
Director of Accounting

EXHIBIT 32 - SECTION 1350 CERTIFICATIONS

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

Dated: November 12, 2003

By: /s/ Jason K. Wadzinski

Jason K. Wadzinski
Chief Executive Officer

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

Dated: November 12, 2003

By: /s/ James E. Lesch

James E. Lesch

