HOMECOM COMMUNICATIONS INC
Form PRER14A
February 28, 2002

SCHEDULE 14A
(RULE 14A-101)
Information Required In Proxy Statement
Schedule 14a Information
Proxy Statement Pursuant To Section 14(a) Of The
Securities Exchange Act Of 1934

Filed by the Registrant |X|
Filed by a Party other than the Registrant |_|

Check the appropriate box:

|X| Preliminary Proxy Statement
|_| Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
|_| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

HOMECOM COMMUNICATIONS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
|_| No fee required.
|X| Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
N/A

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(2) Aggregate number of securities to which transaction applies:
N/A

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

$3,000

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(5) Total fee paid:

-0-, because fee is less than the de minimis fee amount

|_| Fee paid previously with preliminary materials.

|_| Check box if any part of the fee is offset as provided by Exchange Act Rule

0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

HOMECOM COMMUNICATIONS, INC.
3495 Piedmont Road
Building 12, Suite 110
Atlanta, Georgia 30305
Telephone: 404-237-4646

_____________ __, 2002

To Our Stockholders:

As you know, we announced our intention to wind down the operations of our company, HomeCom Communications, Inc., in March of this year. In furtherance of our plan to wind down our operations, we are having a Special Meeting of Stockholders of HomeCom Communications, Inc. to be held at the Company's offices at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305 on _________ __, 2002, at 10:00 a.m. local time. You are cordially invited to attend this meeting.

We are seeking your approval of several proposals at the Special Meeting.

First, we will ask you to consider and vote upon a proposal to sell our remaining hosting and web site maintenance business to Tulix Systems, Inc., a company in which Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are officers and directors of both the Company and Tulix, are the principal shareholders. The sale of this business, which is our only operating business, will constitute a sale of substantially all of our operating assets and will leave us without any operating business with which to generate revenues or profits.

We will also ask you to consider several amendments to our Certificate of Incorporation. First, we will ask you to consider and vote upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to "Prospect Technologies, Inc." Second, we will ask you to consider and vote upon a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 15,000,000 to 100,000,000. Third, we will ask you to consider and vote upon a proposal to amend the Company's Certificate of Incorporation to allow corporate actions requiring stockholder approval to be approved without a stockholder meeting by fewer than all of the stockholders (currently, the Certificate of Incorporation requires the written approval of all of the stockholders if the approval is obtained without a stockholder meeting). And, fourth, we will ask you to consider and vote upon a proposal to effect a reverse split of the Company's common stock in a ratio of between 5-for-1 and 15-for-1, if and when the Board of Directors determines that such a reverse split is in the best interests of the Company.

Finally, we will ask you to consider the election of David Danovitch, Larry Shatsoff, Michael Sheppard and Nino Doijashvili to the Board of Directors.

We urge you to carefully review the enclosed materials, which explain the reasons for the proposals to be voted upon at the Special Meeting and contain other important information. Whether or not you plan to attend the Special Meeting, we ask that you read the information on the following pages and promptly submit your proxy card in the postage-paid envelope provided. If you attend the Special Meeting, you may vote in person if you wish, even though you have previously returned your proxy.

Your vote is very important, and we appreciate your cooperation in considering and acting on the matters presented.

Sincerely,

Timothy R. Robinson
Executive Vice President and
Chief Financial Officer

HOMECOM COMMUNICATIONS, INC.
3495 Piedmont Road
Building 12, Suite 110
Atlanta, Georgia 30305
Telephone: 404-237-4646

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _______ __, 2002

To the Stockholders of HomeCom Communications, Inc.:

Notice is hereby given that a Special Meeting of Stockholders of HomeCom Communications, Inc., a Delaware corporation (the "Company"), will be held on the ____ day of ________, 2002 at 10:00 a.m., local time, at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305 (the "Special Meeting") for the following purposes:

1. To consider and vote upon the sale of substantially all of the assets of the Company to Tulix Systems, Inc., an entity that is owned by Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are directors and officers of both the Company and Tulix.

2. To consider and vote upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to "Prospect Technologies, Inc."

3. To consider and vote upon a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 15,000,000 to 100,000,000.

4. To consider and vote upon a proposal to amend the Company's Certificate of

Incorporation to allow fewer than all of the stockholders to approve corporate actions by written consent without a stockholder meeting. Currently, the Certificate of Incorporation requires the written approval of all of the stockholders if the approval is obtained without a stockholder meeting.

5. To consider and vote upon a proposal to effect a reverse split of the Company's common stock in a ratio between 5-for-1 and 15-for-1, if and when the Board of Directors determines that such a reverse split is in the best interests of the Company.

6. To elect David Danovitch, Larry Shatsoff, Michael Sheppard and Nino Doijashvili to the Board of Directors.

7. To transact such other business as may properly come before the Special Meeting or at any adjournments or postponements thereof.

The disinterested members of the board of directors recommend that you vote "FOR" approval of the sale of assets, notwithstanding the fact that owners of Tulix include three of our directors and officers, and the entire Board of Directors recommends that you vote "FOR" approval of each of the amendments to the Certificate of Incorporation, "FOR" approval of the proposed reverse split of the Company's common stock, and "FOR" election of the nominees to the Board of Directors.

You do not have the right, under Delaware law, to dissent from the proposed actions.

A Proxy Statement describing the matters to be considered at the Special Meeting is attached to this notice. Only Stockholders of record at the close of business on January 22, 2002 (the "Record Date") are entitled to notice of, and to vote at, the Special Meeting and at any adjournments thereof. A list of Stockholders entitled to vote at the Special Meeting will be located at the offices of the Company at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305, no later than _________ __, 2002. That list will remain available for inspection at the offices of the Company until the Special Meeting, and will also be available for inspection at the Special Meeting.

To ensure that your vote will be counted, please complete, date and sign the enclosed proxy card and return it promptly in the enclosed prepaid envelope, whether or not you plan to attend the Special Meeting. Since proxies may be revoked at any time, you may attend the Special Meeting and vote in person even if you have previously returned a proxy.

By Order of the Board of Directors,

Timothy R. Robinson
Executive Vice President and
Chief Financial Officer

________ ___, 2002

PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE. THIS WILL ENSURE THAT YOUR SHARES ARE VOTED IN ACCORDANCE WITH YOUR WISHES.

HOMECOM COMMUNICATIONS, INC.

PROXY STATEMENT FOR
SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON ________ __, 2002

The Board of Directors of HomeCom Communications, Inc., a Delaware corporation ("HomeCom," the "Company," "we" or "us"), is furnishing this Proxy Statement to you in connection with its solicitation of proxies to be voted at the Special Meeting of Stockholders to be held on the ____ day of _______, 2002 at 10:00 a.m., local time, at the offices of the Company, at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305 and at any adjournments or postponements thereof (the "Special Meeting"). This Proxy Statement and the enclosed proxy are first being sent to Stockholders on or about _________ __, 2002.

At the Special Meeting, we will ask you to:

(1) consider and vote upon a proposal to sell substantially all of the assets of the Company to Tulix Systems, Inc. ("Tulix"), an entity in which Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are directors and officers of both the Company and Tulix, own all of the outstanding shares of capital stock (the "Asset Sale").

(2) consider and vote upon a proposal to amend the Company's Certificate of Incorporation to change the name of the Company to "Prospect Technologies, Inc."

(3) consider and vote upon a proposal to amend the Company's Certificate of Incorporation to increase the number of shares of common stock that the Company is authorized to issue from 15,000,000 to 100,000,000.

(4) consider and vote upon a proposal to amend the Company's Certificate of Incorporation to allow fewer than all of the stockholders to approve actions by written consent without a stockholder meeting. Currently, the Certificate of Incorporation requires the written approval of all of the stockholders if the approval is obtained without a stockholder meeting.

(5) consider and vote upon a proposal to effect a reverse split of the Company's common stock at a ratio of between 5-for-1 and 15-for-1, if and when the Board of Directors determines that such a reverse split is in the best interests of the Company.

(6) elect the following persons to serve on the Board of Directors of the Company: David Danovitch, Larry Shatsoff, Michael Sheppard and Nino Doijashvili.

(7) transact such other business as may properly come before the Special Meeting or at any adjournments or postponements thereof.

The disinterested members of the Board of Directors recommend that you vote in favor of the Asset Sale, and the entire Board of Directors recommends that you vote for each of the other proposals. Except for procedural matters, we do not know of any matters other than those listed above that will be brought before the Special Meeting. If, however, other matters are properly brought before the Special Meeting, we will vote your proxy on those matters as determined by the person identified on the proxy card as your proxy.

The principal executive offices of the Company are located at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305 and the telephone number is 404-237-4646.

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YOU SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION INCLUDED IN THIS PROXY STATEMENT AND ITS ATTACHMENTS BEFORE RETURNING YOUR PROXY.

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THE DATE OF THIS PROXY STATEMENT IS ________ ___, 2002.

SUMMARY TERM SHEET
FOR PROPOSED SALE OF ASSETS

We have prepared a summary term sheet that highlights the material terms of the Asset Sale. We have included page references to direct you to more complete information which appears elsewhere in this document. A copy of the Asset Purchase Agreement governing the Asset Sale is attached to this Proxy Statement as Exhibit A (the "Sale Agreement"). You should read the Proxy Statement, the Sale Agreement and the other documents attached to this Proxy Statement in their entirety to fully understand the Asset Sale and its consequences to you.

- Parties to the Asset Sale (see page 4)

  Tulix Systems, Inc. is a newly-formed Georgia corporation that has been created by Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are officers and directors of both the Company and Tulix and who own all of the outstanding stock of Tulix, for the purpose of acquiring our hosting and web site maintenance business.

- Assets being sold (see page 4)

  We intend to sell the assets used in our hosting and web site maintenance business to Tulix. These assets represent substantially all of our operating assets, and we will be left without any operating business upon completion of the sale of these assets.

- Payments by Tulix (see page 4)

  Tulix will not pay us any cash to acquire these assets. Instead, Tulix will:

(1) issue to us shares of Tulix common stock that will represent 15% of the outstanding shares of Tulix; and,

(2) assume certain obligations of ours, including certain accounts payable related to ongoing operations, that are likely to amount to between approximately $1,000 and $50,000 depending on when the Asset Sale is completed.

o Tulix (see page 10)

Tulix has no assets other than the $20,000 initial capitalization that it received from Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, and Tulix has no liabilities or business history.

o Indirect Interest in Tulix (see page 5)

Upon completion of the Asset Sale, HomeCom stockholders will continue to hold stock in HomeCom. HomeCom, in turn, will own 15% of the outstanding stock of Tulix. Therefore, the Asset Sale will result in HomeCom stockholders owning:

(1) a 15% indirect interest in the assets used in the hosting and web site maintenance business, in which they now have a 100% direct interest, and

(2) an indirect interest in $3,000, which is 15% of the $20,000 with which Tulix has been capitalized.

o Illiquidity of Interest in Tulix (see page 5)

Tulix is not a public company, and our 15% equity interest in Tulix will be illiquid.

o Business of Tulix following the Asset Sale (see page 11)

At the close of the transaction, Tulix's operating assets will be assets that are currently owned by us.

o No Operating Business of the Company following the Sale (see page 7)

We will not have any ongoing business operations if we sell our hosting and web site maintenance business to Tulix. Our only assets will be the shares of Tulix common stock issued to us in the Asset Sale and cash. Consequently, we will not be able to generate revenue, and we have no expectation of generating profits. We will, however, remain obligated for all of our debts other than those that will be assumed by Tulix. The total amount of these debts is approximately $1.3 million, including approximately $800,000 of accrued interest payable to the holders of our preferred stock.

o Management of the Company following the Sale (see page 7)

Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili have indicated their intent to resign their positions with us upon completion of the Asset Sale. We will pay Mr. Robinson $67,500 and Mr. Bokuchava $78,500 as severance payments upon their resignations. If the Asset Sale is completed and all of our current officers resign, we will be left

without any officers or employees. The Board may seek to hire new officers, although there will be no business to manage and the primary responsibility of the new management team will be to keep the Company current in its reporting obligations under the securities laws.

o Reasons for the Sale (see page 5)

We have been exploring the possible sale of the assets used in our hosting and web site maintenance business for several years. In 1999, we hired a professional advisor to assist us in our efforts, and we have contacted hundreds of potential buyers. Until Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, on behalf of Tulix, expressed an interest in purchasing these assets from us, however, our efforts had not yielded any offers. We seek to complete the Asset Sale to Tulix because the Board of Directors believes (1) that the hosting and web site maintenance business is unprofitable and that its future is uncertain and (2) that the Company may have greater opportunities without these assets.

The Board of Directors believes that the business is unprofitable because it has generated losses for the past several years. The Board of Directors believes that the future of this business is uncertain because our contract with our largest customer has expired and our relationship with that customer can be terminated at any time. In addition, the business is dependent on a small number of key employees, namely Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, and the departure of any of those key employees could have a significant adverse impact on the business.

The Board of Directors believes that, if the Company disposes of this business and remains current in its reporting obligations under the securities laws, the Company may become an attractive merger candidate to private companies that seek to avail themselves of the benefits of being publicly-traded. The Company does not know of any proposals to pursue any such transactions, but the Board of Directors believes that it is in the best interests of the stockholders of the Company to position the Company to take advantage of such opportunities if they were to arise. Obviously, we would only be able to recognize value from this strategy if we were able to complete such a transaction on favorable terms, and we can give you no assurance that we will ever be able to complete such a transaction at all or, if we are able to complete such a transaction, that we will be able to do so on favorable terms. Nevertheless, we believe that the likelihood of completing such a transaction is greater if the Company disposes of the hosting and web site maintenance business.

o Valuation of Transaction (see page 8)

The terms of the Asset Sale are being negotiated for Tulix by Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili and are being negotiated for HomeCom by representatives of our Series C and Series E preferred stock. We did not feel that it was economically feasible to obtain a fairness opinion and parties from whom we solicited offers to purchase our assets have declined to respond to us. As such, we are relying on the negotiations of the parties, the approval of the independent members of the Board of Directors and the approval of our stockholders to ensure that the transaction is fair.

- No Payments or Distributions to Stockholders (see page 5)

  You will not receive anything for the Asset Sale. We hope that through the Asset Sale we will be able to preserve some value in the Company and correspondingly some value in your shares, although we cannot offer you any assurances that we will be able to achieve these objectives.

- Conditions of the Asset Sale (see page 5)

  There are several conditions that, unless waived, the parties must satisfy before either of them is obligated to complete the Asset Sale. These include:

  - Stockholders who hold a majority of our outstanding shares of common stock must approve the Asset Sale;
  - Third parties who have a contractual right to approve the assignment of their contracts to Tulix must consent to such assignment; and
  - Other standard closing conditions must be satisfied or waived.

  Our largest customer, Roadrunner, has indicated to us that it will transfer its business to Tulix upon completion of the Asset Sale, although our contract with Roadrunner has expired and there is no written agreement binding Roadrunner to do so. Roadrunner accounts for approximately 90% of our revenue.

- Completion of the Asset Sale (page 5)

  If the stockholders approve the Asset Sale at the Special Meeting, if the closing conditions are satisfied or waived, we intend to complete the Asset Sale as soon as possible following the Special Meeting.

- U.S. federal income tax consequences of the Asset Sale to you (see Page 7)

  Since you will not be receiving anything in the Asset Sale, there will not be any tax effect to you.

PROXY AND VOTING INFORMATION

Who May Vote

Holders of record of HomeCom's common stock at the close of business on March __, 2002 may vote at the meeting or any adjournment or postponement of the meeting. On March __, 2002, ______ shares of our common stock were issued and outstanding and held of record by approximately ___ stockholders. Each stockholder is entitled to one vote per share.

How Do You Vote

You may vote by proxy or in person at the meeting. To vote by proxy, please complete, sign, date and return your proxy card in the postage-paid envelope that we have provided.

How Do Proxies Work

Giving your proxy means that you authorize us to vote your shares at the Special Meeting in the manner you direct. If you sign, date and return the enclosed proxy card but do not specify how to vote, we will vote your shares for the sale of substantially all of our assets, for each amendment to the Certificate of Incorporation, for authorization of the Board of Directors to effect the proposed reverse stock split and for the election of the four nominees of the Board of Directors as directors. We do not know of any other matters that will be brought before the Special Meeting. If, however, other matters are properly brought before the Special Meeting, we will vote your proxy on those matters as determined by a majority of the Board of Directors.

How Do You Revoke a Proxy

You may revoke your proxy before it is voted by submitting a new proxy with a later date, or by written notice to such effect to our Secretary at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305.

What is a Quorum

In order to carry on the business of the meeting, we must have a quorum. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting. We count abstentions and broker non-votes as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when you fail to provide voting instructions to your broker for shares that your broker holds on your behalf in a nominee name, which is commonly referred to as holding your shares in "street name." Under those circumstances, your broker may be authorized to vote for you on some routine items but is prohibited from voting on other items. Those items for which your broker cannot vote result in broker non-votes.

How Many Votes Are Required to Approve Each Proposal

The affirmative vote of a majority of the outstanding shares of common stock entitled to vote is necessary for approval of the Asset Sale and each proposed amendment to the Certificate of Incorporation, including the proposed reverse stock split. For this purpose, if you vote to "abstain" on these proposals, your shares will have the same effect as if you voted against the proposal. Broker non-votes also will have the same effect as a vote against the proposal.

The four nominees for director receiving the greatest number of votes at the meeting will be elected as directors. Abstentions and broker non-votes are not counted for this purpose.

For all other matters that the stockholders vote upon at the meeting, the affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on the matter, is necessary for approval. Accordingly, an abstention from voting or a broker non-vote on the proposal by a stockholder present in person or represented by proxy at the Special Meeting will have the same legal effect as a vote against the matter, even though the stockholder may interpret an abstention or broker non-vote differently.

Some Stockholders have Indicated their Intention to Vote

Brittany Capital Management Limited, which owns 5,640,000 shares, or ___%, of our common stock, has indicated that it intends to vote in favor of each of the proposals. This means that we will need the approval of _________ of the other ________ shares of common stock to approve all of the matters being submitted for your approval.

Who will Tabulate the Votes

Persons appointed by the chairman of the Special Meeting to act as inspectors of election for the Special Meeting will tabulate stockholders' votes. The inspectors of election will count all shares represented and entitled to vote on a proposal, whether voted for or against the proposal, or abstaining from voting, as present and entitled to vote on the proposal.

Who Pays for This Proxy Solicitation

Your proxy is being solicited by the Board of Directors. HomeCom will pay the expenses of soliciting proxies. We expect that legal and printing expenses will be our primary expenses in connection with the solicitation. In addition to solicitation by mail, our officers may solicit proxies in person or by telephone. We will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to beneficial owners. We will reimburse these persons for their reasonable expenses.

Dissenters' Rights

You do not have the right, under Delaware law, to dissent from the proposed actions.

How Can You Submit a Stockholder Proposal for Next Year's Meeting

We provide all stockholders with the opportunity, under certain circumstances, to participate in the governance of the Company by submitting proposals that they believe merit consideration at the next annual meeting of stockholders. We have not held an annual meeting since June 29, 2000. Under the Delaware General Corporation Law, our failure to hold an annual meeting for thirteen months gives our stockholders a right to appeal to a Delaware court to compel us to hold an annual meeting. This could place a financial burden on us. Assuming that our next annual meeting will be held in May 2003, in order to enable us to analyze and respond adequately to proposals and to prepare appropriate proposals for presentation in next year's proxy statement, you must submit your proposal to us no later than December 31, 2002, to the attention of our Secretary, at our principal place of business in Atlanta, Georgia. You may also submit the names of individuals whom you wish to be considered by the Board of Directors as nominees for directors. For each matter you intend to bring before the meeting, your notice must include a brief description of the business you wish to be considered, any material interest you have in that business and the reasons for conducting that business at the meeting. The notice must also include your name and address and the number of shares of our stock that you own. Any proposal for presentation at our next annual meeting which is outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934 will be considered untimely for purposes of Rules 14a-4 and 14a-5 if we receive it after December 31, 2002, to the attention of our Secretary, at our principal place of business in Atlanta, Georgia.

Where Can You Find More Information About Us

We are subject to the informational requirements of the Exchange Act and are required to file reports, proxy statements and other information with the Securities and Exchange Commission. You may inspect and copy our reports, proxy statements and other information at the Public Reference Section of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. You may also obtain copies of the reports, proxy statements and other information from the Public Reference Section of the Commission, Washington, D.C. 20549, at prescribed rates. The Commission maintains a world-wide web site on the internet at http://www.sec.gov that contains reports, proxies, information statements, and registration statements and other information filed with the Commission through the EDGAR system.

PROPOSAL 1 - SALE OF SUBSTANTIALLY ALL OF THE ASSETS

If the Asset Sale is approved, we intend to complete the sale of our remaining hosting and web site maintenance business to Tulix, pursuant to the terms of the Sale Agreement. The description of the Sale Agreement in this Proxy Statement is a summary, remains subject to change, and it is qualified in its entirety by the Sale Agreement, which is attached to this Proxy Statement as Exhibit A.

Contact Information

HomeCom and Tulix are the parties to the proposed Asset Sale. The contact information for us and Tulix, as of any time prior to the completion of the Asset Sale, are set forth below:

HomeCom Communications, Inc.
3495 Piedmont Road
Building 12, Suite 110
Atlanta, Georgia 30305
Attention: Timothy R. Robinson
(404) 237-4646

Tulix Systems, Inc.
3495 Piedmont Road
Building 12, Suite 110
Atlanta, Georgia 30305
Attention: Timothy R. Robinson
(404) 237-4646

Business Conducted

Our ongoing business operations consist solely of our hosting and web site maintenance business. Currently, this business unit represents our entire business and is our sole source of revenue. If you approve, and if we

subsequently complete, the Asset Sale, we will sell this business to Tulix.

Description of Transaction

Under the Sale Agreement, Tulix will purchase all of the assets used in the operation of our hosting and web site maintenance business, including intangible assets (including intellectual property), machinery, equipment, contracts, receivables, and prepaid expenses. Tulix will not pay us any cash to acquire these assets. Instead, Tulix will:

- issue to us shares of Tulix common stock that will represent 15% of the outstanding shares of Tulix; and,

- assume certain obligations of ours, including certain accounts payable related to ongoing operations. These obligations would include such things as telephone, utilities, internet connectivity charges, security, maintenance contracts and general office administrative costs. Depending on when the transaction closes, the aggregate amount of these accounts payable could range from approximately $1,000 to $50,000. Additionally, we intend to assign to Tulix the lease for our primary office space at 3495 Piedmont Road, Building 12, Suite 100, Atlanta, Georgia 30305. This lease expires in October 2002 and provides for a monthly lease payment of $13,500.

The Sale Agreement is between the Company and Tulix. The Stockholders will not receive anything in connection with the Asset Sale. Upon completion of the Asset Sale, HomeCom stockholders will continue to own shares of HomeCom. In turn, HomeCom will own 15% of the outstanding stock of Tulix. Therefore, the Asset Sale will result in HomeCom's stockholders owning (1) a 15% indirect interest in the assets used in our hosting and web site maintenance business, in which they now hold a 100% direct interest, and (2) an indirect interest in $3,000, which is 15% of the $20,000 with which Tulix has been capitalized. Because Tulix is not a publicly-traded company, this 15% interest in Tulix will be illiquid. At the present time, we do not have any plan to sell, distribute to our stockholders or otherwise transfer this interest in Tulix. For a description of the business of Tulix, please see "- Information about Tulix" at page 10.

The parties are not required to complete the Asset Sale unless it is approved by the Stockholders as required under Delaware law and unless the other conditions to closing set forth in the Sale Agreement are satisfied or waived. These conditions include, among others, the requirement that all third parties who have a contractual right to approve the assignment of their contracts to Tulix must consent to such assignment. If the Stockholders approve the Asset Sale, and if the conditions to closing are satisfied or waived, we expect to close the Asset Sale promptly after the Special Meeting. We intend to use the cash remaining after the Asset Sale to pay the expenses required to remain in existence and to comply with our ongoing reporting obligations as a public company under the Exchange Act. Consequently, we do not anticipate any distributions to Stockholders in the foreseeable future.

The Sale Agreement provides that HomeCom will receive 50% of any proceeds that Tulix receives if Tulix liquidates within six months after the completion of the Asset Sale. This provision is intended to provide an additional incentive for Tulix to operate the business successfully. If we were to liquidate HomeCom instead of completing the Asset Sale, we would receive 100% of the liquidation proceeds.

Background of the Sale, Reasons for Engaging in the Sale and Past Contacts, Transactions or Negotiations

Intent to Wind Down our Operating Businesses

On March 23, 2001, we issued a press release to announce our intention to wind down our operations and, to the extent possible, sell our remaining assets. In our press release, we stated, "HomeCom also announced that it has decided to wind down its operations... HomeCom has been unable to obtain additional financing and has insufficient assets to completely satisfy its obligations to creditors and the liquidation preferences of its preferred stock." The press release went on to state: "HomeCom continues to explore other possibilities, which may include the sale of other assets." We sold our Internet banking operations in March 2001 and our InsureRate division in January 2001. We have been trying to sell our sole remaining business, our hosting and web site maintenance business, for approximately two years.

Reasons for Selling the Hosting and Web Site Maintenance Business

We seek to complete the Asset Sale to Tulix because the Board of Directors believes:

(1) that the hosting and web site maintenance business is unprofitable and that its future is uncertain and

(2) that the Company may have greater opportunities without these assets.

The hosting and web site maintenance business has generated net losses to the Company for the past several years. In addition to the failure of this business to generate a profit in the past, the Board of Directors believes that the future of this business is uncertain because our contract with the primary customer of this business, Roadrunner, has expired. Roadrunner accounts for approximately 90% of our revenues. While Roadrunner has indicated that it intends to continue to do business with us and that it intends to do business with Tulix upon completion of the Asset Sale, we do not have written agreements with Roadrunner to that effect. As such, without a contract, our relationship with Roadrunner can be terminated at any time. In addition, the dependence of the business on the retention of Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili contributes to the uncertainty of the business. If any of these employees were to leave, their departure could have a material adverse effect on our ability to operate the business. Moreover, we believe that competition in the hosting and web site maintenance business will lead to a decline in prices and margins. Given these considerations, the Board believes that it is in the best interests of the Company to dispose of the business. So far, however, we have been unsuccessful in our numerous efforts to do so. Consequently, the Board has determined that the sale of the business to Tulix is the best course of action for the Company at this time.

While the Asset Sale would leave us without any source of revenues or profits, the Board of Directors believes that the Company, if it remains current in its reporting obligations under the securities laws, may become an attractive merger candidate to private companies that seek to avail themselves of the benefits of being publicly-traded. The Company does not know of any proposals to pursue any such transactions, but the Board of Directors believes that it is in the best interests of the stockholders of the Company to position the Company to take advantage of such opportunities if they were to arise. Obviously, we would only be able to recognize value from this strategy if we were able to complete such a transaction on favorable terms, and we can give you no assurance that we

will ever be able to complete such a transaction at all or, if we are able to complete such a transaction, that we will be able to do so on favorable terms. Nevertheless, we believe that the likelihood of completing such a transaction is greater if the Company disposes of the hosting and web site maintenance business.

Past Contacts, Transactions or Negotiations

In late 1999, we engaged Raymond James & Associates, Inc. to assist us in locating persons willing to provide financing to the Company or interested in acquiring the Company. During 1999 and 2000, Raymond James & Associates, Inc. contacted over 100 potential investors and acquirors and explored various options to finance or sell the Company. These efforts did not result in any offers to purchase all or part of the Company or to provide financing to the Company. Given our lack of success, we terminated our relationship with Raymond James in November 2000.

In August 2000, we announced an agreement to sell our InsureRate division (FIMI) to a management group composed of FIMI principals and other investors. The sale of this division was supposed to result in a substantial infusion of cash and result in a significant reduction in overhead. In late September 2000, we announced that this transaction was being terminated due to the failure of the acquiring group to raise the required financing. Simultaneously, we also announced that we had entered into a new agreement to sell the InsureRate division to OneShield, Inc. In November of 2000, OneShield terminated the agreement to purchase FIMI. Ultimately, the FIMI operations were sold in February 2001 to Digital Insurance, Inc. for cash and the assumption of certain liabilities, resulting in net proceeds to the Company of $390,000.

After we terminated Raymond James, we independently contacted several hundred potential investors and acquirors and explored various options to sell all or part of the remaining business or to obtain financing for the Company. These contacts resulted in numerous telephone discussions and led to actual meetings in person with representatives from seven different companies. None of these meetings, however, led to any offers to purchase the Company or provide any additional financing. While these efforts led to the sale of our Internet banking operations, the proceeds of $275,000 from that disposition did not provide a significant amount of operating capital.

During this time, members of our board of directors began to resign from the board. Mr. Walker resigned in September 2000, and Messrs. Thomas and Delity resigned in November of 2000. Mr. Ellsworth resigned in December 2000 and Mr. Nebel resigned in February 2001. Finally, in March of 2001, Mr. Sax resigned. Mr. Robinson was not elected to the board until March 2001 to fill the vacancy created by Mr. Nebel's departure, and Ms. Doijashvili was not elected until April 2001, to fill the vacancy left by Mr. Sax.

By March of 2001, our continued inability to locate an acquiror or obtain financing led the Board of Directors to conclude that it was highly unlikely that any party would provide capital or acquire the remaining assets of the Company. The Board of Directors concluded that the orderly winding down of the Company was the course of action that was in the best interests of the stockholders. This conclusion was based on several considerations. First, the Company had tried unsuccessfully for more than a year to either raise capital or sell the business. Second, the general market conditions for companies in our market place were very unfavorable. Lastly, the Company did not have sufficient resources to continue actively pursuing a viable business strategy. The Board of Directors also believed, and still believes, that there may be some value in

keeping the Company current in its reporting obligations under the securities laws. Please be advised, however, that we cannot give you any assurance that we will ever be able to recognize this value.

After we announced that we were winding down operations, Roadrunner, our largest customer (representing approximately 90% of our revenues or approximately $90,000 per month), contacted us and conveyed its concern about our viability and our ability to perform under our contract. We indicated to Roadrunner that we would perform our obligations under the contract and that there would be no disruption in service. As part of our discussions with Roadrunner, Roadrunner indicated to us that it was unwilling to consent to the assignment of its contract with us unless we could assure Roadrunner that the application that we were hosting and supporting would not be impacted in any manner. Due to the complexity of the application and the necessity that the application keep running without interruption, it would be very difficult to transition these services without interruption unless our principal officers and employees would continue to provide the services that they were providing with HomeCom. This requirement, together with the fact that our contract with Roadrunner allowed Roadrunner to terminate upon 30 days' notice and would expire at the end of December 2001, further restricted our ability to sell the remaining hosting and web site maintenance business.

During this same time period, we began discussions with Southridge Capital, an entity that sometimes acts as an intermediary between us and the holders of our Series C and E preferred stock. Southridge Capital informed us that holders of our Series C and Series E preferred stock shared our beliefs that: (1) it was

advisable to try to sell our remaining hosting and web site maintenance business and (2) there may be some value in keeping the Company current in its reporting obligations under the Exchange Act after the sale of the business. Currently, these persons are the beneficial owners of 90.479 shares of Series C preferred stock and 106.35 shares of Series E preferred stock. (Assuming a market price of $.01 per share of Common Stock, these shares of preferred stock would be convertible into approximately 445,500,000 shares of our Common Stock, although our Certificate of Incorporation contains a restriction that prevents a holder of either Series C or Series E preferred stock from beneficially owning more than 4.9% of the outstanding shares of our common stock at any one time). Holders of shares of our preferred stock do not have the right to vote on the Asset Sale.

During the course of our discussions with the preferred stockholders, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili expressed an interest in acquiring the remaining assets of the Company. Accordingly, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, on the one hand, and the representatives of the preferred stockholders, on the other hand, began discussions about a possible sale of the assets to Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili or an entity controlled by them. The management group proposed a sale of the assets for cash, but the representatives of the preferred stockholders indicated that they thought that the Company should maintain an equity interest in the new business rather than sell it for cash. This would enable the Company to benefit from any success that Tulix may have. The management group expressed its belief that the fair value of the assets was between $50,000 and $75,000, based on a survey of the used equipment market for like kind equipment. While the Company has attempted to obtain an outside valuation for the equipment and has sent a list of equipment to five different vendors, all have declined to make an offer. In addition, we have attempted to liquidate certain office furniture by contacting three used furniture dealers. These liquidators informed us that they were not interested in purchasing the furniture, however, that if we paid them, they

would remove the furniture.

Recommendation of the Board of Directors to Stockholders

The independent members of the Board of Directors have approved the Asset Sale and the Sale Agreement and have recommended the Asset Sale to the stockholders of the Company for their approval. Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili did not vote on the proposed Asset Sale, the Sale Agreement or other related matters when the Board of Directors approved the Asset Sale, the Sale Agreement and other related matters.

Valuation of Transaction

The terms of the Asset Sale are being negotiated for Tulix by Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili and are being negotiated for HomeCom by representatives of our Series C and Series E preferred stock. We did not feel that it was economically feasible to obtain a fairness opinion regarding the Asset Sale, and parties from whom we solicited offers to purchase our assets have declined to respond to us. As such, we are relying on the negotiations of the parties, the approval of the independent members of the Board of Directors and the approval of our stockholders to ensure that the transaction is fair.

Fairness To Stockholders

We will not obtain a fairness opinion with respect to the Asset Sale, given that the cost of obtaining such an opinion would be significant when viewed in light of our overall resources.

Conflicts of Interest; Interests of Certain Persons in Matters to be Acted Upon

As of ___________, 2002, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili (each a director and officer of the Company) beneficially owned an aggregate of 174,265 shares of Common Stock of the Company, or approximately ____ percent of the outstanding shares of Common Stock of the Company. As of ___________, 2002, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili also beneficially owned 100% of the outstanding capital stock of Tulix. In addition, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili are also directors and officers of both the Company and Tulix. In addition, we will pay Mr. Robinson $67,500 and Mr. Bokuchava $78,500 in severance payments if the Asset Sale is completed. The Board of Directors has agreed to pay these amounts to Mr. Robinson and Mr. Bokuchava because it might have become necessary to terminate them, and therefore pay them these amounts, if we did not think that we would be able to complete the Asset Sale. In addition, Messrs. Robinson and Bokuchava have performed valuable services to the Company by agreeing to remain with the Company through the Asset Sale.

As such, the Asset Sale raises a number of potential conflicts of interest. Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, as officers and directors of both the Company and Tulix, have negotiated and will continue to participate in the negotiation of the terms of the Asset Sale for both parties. Because these officers and directors have a significant economic interest in Tulix, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili recused themselves from the vote of the Board of Directors on the approval of the Asset Sale. Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili will abstain from voting the shares of Common Stock beneficially owned by them with respect to the approval of the Asset Sale, as well.

Tax Consequences of the Asset Sale

For tax purposes, the Company believes that the assets will be sold to Tulix at the Company's book value for those assets. If, however, there is any gain upon the sale, the Company believes that it will be able to apply tax loss carry forwards to offset any taxable income. Consequently, the Company does not expect that the Asset Sale will result in any taxes to the Company. Since the stockholders will not be receiving anything directly in this transaction, there should be no tax consequences to them from this sale.

Operation of the Company after the Asset Sale

Because Tulix will acquire all of our ongoing operations, we will not have any ongoing business operations upon completion of the sale. Tulix will assume certain of our accounts payable, but we will retain approximately $1.3 million of liabilities. This amount includes approximately $800,000 of accrued interest payable to the holders of our preferred stock. We expect that all of our employees, including Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, will resign from their positions with the Company upon completion of the sale in order to work full-time for Tulix. The Board of Directors may search for new executive officers, but we will have no business to operate and the primary responsibility of any officer that we may hire will be to keep the Company current in its reporting obligations under the Exchange Act. Our financial resources will limit our ability to hire new officers, and we expect to be able to pay them a salary commensurate with the types of services that they will perform; namely, keeping the Company current in its reporting obligations.

Regulatory Approvals

To the best of our knowledge, the Company is not required to comply with any federal or state regulatory requirements or obtain approval from any federal or state agency in connection with the sale of assets described in this Proxy Statement. The Company has not made any inquiries as to whether Tulix or any of its principals is required to comply with any such requirements or obtain approval from any such agencies.

Reports, Opinions Appraisals

The Company has not received any report, opinion or appraisal materially relating to this transaction from an outside party. We did not seek any such reports, opinions or appraisals because of our limited financial resources.

Information About Tulix

Description of Tulix

Tulix was incorporated under the laws of the State of Georgia in January 2002 for the purpose of acquiring the assets used in our hosting and web site maintenance business. Timothy R. Robinson was the incorporator of Tulix and serves as its registered agent. Tulix has informed the Company that as of the Record Date (and on the date it signs the Sale Agreement), Tulix had assets of $20,000 in cash. This amount was contributed by Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili to capitalize Tulix. Tulix has informed us that it has no liabilities or business history and has been formed for the purpose of acquiring the Assets. If the Asset Sale is completed, Tulix will own and operate the hosting and web site maintenance business that we now own and operate. Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili have advised the Company that as of the Record Date (and on the date Tulix signs the Sale Agreement), they own in the aggregate 100% of the outstanding capital stock of Tulix. Each will also be a director and officer of Tulix. Mr. Robinson is also a director of the Company

and serves our Executive Vice President and Chief Financial Officer. Mr. Bokuchava serves as a director and the President of Tulix. He is also a director of the Company and our Chief Technical Officer. Ms. Doijashvili serves as a director and vice president of Tulix. She is also a director of the Company and our Director of Technical Services. Mr. Robinson does not own any shares of Common Stock of the Company, although he holds options to acquire 75,000 shares of our common stock. Mr. Bokuchava beneficially owns 64,559 shares of Common Stock of the Company, and Ms. Doijashvili owns 34,706 shares of Common Stock of the Company. Each of Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili has advised the Company that he or she intends to abstain from voting on the Asset Sale. We expect Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili to resign from their positions with the Company upon completion of the Asset Sale. If the Asset Sale is completed, we have been informed that our four other employees also intend to resign from the Company and go to work for Tulix.

Description of Property

At this time, Tulix does not have any office space. If the Asset Sale is completed, we intend to assign to Tulix our lease for approximately 7,000 square feet at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305. This lease expires in October 2002.

Legal Proceedings

Tulix has informed us that it is not a party to any material legal proceedings. From time to time, it may become involved in various routine legal proceedings incidental to the conduct of our business.

Tulix Financial Statements

Tulix is a Georgia corporation that has been recently formed for the purpose of acquiring the assets used in the hosting and web site maintenance business of HomeCom. Because Tulix is a newly-formed entity, we have not provided any financial information for Tulix. Tulix has been capitalized with a total of $20,000 from Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili and, if the Asset Sale is completed, will have assets consisting of the assets acquired from HomeCom and $20,000.

Description of the Tulix Business Following the Asset Sale

The hosting and web site maintenance business currently consists of a small number of hosting clients, minimal hourly maintenance work, and the administration and maintenance of the Roadrunner application. These operations will be used to establish a new small business, aimed at a new marketplace and offering a new product not previously offered by HomeCom. Tulix plans to develop and offer a new internet-based community software system ("Community"). The Community will be offered and targeted toward small to medium-sized internet service providers ("ISP"). The system will allow ISP's to offer their users a community that has features such as a message board and chat and that also allows them to build their own web sites. Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili have indicated that they do not have any reason to believe that they will be more successful running the hosting and website maintenance business than the Company has been. However, given that the Board of Directors has determined that it is in the best interests of the Company to dispose of this business, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili are willing to invest an aggregate of $20,000 in Tulix and are willing to devote their time to Tulix in order to determine whether it is viable as a stand-alone business.

The resources necessary for Tulix to produce and successfully market the Community product are: the principals of Tulix and their skills and willingness to take the financial risk necessary to develop and market the product, the experience of technicians and business personnel acquainted with the principals, and the network operations facility assumed from HomeCom.

The principals of Tulix do not feel that Tulix will be a viable business without Roadrunner as a customer. Even if Roadrunner remains a customer, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili believe that additional measures will be needed for the business to survive. By operating the business as a private company rather than a public company, they hope to reduce the legal and accounting costs associated with the business because Tulix will not be required to comply with the securities laws. In addition, the principals expect to take pay reductions and may seek new sources of capital.

Information About the Company

Description of Business

On March 23, 2001, we announced our intentions to wind down our operations. If the stockholders approve the Asset Sale and we complete the Asset Sale, we will sell our remaining operating assets to Tulix. Upon completion of the sale, we will have no operating assets and no source of revenue or profits.

History

HomeCom was organized in 1994 to provide complex web-based software applications and integration services to businesses seeking to take advantage of the Internet. Over time, we evolved into a Web design, financial applications and solutions provider to the financial services market, including banking, insurance, securities brokerage firms and other financially oriented web portals.

Prior to and during 2000, we derived revenue from, among other sources, professional web development services, software licensing, application development, insurance and securities sales commissions, and hosting and transactions fees. However, following our various divestitures, including the sales of our InsureRate division and our Internet banking operations during 2001, we now derive revenue only from hosting and web site maintenance services.

On April 16, 1998, we acquired all of the outstanding capital stock of The Insurance Resource Center, Inc. ("IRC") for 351,391 shares of our common stock. IRC provides Internet development and hosting services to the insurance industry and was incorporated into our FAST group. We wrote off the remaining goodwill for IRC during 1999.

On June 9, 1998, we sold substantially all of the assets of our HostAmerica Internet network outsourcing services division to Sage Acquisition Corp. ("Sage") for cash of $4,250,000 and Sage's assumption of approximately $250,000 of unearned revenue. We recorded a gain on the sale of approximately $4,402,000. This transaction allowed us to further consolidate our business focus on the financial services market.

On November 6, 1998 we signed a definitive agreement and plan of merger to acquire, among other things, all of the outstanding shares of First Institutional Marketing, Inc. ("FIMI") and certain of our affiliates for 1,252,174 shares of common stock. In addition, we entered into employment

agreements for an initial term of 3 years with the three principals of FIMI, calling for them to continue in their current roles for the acquired companies. On March 24, 1999, we completed this acquisition. Prior to the closing of the acquisition, we loaned the shareholders of FIMI $370,000 ("FIMI notes"). The notes were to be repaid in either cash or common stock and were collateralized by common stock. Additionally, the principal shareholders of FIMI were granted 300,000 warrants to acquire HomeCom common stock at an exercise price of $3.74 per share. Vesting of the warrants was contingent upon FIMI meeting certain operating goals as defined in the agreement.

On April 23, 1999, HomeCom acquired all the outstanding shares of Ganymede Corporation for total consideration of 185,342 shares of common stock and $100,000 cash. Ganymede was a Chicago-based web site developer for financial institutions. In addition, we entered into employment agreements with the three principals of Ganymede, calling for them to continue in their current roles for the acquired company.

On October 1, 1999 we sold our security consulting and integration service operations for $200,000 in cash, certain security audit rights and shares of a non-public entity originally valued at approximately $823,000, and entered into a joint marketing program with the acquirer.

On January 31, 2001, we sold substantially all of the assets of FIMI and its affiliates to Digital Insurance, Inc. ("Digital") for approximately $458,000 in cash and the assumption of certain liabilities. Additionally, the FIMI notes were forgiven in exchange for the surrender of the common stock that collateralized the notes and the warrants were forfeited.

On March 15, 2001, we sold substantially all of the assets used in our Internet banking operations to Netzee, Inc. The sale generated net proceeds to HomeCom of approximately $275,000.

Products and Services

Following the sale of our Internet Banking operations and our InsureRate division, we had only one remaining operating business, our hosting and web site maintenance business.

Sales and Marketing

We currently have no active marketing strategies or plans.

Intellectual Property Rights

In accordance with industry practice, we have relied primarily on a combination of copyright, patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. We have sought to protect our software, documentation and other written materials principally under trade secret and copyright laws, which afford only limited protection. We do not believe that any of our products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by us with respect to our products. In addition, Web site developers such as ours face potential liability for the actions of customers and others using their services, including liability for infringement of intellectual property rights, rights of publicity, defamation, libel fraud, misrepresentation, unauthorized computer access, theft, tort liability and criminal activity under the laws of the United States, various states and foreign jurisdictions. We routinely enter into non-disclosure and

confidentiality agreements with employees, vendors, contractors, consultants and customers.

There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology. We believe that, due to the rapid pace of Internet innovation and related software industries, factors such as the technological and creative skills of our personnel are more important in establishing and maintaining a leadership position within the industry than are the various legal protections of our technology.

Employees

As of November 30, 2001, we had 7 full-time employees. If the Asset Sale is completed, we expect that all of these employees will resign from their positions with us and go to work for Tulix. Such being the case, the Board of Directors intends to search for new executive officers.

Customers

We have one principal customer, Roadrunner. Our contract with Roadrunner expired in December 2001 and we currently are performing services for Roadrunner without a contract. Roadrunner has indicated that it will continue to do business with Tulix after the Asset Sale is completed, although it has not committed formally to doing so. We expect that our other customers also will become customers of Tulix after the Asset Sale is completed. Consequently, we will not have any customers following completion of the Asset Sale.

Insurance

We maintain liability and other insurance that we believe to be customary and generally consistent with industry practice. We believe that such insurance is adequate to cover potential claims relating to our existing business activities.

Government Regulation

Except with regard to insurance and securities sales, as discussed below, we do not believe that we are currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally, and also believe that there are currently few laws or regulations directly applicable to Web site service companies. The Federal Communications Commission is studying the possible regulation of the Internet. Any such regulations adopted by the Federal Communications Commission may adversely impact the manner in which we conduct our business, our financial condition and our operating results. Moreover, the applicability to the Internet of existing laws governing issues such as property ownership, libel, and personal privacy is uncertain. We cannot predict the impact, if any, that future regulation or regulatory changes may have on our business. In addition, Web site developers such as us face potential liability for the actions of customers and others using their services, including liability for infringement of intellectual property rights, rights of publicity, defamation, libel, fraud, misrepresentation, unauthorized computer access, theft, tort liability and criminal activity under the laws of the U.S., various states and foreign jurisdictions. Any imposition of liability could have a material adverse effect on us.

In addition, our network services are transmitted to our customers over dedicated and public telephone lines. These transmissions are governed by

regulatory policies establishing charges and terms for communications. Changes in the regulatory environment relating to the telecommunications and media industry could have an effect on our business, including regulatory changes which directly or indirectly affect use or access of the Internet or increase the likelihood or scope of competition from regional telephone companies, could have a material adverse effect on us.

Of course, if the Asset Sale is completed, the matters discussed in this section could adversely affect the value of our stock in Tulix.

We own, and prior to January 31, 2001, operated a subsidiary named "FIMI Securities, Inc." FIMI Securities was a NASD regulated broker/dealer and was affiliated with various insurance agencies until it terminated its membership in the NASD on December 29, 2000. We still own FIMI Securities, but it no longer conducts any broker/dealer activities.

Properties

As of November 30, 2001, we occupy approximately 7,000 square feet in one office building in Atlanta, Georgia under a lease expiring in October 2002. This facility serves as our headquarters and computer center. We intend to assign this lease to Tulix if the Asset Sale is completed. Our landlord has indicated that it will allow Tulix to assume our lease, although it has not formally consented to an assignment of the lease. If, however, Tulix were to default under the lease, we will be liable for payments under the lease. We believe that we will be able to find suitable facilities following the completion of the Asset Sale with no material adverse effect on the Company.

We have abandoned an office in New York City where we used to occupy approximately 3,400 square feet under a lease expiring in January 2003. We have accrued a real estate disposition liability of approximately $400,000 at December 31, 2000, which we believe will be sufficient to settle all obligations related to the closing and abandonment of our offices in New York and Atlanta.

Legal Proceedings

On or about February 8, 2002, we received a complaint filed by Properties Georgia OBJLW One Corporation in the state court of Fulton County, Georgia on December 6, 2001 alleging that we defaulted on our lease in Building 14 at 3495 Piedmont Road, Atlanta, Georgia 30305. The complaint seeks damages in the amount of $141,752 plus interest of $23,827 plus attorneys' fees and court costs.

On or about January 14, 2002, Creditors Adjustment Bureau, Inc., a California corporation and the assignee of the claims of Siemens ICN, filed a complaint against us alleging, among other things, that we breached our contract with Siemens. The complaint seeks damages of $18,058.08 plus interest at a rate of 18% from January 26, 2001, plus expenses and attorneys' fees. The complaint was filed in the Superior Court of California, County of Santa Clara, California.

We are not a party to any other material legal proceedings. From time to time, we are involved in various routine legal proceedings incidental to the conduct of our business.

SELECTED HISTORICAL FINANCIAL STATEMENTS

Accompanying this Proxy Statement are the copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2001. The financial statements included in these reports are incorporated in, and constitute a part of, this Proxy Statement.

SELECTED FINANCIAL DATA

The following selected financial data of the Company should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes, all of which are included in the copy of our Annual Report on Form 10-K for the year 2000 enclosed herewith.

	Year Ended December 31,			
	1996	1997	1998	
Statement of Operations Data:				
Revenues	$ 2,229,975	$ 2,503,185	$ 2,481,905	$ 3
Cost of revenues	775,435	2,139,982	2,085,598	
Gross profit	1,454,540	363,203	396,307	2
Operating expenses:				
Sales and marketing	962,220	1,440,002	1,142,222	2
Product development	78,887	514,655	633,268	
General and administrative	909,230	2,538,229	2,896,287	3
Depreciation and amortization	85,068	238,537	542,269	1
Asset Impairment				
Total operating expenses	2,035,405	4,731,423	5,214,046	8
Operating loss	(580,865)	(4,368,22)	(4,817,739)	(5
Other expenses (income):				
Gain on sale of division			(4,402,076)	
Interest expense (income)	51,272	543,420	445,216	
Other expense (income), net	(6,554)	(93,298)	(166,917)	
Loss from continuing operations before income taxes	(625,583)	(4,818,34)	(693,962)	(5
Income tax provision (benefit)	--	--	--	
Loss from continuing operations	(625,583)	(4,818,342)	(693,962)	(5
Loss from discontinued operations		(62,839)	(510,178)	(4
Gain (loss) on disposal of business segment				1

Net Loss	(625,583)	(4,881,181)	(1,204,140)	(9
Deemed preferred stock dividend		--	(666,667)	(2
Loss applicable to common shareholders	$ (625,583)	$(4,881,181)	$ (1,870,807)	$(11
Loss per common share--basic and diluted				
Continuing operations	$ (0.34)	$ (1.86)	$ (0.32)	$
Discontinued operations		(0.02)	(0.12)	
Total	$ (0.34)	$ (1.88)	$ (0.44)	$
Weighted average common shares outstanding	1,862,223	2,602,515	4,287,183	6

	1996	1997	1998	1999	200
Balance Sheet Data:					
Working capital (deficit)	$(1,304,682)	$ 2,721,930	$ 2,265,725	$ 1,033,802	$ (823
Total assets	1,726,522	4,664,779	4,565,490	10,535,718	2,528
Long-term obligations	147,833	1,652,009	88,242	315,275	357
Total liabilities	2,347,191	2,708,007	1,117,041	2,930,600	2,298
Redeemable Preferred stock				1,624,920	251
Stockholders' equity (deficit)	(620,669)	1,956,772	3,448,449	5,980,198	(20

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PRO-FORMA FINANCIAL STATEMENTS

The tables below set forth the historical unaudited balance sheets and results of operations for the Company for the fiscal year ended December 31, 2000, and the nine months ended September 30, 2001 and the balance sheet and results of operations of the Company as of those dates on a pro-forma basis. These unaudited pro-forma financial statements are not necessarily indicative of results that actually would have occurred if the transaction had been in effect as of and for the periods presented or the results that may be achieved in the future. The adjustments related to the unaudited pro-forma balance sheet assume the transaction was consummated at September 30, 2001, while adjustments to the unaudited pro-forma statements of operations assume the transaction was consummated at January 1, 2000. These statements should be read in conjunction with the description of the proposed sale described elsewhere in this Proxy Statement, and the financial statements of the Company included in the company's Form 10-K for the year ended December 31, 2000, and the Company's form 10-Q for the third quarter ended September 30, 2001, included as a part of Exhibit C to this Proxy Statement.

HOMECOM COMMUNICATIONS, INC.
Unaudited Historical and Pro-forma Statements of Operations

Year Ended December 31, 2000			N S
HOMECOM	Pro-forma	HOMECOM	HOMECOM

	Historical	Adjustments (1)	Pro-forma	Historical
Revenues	$ 4,509,977	$ 4,509,977	$ --	$ 929,010
Cost of Revenues	2,722,309	2,722,309	--	763,322
GROSS PROFIT	1,787,668	1,787,668	--	165,688
OPERATING EXPENSES:				
Sales and marketing	1,944,020	1,633,481	310,539	704
Product development	321,259	--	321,259	--
General and administrative	1,182,192	521,147	661,045	596,494
Depreciation and amortization	1,605,345	1,605,345	--	--
Asset Impairment Charge	1,436,078	1,106,808	329,270	493,905
Total operating expenses	6,488,894	4,866,781	1,622,113	1,091,103
OPERATING LOSS	(4,701,226)	(3,079,113)	(1,622,113)	(925,415)
OTHER EXPENSES (INCOME)				
Interest expense	(5,981)	--	(5,981)	--
Other income, net	(90,793)	--	(90,793)	(144,766)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,604,452)	(3,079,113)	(1,525,339)	(780,649)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.54)	$ (0.36)	$ (0.18)	$ (0.08)
WEIGHTED NUMBER OF SHARES OUTSTANDING	8,549,693	8,549,693	8,549,693	9,359,156

Notes to Pro-forma Statements of Operations:

1. Historically, the Company was organized into five separate business units. The Company's reportable segments were: custom Web development (FAST), Internet outsourcing services (HostAmerica), Internet security services (HISS), software products (PIB), and InsureRate/FIMI. On June 9, 1998, the Company sold substantially all of the assets of its HostAmerica internet outsourcing services business unit to Sage Acquisition Corp. On October 1, 1999 the Company sold all of its HISS unit to Infrastructure Defense, Inc. On January 31, 2001 the Company sold all of the assets of its InsureRate/FIMI unit to Digital Insurance, Inc. On March 15, 2001 the company sold the remaining assets of its PIB unit to Netzee, Inc. As such the only remaining business represents hosting and web site maintenance services (formerly included in FAST), with all other business units being reported as discontinued operations. These Pro-forma Adjustments represent the sale of the remaining business unit, FAST, leaving only corporate general expenses, which were incurred to sustain public corporate operations and were unrelated to FAST.

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HOMECOM COMMUNICATIONS, INC.
Unaudited Historical and Pro-forma Balance Sheets as of September 30

HOMECOM
Historica

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 394,0
Accounts receivable, net	202,7
Total current assets	596,7
Furniture, fixtures and equipment held for sale	81,7
Total assets	$ 678,5
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 1,288,9
Accrued payroll liabilities	20,0
Current portion of obligations under capital leases	14,5
Total current liabilities	1,323,4
Other liabilities	5,3
Obligations Under capital Leases	6,3
Total liabilities	1,335,2
Redeemable Preferred stock, Series B, $.01 par value, 125 shares authorized, 125 shares issued at September 30, 2001 and December 31, 2000 and 17.8 shares outstanding at September 30, 2001 and December 31, 2000, convertible, participating; $401,147 liquidation value as of September 30, 2001	251,7
STOCKHOLDERS' EQUITY (DEFICIT):	
Common stock, $.0001 par value, 15,000,000 shares authorized, 9,359,156 shares issued and outstanding at September 30, 2001 and December 31, 2000	9
Preferred stock, Series C, $.01 par value, 175 shares issued and authorized, 92.1 shares outstanding at September 30, 2001 and December 31, 2000, convertible, participating; $2,082,880 liquidation value at September 30, 2001	
Preferred stock, Series D, $.01 par value, 75 shares issued and authorized, 1.3 shares outstanding at September 30, 2001 and December 31, 2000, convertible, participating; $28,931 liquidation value at September 30, 2001	
Preferred stock, Series E, $.01 par value, 106.4 shares issued and authorized, 106.4 shares outstanding at September 30, 2001 and December 31, 2000, convertible, participating; $2,375,946 liquidation value at September 30, 2001	
Additional paid-in capital	24,724,5
Retained earnings (accumulated deficit)	(25,633,9
Total stockholder's equity (deficit)	(908,4
Total liabilities and stockholder's equity	$ 678,5

Notes to Pro-forma Balance Sheet:

1. Historically, the Company was organized into five separate business units. The Company's reportable segments were: custom Web development (FAST), Internet outsourcing services (HostAmerica), Internet security services (HISS), software products (PIB), and InsureRate/FIMI. On June

9, 1998, the Company sold substantially all of the assets of its HostAmerica internet outsourcing services business unit to Sage Acquisition Corp. On October 1, 1999 the Company sold all of its HISS unit to Infrastructure Defense, Inc. On January 31, 2001 the Company sold all of the assets of its InsureRate/FIMI unit to Digital Insurance, Inc. On March 15, 2001 the company sold the remaining assets of its PIB unit to Netzee, Inc. As such the only remaining business represents hosting and web site maintenance services (formerly included in FAST), with all other business units being reported as discontinued operations. The Pro-forma Adjustments represent the sale of the remaining business unit, FAST.

FORWARD-LOOKING STATEMENTS

When used in this Proxy statement, the words "estimate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Proxy Statement or as of the date of such other documents. Actual results may differ materially from those contemplated in forward-looking statements and projections. Important assumptions and factors that could cause actual results to differ materially from those contemplated, projected, forecasted, estimated or budgeted in, or expressed or implied by, projections and forward-looking statements include industry trends, currency fluctuations, government fiscal and monetary policy, general economic and business conditions. Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. The Company assumes no obligation to update such forward-looking statements or any projections to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements, except to the extent necessary to make such statements and projections not misleading.

PROPOSAL 2: AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO CHANGE THE NAME OF THE COMPANY

The Board of Directors has adopted a resolution and recommends to the Stockholders for their adoption and approval an amendment to the Company's Certificate of Incorporation to change the name of the Company from "HomeCom Communications, Inc." to "Prospect Technologies, Inc."

Purpose of Proposed Change of Name

Because the Asset Sale will result in the disposition of all of our remaining operations, we will no longer conduct any business that is associated with the "HomeCom Communications" name. Moreover, the business that is currently associated with the HomeCom name will be owned and operated by Tulix, and we believe that confusion would likely result if we continued to call our company "HomeCom Communications" while another company owned and operated the business associated with the "HomeCom Communications" name. Thus, while we do not have a

business plan other than to keep the Company current in its reporting obligations as a public company, we believe the proposed name change will lessen the likelihood of confusion that could result if we do not change our name. Accordingly, management believes that a change of the corporate name to "Prospect Technologies, Inc." is appropriate and recommends a vote for the adoption of the amendment to the Certificate Incorporation.

Amendment to Certificate of Incorporation

If approved, Article I of our Certificate of Incorporation would be restated in its entirety as follows:

"I.

The name of the Corporation is Prospect Technologies, Inc."

The form of amendment to the Certificate of Incorporation to amend Article I of our Certificate of Incorporation changing the name from "HomeCom Communications, Inc." to "Prospect Technologies, Inc." is included in Exhibit B attached hereto.

Vote Required and Board Recommendation

The adoption and approval of the amendment to the Certificate of Incorporation requires approval by a vote of the holders of a majority of all of the outstanding shares of capital stock of the Company entitled to vote at the Special Meeting of Stockholders (or the holders of a majority of the Common Stock). If the amendment is approved by the Stockholders, the Board of Directors intends to make the change effective at the earliest appropriate time consistent with an orderly transition to the new name.

Upon the effective date of the name change we will take action to change the stock trading symbol for our Common Stock. Stock certificates representing the Common Stock issued prior to the effective date of the change in the corporate name to "Prospect Technologies, Inc." will continue to represent the same number of shares, remain authentic, and will not be required to be returned

to us or to our transfer agent for reissuance. New stock certificates issued upon transfer of shares of Common Stock after the name change will bear the name "Prospect Technologies, Inc.", and will have a new CUSIP number. Delivery of existing stock certificates will continue to be accepted in transactions made by a Stockholder after the corporate name is changed.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDEMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.

PROPOSAL 3: AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors has approved, and is recommending to the Stockholders for approval at the Special Meeting of Stockholders, an amendment to the Company's Certificate of Incorporation to increase the number of shares of Common Stock which we are authorized to issue from fifteen million (15,000,000) shares to one hundred million (100,000,000) shares. The Board of Directors has determined that this amendment is advisable and should be considered at the Special Meeting of Stockholders.

Purposes and Effects of Proposed Increase in the Number of Shares of Common Stock.

The proposed amendment would increase the number of shares of Common Stock which we are authorized to issue from 15,000,000 shares to 100,000,000 shares. The additional 85,000,000 shares would be part of the existing class of Common Stock and, if and when issued, would have the same rights and privileges as the shares Common Stock presently issued and outstanding. At ___________, 2002, 14,999,156 shares of Common Stock were outstanding.

The Board of Directors believes it is desirable to increase the number of shares of Common Stock we are authorized to issue by an additional 85,000,000 shares for several reasons. First, we currently do not have available a sufficient number of authorized but unissued shares of common stock to support conversion of our outstanding shares of Preferred Stock and the exercise of outstanding options and warrants. As of September 30, 2001, the aggregate liquidation value of the outstanding shares of our preferred stock was approximately $4,887,757.00. If these outstanding shares of preferred stock were to be converted into shares of common stock as of such date, we would be obligated to issue in excess of 488,390,000 shares of common stock upon such conversions. Such being the case, if our stock price were to remain at $.01 per share, we will have insufficient authorized but unissued shares of common stock available even if the proposed amendment is approved. Obviously, we cannot predict how our stock price may change in the future, and we therefore cannot predict how many shares of common stock will be issuable upon conversion of our preferred stock. Nevertheless, the Board of Directors believes that it is important to increase the number of shares of common stock that we are authorized to issue above 15,000,000.

If the additional shares of common stock are not used for the purpose of supporting conversions of the outstanding shares of our preferred stock, they will provide us with additional authorized but unissued shares of Common Stock to issue in connection with such corporate purposes as the Board of Directors may, from time to time, consider advisable. Having such shares available for issuance in the future will give the Company greater flexibility and will allow the Board of Directors to issue such shares without the delay and expense of a special meeting of Stockholders to authorize such issuance. The Company could issue shares in connection with acquisitions, stock splits, stock dividends, the exercise of options granted under various stock option and other employee benefit plans, equity financings or other transactions. There are at present no specific understandings, arrangements or agreements with respect to any future acquisitions that would require us to issue a material amount of new shares of its Common Stock.

The increase in the number of shares of Common Stock that we are authorized to issue will not have any immediate effect on the rights of existing Stockholders. However, the Board of Directors will have the authority to issue authorized Common Stock without requiring future Stockholder approval of such issuances, except as may be required by the Certificate of Incorporation and applicable law and regulations. To the extent that the additional authorized shares of Common Stock are issued in the future, they will decrease the existing Stockholders' percentage equity ownership and, depending upon the price at which they are issued as compared to the price paid by existing Stockholders for their shares, could be dilutive to our existing Stockholders. The holders of Common Stock have no preemptive rights to subscribe for or purchase any additional shares of Common Stock that may be issued in the future.

The increase in the authorized number of shares of Common Stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of the Company without further action by the Stockholders. Shares of authorized and unissued Common Stock could (within the limits imposed by applicable law) be issued in one or more transactions which would make a change in control of the Company more difficult, and therefore less likely. Any such issuance of additional stock could have the effect of diluting the earnings per share and book value per share of outstanding shares of Common Stock, and such additional shares of Common Stock could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of the Company. The Board of Directors has not presented this proposal with the intention that the increase in the authorized shares of Common Stock be used as a type of antitakeover device.

During 2002, the following automatic conversions of the outstanding shares of our preferred stock will occur:

- o In March, the outstanding shares of our Series B preferred stock will convert automatically into shares of common stock;
- o In July, the outstanding shares of our Series C preferred stock will convert automatically into shares of common stock; and,
- o In September, the outstanding shares of our Series D preferred stock will convert automatically into shares of common stock.

Amendment to Certificate of Incorporation.

If approved, the first sentence of Article IV of our Certificate Incorporation would be amended and restated in its entirety as follows:

"IV.

The total number of shares of capital stock which the Corporation is authorized to issue is One Hundred One Million (101,000,000), divided into two classes as follows:

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(1) One Hundred Million (100,000,000) shares of common stock, $.0001 par value per share ("Common Stock"); and

(2) One Million (1,000,000) shares of preferred stock, $.01 par-value

("Preferred Stock")."

The Certificate of Incorporation will remain the same in all other respects. The form of the amendment to the Certificate of Incorporation is included in Exhibit B attached hereto.

Vote Required and Board Recommendation.

The affirmative vote of holders of a majority of the outstanding shares of Capital Stock of the Company entitled to vote at the Special Meeting of Stockholders (or the holders of a majority of our Common Stock) is required to approve the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.

Description of Capital Stock

Our authorized capital stock consists of 15,000,000 shares of common stock, $.0001 par value, and 1,000,000 shares of preferred stock, $.01 par value. As of _________, 2002, there were outstanding 14,999,156 shares of common stock held of record by _____ record holders. Of the authorized preferred stock, 20,000 shares have been designated series A convertible preferred stock, none of which are presently outstanding, 125 shares have been designated series B convertible preferred stock, 17.813 shares of which are presently outstanding and held by three record holders, 175 shares have been designated series C convertible preferred stock, 90.479 shares of which are presently outstanding and are held by one record holder, and 75 shares have been designated series D convertible preferred stock, 1.291 of which are presently outstanding and are held by one record holder, and 107 shares have been designated series E convertible preferred stock, 106.35 of which are presently outstanding and are held by one record holder.

Common Stock

Holders of shares of common stock are entitled to one vote per share for the election of directors and all matters to be submitted to a vote of the stockholders. Subject to the rights of any holders of preferred stock, the holders of shares of common stock are entitled to share ratably in any dividends as may be declared by the board of directors out of legally available funds. In the event of our dissolution, liquidation or winding up, holders of shares of common stock are entitled to share ratably in all assets remaining after payment of all liabilities and the aggregate liquidation preference of outstanding shares of preferred stock. Holders of shares of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are duly authorized, validly issued, fully paid and nonassessable.

Preferred Stock

Our restated certificate of incorporation authorizes the issuance of preferred stock with designations, rights and preferences determined from time to time by the board of directors. Accordingly, the board of directors is empowered, without stockholder approval, to issue preferred stock with dividends, liquidation, conversion, voting and other rights that could adversely affect the voting power or other rights of the holders of common stock.

Series B Convertible Preferred Stock

Pursuant to our certificate of incorporation, the board has classified 125 shares of preferred stock as series B convertible preferred stock with the rights, preferences, privileges and terms set forth in the certificate of designations filed with the State of Delaware. Of the 125 shares authorized by the board, 17.813 are currently outstanding. The stated value per share of the series B preferred stock is $20,000. All shares of common stock are of junior rank to all series B preferred shares in respect to the preferences as to distributions and payments upon the liquidation, dissolution, and winding up. The rights of the shares of common stock are subject to the preferences and relative rights of the series B preferred shares. The series B preferred shares will be of greater rank than any series of common or preferred stock issued by us in the future. Without the prior express written consent of the holders of at least a majority of the then outstanding series B preferred shares, we will not authorize or issue capital stock that is of senior or equal rank to the series B preferred shares regarding the preferences as to distributions and payments upon our liquidation, dissolution and winding up. Without the prior express written consent of the holders of not less than a majority of the then outstanding series B preferred shares, we will not hereafter authorize or make any amendment to our certificate of incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions which would materially and adversely affect or impair the rights or relative priority of the holders of the series B preferred shares relative to the holders of the common stock or the holders of any other class of capital stock. In the event of our merger or consolidation with or into another corporation, the series B preferred shares will maintain their relative powers, designations, and preferences, and no merger may result that is inconsistent with this provision.

Holders of the series B preferred stock are not entitled to receive dividends. If any series B preferred shares are outstanding, we may not, without the prior express written consent of the holders of a majority of the then outstanding series B preferred shares, directly or indirectly declare, pay or make any dividends or other distributions upon any of the common stock unless written notice thereof has been given to holders of the series B preferred shares at least thirty days prior to the earlier of (a) the record date taken for or (b) the payment of the dividend or other distribution. We may declare and pay a dividend in cash with respect to the common stock so long as we pay simultaneously to each holder of series B preferred shares an amount in cash equal to the amount the holder would have received had all of the holder's series B preferred shares been converted to common stock one business day before the record date for the dividend, and after giving effect to the payment of any dividend and any other required payments, including required payments to the holders of the series B preferred shares, we have in cash or cash equivalents an amount equal to the aggregate of:

- all of our liabilities reflected on our most recently available balance sheet;

- the amount of any indebtedness incurred by us or any of our subsidiaries since our most recent balance sheet; and

- 120% of the amount payable to all holders of any shares of any class of preferred stock assuming a liquidation as the date of our most recently available balance sheet.

In the event of any voluntary or involuntary liquidation, dissolution, or

winding up, the holders of the series B preferred shares will be entitled to receive in cash out of our assets, whether from capital or from earnings available for distribution to our stockholders, before any amount will be paid to the holders of any of our capital stock of any class junior in rank to the series B preferred shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up, an amount per series B preferred share equal to the sum of (i) $20,000 and (ii) a premium of 5% per year of the stated value from the date of issuance of the series B preferred stock; provided that, if the funds are insufficient to pay the full amount due to the holders of series B preferred shares and holders of shares of other classes or series of preferred stock that are of equal rank with the series B preferred shares as to payments of this type, then each holder of series B preferred shares and other preferred shares will share equally in the available funds in accordance with their respective liquidation preferences. The purchase or redemption by us of stock of any class in any manner permitted by law will not be regarded as a liquidation, dissolution or winding up. Neither our consolidation or merger with or into any other person, nor the sale or transfer by us of less than substantially all of its assets will be deemed to be a liquidation, dissolution or winding up.

The holders of series B preferred shares have no voting rights, except as required by law, including the General Corporation Law of the State of Delaware.

Each share of series B preferred stock is convertible into the number of shares of our common stock, equal to the stated value, or $20,000, plus a premium of 5% per year of the stated value from the date of issuance of the series B preferred stock, divided by the conversion price. The conversion price is equal to the lesser of:

(1) the average closing bid prices of the common stock for any four consecutive trading days during the twenty-five consecutive trading day period ending on the day prior to the conversion; or

(2) $5.23.

As of September 30, 2001, the aggregate liquidation value of the shares of series B preferred stock outstanding was approximately $400,000. If these shares of series B preferred stock were to be converted into shares of common stock as of such date, we would be obligated to issue in excess of 40,000,000 shares of common stock upon such conversions.

Under the conversion price formula, there is no ceiling on the number of shares of common stock into which the outstanding shares of series B preferred stock can be converted. As a result, as the price of the common stock decreases, the number of shares of common stock underlying the outstanding shares of series B preferred stock continues to increase.

Under the conversion price formula, the series B preferred stock may, from time to time, be convertible at a rate at or below the common stock's market price. The lower the common stock's market price at the time a holder converts his outstanding shares of series B preferred stock, the more shares of common stock the holder will get in the conversion. To the extent a holder of shares of series B preferred stock converts and then sells the shares of common stock, the common stock's market price may decrease due to the additional shares in the market, allowing the selling holder to convert other shares of series B preferred stock into greater amounts of common stock, the sale of which could further depress the market price for the common stock. The downward pressure on the market price of the common stock as a holder of the series B preferred stock

converts and sells material amounts of common stock could encourage short sales by other holders or others, placing further downward pressure on the market price of the common stock. The conversion of the outstanding shares of series B preferred stock may result in substantial dilution to the interest of other common stockholders, since each holder of the outstanding shares of series B preferred stock may ultimately convert and sell the full amount of common stock issuable upon conversion.

The series B preferred stock is subject to redemption at our option at 120% of the principal amount of the stock being redeemed. If any series B preferred stock remain outstanding on March 24, 2002, all the shares will automatically be converted into common stock.

No shares of the series B preferred stock may be converted if, following such conversion, the holder of the shares would beneficially own in excess of 4.9% of the outstanding shares. Pursuant to the terms of the NASDAQ National Market's Market Place Rule 4460(i), we have agreed with the holders of the series B preferred stock that so long as we are subject to this rule or any rule substantially similar to this rule, we will not issue more than 19.99% of the common stock outstanding on the date the series B preferred stock was issued upon conversion of the series B preferred stock in the absence of:

- the approval of the issuance by our stockholders; or

- a waiver by NASDAQ of the provisions of that rule.

We issued series B preferred stock totaling $2,500,000 on March 25, 1999. The series B preferred stock investors were issued 125 shares of preferred stock, having a stated value of $20,000 per share, and 225,000 warrants to purchase common stock at $5.70 per share. We paid offering costs of $216,250 cash plus 25,000 warrants to purchase common stock at $5.70 per share, resulting in net proceeds to us of $2,283,750 for the preferred shares and warrants.

Series C Convertible Preferred Stock

Pursuant to our certificate of incorporation, the Board has classified 175 shares of preferred stock as series C convertible preferred stock with the rights, preferences, privileges and terms set forth in the certificate of designations filed with the State of Delaware. Of the 175 shares authorized by the Board, 90.479 shares are currently outstanding. The stated value per share of the series C preferred stock is $20,000. All shares of common stock are to be of junior rank to all series C preferred shares in respect to the preferences as to distributions and payments upon our liquidation, dissolution, and winding up. The rights of the shares of common stock are subject to the preferences and relative rights of the series C preferred shares. Except for the series B preferred stock, the series C preferred shares will be of greater rank than any series of common or preferred stock issued by us in the future. Without the prior express written consent of the holders of not less than a majority of the then outstanding series C preferred shares, we will not hereafter authorize or issue additional or other capital stock that is of senior or equal rank to the series C preferred shares in respect of the preferences as to distributions and payments upon our liquidation, dissolution and winding up. Without the prior express written consent of the holders of not less than a majority of the then outstanding series C preferred shares, we will not hereafter authorize or make any amendment to the our certificate of incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions which would materially and adversely affect or otherwise impair the rights or relative priority of the holders of the series C preferred shares relative to the holders of the common stock or the holders of any other class of capital stock. In the event of our merger or consolidation with or into another corporation, the series C preferred shares will maintain

their relative powers, designations, and preferences provided for herein, and no merger may result that is inconsistent with this provision.

Holders of the series C preferred stock are not entitled to receive dividends. If any series C preferred shares are outstanding, we may not, without the prior express written consent of the holders of a majority of the then outstanding series C preferred shares, directly or indirectly declare, pay or make any dividends or other distributions upon any of the common stock unless written notice has been given to holders of the series C preferred shares at least thirty days prior to the earlier of (a) the record date taken for or (b) the payment of the dividend or other distribution. We may declare and pay a dividend in cash with respect to the common stock so long as we: (i) pay simultaneously to each holder of series C preferred shares an amount in cash equal to the amount the holder would have received had all of the holder's series C preferred shares been converted to common stock one business day prior to the record date for the dividend, and after giving effect to the payment of any dividend and any other payments required in connection therewith, including to the holders of the series C preferred shares, we have in cash or cash equivalents an amount equal to the aggregate of:

- all of our liabilities reflected on our most recently available balance sheet;

- the amount of any indebtedness incurred by us or any of our subsidiaries since our most recent balance sheet;

- 120% of the amount payable to all holders of any shares of any class of preferred stock assuming a liquidation as the date of our most recently available balance sheet.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up, the holders of the series C preferred shares will be entitled to receive in cash out of our assets, whether from capital or from earnings available for distribution to its stockholders, before any amount will be paid to the holders of any of our capital stock of any class junior in rank to the series C preferred shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up, an amount per series C preferred share equal to the sum of (i) $20,000 and (ii) a premium of 6% per year of the stated value from the date of issuance of the series C preferred stock; provided that, if the funds are insufficient to pay the full amount due to the holders of series C preferred shares and holders of shares of other classes or series of preferred stock that are of equal rank with the series C preferred shares as to payments of this type, then each holder of series C preferred shares and other preferred shares will share equally in the available funds in accordance with their respective liquidation preferences. The purchase or redemption by us of stock of any class in any manner permitted by law will not be regarded as a liquidation, dissolution or winding up. Neither our consolidation or merger with or into any other person, nor the sale or transfer by us of less than substantially all of its assets will be deemed to be a liquidation, dissolution or winding up.

The holders of series C preferred shares have no voting rights, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware.

The series C preferred stock has an initial stated value of $20,000 per share, which increases at the rate of 6% per year. Each series C preferred share is convertible, beginning 120 days following the date of issuance, at the option

of the holder, into the number of shares of common stock determined dividing the stated value by the lower of (a) $5.875, and (b) 82.5% of the average of the closing bid prices for the five trading days prior to the date of conversion. Any series C preferred stock outstanding on July 22, 2002 will automatically be converted into common stock at the conversion price then in effect.

As of September 30, 2001, the aggregate liquidation value of the shares of series C preferred stock outstanding was approximately $2,082,880. If these shares of series C preferred stock were to be converted into shares of common stock as of such date, we would be obligated to issue in excess of 208,000,000 shares of common stock upon such conversions.

Under the conversion price formula, there is no ceiling on the number of shares of common stock into which the outstanding shares of series C preferred stock can be converted. As a result, as the price of the common stock decreases, the number of shares of common stock underlying the outstanding shares of series C preferred stock continues to increase.

Under the conversion price formula, the series C preferred stock will be convertible at a rate at or below the common stock's market price. The lower the common stock's market price at the time a holder converts his outstanding shares of series C preferred stock, the more shares of common stock the holder will get in the conversion. To the extent a holder of shares of series C preferred stock converts and then sells the shares of common stock, the common stock's market price may decrease due to the additional shares in the market, allowing the selling holder to convert other shares of series C preferred stock into greater amounts of common stock, the sale of which could further depress the market price for the common stock. The downward pressure on the market price of the common stock as a holder of the series C preferred stock converts and sells material amounts of common stock could encourage short sales by other holders or others, placing further downward pressure on the market price of the common stock. The conversion of the outstanding shares of series C preferred stock may result in substantial dilution to the interest of other common stockholders, since each holder of the outstanding shares of series C preferred stock may ultimately convert and sell the full amount of common stock issuable upon conversion.

Through July 22, 2001, we had the right, under specified circumstances, to prohibit holders of the Series C preferred stock from exercising any conversion rights for up to 90 days. On August 2, 2000, we exercised that right by notice to the holder of the series C preferred stock. We were required to compensate the holders of the series C preferred stock in cash or in shares of common stock.

At any time after the issuance date, we have the right, in our sole discretion, to redeem, from time to time, any or all of the series C preferred stock provided that specified conditions are met, including that we have cash, credit or standby underwriting facilities available to fund the redemption. The redemption price is 120% of the original purchase price.

No shares of the series C preferred stock may be converted if, following such conversion, the holder of the shares would beneficially own in excess of 4.9% of the outstanding shares. Pursuant to the terms of the NASDAQ National Market's Market Place Rule 4460 (i), we have agreed with the holders of the series C preferred stock that so long as we are subject to this rule or any rule substantially similar to this rule, we will not issue more than 19.99% of the common stock outstanding on the date the series C preferred stock was issued upon conversion of the series C preferred stock in the absence of:

- the approval of the issuance by our stockholders; or
- a waiver by NASDAQ of the provisions of that rule.

On July 28, 1999, we completed a private placement of $3,500,000 principal amount of our series C convertible preferred stock and related warrants to purchase up to 59,574 shares of common stock. The series C preferred stock and warrants were sold in reliance on Rule 506 of the Securities Act, which provides an exemption from registration for sales to accredited investors, as defined by Rule 501 under Regulation D of the Securities Act.

Series D Convertible Preferred Stock

Pursuant to our certificate of incorporation, the board has classified 75 shares of preferred stock as Series D Convertible Preferred Stock with the rights, preferences, privileges and terms set forth in the certificate of designations filed with the State of Delaware. Of the 75 shares authorized by the board, 1.291 shares are currently outstanding. The stated value per share of the series D preferred stock is $20,000. All shares of common stock are to be of junior rank to all series D preferred shares in respect to the preferences as to distributions and payments upon our liquidation, dissolution, and winding up. The rights of the shares of common stock are subject to the preferences and relative rights of the series D preferred shares. Except for the series B preferred stock and the series C preferred stock, the series D preferred shares will be of greater rank than any series of common or preferred stock issued by us in the future. Without the prior express written consent of the holders of not less than a majority of the then outstanding series D preferred shares, we will not hereafter authorize or issue additional or other capital stock that is of senior or equal rank to the series D preferred shares in respect of the preferences as to distributions and payments upon our liquidation, dissolution and winding up. Without the prior express written consent of the holders of not less than a majority of the then outstanding series D preferred shares, we will not hereafter authorize or make any amendment to our certificate of incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions which would materially and adversely affect or otherwise impair the rights or relative priority of the holders of the series D preferred shares relative to the holders of the common stock or the holders of any other class of capital stock. In the event of our merger or consolidation with or into another corporation, the series D preferred shares will maintain their relative powers, designations, and preferences provided for herein, and no merger may result that is inconsistent with this provision.

Holders of the series D preferred stock are not entitled to receive dividends. If any series D preferred shares are outstanding, we may not, without the prior express written consent of the holders of a majority of the then outstanding series D preferred shares, directly or indirectly declare, pay or make any dividends or other distributions upon any of the common stock unless written notice thereof has been given to holders of the series D preferred shares at least thirty days prior to the earlier of (a) the record date taken for or (b) the payment of the dividend or other distribution. We may declare and pay a dividend in cash with respect to the common stock so long as we: (i) pay simultaneously to each holder of series D preferred shares an amount in cash equal to the amount the holder would have received had all of the holder's series D preferred shares been converted to common stock one business day prior to the record date for the dividend, and after giving effect to the payment of any dividend and any other payments required in connection therewith, including to the holders of the series D preferred shares, we have in cash or cash

equivalents an amount equal to the aggregate of:

- all of our liabilities reflected on our most recently available balance sheet;

- the amount of any indebtedness incurred by us or any of our subsidiaries since our most recent balance sheet;

- 120% of the amount payable to all holders of any shares of any class of preferred stock assuming a liquidation as the date of our most recently available balance sheet.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up, the holders of the series D preferred shares will be entitled to receive in cash out of our assets, whether from capital or from earnings available for distribution to our stockholders, before any amount will be paid to the holders of any of our capital stock of any class junior in rank to the series D preferred shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up, an amount per series D preferred share equal to the sum of (a) $20,000 and (b) a premium of 6% per year of the stated value from the date of issuance of the series D preferred stock; provided that, if the funds are insufficient to pay the full amount due to the holders of series D preferred shares and holders of shares of other classes or series of preferred stock that are of equal rank with the series D preferred shares as to payments of this type, then each holder of series D preferred shares and other preferred shares will share equally in the available funds in accordance with their respective liquidation preferences. The purchase or redemption by us of stock of any class in any manner permitted by law will not be regarded as a liquidation, dissolution or winding up. Neither our consolidation or merger with or into any other person, nor the sale or transfer by us of less than substantially all of its assets will be deemed to be a liquidation, dissolution or winding up.

The holders of series D preferred shares have no voting rights, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware.

The series D preferred stock has an initial stated value of $20,000 per share, which increases at the rate of 6% per year. Each series D preferred share is convertible, at the option of the holder, into the number of shares of common stock determined by dividing the stated value by the lower of (a) $5.875, and (b) 82.5% of the average of the closing bid prices for the five trading days prior to the date of conversion. Any series D preferred stock outstanding on September 27, 2002 will automatically be converted into common stock at the conversion price then in effect.

As of September 30, 2001, the aggregate liquidation value of the shares of series D preferred stock outstanding was approximately $28,931. If these shares of series D preferred stock were to be converted into shares of common stock as of such date, we would be obligated to issue in excess of 2,890,000 shares of common stock upon such conversions.

Under the conversion price formula, there is no ceiling on the number of shares of common stock into which the outstanding shares of series D preferred stock can be converted. As a result, as the price of the common stock decreases, the number of shares of common stock underlying the outstanding shares of series D preferred stock continues to increase.

Under the conversion price formula, the series D preferred stock will be convertible at a rate at or below the common stock's market price. The lower the common stock's market price at the time a holder converts his outstanding shares of series D preferred stock, the more shares of common stock the holder will get in the conversion. To the extent a holder of shares of series D preferred stock converts and then sells the shares of common stock, the common stock's market price may decrease due to the additional shares in the market, allowing the selling holder to convert other shares of series D preferred stock into greater amounts of common stock, the sale of which could further depress the market

price for the common stock. The downward pressure on the market price of the common stock as a holder of the series D preferred stock converts and sells material amounts of common stock could encourage short sales by other holders or others, placing further downward pressure on the market price of the common stock. The conversion of the outstanding shares of series D preferred stock may result in substantial dilution to the interest of other common stockholders, since each holder of the outstanding shares of series D preferred stock may ultimately convert and sell the full amount of common stock issuable upon conversion.

Through September 27, 2001, we had the right, under specified circumstances, to prohibit holders of the series D preferred stock from exercising any conversion rights for up to 90 days. If we had exercised that right, we would have been required to compensate the holders of the series D preferred stock in cash or in shares of common stock.

At any time after the issuance date, we have the right, in our sole discretion, to redeem, from time to time, any or all of the series D preferred stock provided that specified conditions are met, including that we have cash, credit or standby underwriting facilities available to fund the redemption. The redemption price is 120% of the original purchase price after 120 days from the issuance date.

No shares of the series D preferred stock may be converted if, following such conversion, the holder of the shares would beneficially own in excess of 4.9% of the outstanding shares. Pursuant to the terms of the NASDAQ National Market's Market Place Rule 4460 (i), we have agreed with the holders of the series D preferred stock that so long as we are subject to this rule or any rule substantially similar to this rule, we will not issue more than 19.99% of the common stock outstanding on the date the series D preferred stock was issued upon conversion of the series D preferred stock in the absence of:

- the approval of the issuance by our stockholders; or
- a waiver by NASDAQ of the provisions of that rule.

On September 28, 1999, we completed a private placement of $1,500,000 principal amount of our series D convertible preferred stock and related warrants to purchase up to 25,000 shares of common stock. The series D preferred stock and warrants were sold in reliance on Rule 506 of the Securities Act, which provides an exemption from registration for sales to accredited investors, as defined by Rule 501 under Regulation D of the Securities Act.

Series E Convertible Preferred Stock

Pursuant to our certificate of incorporation, the board has classified 107 shares of preferred stock as Series E Convertible Preferred Stock with the rights, preferences, privileges and terms set forth in the certificate of

designations filed with the State of Delaware. Of the 107 shares authorized by the board, 106.35 shares are currently outstanding. The stated value per share of the series E preferred stock is $20,000. All shares of common stock are to be of junior rank to all series E preferred shares in respect to the preferences as to distributions and payments upon our liquidation, dissolution, and winding up. The rights of the shares of common stock are subject to the preferences and relative rights of the series E preferred shares. Except for the series B preferred stock, the series C preferred stock, and the series D preferred stock, the series E preferred shares will be of greater rank than any series of common or preferred stock issued by us in the future. Without the prior express written consent of the holders of not less than a majority of the then outstanding series E preferred shares, we will not hereafter authorize or issue additional

or other capital stock that is of senior or equal rank to the series E preferred shares in respect of the preferences as to distributions and payments upon our liquidation, dissolution and winding up. Without the prior express written consent of the holders of not less than a majority of the then outstanding series E preferred shares, we will not hereafter authorize or make any amendment to the our certificate of incorporation or bylaws, or make any resolution of the board of directors with the Delaware Secretary of State containing any provisions which would materially and adversely affect or otherwise impair the rights or relative priority of the holders of the series E preferred shares relative to the holders of the common stock or the holders of any other class of capital stock. In the event of our merger or consolidation with or into anther corporation, the series E preferred shares will maintain their relative powers, designations, and preferences provided for herein, and no merger may result that is inconsistent with this provision.

Holders of the series E preferred stock are not entitled to receive dividends. If any series E preferred shares are outstanding, we may not, without the prior express written consent of the holders of a majority of the then outstanding series E preferred shares, directly or indirectly declare, pay or make any dividends or other distributions upon any of the common stock unless written notice thereof has been given to holders of the series E preferred shares at least thirty days prior to the earlier of (a) the record date taken for or (b) the payment of the dividend or other distribution. We may declare and pay a dividend in cash with respect to the common stock so long as we: (i) pay simultaneously to each holder of series E preferred shares an amount in cash equal to the amount the holder would have received had all of the holder's series E preferred shares been converted to common stock one business day prior to the record date for the dividend, and after giving effect to the payment of any dividend and any other payments required in connection therewith, including to the holders of the series E preferred shares, we have in cash or cash equivalents an amount equal to the aggregate of:

- all of our liabilities reflected on our most recently available balance sheet;
- the amount of any indebtedness incurred by us or any of our subsidiaries since our most recent balance sheet;
- 120% of the amount payable to all holders of any shares of any class of preferred stock assuming a liquidation as the date of our most recently available balance sheet.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up, the holders of the series E preferred shares will be entitled to receive in cash out of our assets, whether from capital or from earnings

available for distribution to our stockholders, before any amount will be paid to the holders of any of our capital stock of any class junior in rank to the series E preferred shares in respect of the preferences as to the distributions and payments on the liquidation, dissolution and winding up, an amount per series E preferred share equal to the sum of (i) $20,000 and (ii) a premium of 8% per year of the stated value from the date of issuance of the series E preferred stock; provided that, if the funds are insufficient to pay the full amount due to the holders of series E preferred shares and holders of shares of other classes or series of preferred stock that are of equal rank with the series E preferred shares as to payments of this type, then each holder of series E preferred shares and other preferred shares will share equally in the available funds in accordance with their respective liquidation preferences. The purchase or redemption by us of stock of any class in any manner permitted by law will not be regarded as a liquidation, dissolution or winding up. Neither our consolidation or merger with or into any other person, nor the sale or transfer by us of less than substantially all of its assets will be deemed to be a liquidation, dissolution or winding up.

The holders of Series E preferred shares have no voting rights, except as required by law, including, but not limited to, the General Corporation Law of the State of Delaware.

The series E preferred stock has an initial stated value of $20,000 per share, which increases at the rate of 8% per year. Each series E preferred share is convertible, at the option of the holder, into the number of shares of common stock determined by dividing the stated value by the lower of (a) $3.53, and (b) 82.5% of the average of the closing bid prices for the five trading days prior to the date of conversion. Any series E preferred stock outstanding on April 14, 2003 will automatically be converted into common stock at the conversion price then in effect.

As of September 30, 2001, the aggregate liquidation value of the shares of series E preferred stock outstanding was approximately $2,375,946. If these shares of series E preferred stock were to be converted into shares of common stock as of such date, we would be obligated to issue in excess of 237,500,000 shares of common stock upon such conversions.

Under the conversion price formula, there is no ceiling on the number of shares of common stock into which the outstanding shares of series E preferred stock can be converted. As a result, as the price of the common stock decreases, the number of shares of common stock underlying the outstanding shares of series E preferred stock continues to increase.

Under the conversion price formula, the series E preferred stock will be convertible at a rate at or below the common stock's market price. The lower the common stock's market price at the time a holder converts his outstanding shares of series E preferred stock, the more shares of common stock the holder will get in the conversion. To the extent a holder of shares of series E preferred stock converts and then sells the shares of common stock, the common stock's market price may decrease due to the additional shares in the market, allowing the selling holder to convert other shares of series E preferred stock into greater amounts of common stock, the sale of which could further depress the market price for the common stock. The downward pressure on the market price of the common stock as a holder of the series E preferred stock converts and sells material amounts of common stock could encourage short sales by other holders or others, placing further downward pressure on the market price of the common stock. The conversion of the outstanding shares of series E preferred stock may result in substantial dilution to the interest of other common stockholders,

since each holder of the outstanding shares of series E preferred stock may ultimately convert and sell the full amount of common stock issuable upon conversion.

Through April 14, 2002, we have the right, under specified circumstances, to prohibit holders of the series E preferred stock from exercising any conversion rights for up to 90 days. If we exercise that right, we are required to compensate the holders of the series E preferred stock in cash or in shares of common stock.

At any time after the issuance date, we have the right, in our sole discretion, to redeem, from time to time, any or all of the series E preferred stock provided that specified conditions are met, including that we have cash, credit or standby underwriting facilities available to fund the redemption. The redemption price is 120% of the original purchase price.

No shares of the series E preferred stock may be converted if, following such conversion, the holder of the shares would beneficially own in excess of 4.9% of the outstanding shares. Pursuant to the terms of the NASDAQ National Market's Market Place Rule 4460 (i), we have agreed with the holders of the

series E preferred stock that so long as we are subject to this rule or any rule substantially similar to this rule, we will not issue more than 19.99% of the common stock outstanding on the date the series E preferred stock was issued upon conversion of the series E preferred stock in the absence of:

- the approval of the issuance by our stockholders; or
- a waiver by NASDAQ of the provisions of that rule.

On April 14, 2000, we completed a private placement of $2,127,000 principal amount of our series E convertible preferred stock and related warrants to purchase up to 66,667 shares of common stock. The series E preferred stock and warrants were sold in reliance on Rule 506 of the Securities Act, which provides an exemption from registration for sales to accredited investors, as defined by Rule 501 under Regulation D of the Securities Act.

Pursuant to certain registration rights granted to the investors in the private placement, we are obligated to file under the Securities Act the registration statement of which this prospectus forms a part.

Warrants

In connection with the completion with the our initial public offering, we granted Ladenburg Thalmann & Co. Inc., the underwriter, warrants to acquire 100,000 shares of the common stock at an exercise price of $7.20 per share. The exercise price is subject to adjustment under specified circumstances. The underwriter warrants expire on May 12, 2002, if not earlier exercised.

In connection with the completion of the sale of series B convertible preferred stock, we issued series B convertible preferred stock warrants to the holders of our Series B Preferred Stock. These warrants represent the right to acquire an aggregate of 250,000 shares of common stock, each with an exercise price per share equal to $5.70 per share. The exercise price of these warrants is subject to adjustment under specified circumstances. The series B convertible preferred stock warrants will expire on March 24, 2004, if not earlier exercised.

In connection with the sale of the series C convertible preferred stock, we issued series C preferred stock warrants to the holders of our Series C Preferred Stock. These warrants represent the right to acquire an aggregate of up to 59,574 shares of common stock. The warrants expire on July 27, 2004 and have an exercise price of $7.34 per share, subject to adjustment. We also issued warrants to acquire an aggregate of 77,000 shares of common stock having an exercise price per share equal to $5.813, subject to adjustment. These warrants will expire on July 30, 2004.

In connection with the sale of the series D convertible preferred stock, we issued series D preferred stock warrants to the holders of our Series D preferred stock. These warrants represent the right to acquire an aggregate of up to 25,000 shares of common stock. The warrants expire on September 27, 2004 and have an exercise price of $7.34 per share, subject to adjustment.

In connection with the sale of the series E convertible preferred stock, we issued series E preferred stock warrants to the holders of our Series E preferred stock. These warrants represent the right to acquire an aggregate of up to 66,667 shares of common stock. The warrants expire on April 14, 2005 and have an exercise price of $3.35 per share, subject to adjustment.

PROPOSAL 4: AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO CHANGE THE STOCKHOLDER APPROVAL REQUIREMENTS

The Board of Directors has adopted a resolution and recommends to the stockholders for their adoption and approval an amendment to the Company's Certificate of Incorporation to allow fewer than all of the stockholders to approve corporate actions by written consent without a stockholder meeting. Currently, the Certificate of Incorporation requires the written approval of all of the stockholders if the approval is obtained without a stockholder meeting.

Purpose of Proposed Amendment

Currently, our Amended and Restated Certificate of Incorporation allows our stockholders to take action in one of two ways: (1) at an annual or special meeting of the stockholders, or (2) without a meeting, by the written consent of all of the stockholders. Obtaining the written consent of all of our stockholders is very difficult. There were ____holders of record of our common stock as of ___________, 2002, and a number of those holders of record hold shares in "street name" for the beneficial owners of those shares (and therefore may not be authorized to take action on all matters on behalf of those beneficial owners). Such being the case, holding a meeting of the stockholders is our only practical mechanism for obtaining stockholder approval. We believe that the proposed amendment would allow us, in situations where stockholders holding the requisite number of shares have approved an action in writing, to take that action without the delay and expense of convening a stockholder meeting for the purpose of approving the action. The Board of Directors believes that the time and expense saved by the proposed amendment could be better utilized for other corporate purposes.

Amendment to Certificate of Incorporation

If approved, Article IX of our Certificate of Incorporation would be restated in its entirety as follows:

"IX.

Action required to be taken or which may be taken at any Annual Meeting or Special Meeting of the Stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the State of Delaware, to its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded."

The form of amendment to the Certificate of Incorporation to amend Article IX of our Certificate of Incorporation is included in Exhibit B attached hereto.

Vote Required and Board Recommendation

The adoption and approval of the amendment to the Certificate of Incorporation requires approval by a vote of the holders of a majority of all of the outstanding shares of capital stock of the Company entitled to vote at the Special Meeting of Stockholders (or the holders of a majority of the Common Stock). If the amendment is approved by the Stockholders, the Board of Directors intends to make the change effective at the earliest appropriate time.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDEMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.

PROPOSAL 5: AUTHORIZATION FOR THE BOARD OF DIRECTORS TO CAUSE A REVERSE SPLIT OF THE COMPANY'S COMMON STOCK

Proposed Amendment

Our Board of Directors has adopted a proposal, subject to Stockholder approval, to amend our Certificate of Incorporation to effect a reverse stock split in which the outstanding shares of Common Stock, referred to as "Old Common Stock," will be combined and reconstituted as a smaller number of shares of Common Stock, referred to as "New Common Stock," in a ratio of between five (5) and fifteen (15) shares of Old Common Stock for each share of New Common Stock. Our Board of Directors believes that, because it is not possible to predict market conditions at the time the reverse stock split is to be effectuated, it would be in the best interests of the Stockholders if the Board of Directors were able to determine, within specified limits approved in advance by the Stockholders, the appropriate reverse stock split ratio. Therefore, the exact ratio will be determined by the Board of Directors based on prevailing

market conditions at the time the reverse stock split is effected. Stockholders are being asked to approve a separate amendment to the Certificate of Incorporation corresponding to each of the possible reverse split ratios between 5-for-1 and 15-for-1, with the Board of Directors, having the authority to give its final approval to only one of such amendments. The form of the amendment to the Certificate of Incorporation is included in Exhibit B attached hereto.

By approving the proposed amendment, the Stockholders will authorize the Board of Directors to implement the reverse split at any time on or before December 31, 2002 or to abandon the reverse split at any time. If the amendment has not been filed with the Delaware Secretary of State by the close of business on the foregoing date, the Board of Directors will either resolicit Stockholder approval or abandon the reverse split.

Purposes and Effects of the Reverse Stock Split.

The purposes of the reverse stock split are to reduce the number of shares of our Common Stock outstanding and, potentially, to increase the per share bid price of our Common Stock, although it is possible that this effect may not be realized and that the aggregate value of the common stock will, in fact, decrease. The Company's Common Stock is traded on the OTC Bulletin Board. As of __________, 2002, the Company had [________] outstanding shares of Common Stock and the bid price of the Company's Common Stock was [_______]. The immediate effect of the reverse stock split will be to decrease the number of shares of Common Stock outstanding from approximately [_____________] shares to between approximately [____________] shares and approximately [___________] shares. In addition, the reverse split will result in a proportionate decrease in the number of shares authorized for issuance under our stock option plans and the number of shares of Common Stock issuable upon exercise of outstanding options, and a proportionate increase in the exercise prices of outstanding options. The reverse stock split will also effect a similar proportionate reduction in the number of shares issuable upon exercise of outstanding warrants and a proportionate increase in the exercise prices of outstanding warrants, and a proportionate reduction in the number of shares of common stock into which our preferred stock is convertible.

Stockholders should note that a 5-for-1 through 15-for-1 reverse stock split of the Company's Common Stock will not guarantee that the bid price of the company's Common Stock, after the reverse split will be higher than the present bid price. In fact, it is possible that the aggregate market value of the common stock could decrease following the reverse split. In addition, stockholders who will own less than 100 shares of the Company's Common Stock after the reverse stock split may incur higher brokerage costs if they sell their shares.

As of _____________, 2002, the Company estimates that it has approximately [______] holders of record of its Common Stock, which amount includes shares of Common Stock held by central securities depositories and broker firms which typically hold securities as nominees for their customers.

The reverse split will not alter the number of shares of common stock that we are authorized to issue, but will only reduce the number of shares of common stock issued and outstanding.

The shares of New Common Stock will be fully paid and non-assessable. The amendment will not change the terms of our Common Stock. The shares of New

Common Stock will have the same voting rights and rights to dividends and distributions and will be identical in all other respects to the Common Stock now authorized. If a reverse stock split is implemented, the number of shares of the Company's Common Stock owned by each Stockholder would be reduced in the same proportion as the reduction in the total number of shares of Common Stock outstanding. Therefore, no Stockholder's percentage ownership of Common Stock will be altered, except for the effect of rounding fractional shares.

Also, because the reverse split will result in fewer shares of our common stock outstanding, the per share loss, per share book value, and other "per share" calculations will be increased.

Amendment to Certificate of Incorporation

If approved the following paragraph would be inserted at the end of the second paragraph of Article IV of the Amended and Restated Certificate of Incorporation:

> "Each ( ) shares of the Common Stock issued as of the date and time immediately preceding [INSERT DATE UPON WHICH ARTICLES OF AMENDMENT ARE FILED], the effective date of a reverse stock split (the "Split Effective Date"), shall be automatically changed and reclassified, as of the Split Effective Date and without further action, into one (1) fully paid and non-assessable share of the Common Stock; provided, however, that any fractional interest resulting from such change and reclassification shall be rounded upward to the nearest whole share. Share interests due to rounding are given solely to save expense and inconvenience of issuing fractional shares and do not represent separately bargained for consideration. Each holder of record of a certificate or certificates which immediately prior to the Split Effective Date represents outstanding shares of Common Stock (the "Old Certificates," whether one or more) shall be entitled to receive upon surrender of such Old Certificates to the Corporation's transfer agent for cancellation, a certificate or certificates (the "New Certificates," whether one or more) representing the number of whole shares of Common Stock into and for which the shares of the Common Stock formerly represented by such Old Certificates so surrendered, are reclassified under the terms hereof. From and after the Split Effective Date, Old Certificates shall represent only the right to receive New Certificates pursuant to the provisions hereof."

Vote Required and Board of Directors' Recommendation.

The affirmative vote of the holders of a majority of the outstanding Capital Stock entitled to vote at the Special Meeting of Stockholders (or the holders of a majority of our Common Stock) is required to approve the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT TO THE CERTIFICATE OF INCORPORATION.

ASSUMING THE PROPOSAL IS APPROVED BY THE STOCKHOLDERS, THE COMPANY'S BOARD OF DIRECTORS INTENDS TO IMPLEMENT THE PROPOSAL IF, IN ITS DISCRETION, IT DETERMINES IT TO CONTINUE TO BE IN THE BEST INTERESTS OF THE COMPANY AND ITS STOCKHOLDERS. NOTWITHSTANDING STOCKHOLDER APPROVAL OF THE REVERSE STOCK SPLIT, THE BOARD OF DIRECTORS MAY, IN ITS DISCRETION, DELAY IMPLEMENTATION OF THE REVERSE STOCK SPLIT OR ABANDON IT ALTOGETHER IF IT DEEMS SUCH ACTION TO BE IN THE BEST INTEREST OF THE COMPANY.

Effectiveness of the Reverse Stock Split.

If this proposal is approved by Stockholders, and if the Board determines to proceed with the reverse split, management intends to file the amendment to our Certificate of Incorporation with the Delaware Secretary of State promptly after the Board of Directors approves the final conversion ratio and complies with applicable requirements, upon which the reverse split will become effective. Upon the filing of the amendment, all the Old Common Stock will be converted into New Common Stock as set forth in the amendment. Even if the reverse stock split is approved by Stockholders, our Board of Directors has discretion to decline to carry out the reverse split if it determines for any reason that the reverse split will not be in our best interests. If the reverse split is not implemented on or before December 31, 2001, the Board of Directors will either resolicit stockholder approval or abandon the reverse split.

Certificates and Fractional Shares.

As soon as practicable after the effective date, we will request that all Stockholders return their stock certificates representing shares of Old Common Stock outstanding on the effective date in exchange for certificates representing the number of whole shares of New Common Stock into which the shares of Old Common Stock have been converted as a result of the reverse stock split. Each Stockholder will receive a letter of transmittal from our transfer agent containing instructions on how to exchange certificates. Stockholders should not submit their old certificates to the transfer agent until they receive these instructions on how to exchange certificates. In order to receive new certificates, stockholders must surrender their old certificates in accordance with the transfer agent's instructions, together with the properly executed and completed letter of transmittal.

Beginning with the effective date, each old certificate, until exchanged as described above, will be deemed for all purposes to evidence ownership of the number of whole shares of New Common Stock into which the shares evidenced by the old certificates have been converted.

Any fractional shares resulting from the reverse stock split will be rounded upward to the nearest whole share.

Federal Income Tax Consequences.

The following discussion of the material federal income tax consequences of the proposed reverse stock split is based upon the Internal Revenue Code of 1986, as amended, Treasury regulations thereunder, judicial decisions and current administrative rulings and practices, all as in effect on the date hereof and all of which could be repealed, overruled or modified at any time, possibly with retroactive effect. No ruling from the Internal Revenue Service (the "IRS") with respect to the matters discussed herein has been requested and there is no assurance that the IRS would agree with the conclusions set forth in this discussion. This discussion may not address certain federal income tax consequences that may be relevant to particular Stockholders in light of their personal circumstances (such as persons subject to alternative minimum tax) or to certain types of Stockholders (such as dealers in securities, insurance companies, foreign individuals and entities, financial institutions and tax-exempt entities) that may be subject to special treatment under the federal income tax laws. This discussion also does not address any tax consequences under state, local or foreign laws.

STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE REVERSE STOCK SPLIT, INCLUDING THE APPLICABILITY OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, CHANGES IN APPLICABLE TAX LAWS, AND ANY PENDING OR PROPOSED LEGISLATION.

Tax Consequences to the Company

The Company should not recognize any gain or loss as a result of the reverse stock split.

Tax Consequences to Stockholders Generally

No gain or loss should be recognized by a stockholder who receives only the Company's Common Stock as a result of the reverse stock split.

Stockholder's Tax Basis in Share of Common Stock Split

Except as provided above with respect to fractional shares, the aggregate tax basis of the shares of Common Stock held by a Stockholder following the reverse stock split will equal the Stockholder's aggregate basis in the shares of Common Stock held immediately prior to the reverse stock split and generally will be allocated amount the shares of the Company's Common Stock held following the reverse stock split on a pro rata basis. Stockholders who have used the specific identification method to identify their basis in shares of Common Stock combined in the reverse stock split should consult their own tax advisors to determine their basis in the post-reverse stock split shares that they will receive in exchange therefor.

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PROPOSAL 6: ELECTION OF DIRECTORS

The Certificate of Incorporation provides that the Board of Directors shall consist of not fewer than three directors nor more than nine directors, with the exact number determined by resolution of a majority of the Board of Directors or by the affirmative vote of the holders of at least 75% of all outstanding shares entitled to vote as a single class. The Board of Directors currently consists of six directors, divided into three classes of directors serving staggered three-year terms. At the Special Meeting, two directors will be elected to Class I and two directors will be elected to Class III, each for a three-year term. As described below, the Board of Directors' nominees to serve as Class I directors are David Danovitch and Nino Doijashvili, and the nominees to serve as Class III directors are Larry Shatsoff and Michael Sheppard.

Unless otherwise instructed on the proxy, properly executed proxies will be voted for the election of David Danovitch, Larry Shatsoff and Michael Sheppard as directors. The Board of Directors believes that such nominees will stand for reelection and will serve if elected. However, if any of them fails to stand for reelection or is unable to accept reelection, proxies will be voted by the proxy holders for the election of such other person as the Board of Directors may recommend. Nominees for election as directors are elected by a plurality of the votes cast at the Special Meeting. There are no cumulative voting rights in the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ITS NOMINEES FOR DIRECTOR.

Information as to Nominees, Continuing Directors and Executive Officers

The names and ages of the director nominees and the other directors and executive officers of the Company as of November 30, 2001 and terms of office (in the case of directors) are as follows:

Director Nominees	Age	Position	Term as Director Expires
David Danovitch	39	Not an officer	Not applicable
Larry Shatsoff	47	Not an officer	Not applicable
Michael Sheppard	51	Not an officer	Not applicable
Nino Doijashvili, Ph.D.	39	Director of Technical Services and Director	At the Special Meeting
Other Directors and Executive Officers			
Gia Bokuchava, Ph.D.	38	Chief Technical Officer and Director	2002 (current term)
Timothy R. Robinson	38	Executive Vice President, Chief Financial Officer and Director	2002 (current term)

Recent Resignations

William Walker resigned from his position as a member of the Board of Directors in September 2000. In November of 2000, Claude A. Thomas and Daniel A. Delity resigned from their positions as members of the Board (Dr. Doijashvili was named to the Board in April 2001 to fill Mr. Thomas' position and Mr. Danovitch was named to the Board in November 2001 to fill Mr. Delity's position, until such positions expire). In December of 2000, James Wm. Ellsworth resigned as a member of the Board (in November 2001, Mr. Shatsoff was named to the Board to fill Mr. Ellsworth's position until such position expires). Roger Nebel resigned from his position as a member of the Board in February 2001 (Mr. Robinson was named to the Board in March 2001 to fill Mr. Nebel's position until Mr. Nebel's term expires). Harvey Sax resigned from the Board effective March 29, 2001 (in November 2001, Mr. Sheppard was named to the Board to fill Mr. Sax's position until such position expires).

The Board is divided into three classes, each of which serves a three-year term. The Class I directors (Dr. Doijashvili, and Mr. Danovitch, formerly Mr. Thomas, Mr. Walker and Mr. Delity) were to serve until the 2001 Annual Meeting of Stockholders. However, because we never had a 2001 Annual Meeting of Stockholders, they have been nominated for election at the Special Meeting. The Class II directors (Dr. Bokuchava and Mr. Robinson, formerly Mr. Nebel) will serve until the 2002 Annual Meeting of Stockholders. The Class III directors (formerly Messrs. Sax and Ellsworth) were to serve until the 2000 Annual Meeting of Stockholders. However, because we never held the 2000 Annual Meeting of Stockholders, these individuals remained in office until they resigned. Thus, we are electing two Class I and two Class III Directors at the Special Meeting. The

Class I nominees, if elected, will serve until the 2004 Annual Meeting of Stockholders and the Class III nominees, if elected, will serve until the 2003 Annual Meeting of Stockholders. Please note, however, that we expect Mr. Robinson, Mr. Bokuchava and Dr. Doijashvili to resign from the Board of Directors if we complete the Asset Sale. This would leave us with one Class I director (David Danovitch), no Class II directors, and two Class III directors (Messrs. Shatsoff and Sheppard).

Background of our Director Nominees, Directors and Executive Officers

Gia Bokuchava, Ph.D., has served as our Chief Technical Officer since August 1995. Dr. Bokuchava served as a visiting professor at Emory University from September 1994 until August 1995 and was employed by the National Library of Medicine, assisting in the development of Internet based applications, from January 1995 until August 1995. From July 1990 until September 1994, Dr. Bokuchava was the Director of The Computer Center at the Institute of Mechanical Engineering at Georgia Technical University, Tbilisi, Georgia (formerly a part of the Soviet Union). Dr. Bokuchava has taught computer science as a visiting associate professor at the Universities of Moscow and China. Dr. Bokuchava received a doctorate in Theoretical Physics from Georgia Technical University, Tbilisi, in 1990. Dr. Bokuchava has been a member of the Board of Directors since September 1996.

Timothy R. Robinson has served as our Executive Vice President, Chief Financial Officer since August 2000. Prior to joining the Company, Mr. Robinson served as Vice President and Chief Financial Officer of Tanner's Restaurant Group, Inc. from December of 1996 until January of 2000. Mr. Robinson, a Certified Public Accountant, served as a senior manager with the firm that is now known as PricewaterhouseCoopers, LLP from June 1986 to December 1996. Mr. Robinson graduated from Georgia State University with a Bachelor of Business Administration, Accounting. Mr. Robinson has been a member of the Board since March 2001.

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Nino Doijashvili, Ph.D., has served as our Director of Technical Services since December of 1997. Prior to that Dr. Doijashvili served as one of our Senior Software Engineers from September 1995 until December 1997. Dr. Doijashvili served as a visiting professor at Emory University from February 1995 until September 1995. From September 1989 until February 1995, Dr. Doijashvili was an Associate Professor at the Georgia Technical University, Tbilisi, Georgia (formerly a part of the Soviet Union) teaching CAD/CAM systems and computer science. Dr. Doijashvili received a doctorate in Computer Science from Moscow Technical University, Russia in February 1989. Dr. Doijashvili has been a member of the Board since April 2001.

David Danovitch, 39, is currently a Senior Partner of NewWest Associates, LLC, an international firm specializing in business consultancy, Del Rey Investments, LLC., a merchant banking firm, and NewWest Films, a feature film production and finance concern. The companies are involved with a variety of enterprises throughout the world in a variety of industries, including technology, medical device, entertainment, and energy concerns. Prior to joining NewWest and Del Rey, Mr. Danovitch was a Managing Director of Cambridge Partners, a merchant bank with $1.7 billion under management, which focused on misunderstood or mis-financed companies and assets. Prior to joining Cambridge, he was a founding principal of Snowden Capital, Inc., a New York City-based investment banking and direct investment firm focused on serving the corporate finance needs of middle market companies. Mr. Danovitch received a bachelor of arts from Kenyon College in 1984, a juris doctor from Suffolk University Law School in 1987, and an L.L.M. in Taxation from Boston University School of Law

in 1988. He is a member of the District of Columbia, Massachusetts, and New York bar associations. His honors include having been named by the American Banker - the primary industry publication - as one of the "50 Most Influential People in Banking" in 1990. Throughout his career, he has been a speaker at many seminars and conferences covering a range of issues in a variety of industry and has served on several boards of directors of both for-profit and not-for-profit concerns, including, among others, the boards of Imaging Diagnostic Systems, Inc, Renaissance, Inc., Milestone Pictures, Vidikron of America, Inc., and Great Clips Mid-Atlantic Regional Companies, Inc. Mr. Danovitch also serves as a director of Imaging Diagnostic Systems, Inc. and Markland Technologies, Inc.

Lawrence Shatsoff, 47, is President of Markland Technologies, Inc., a technology company involved in the sale and marketing of home theater products, and serves on the board of directors of Markland. Prior to becoming President of Markland in June 2001, Mr. Shatsoff served from June 2000 to April 2001 in various executive capacities and as a director of Corzon, Inc., a telecommunications company. From 1995 to 2000, Mr. Shatsoff was the Vice President and Chief Operations Officer of DCI Telecommunications, Inc. From 1991 to 1994 he served as Vice President and Chief Operations Officer of Alpha Products, a computer circuit board sales and manufacturing company. Mr. Shatsoff graduated in 1975 from Rider College with a B.S. Degree in Decision Sciences and Computers.

Michael Sheppard, 51, is the President of Technest Holdings, Inc. Mr. Sheppard joined Technest in 1997 and heads up the day-to-day strategy of Technest. Prior to joining Technest, Mr. Sheppard was the Chief Operating Officer of Freelinq Communications, a provider of real time video-on-demand via ATM/XDSL technology. Mr. Sheppard has also acted as the Chief Executive Officer and Chief Operating Officer of several early stage development companies, overseeing the development of a corporate infrastructure for each company. From 1980 to 1992, Mr. Sheppard served as the President of Lee America, a Westward Communications Company whose North American holdings included Panavision, Inc. Mr. Sheppard has an extensive background in the entertainment industry and received a BA and an MFA in film from New York University.

Committees of the Board of Directors and Nominations by Stockholders

Historically, the Board of Directors had four standing committees: a Compensation Committee, an Audit Committee, a Strategic Planning Committee and an Executive Committee. The Compensation Committee provided recommendations to the Board of Directors concerning salaries and incentive compensation for officers and employees of the Company. The Audit Committee recommended our independent auditors and reviewed the results and scope of audit and other accounting-related services provided by such auditors. The Strategic Planning Committee was authorized to work with out investment bankers to identify and evaluate strategic alternatives for us. The Executive Committee had day-to-day executive decision-making authority on behalf of the Company, subject to the overall review and approval of the Board of Directors.

With the resignation of the directors and the recent appointments of Mr. Robinson, Dr. Doijashvili, Mr. Bokuchava, Mr. Danovitch, Mr. Shatsoff and Mr. Sheppard to the Board of Directors, these committees have been disbanded and were not reconstructed upon the filling of vacancies on the Board of Directors. There were no changes to the Company's executive compensation policies in 2000.

Legal Proceedings

We are not aware of any proceedings in which any of our directors, officers

of holders of five percent of our common stock have a material interest adverse to us.

Meetings and Attendance

The full Board of Directors met four times during 2000. Except for James Wm. Ellsworth, who was not present at two of these meetings, all of the directors attended at least 75% of the meetings of the Board of Directors and committees of which they were members.

Transactions with Management and Others

If the Asset Sale is completed, Messrs. Robinson and Bokuchava have indicated that they intend to resign their positions as officers and directors of the Company. We intend to pay them severance in the aggregate amount of $146,000 upon their resignations, which is the amount to which they would be entitled under their employment agreements if we were to terminate them.

On March 29, 2001, the Company entered into a separation and release agreement with Harvey W. Sax pursuant to which Mr. Sax resigned as President, Chief Executive Officer and Director of the Company. Pursuant to this agreement, the Company paid Mr. Sax a severance payment of $150,000, representing the amount to which he would have been entitled has he been terminated, and the Company and Mr. Sax released one another from various potential claims and liabilities.

Indebtedness of Management

On January 31, 2001 HomeCom sold substantially all the assets used in the operation of its InsureRate division to Digital Insurance, Inc. By the time of sale, Dan Delity, Jim Ellsworth, and David Frank had defaulted on loans that the Company had made to them in the amounts of $165,316, $102,342 and $102,342, respectively. These loans had been made in connection with the purchase by the

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Company of FIMI in March 1999. These notes bore interest at a rate of 9.0% and matured in January 2000. The notes were secured by an aggregate of 128,695 shares of our common stock and provided that they could be repaid either in cash or stock. In addition, in connection with the purchase of FIMI, the Company had issued warrants to Messrs. Delity, Ellsworth and Frank to purchase 300,000 shares of our common stock at an exercise price of $3.74. Messrs. Delity, Ellsworth and Frank surrendered their warrants and the shares of Common Stock that collateralized the notes in January 2001. On January 31, 2001, shares of our common stock were quoted at a price of $.07 per share on the OTC Bulletin Board, thereby making the value of the common stock that secured these notes approximately $9,000 and the warrants worthless.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the officer, directors and persons who own more than ten percent of a registered class of the Company's stock to file reports of ownership and changes of ownership with the Securities Exchange Commission (SEC). Officers, directors and greater than ten percent owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by the Company, we believe that, to the best of our knowledge, each of our officers, directors, and greater than ten-percent owners complied with all Section 16(a) filing requirements applicable to them during the year ended December 31, 2000.

Compensation of Directors

Directors who are not employees of the Company are eligible to receive $1,000 per Board meeting attended, although we have never made any payments to our directors for attending meetings, are eligible to receive automatic grants of stock options under the Company's Non-Employee Directors Stock Option Plan and may receive additional grants of options under such plan at the discretion of the Compensation Committee of the Board of Directors.

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Executive Compensation

The following table sets forth the total compensation paid or accrued by the Company in 2000 to its Chief Executive Officer and each executive officer of the Company whose total annual salary and bonus exceeded $100,000 (each, a "Named Executive Officer"):

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation(1)	Number of Securities Underlying Options	All Other Compensation
Harvey W. Sax Former President Former Chief Executive Officer and Former Director	2000 1999 1998	$146,297 $147,420 $147,192	0 0 0	0 0 0	0 50,000 0	0 0 0
Gia Bokuchava, Ph.D Chief Technical Officer and Director	2000 1999 1998	$102,022 $100,019 $ 99,085	0 0 0	$66,518 $75,566 $75,566	0 0 0	0 0 0
James Wm. Ellsworth Former Chief Financial Officer	2000 1999 1998	$111,651 $103,551 N/A	0 0 N/A	$26,860 0 N/A	0 0 N/A	0 0 N/A
Dan Delity Former President of InsureRate, Former Director	2000 1999 1998	$118,805 $ 78,301 N/A	0 0 N/A	$75,838 0 N/A	0 0 N/A	0 0 N/A

David Frank	2000	$115,659	0	$22,973	0	0
Former Officer of	1999	$103,486	0	0	0	0
InsureRate	1998	N/A	N/A	N/A	N/A	N/A

(1) Pursuant to the employment agreement between the Company and Dr. Bokuchava, Dr. Bokuchava is eligible to receive cash bonuses to repay certain promissory notes issued by him to the Company in connection with his purchase of shares of Common Stock from the Company in August 1996. Messrs. Ellsworth, Delity, and Frank deferred portions of their salary from 1999 and early 2000 which were repaid in lump sum in the fall of 2000. Each of the Company's executive officers also is eligible to receive cash bonuses to be awarded at the discretion of the Compensation Committee of the Board of Directors.

Option Grants

No options were granted to or exercised by named executive officers in 2000. The following table sets forth the value of options held by the executive officers at December 31, 2000:

Option Exercises in Last Fiscal Year and Year-End Option Values

Executive Officer	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2000		Value of Unexercis In-The-Money Options December 31, 2000	
			Unexercisable	Exercisable	Unexercisable	Exercis
Harvey W. Sax	0	0	40,000	20,000(2)	$0	$0
Gia Bokuchava, Ph.D	0	0	6,250	18,750	$0	$0
James Wm. Ellsworth (1)	0	0	0	0	$0	$0
Dan Delity (1)	0	0	100,000	0	$0	$0
David Frank (1)	0	0	100,000	0	$0	$0

(1) The options held by Messrs. Ellsworth, Delity and Frank were cancelled upon termination of the employment of Messrs. Ellsworth, Delity and Frank in connection with the sale of the Company's InsureRate division to Digital Insurance, Inc. on January 31, 2001.
(2) The options held by Mr. Sax were cancelled in connection with Mr. Sax's resignation from his position with the Company in March.

Employment Contracts

We have entered into an employment agreement with Timothy R. Robinson, our

Executive Vice President, Chief Financial Officer and Director. This employment agreement is subject to early termination as provided therein, including termination by the Company "for cause," as defined in the employment agreement. The employment agreement provides for an annual base salary of not less than $135,000 and for annual bonus compensation up to 30% of base salary. The employment agreement further provides for a severance payment if termination occurs for any reason other than for cause, with the minimum amount of such severance payment to be equal to six months' salary. Further, the employment agreement provides that any relocation or diminution of title, role or compensation, as defined in the employment agreement, shall also result in the payment of a severance amount of not less than six months' salary.

We have entered into an employment agreement with Gia Bokuchava, our Chief Technical Officer. This employment agreement is subject to early termination as provided therein, including termination by the Company "for cause," as defined in the employment agreement. The employment agreement provides for an annual base salary of not less than $105,000. The employment agreement provides for a severance payment if termination occurs for any reason other than for cause, with the minimum amount of such severance payment to be equal to nine months' salary. Further, the employment agreement provides that any relocation or diminution of title, role or compensation, as defined in the employment agreement, shall also result in the payment of a severance amount of not less than nine months' salary.

Principal employees of the Company, including executive officers, are required to sign an agreement with the Company (i) restricting the ability of the employee to compete with the Company during his or her employment and for a period of eighteen months thereafter, (ii) restricting solicitation of customers and employees following employment with the Company, and (iii) providing for ownership and assignment of intellectual property rights to the Company. The Company does not intend to pursue the enforcement of these provisions against those officers and employees of the Company who plan to go to work for Tulix if the Asset Sale is completed. At that point, we will no longer have any operating business to protect.

Performance Graph

The graph below compares our cumulative stockholder return on an indexed basis based on an investment of $100 on May 8, 1997 with the cumulative total return of the Nasdaq Computer Stocks Index (IXCO) (assuming the reinvestment of all dividends). The Company has paid no dividends to date.

	HomeCom Communications Inc.	S&P 500 Index	Nasdaq Computer & Data Process
5/8/97	100.00	100.00	100.00
12/31/97	259.37	119.73	113.06
12/31/98	58.33	153.95	201.86
12/31/99	53.13	186.34	426.64
12/31/00	.16	155.30	237.60
10/31/01	.16	124.66	150.75

BENEFICIAL OWNERSHIP OF CAPITAL STOCK

The following tables provide information as of _______________, 2002, concerning beneficial ownership of Common Stock by (1) each person or entity known by the Company to beneficially own more than 5% of the outstanding Common Stock, (2) each director and nominee for director of the Company, (3) each Named Executive Officer, and (4) all directors and executive officers of the Company as a group. The information as to beneficial ownership has been furnished by the respective stockholders, directors, and executive officers of the Company and, unless otherwise indicated, each of the stockholders has indicated that they have sole voting and investment power with respect to the shares beneficially owned. This table excludes holders of our convertible securities who have agreed to limit the number of shares of common stock that any such stockholders hold at any one time to not more than 4.9% of the outstanding shares of our common stock.

Title of Class	Name of Beneficial Owner (2)	Amount and Nature of Beneficial Ownership (3)	Percent of Class
Common	Harvey W. Sax (4)	804,744	[ ]
Common	Gia Bokuchava, Ph.D. (5)	64,559	(1)
Common	Nino Doijashvili, Ph.D. (7)	34,706	(1)
Common	Timothy Robinson (6)	0	0
Common	Brittany Capital Management Limited	5,640,000	[ ]
Common	All executive Officers and Directors as a group (Mr. Bokuchava, Ms. Doijashvili and Mr. Robinson)	174,265	(1)

(1) Less than 1%.

(2) Except as otherwise noted, the street address of each named beneficial owner is Building 12, Suite 110, 3495 Piedmont Road, Atlanta, Georgia 30305.

(3) Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares of Common Stock beneficially owned by them, subject to community property laws where applicable. Shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of following the date of this Proxy Statement are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(4) Excludes 5,000 common shares owned by a family member, to which Mr. Sax disclaims beneficial ownership.

(5) Includes 25,000 shares of Common Stock issuable upon the exercise options outstanding as of October 31, 2001 at a weighted average exercise price of $4.49 per share.

(6) Excludes 75,000 shares of Common Stock issuable upon the exercise of options outstanding as of October 31, 2001 at a weighted average exercise price of $.75 which are not currently exercisable and which become exercisable more than 60 days following the date of this Proxy Statement.

(7) Excludes 16,668 shares of Common Stock issuable upon the exercise of options outstanding as of October 31, 2001 at a weighted average exercise price of $0.59 which are not currently exercisable and which become exercisable more than 60 days following the date of this Proxy Statement.

Currently, there are 17.813 shares of our Series B preferred stock, 92.107 shares of our Series C preferred stock, 1.291 shares of our Series D preferred stock and 106.35 shares of our Series E preferred stock outstanding. All of these shares of preferred stock are convertible into shares of our common stock at any time.

Changes in Control

On December 28, 2001, Brittany Capital Management Limited ("Brittany"), an entity organized under the laws of the Bahamas, purchased a total of 5,640,000 shares of our common stock from MacNab LLC ("MacNab") in a series of private transactions with MacNab. Brittany paid an aggregate amount of approximately $20,000 to MacNab for these shares. The shares that MacNab sold to Brittany had been issued to MacNab in a series of conversions by MacNab of 1.62855 shares of our Series C convertible preferred stock into shares of our common stock. As a result of these transactions, Brittany is now the beneficial owner of 37.6% of the outstanding shares of our common stock. MacNab now holds 90.478 shares of our Series C convertible preferred stock. Also in December 2001, the remaining members of our Board of Directors appointed David Danovitch, Larry Shatsoff and Michael Sheppard to fill vacancies on our Board of Directors.

Accountants

Our principal accountants are Feldman, Sherb & Co. P.C. We do not expect any representatives of Feldman, Sherb & Co. P.C. to be present at the Special Meeting.

Audit Fees

The aggregate fees billed for professional services rendered for the audit of the registrant's annual financial statements for 2000 and for reviews of the financial statements included in our Forms 10-Q during 2000 were $58,000.

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

(a) Previous Independent Accounts

(i) On February 8, 2001, we dismissed PricewaterhouseCoopers LLP ("PWC"), as our independent accountants effective immediately. Our Board of Directors participated in and approved the decision to change independent accountants.

(ii) The reports of PWC on our consolidated balance sheets as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows, did not contain, except as otherwise described in this subsection (a)(ii), an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. However, in its report on our financial statements for the fiscal years ended December 31, 1999 and 1998, it included the following explanatory paragraph: "The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has experienced recurring losses and negative cash flows since its inception and has an accumulated deficit. The Company is dependent on continued financing from investors to sustain its activities and there is no assurance that such financing will be available. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

(iii) In connection with its audits for the two most recent fiscal years and through February 8, 2001, there have been no disagreements with PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PWC would have caused them to make reference thereto in their report on the financial statements for such years.

(iv) During the two most recent fiscal years and through February 8, 2001, there have been no reportable events (as defined in Regulation S-K Item 304(a) (1) (v)).

(v) On February 13, 2001, we delivered a copy of the disclosures which we made in Item 4 on the Form 8-K that we filed on February 14, 2001, and requested that PWC furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not PWC agreed with such disclosures. A copy of such letter dated February 13, 2001 indicating such agreement was filed as Exhibit 16.1 to that Form 8-K.

(b) New Independent Accountants

(i) On February 8, 2001, the Company engaged the firm of Feldman Sherb & Co. ("FSC") as independent accountants for the Company's fiscal year ending December 31, 2000. The Company's Board of Directors approved the selection of FSC as independent accountants.

(ii) During the two most recent fiscal years and through February 8, 2001, the Company has not consulted with FSC with respect to (1) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or (2) on any matter that was either the subject of a disagreement (as defined in Item 304 (a) (1) (iv) of Regulation S-K) or a reportable event (as described in Item 304 (a) (1) (v) of Regulation S-K).

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference information into this Proxy Statement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this Proxy Statement except for any information superseded by information combined directly in, or incorporated by reference in, this Proxy Statement. Copies of the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001 and the Annual Report on Form 10-K, for the fiscal year ended December 31, 2000 accompany this Proxy Statement. The Company hereby incorporates by reference into this Proxy Statement the following sections of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001: (i) the Consolidated Financial Statements (unaudited) set forth at pages 1 through 4 thereof; (ii) Notes to Consolidated Financial Statements set forth at pages 5 through 6 thereof; and (iii) the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth at pages 6 through 9 thereof. We also hereby incorporate by reference into this Proxy Statement the following sections of the Company's Annual Report on Form 10-K for the year ended December 31, 2000: (i) Consolidated Financial Statements set forth at pages 13 through 19 thereof; (ii) Notes to Consolidated Financial Statements set forth at pages 20 through 34 thereof; (iii) Report to Independent Auditors set forth at page 14 thereof; (iv) the Selected Financial Data set forth at page 7 thereof; and (v) the Management Discussion and Analysis of Financial Condition and Results of Operations set forth at pages 8 through 12 thereof.

We may be required to file other documents with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act between the time this Proxy Statement is mailed and the date of the Special Meeting. Those other documents will be deemed incorporated by reference into this Proxy Statement and to be a part of it from the date they are filed with the SEC.

The Company will provide without charge to each person to whom a copy of this Proxy Statement is delivered, on the written or oral request of such person and by first class mail or other equally prompt means within one business day of receipt of such request, a copy of any and all of the documents referred to above which have been incorporated by reference in this Proxy Statement (excluding all exhibits unless we have specifically incorporated by reference an exhibit in this Proxy Statement). Such written or oral request should be directed to the Secretary at 3495 Piedmont Road, Building 12, Suite 110, Atlanta, Georgia 30305.

You should rely only on the information contained or incorporated by reference in this Proxy Statement to vote on the proposals. We had not authorized anyone to provide you with information that is different from what is contained in this Proxy Statement. This Proxy Statement is dated [______________, 2002]. You should not assume that the information contained in this Proxy Statement is accurate as of any date other than this date. Neither the mailing of this Proxy Statement to our Stockholders nor the completion of the Asset Sale will create any implication to the contrary.

AS OF THE DATE OF THIS PROXY STATEMENT, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS THAT MAY COME BEFORE THE SPECIAL MEETING. IF ANY OTHER BUSINESS IS PROPERLY BROUGHT BEFORE THE SPECIAL MEETING, IT IS THE INTENTION OF THE PROXY HOLDERS TO VOTE OR ACT IN ACCORDANCE WITH THEIR BEST JUDGMENT WITH RESPECT TO SUCH MATTERS.

__________ __, 2002

By Order of the Board of Directors

Timothy R. Robinson
Executive Vice President and
Chief Financial Officer

PROXY

HOMECOM COMMUNICATIONS, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints ______________________ as Proxy, with full power of substitution and revocation, and hereby authorizes him to represent and to vote, as designated below, all the shares of common stock of HomeCom Communications, Inc. (the "Company") held of record by the undersigned as of _____________, 2002, at the special meeting of shareholders to be held at 10:00 a.m. local time on _____________, 2002 and at any adjournments or postponements thereof.

1) Proposal to approve the sale of substantially all of the assets of the Company to Tulix Systems, Inc., an entity that is owned by Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are directors and officers of both the Company and Tulix. (Check applicable box.)

[ ] FOR [ ] AGAINST [ ] ABSTAIN

2) Proposal to amend the Company's Certificate of Incorporation to change the name of the Company to "Prospect Technologies, Inc." (Check applicable box.)

[ ] FOR [ ] AGAINST [ ] ABSTAIN

3) Proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 15,000,000 to 100,000,000. (Check applicable box.)

[ ] FOR [ ] AGAINST [ ] ABSTAIN

4) Proposal to amend the Company's Certificate of Incorporation to allow fewer than all of the stockholders to approve corporate actions by written consent without a stockholder meeting. Currently, the Certificate of Incorporation requires the written approval of all of the stockholders if the approval is obtained without a stockholder meeting. (Check applicable box.)

[ ] FOR [ ] AGAINST [ ] ABSTAIN

5) Proposal to effect a reverse split of the Company's common stock in a ratio between 5-for-1 and 15-for-1, if and when the Board of Directors determines that such a reverse split is in the best interests of the Company.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

6) Election of Directors.

[ ] For all nominees listed below (except as marked to the contrary below)

[ ] Withhold authority to vote for all nominees listed below:

David Danovitch
Larry Shatsoff
Michael Sheppard
Nino Doijashvili

(Instruction: To withhold authority to vote for any individual nominee(s), write the name(s) of such nominee(s) immediately below.)

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

THIS PROXY WILL BE VOTED AS DIRECTED, OR, IF NO DIRECTION IS INDICATED, WILL BE VOTED "FOR" THE ABOVE MATTERS.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF HOMECOM COMMUNICATIONS, INC.

Dated: _______________, _____

Print Name

Signature

Signature if held jointly

IMPORTANT: Please date this proxy and sign exactly as your name or names appear above. If stock is held jointly, signature should include both names. Executors, administrators, trustees, guardians and others signing in a representative

capacity, please give your full title(s).

Do you plan to attend the Annual Meeting of Shareholders? [ ] Yes [ ] No

IMPORTANT: PLEASE SIGN THIS PROXY EXACTLY AS YOUR NAME OR NAMES APPEAR ABOVE.

EXHIBIT A

ASSET PURCHASE AGREEMENT

By and Between

TULIX SYSTEMS, INC.
(A Georgia corporation)

And

HOMECOM COMMUNICATIONS, INC.
(A Delaware corporation)

Dated as of

_______________, 2002

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is made and entered into as of the __ day of _________, 2002, by and between Tulix Systems, Inc., a Georgia corporation (the "Purchaser"), and HomeCom Communications, Inc., a Delaware corporation (the "Seller").

RECITALS

The Seller is engaged in the business of developing and hosting Internet applications, products and services to commercial customers (the "Business").

The Purchaser desires to purchase, and the Seller desires to sell, all of the assets of Seller associated with the Business, and Seller desires to assign, and Purchaser desires to assume, certain contracts of Seller related to the Business, all upon the terms and conditions and subject to the limited exceptions set forth herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, and agreements of the parties hereinafter set forth, the parties hereto, intending to be legally bound, do hereby agree as follows:

SECTION 1.
SALE AND PURCHASE

Upon the terms and subject to the conditions of this Agreement, Purchaser shall purchase, accept, and acquire from Seller, and Seller shall sell, transfer, assign, convey, and deliver to Purchaser, at the Closing (as defined in Section 7(a)), all right, title, and interest in and to the following assets of Seller:

(a) The intellectual property identified in Schedule 1(a) (the "Intellectual Property").

(b) The contracts identified in Schedule 1(b) (the "Contracts").

(c) Accounts Receivable as identified in Schedule 1(c) (the "Accounts Receivable").

(d) The equipment currently being used to service and maintain the Contracts and operate the Business and, in addition, the equipment identified in Schedule 1(d) (the "Equipment", and together with the Intellectual Property, Accounts Receivable and the Contracts, the "Assets").

SECTION 2.
ASSUMPTION OF CONTRACTS BY THE PURCHASER

From and after the Closing, Purchaser shall assume and be responsible for only the obligations and liabilities of Seller relating to the Contracts identified in Schedule 1(b); provided, however, that Purchaser does not thereby assume any liability or obligation of Seller relating to acts or omissions of Seller in the performance of such Contracts prior to the Closing Date, except to the extent that such liabilities relate to accounts payable incurred in the ordinary course of business. Seller does not assume any liability or obligation of Purchaser relating to acts or omissions of Purchaser in the performance of the Contracts subsequent to the Closing Date.

SECTION 3.
PURCHASE PRICE AND PAYMENT

(a) Generally. The total consideration to be paid to Seller for the sale, transfer and conveyance of the Assets shall consist of ____ shares of Common Stock (the "Purchase Price"). Purchaser acknowledges that it is purchasing the Assets "as is", without any representation or warranty, explicit or implied, except as set forth in this Agreement.

(b) Liquidation Event. In the event that the Board of Directors of Purchaser decides, within six months after the date of this Agreement, to liquidate Purchaser, Seller, notwithstanding its respective pro rata ownership interest in Purchaser, shall receive fifty percent (50%) of the proceeds of such liquidation that relate to the Equipment so liquidated. If the Board of Directors of Purchaser makes such a liquidation decision after the date which is six months after the date of this Agreement, Seller shall receive those proceeds of such liquidation to which it is entitled under applicable law and applicable

governing documents.

SECTION 4.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

(a) Corporate Existence. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Seller has the corporate power and authority to conduct its business and to own and lease all of its properties and assets and is duly qualified or licensed to do business and is in good standing under the laws of each jurisdiction where such qualification is required, except where the failure to be so qualified would not have a material adverse effect on the Assets or the Business (financial or otherwise) (a "Material Adverse Effect").

(b) Corporate Power; Authorization; Enforceable Obligations. Seller has the corporate power and authority to execute and deliver this Agreement and the other agreements and instruments to be executed and delivered by it in connection with the transactions contemplated hereby and thereby and to perform its respective obligations hereunder and thereunder (this Agreement and such other agreements and instruments collectively the "Seller Documents"). Seller has taken or will take all necessary corporate action, including obtaining approval of the stockholders of Seller, that is required under the Delaware General Corporation Law, to authorize the execution and delivery of this Agreement and the other Seller Documents and the consummation of the transactions contemplated hereby and thereby. This Agreement is, and the other Seller Documents will be, the legal, valid, and binding obligations of Seller, enforceable in accordance with their terms, except as such enforcement may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect and by general principles of equity.

(c) No Conflict. To the best of the knowledge of Seller, the execution and delivery of this Agreement and the other Seller Documents will not (i) violate any foreign, federal, state, or local law, regulation, ordinance, zoning requirement, governmental restriction, order, judgment, or decree (collectively, "Laws") applicable to Seller or the Assets or the Business, (ii) violate or conflict with any provision of the certificate of incorporation or bylaws, or (iii) conflict with, result in the breach of, or constitute a default under any mortgage, indenture, license, instrument, trust, contract, agreement, or other commitment or arrangement to which Seller is a party or by which Seller or any of the Assets or the Business are bound.

(d) Required Government Consents. Except for (i) the filing or recording of instruments of conveyance, transfer, or assignment required by federal copyright, patent, or trademark laws or the laws of the U.S. and non-U.S. jurisdictions and states in which the Assets are located; and (ii) the further exceptions disclosed in Schedule 4(d) (the foregoing items (i) and (ii) being referred to herein as the "Required Government Consents"), to the best of the knowledge of Seller, no approval, authorization, certification, consent, permission, license, or permit to or from, or notice, filing, or recording to or with, U.S. or non-U.S., federal, state, or local governmental authorities ("Governmental Authorities") is necessary for the execution and delivery of this Agreement and the other Seller Documents or the consummation by Seller of the transactions contemplated hereby or thereby, or the ownership and use of the Assets or operation of the Business (including by Purchaser, assuming such ownership, use and operation is substantially the same as the ownership, and use

and operation by Seller).

(e) Required Contract Consents. To the best of the knowledge of Seller, except as disclosed in Schedule 4(e) (such scheduled items being referred to herein as the "Required Contract Consents"), no approval, authorization, consent, permission, or waiver to or from, or notice, filing, or recording to or with, any person (other than the Required Government Consents) is necessary for (i) the execution and delivery of this Agreement and the other Seller Documents or the consummation by Seller of the transactions contemplated hereby or thereby; (ii) the transfer and assignment to Purchaser at the Closing of the Assets; or (iii) the ownership and use of the Assets or operation of the Business (including by Purchaser, assuming such ownership, use and operation is substantially the same as the ownership, use and operation by Seller).

(f) Assigned Contracts. To the best of the knowledge of Seller, (i) the Contracts are valid, binding, and enforceable in accordance with their terms and are in full force and effect and (ii) subject to obtaining the consent of the other party thereto as specified on Schedule 4(f), the continuation, validity and effectiveness of all the Contracts under the current terms thereof will in no way be affected, altered or impaired by the consummation of the transactions contemplated by this Agreement. There are no existing defaults by Seller under the Contracts and, to the best knowledge of Seller, no act, event, or omission has occurred that, whether with or without notice, lapse of time, or both, would constitute a default thereunder. Seller has received no notice of, and has no knowledge of, any pending or threatened early termination or cancellation of any Contract. The amounts disclosed in Schedule 4(f) accurately present the current terms and monthly revenues attributable to the Contracts.

(g) Condition of Equipment; Adequacy of Assets. To the best of the knowledge of Seller, (i) all of the Equipment is in good operating order, condition, and repair, ordinary wear and tear excepted, and is suitable for use in the Business in the ordinary course, as presently operated and (ii) the Assets constitute all of the property and assets necessary to conduct the Business as currently conducted. Purchaser accepts the Equipment "as is" and no warranties, explicit or implied, are offered by Seller except as specifically set forth in this Agreement.

(h) Intellectual Property. The Intellectual Property includes certain proprietary application software products and systems which Seller develops, markets and licenses to customers (the "Software Programs"), and in connection therewith Seller has developed certain related technical documentation and user reference manuals (the "Documentation"). The Software Programs and the Documentation are collectively referred to as the "Software".

(i) Ownership. To the best of the knowledge of Seller, except as set forth in Schedule 4(h)(i), Seller owns all of the Intellectual Property and all other proprietary information included in the Assets. Schedule 4(i)(i) sets forth all domestic and foreign patents, trademarks, service marks, trade names and copyrights included in the Assets and all applications therefor and registrations thereof. Except as disclosed in Schedule 4(i)(i), to the best knowledge of Seller, no person has a prior use of any trademark, service mark, or trade name that is the same as, or confusingly similar to, any of the trademarks, service marks and trade names included in the Assets.

(i) Litigation. Except as disclosed in Schedule 4(j), no claim, action, suit, proceeding, inquiry, hearing, arbitration, administrative proceeding, infringement claim, or investigation (collectively, "Litigation") is pending, or, to Seller's best knowledge, threatened against Seller or its subsidiaries or

any of its present or former directors, officers, or employees, affecting, involving, or relating to any of the Assets or the Business. Seller knows of no facts or circumstances that could reasonably be expected to serve as the basis for Litigation against Seller (or Purchaser upon acquisition of the Assets) or its present or former directors, officers, or employees, affecting, involving, or relating to the Assets or the Business.

(j) Court Orders, Decrees, and Laws. There is no outstanding or, to Seller's best knowledge, threatened, order, writ, injunction, or decree of any court, governmental agency, or arbitration tribunal against Seller affecting, involving, or relating to the Assets or the Business. To the best of the knowledge of Seller, the Business is and has been in compliance in all material respects with all applicable Laws, and Seller has received no notices of any such alleged violation. The foregoing shall be deemed to include Laws relating to the patent, copyright, and trademark laws, state trade secret and unfair competition laws of the U.S. and foreign jurisdictions, and all other applicable Laws, including equal opportunity, wage and hour, and other employment matters, and antitrust and trade regulation laws.

(k) Access to Information. Seller has had access to sufficient information about Purchaser upon which to analyze the transactions contemplated by this Agreement. Seller has been given the opportunity to ask questions and receive answers from the officers of Purchaser concerning the terms and conditions of the transactions contemplated by this Agreement and the business and financial condition of Purchaser. Seller has had the opportunity to obtain any additional information it deems necessary to verify the accuracy and completeness of information provided by Purchaser in connection with this Agreement and the transactions contemplated hereby.

(l) Disclosure. Seller has completely and accurately responded to the inquiries and diligence requests of Purchaser and its agents, representatives, attorneys and employees in connection with the transactions contemplated by this Agreement. No representation, warranty, or statement made by Seller in this Agreement or in any document or certificate furnished or to be furnished to Purchaser pursuant to this Agreement contains or will contain any untrue statement or omits or will omit to state any fact necessary to make the statements contained herein or therein, under the circumstances in which they were made, not materially misleading. Seller has disclosed to Purchaser all facts known or reasonably available to Seller that are material to the Assets or the Business.

SECTION 5.
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

(a) Corporate Existence. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia. Purchaser has the corporate power and authority to conduct its business and to own and lease all of its properties and assets and is duly qualified or licensed to do its business and is in good standing under the laws of each jurisdiction where such qualification is required, except where the failure to be so qualified would not have a material adverse effect on Purchaser.

(b) Corporate Power; Authorization; Enforceable Obligations. Purchaser has the corporate power, authority and legal right to execute, deliver and perform this Agreement and the other agreements and instruments to be executed and delivered in connection with the transactions contemplated hereby and thereby

(this Agreement and such other agreements and instruments collectively the "Purchaser Documents"). The execution, delivery and performance of this Agreement and the other Purchaser Documents, and the consummation of the transactions contemplated hereby and thereby, by Purchaser have been duly authorized by all necessary corporate action of Purchaser. This Agreement is, and the other Purchaser Documents will be, the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with their terms except as such enforcement may be subject to or limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws now or hereafter in effect affecting creditors' rights generally, and by general principles of equity.

(c) No Conflict; Consents. The execution, delivery and performance of this Agreement and the other Purchaser Documents, and the consummation of the transactions contemplated hereby and thereby, by Purchaser do not and will not violate any Laws to which Purchaser is subject, and will not violate, conflict with or result in the breach of, or constitute a default under, any term, condition or provision of, or require the consent of any other party to, (i) any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental or regulatory official, body or authority which is applicable to Purchaser, or (ii) the articles of incorporation, bylaws, or other governing or organizational instrument of Purchaser.

(d) Purchaser Common Stock. The shares of Purchaser Common Stock to be issued to Seller pursuant to this Agreement, when issued and delivered in accordance with this Agreement will be duly authorized, validly issued, fully paid and non-assessable.

(e) Purchaser Capital Structure. The authorized capital stock of Purchaser consists of ____ shares of preferred stock and ____ shares of common stock, of which, as of the date hereof, ____ shares are issued and outstanding.

(f) Access to Information. Purchaser has had access to sufficient information about Seller upon which to analyze the transactions contemplated by this Agreement. Purchaser has been given the opportunity to ask questions and receive answers from the officers of Seller concerning the terms and conditions of the transactions contemplated by this Agreement and the business and financial condition of Seller. Purchaser has had the opportunity to obtain any additional information it deems necessary to verify the accuracy and completeness of information provided by Seller in connection with this Agreement and the transactions contemplated hereby.

(g) Disclosure. Purchaser has completely and accurately responded to the inquiries and diligence requests of Seller and its agents, representatives, attorneys and employees in connection with the transactions contemplated by this Agreement. No representation, warranty, or statement made by Purchaser in this Agreement or in any document or certificate furnished or to be furnished to Seller pursuant to this Agreement contains or will contain any untrue statement or omits or will omit to state any fact necessary to make the statements contained herein or therein, under the circumstances in which they were made, not materially misleading. Purchaser has disclosed to Seller all facts known or reasonably available to Purchaser that are material to Purchaser.

SECTION 6.

CONDITIONS TO CLOSING

(a) Conditions to Seller's Obligations. The obligations of Seller to be performed hereunder shall be subject to the satisfaction (or waiver by Seller) at or prior to the Closing Date of each of the following conditions:

(i) Purchaser's representations and warranties contained in this Agreement shall be true and correct in all respects on and as of the date of this Agreement.

(ii) Purchaser shall have performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing.

(iii) Seller's stockholders shall have approved the sale of the Assets to Purchaser.

(iv) No Litigation shall be threatened or pending against Seller before any court or governmental agency that, in the reasonable opinion of counsel for Seller, could result in the restraint or prohibition of Seller in connection with this Agreement or the consummation of the transactions contemplated hereby.

(v) Purchaser shall have delivered to Seller a certificate signed by a duly authorized officer of Purchaser certifying that the conditions set forth in Sections 6(a)(i) and (ii) have been satisfied.

(b) Conditions to Purchaser's Obligations. Each of the obligations of Purchaser to be performed hereunder shall be subject to the satisfaction (or waiver by Purchaser) at or prior to the Closing Date of each of the following conditions:

(i) Seller's representations and warranties contained in this Agreement shall be true and correct in all respects on and as of the date of this Agreement.

(ii) Seller shall have performed and complied with all agreements, obligations, and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing.

(iii) No Litigation shall be threatened or pending against Purchaser before any court or governmental agency that, in the reasonable opinion of counsel for Purchaser, could result in the restraint or prohibition of Purchaser in connection with this Agreement or the consummation of the transactions contemplated hereby.

(iv) Seller shall have delivered to Purchaser a certificate signed by a duly authorized officer of Seller certifying that the conditions set forth in Sections 6(b)(i) and (ii) have been satisfied.

(v) Seller shall have entered into severance agreements with Timothy R. Robinson and Gia Bokuchava.

SECTION 7.
CLOSING

(a) Closing. The closing of the purchase and sale of the Assets (the "Closing") shall take place at the offices of Sutherland Asbill & Brennan LLP,

999 Peachtree Street, N.E., Atlanta, Georgia commencing at 2:00 p.m. on _______________, 2002 (the "Closing Date"). Subject to consummation of the Closing on the Closing Date, the sale, assignment, transfer and conveyance to Purchaser of the Assets will be effective as of 12:01 a.m. Eastern Standard Time on the Closing Date.

(b) Actions at Closing. At Closing, Purchaser and Seller shall take the following actions, in addition to such other actions as may otherwise be required under this Agreement:

(i) Copies of Consents. Seller shall deliver to Purchaser copies of all Required Contract Consents and all Required Government Consents which have been obtained.

(ii) Conveyance Instruments. Seller shall deliver to Purchaser such bills of sale, assignments, and other instruments of conveyance and transfer as Purchaser may reasonably request to effect the transfer and assignment of the Assets to Purchaser.

(iii) Assumption Agreements. Purchaser shall deliver to Seller one or more assumption agreements in form reasonably acceptable to Seller, pursuant to which Purchaser assumes and agrees to pay and perform the Contracts.

(iv) Certificates. The parties shall deliver to each other the certificates to each other required under Section 6.

(v) Other. Each party shall deliver such other agreements and instruments as the other party may reasonably request.

(c) Delivery of Purchase Price. At Closing, Purchaser shall deliver the payments required under Section 3.

SECTION 8.
COVENANTS OF SELLER AND PURCHASER

(a) Allocation of Purchase Price. The Purchase Price shall be allocated as disclosed in Schedule 8(a), and all tax returns and reports filed by Seller and Purchaser with respect to the transactions contemplated by this Agreement shall be consistent with that allocation.

(b) Maintenance of Books and Records. Each of Seller and Purchaser shall preserve until the second anniversary of the Closing Date all records possessed or to be possessed by such party relating to any of the Assets or the Business prior to the Closing Date, except for those records transferred from Seller to Purchaser at Closing. After the Closing Date, where there is a legitimate purpose, such party shall provide the other party with access, upon prior reasonable written request specifying the need therefor, during regular business hours, to (i) the officers and employees of such party, and (ii) the books of account and records of such party, but, in each case, only to the extent relating to the Assets or the Business prior to the Closing Date, and the other party and its representatives shall have the right to make copies of such books and records; provided, however, that the foregoing right of access shall not be exercisable in such a manner as to interfere unreasonably with the normal operations and business of such party; and further provided, that, as to so much of such information as constitutes trade secrets or confidential business information of such party, the requesting party and its officers, directors and representatives will use due care to not disclose such information except (A) as required by any applicable Laws, (B) with the prior written consent of the party

who owns such information, which consent shall not be unreasonably withheld, delayed or conditioned or (C) where such information becomes available to the public generally, or becomes generally known to competitors of such party, through sources other than the requesting party, its affiliates or its officers, directors or representatives. Such books and records may nevertheless be destroyed by a party if such party sends to the other party written notice of its intent to destroy such books and records, specifying with particularity the contents of the books and records to be destroyed. Such books and records may then be destroyed after the 30th day after such notice is given unless the other party objects to the destruction, in which case the party seeking to destroy the books and records shall deliver such books and records to the objecting party.

(c) Mail, Etc. Mail and payments relating to the Assets received by Seller after the Closing Date will be forwarded to Purchaser. From and after the Closing Date, Seller will promptly refer all inquiries relating to the Assets to Purchaser.

(d) Certain Consents. To the extent that Seller's rights under any Contract, permit, or other Asset to be assigned to Purchaser hereunder may not be assigned without the consent of another person which has not been obtained prior to the Closing Date, and which is material to the ownership, use or disposition of an Asset or the operation of the Business, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller and Purchaser shall use their commercially reasonable good faith efforts to obtain any such required consents as promptly as possible.

(e) Best Efforts; Further Assurances; Cooperation. Subject to the other provisions in this Agreement, the parties hereto shall in good faith perform their obligations under this Agreement before, at and after the Closing, and shall each use their reasonable best efforts to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to obtain all authorizations and consents and satisfy all conditions to the obligations of the parties under this Agreement, and to cause the transactions contemplated by this Agreement to be carried out promptly in accordance with the terms hereof. The parties shall cooperate fully with each other and their respective officers, directors, employees, agents, counsel, accountants and other designees in connection with any steps required to be taken as part of their respective obligations under this Agreement. Upon the execution of this Agreement and thereafter, each party shall take such actions and execute and deliver such documents as may be reasonably requested by the other party hereto in order to consummate more effectively the transactions contemplated by this Agreement

(f) Transition. Seller shall have a reasonable period of time after the Closing in which to remove its books and records from Seller's former premises. Purchaser will provide such assistance in this process as Seller may reasonably request, including but not limited to providing access to Purchaser's premises at such reasonable times as Seller may request.

SECTION 9.
CLAIMS, ARBITRATION

(a) Survival of Representations and Warranties. All of the representations and warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing and continue until the date which is the eighteen month anniversary of the Closing Date.

(b) Limitation on Claims by Purchaser. Notwithstanding any other provision

of this Agreement, Purchaser agrees that it shall not be entitled to make any claim against Seller based on the alleged breach by Seller of any representation or warranty contained in this Agreement if such alleged breach relates to information or circumstances about which the officers or employees of Purchaser knew or should have known by virtue of the offices and positions they held at Seller prior to Closing.

(c) Limitation on Claims. Neither party will be liable under this Agreement for any demands, claims, actions, or causes of action, assessments, losses, damages, liabilities, costs, or expenses, including reasonable fees and expenses of counsel, other expenses of investigation, handling, and litigation, and settlement amounts, together with interest and penalties (collectively, a "Loss" or "Losses"), resulting from the breach of any representation or warranty of such party contained in this Agreement or in any other agreement or instrument executed and delivered by such party in connection with this Agreement, until the aggregate amount of all such Losses exceeds $25,000 and, in that event, the damaged party shall be entitled to recovery of all such Losses.

(d) Arbitration. In the event of a dispute between Purchaser and Seller arising under this Agreement, the parties shall act in good faith to reach agreement regarding such claim. If the parties hereto, acting in good faith, cannot reach agreement with respect to such claim, within thirty (30) days after notice thereof by one party to the other, such claim will be submitted to and settled by binding arbitration in Atlanta, Georgia, in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association (the "AAA") or such other mediation or arbitration service as shall be mutually agreeable to the parties, and judgment upon the award rendered by the arbitrator shall be final and binding on the parties and may be entered in any court having jurisdiction thereof; provided, however, that any party shall be entitled to appeal a question of law or determination of law to a court of competent jurisdiction; and provided, further, however, that the parties may first seek appropriate injunctive relief prior to, and/or in addition to pursuing negotiation or arbitration. Such arbitration shall be conducted by an arbitrator chosen by mutual agreement of the parties, or failing such agreement, an arbitrator appointed by the AAA. The arbitrator shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings (unless otherwise agreed to by the parties), with such record constituting the official transcript of such proceedings.

SECTION 10.
MISCELLANEOUS

(a) Acknowledgement regarding Legal Counsel. Purchaser acknowledges and agrees that Sutherland Asbill & Brennan LLP ("SAB") is acting as counsel to Seller and is representing Seller in connection with this Agreement and the transactions contemplated hereby and that SAB is not representing, and has not represented, Purchaser in any respect, including any representation in connection with this Agreement and the transactions contemplated hereby. Purchaser further acknowledges and agrees that it has been advised to seek its own independent legal counsel in connection with this Agreement and the transactions contemplated hereby.

(b) Sales, Transfer and Documentary Taxes, etc. All sales and use taxes relating to the sale and transfer of the Assets pursuant to this Agreement shall be paid by Seller. Seller also shall pay all other federal, state and local documentary and other transfer taxes, if any, due as a result of the purchase, sale or transfer of the Assets in accordance herewith whether imposed by

applicable Laws on Seller or Purchaser, and Seller shall indemnify, reimburse and hold harmless Purchaser in respect of the liability for payment of or failure to pay any such taxes or the filing of or failure to file any reports required in connection therewith.

(c) Entire Agreement; Assignment. This Agreement, which includes the Schedules and the other documents, agreements, certificates and instruments executed and delivered pursuant to or in connection with this Agreement, sets forth the entire understanding and agreement of the parties hereto with respect to the transactions contemplated hereby. Any and all prior or contemporaneous negotiations, agreements, representations, warranties and understandings between the parties regarding the subject matter hereof, whether written or oral, are superseded in their entirety by this Agreement and shall not create any liability on the part of either party hereto in favor of the other party, except as otherwise expressly set forth in this Agreement. This Agreement shall not be assigned, amended or modified except by written instrument duly executed by each of the parties hereto; provided, however, that Purchaser may assign its rights and obligations under this Agreement to a wholly owned subsidiary or to a purchaser of all or substantially all of Purchaser's assets, whether by sale of assets, sale of stock, merger or otherwise.

(d) Waiver. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument duly executed by such party.

(e) Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given only if delivered personally or sent by facsimile, air courier, telegram or by registered or certified mail, postage prepaid, as follows:

If to Purchaser:

Tulix Systems, Inc.
3495 Piedmont Road
Suite 110
Atlanta, GA 30305
(404) 237-4646
(404) 233-1977 (facsimile)
Attn: Timothy R. Robinson, Executive Vice President and
Chief Financial Officer

If to Seller:

HomeCom Communications, Inc.
3495 Piedmont Road, Suite 110
Atlanta, GA 30305
Attn: President
(404) 237-4646
(404) 233-1977 (facsimile)

With a copy, which shall not constitute notice, to:

Wade H. Stribling, Esq.
Sutherland Asbill & Brennan LLP
2300 First Union Plaza
999 Peachtree Street, N.E.
Atlanta, GA 30309-3996

(404) 853-8000
(404) 853-8806 (facsimile)

or to such other address as the addressee may have specified in a notice duly given to the sender as provided herein. Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date so delivered, transmitted by facsimile, telegraphed or mailed, as the case may be.

(f) Georgia Law to Govern. This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of Georgia, without regard to its conflict of law principles.

(g) No Benefit to Others. The representations, warranties, covenants and agreements contained in this Agreement are for the sole benefit of the parties hereto and their respective successors and assigns, and nothing contained in this Agreement or the other Purchase Agreements shall be construed as conferring any rights on any other persons.

(h) Headings; Gender; Certain Definitions. All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires. Any reference to a "person" herein shall include an individual, firm, corporation, partnership, trust, governmental authority or body, association, unincorporated organization or any other entity. The "knowledge" of a person shall include the current actual awareness of such person, such person's officers charged with the responsibility for the matters qualified by the use of the term "knowledge" and such matters as would be revealed by a review of such person's records.

(i) Schedules. All Schedules referred to herein are incorporated herein by reference and are intended to be and hereby are specifically made a part of this Agreement.

(j) Severability. The invalidity or unenforceability of any provision of this Agreement shall not invalidate or render unenforceable any other provision of this Agreement.

(k) Counterparts. This Agreement may be executed in any number of counterparts and either party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by the parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

(l) Drafting of Agreement. Each party has participated in the negotiation and preparation of this Agreement; therefore, this Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing the Agreement to be drafted.

(m) Time of the Essence. Time is of the essence of this Agreement.

(n) Actions and Proceedings. Each party to this Agreement consents to the exclusive jurisdiction and venue of the courts of any county in the State of Georgia and the United States District Court for any District of Georgia in any action or judicial proceeding seeking an injunction or other equitable relief or to enforce an arbitration award. Each party consents and submits to the non-exclusive personal jurisdiction of any court in the State of Georgia in respect of any such proceeding. Each party consents to service of process upon it with respect to any such proceeding by registered mail, return receipt requested, and by any other means permitted by applicable Laws. Each party waives any objection that it may now or hereafter have to the laying of venue of any such proceeding in any court in the State of Georgia and any claim that it may now or hereafter have that any such proceeding in any court in the State of Georgia has been brought in an inconvenient forum. Each party waives trial by jury in any such proceeding.

(o) Execution by Facsimile. Either party may deliver an executed copy of this Agreement and any documents contemplated hereby by facsimile transmission to the other party, and such delivery shall have the same force and effect as any other delivery of a manually signed copy of this Agreement or of such other documents.

[Signatures follow on next page]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above:

PURCHASER:

TULIX SYSTEMS, INC.

By:

Name:
Title:

SELLER:

HOMECOM COMMUNICATIONS, INC.

By:

Name:

Title:

EXHIBIT A

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 1 (a)
Intellectual Property

All right, title and interest in the "Post on the Fly", "Intelligent Advisor", "Harvey", Time Warner Road Runner, "Community", "On line Forum" and "Work Order System" software applications, including but not limited to the following to the extent related thereto: (a) all source code, specifications, technical documentation and similar information; (b) all trademarks, service marks, trade names, logos, and domain names, together with all goodwill associated therewith; all patents; all copyright and copyrightable works; all intellectual property registrations and applications and renewals therefore; and all other intellectual property rights of any kind or nature whatsoever; and (c) all records and marketing materials relating to the foregoing.

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 1 (b)
Contracts
As Of 12/31/01

Client	Description	Period	Expiration
Bend Cable	Monthly Hosting Services	Monthly	01/31/02
Bituminous Fire	Monthly Hosting Services	Monthly	08/31/02
Georgia Power	Monthly Hosting Services	Monthly	03/31/03
1st Choice	Monthly Hosting Services	Monthly	12/31/03
Insurance and Risk Management	Monthly Hosting Services	Monthly	Month to Month
Landry's	Monthly Hosting Services	Monthly	Month to Month
Magellan Health	Monthly Hosting Services	Monthly	Month to Month
Merchants	Monthly Hosting Services	Monthly	Month to Month
NCB	Monthly Hosting Services	Monthly	Month to Month
T.C. Fields	Monthly Hosting Services	Monthly	Month to Month
Road Runner	Monthly Hosting Services	Monthly	Expired 12/31/01

Wharton Lyon and Lyon	Monthly Hosting Services	Pre-Paid	Monthly Hosting Services

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 1 (c)
Accounts Receivable

Client	Amount
Barney & Barney	780.00
Bend Cable Communication Group	792.00
Credit Union Services Corp.	395.00
DRS Technologies	795.00
Farwest Bond Services	590.00
Georgia Power FCU	20,000.00
LaSalle Broker Dealer	27,060.00
Landry's Seafood	695.00
Magellan Behavioral Health	595.00
National Commercial Bank	3,470.00
Road Runner	106,898.20
Rowe Decision Analytics	240.00
O&K Terex	495.00
Total 1 Services	15,204.00
Tradition N.A	4,542.50
Total	182,551.70

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ASSET PURCHASE AGREEMENT

SCHEDULE 1 (d)
Equipment

EQUIPMENT / MODEL #	SERIAL #
OFFICE EQUIPMENT	
Toshiba 2530 CDS	49634310A
Dell Dimension	183BQ
Sony Multiscan w7000	2000353
Dell Trinitron	7047788
Viewsonic	G810
ACI PIII P.C.	97001419
HP Deskjet 895CSE / C6410B	SG9611W0R3
Brother Electronic Typewriter GX8250	B8D857536
Dell Trinitron Ultrascan 1000 / D1025tm	8471538
Dell Dimension T450	11LQR
Viewsonic G810	Q190775179
HP Laserjet 2100	USGX066422
ACI PIII P.C.	97200545

Viewsonic G810	QV01445958
Unisys Aquatam /DMS/6	49609557
Dell Ultrascan 20TX / D2026t-HS	2024784
Toshiba Tecra 730CDT / PA1228U	10614039
HP Laserjet 4M Plus C2039A	JPGK235556
ACI PIII P.C.	97001421
Viewsonic G810	QV01344797
Dell Monitor M780	5322DE22KJ59
HP Laserjet 3100 C3948A	USBG021007
Gateway 2000 P5-120	4224926
Lexmark Optra T612	
QMS Magic Color Printer / QMS-MCCX21	Q0225680
Gateway 2000 Vivitron 15 / CPD15F23	8443375
HP Scanjet 4C / C2520B	SG719230CV
Viewsonic G810	QV01445960
Gateway 2000 G6	6003513
ACI PIII P.C.	97200544
MAC	XB0211BHHSF
Dell Monitor M780	3872E808
HP Officejet 520 / C3801A	US75MA21M2
Gateway 2000 / CPD-GF200	7025149
HP Pavilion 4455 / D7394A	US91168277
Gateway 2000 Vivitron 15 / CPD15F23	8632172
Gateway 2000 G6 -200	6003511
Viewsonic G810	QV01445756
HP Deskjet 895CSE / C6410B	SG91Q1V05G
ACI PIII P.C.	97200546
Macintosh Power PC 8500/120	XB5490QL3FT
Dell Monitor M780	5322DA03BH
Gateway 2000 Crystal Scan / YE0711-01	MH54H4017645
Toshiba Satelite 2530CDS / PAS253U	49629218A
Infocus / LP435Z	3EW91400111
Infocus Lite Pro 580	2AB0601787

NOC EQUIPMENT

Dell Power Vault 130T Robotic DLT	UXCXM
Seagate External DDS3 Tape Drive / STD62400N	GT00MSM
Dell Power Edge 6350	6J8I0
Raid Web 500 Gigs External Raid	No Serial#
Dell Power Edge 6350 Dual Xeon 550mhz	6J8EZ
Dell Power Edge 6350 4Xeon 550mhz	6L80I
Artecon 200 Gig External Raid	24514570296
Artecon 200 Gig External Raid	24514570320
Artecon 200 Gig External Raid	24514570326
Artecon 200 Gig External Raid	24515330067
ATL Power Store L200 DLT Auto Loader	No Serial#
TeleNet Server Pentium Pro 200	TSS97060017
Dell Power Edge 2400 Dual Pentium3 550mhz	4JEDB
TeleNet Server Pentium2 333mhz	TSS98040035
TeleNet Server Pentium2 300mhz	TSS98040027
TeleNet Server Pentium2 266mhz	TSS98050001
TeleNet Server Pentium2 266mhz	TSS98030058
TeleNet Server Pentium2 400mhz	TSS98030057
TeleNet Server Dual Pentium2 300mhz	TSS98070082
TeleNet Server Pentium2 300mhz	TSS98030005
3Com SuperStack2 Switch	7WKR101215
Gateway 2000 Pentium Pro 200mhz	7248477
Belkin OmniView	No Serial#

3Com SuperStack2 Switch	SWKR096596
ADC Kentrox Data-Smart T3/E3 IDSU	DDM1UZPBRA
Cisco 7200	72602314
Cisco 7200	72602346
Superstack II Dual Hub 500-0801	72BV200F84F
Cisco Catalyst 1900	00902B49C540
Cisco 3524 Catalyst	000196348D00
Sun Ultra 5	FW01950150
Dell Pentium Dimension XPS Pro 200mhz	92CW1
Dell Pentium Dimension XPS P266	FN77S
Cisco 3620 Frame Relay	362088634
96 Port Patch Panel	No Serial#
Centercom 3024tr (Hub)	PT3F7080E
Centercom 3024tr (Hub)	F03N611BD
Prime 133mhz	No Serial#
Generic Pentium Pro 200mhz	H1VHGD
Quantex Pentium 120mhz	5001410090
Quantex Pentium 120mhz	5001417346
Digital Link DL3100 Digital Service Multiplexer	3096030917
Digital Link T1 DSU/CSU	
Gateway 2000 PentiumII 266mhz	7252411
Power Mac 7100/80	FC5080UR44H
Gateway Pentium 100mhz	5232643
ACI Pentium III 450mhz	97001420
Belkin OmniView 6 Port	No Serial#
Gateway Pentium Pro 200mhz	4224929
Gateway Pentium 120mhz	6425691
Unisys Pentium Pro 180mhz	4907791
ACI Pentium 100mhz	No Serial#
Belkin OmniView 6 Port	No Serial#
3Com SuperStack2 Switch	7YDB025314
3Com SuperStack2 Switch	7WKR101189
Mag Innovision	MI58HA022364
Belkin OmniView 6 Port	No Serial#
Mag Innovision	MI58HB033662
ACI P.C.	97001422
Belkin Omniview Pro 8 Port	No Serial#
Dell M780 Monitor	5322DA0727
Telnet Server	TSS98030051

Dell Poweredge 4300	01V8E
Dell Dimension XPS D266	No Serial#
Dell VC5 Monitor	15001106
Sun Netra Ultra Spark Drive	618F1905
Sun Ultra Enterprise 450	024H2F8C
Mag Innovision / MagDX1795	018C1358
Telenet Server	TSS98040034
Telenet Server	TSS98070014
DLT Tape Drive External	2625
Sun	012H26ED
Hewlett Packard P.C. / D6726T	US82321776
Gateway 2000 G6200	6986892
Gateway 2000 G6200	7248475
ACI PC	97200548
Mag Innovision / YE0711-03	MI58HA022363
Belkin Omni View 6Port	No Serial#
3Com SuperStack2 Switch	7A8F000301
3Com SuperStack2 Switch	7WKR106693
Power PC	FC6012TV3FV

Telenet Server	TSS98030059
Telenet Server	TSS98030060
Telenet Server	TSS98070013
Gateway 2000 Vivitron / CPD-GF200	7050359
Belkin Omniview 6 Port	No Serial#
Sun Ultra 1 Creator	607F04E1
Sun Ultra 1 Creator	651F0EEE
Sun Enterprise 220R	012H3098
Sparc Station 10	251F5398
Power PC	XB5310L03FT
Arena II Disk Array	10180
3Com Baseline Switch	0200/7A8F004256

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ASSET PURCHASE AGREEMENT

SCHEDULE 4 (d)
Required Government Consents

None

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 4(e)
Required Contract Consents

The following contracts would need prior written consent to be transferred to Purchaser (per Standard Terms and Conditions Paragraph 6. of their service agreements with HOMECOM):

Bend cable Communications
Bituminous Insurance
Georgia Power federal Credit Union
1st Choice (Hospital Authority Credit Union)
National Commercial Bank

The following suppliers would need to be transferred to Purchaser;
Administaff
Applied Theory
Automatic Systems
Birch Telecommunications
Coca Cola
Docu-Team
Genuity
Hartford Life
Hartford Insurance
McKenney's
Network Solutions
Piedmont Ivy
Pitney Bowes
Skytel

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 4 (f)
Contracts- Terms and Monthly Revenues

Client	Description	Amount	Period	Expiratio
Bend Cable	Monthly Hosting Services	936.00 (Variable)	Monthly	01/31/02
Bituminous Fire	Monthly Hosting Services	690.00	Monthly	08/31/02
Georgia Power	Monthly Hosting Services	2,500.00	Monthly	03/31/03
1st Choice	Monthly Hosting Services	250.00	Monthly	12/31/03
Insurance and Risk Management	Monthly Hosting Services	395.00	Monthly	Month to Mo
Landry's	Monthly Hosting Services	695.00	Monthly	Month to Mo
Magellan Health	Monthly Hosting Services	595.00	Monthly	Month to Mo
Merchants	Monthly Hosting Services	395.00	Monthly	Month to Mo
NCB	Monthly Hosting Services	1,000.00	Monthly	Month to Mo
T.C. Fields	Monthly Hosting Services	395.00	Monthly	Month to Mo
Road Runner	Monthly Hosting Services	90,000.00 (Variable)	Monthly	Expired 12/3
Wharton Lyon and Lyon	Monthly Hosting Services	0.00	Pre-Paid	Monthly Hosting

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 4(h)(i)
Intellectual Property-Ownership

Seller owns all of the Intellectual Property and all other proprietary information included in the Assets.

There is no registered trademark, copyright, or patent protection included in the Assets.

To the best knowledge of Seller, no person has a prior use of any trademark, service mark, or trade name that is the same as, or confusingly similar to, any of the trademarks, service marks and trade names included in the Assets.

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 4(j)
Litigation

No claim, action, suit, proceeding, inquiry, hearing, arbitration, administrative proceeding, infringement claim, or investigation (collectively,

"Litigation") is pending, or, to Seller's best knowledge, threatened against Seller or its subsidiaries or any of its present of former directors, officers, or employees, affection, involving, or relating to any of the Assets or the Business except as listed below;

Property Georgia OBJLW One Corporation, an Oregon corporation v. Homecom Communications, Inc., a Delaware corporation; Civil Action File Number 01VS026148g, in the State Court of Fulton County, Georgia.

Creditors Adjustment Bureau, Inc., A California corporation v. Homecom Communications, Inc., a Delaware corporation; Case No. DC02.416926, in the Superior Court of California, County of Santa Clara, California.

TULIX/HOMECOM
ASSET PURCHASE AGREEMENT

SCHEDULE 8(a)
Allocation of Purchase Price

To be determined by the Purchaser at its reasonable discretion, if applicable.

EXHIBIT B

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
HOMECOM COMMUNICATIONS, INC.

HomeCom Communications, Inc. (the "Corporation"), organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify that:

ARTICLE I

The name of the Corporation is HomeCom Communications, Inc.

ARTICLE II

The Amended and Restated Certificate of Incorporation of the Corporation shall be amended by deleting Article I in its entirety and substituting in lieu thereof the following:

"I

The name of the Corporation is Prospect Technologies, Inc."

ARTICLE III

The Amended and Restated Certificate of Incorporation of the Corporation shall be amended by amending Article IV as follows:

"IV

The total number of shares of capital stock which the Corporation is authorized to issue is One Hundred and One Million (101,000,000) divided into two classes as follows:

(1) One Hundred Million (100,000,000) shares of common stock, $.0001 par value per share ("Common Stock"); and

(2) One Million (1,000,000) shares of preferred stock, $.01 par value per share (Preferred Stock")."

The remainder of Article IV shall remain unchanged.

ARTICLE IV

The Amended and Restated Certificate of Incorporation of the Corporation shall be amended by deleting Article IX in its entirety and substituting in lieu thereof the following:

"IX

Action required to be taken or which may be taken at any Annual Meeting or Special Meeting of the Stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, to its principal place of business or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded."

ARTICLE V

The Amended and Restated Certificate of Incorporation of the Corporation shall be amended to include the following at the end of the second paragraph of Article IV thereof:

> "Each ( ) shares of the Common Stock issued as of the date and time immediately preceding [INSERT DATE UPON WHICH ARTICLES OF AMENDMENT ARE FILED], the effective date of a reverse stock split (the "Split Effective Date"), shall be automatically changed and reclassified, as of the Split Effective Date and without further action, into one (1) fully paid and non-assessable share of the Common Stock; provided, however, that any fractional interest resulting from such change and reclassification shall be rounded upward to the nearest whole share. Share interests due to rounding are given solely to save expense and inconvenience of issuing fractional shares and do not represent separately bargained for consideration. Each holder of

record of a certificate or certificates which immediately prior to the Split Effective Date represents outstanding shares of Common Stock (the "Old Certificates," whether one or more) shall be entitled to receive upon surrender of such Old Certificates to the Corporation's transfer agent for cancellation, a certificate or certificates (the "New Certificates," whether one or more) representing the number of whole shares of Common Stock into and for which the shares of the Common Stock formerly represented by such Old Certificates so surrendered, are reclassified under the terms hereof. From and after the Split Effective Date, Old Certificates shall represent only the right to receive New Certificates pursuant to the provisions hereof."

ARTICLE VI

All other provisions of the Amended and Restated Certificate of Incorporation of the Corporation shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, said Corporation hereby executes this Certificate of Amendment of Amended and Restated Certificate of Incorporation this _____ day of _____________, ______.

HOMECOM COMMUNICATIONS, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________