HOMECOM COMMUNICATIONS INC
Form 10-Q
November 08, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2002.

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

For the transition period from ___________ to ___________

Commission File Number 0-29204

HOMECOM COMMUNICATIONS, INC

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

DELAWARE	58-2153309
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3495 Piedmont Road
Building 12, Suite 110
Atlanta, Georgia 30305

(Address of principal executive offices)

(404) 237-4646

(Issuer's Telephone Number)

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

The Company did not timely file a Current Report 8-K to report a change in the registrant's Certifying Accountants on May 11, 2002.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 14, 2002, there were 14,999,156 shares of the registrant's Common Stock, par value $0.0001 per share.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

HOMECOM COMMUNICATIONS, INC.

Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001

	September 30, 2002 (unaudited)	December 31, 200
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 193,496	$ 413,346
Accounts receivable, net	224,678	154,144
Total current assets	418,174	567,490
Prepaid Expenses	35,145	
Furniture, fixtures and equipment held for sale	126,784	97,901
Total assets	$ 580,103	$ 665,391
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,930,932	$ 1,527,644
Total current liabilities	1,930,932	1,527,644
Other liabilities	548	5,480
Total liabilities	1,931,480	1,533,124
Redeemable Preferred stock, Series B, $.01 par value, 125 shares authorized, 125 shares issued at September 30, 2002 and December 31, 2001 and 17.8 shares outstanding at September 30, 2002 and December 31, 2001, convertible, participating; $418,960 liquidation value as of September 30, 2002	251,750	251,750
STOCKHOLDERS' DEFICIT:		
Common stock, $.0001 par value, 15,000,000 shares authorized, 14,999,156 shares issued and outstanding at September 30, 2002 and December 31, 2001	1,500	1,500
Preferred stock, Series C, $.01 par value, 175 shares issued and authorized, 90.5 shares outstanding at September 30, 2002 and December 31, 2001, convertible, participating; $2,154,627 liquidation value at September 30, 2002	1	1
Preferred stock, Series D, $.01 par value, 75 shares issued and authorized, 1.3 shares outstanding at September 30, 2002 and December 31, 2001, convertible, participating; $30,480 liquidation value at September 30, 2002	1	1
Preferred stock, Series E, $.01 par value, 106.4 shares issued and authorized, 106.4 shares outstanding at September 30, 2002 and December 31, 2001, convertible, participating; $2,546,106 liquidation value at		

September 30, 2002	1	1
Treasury stock, 123,695 shares at September 30, 2002 and December 31, 2001	(8,659)	(8,659)
Additional paid-in capital	24,109,174	24,587,964
Accumulated deficit	(25,705,145)	(25,700,291)
Total stockholder's deficit	(1,603,127)	(1,119,483)
Total liabilities and stockholder's deficit	$ 580,103	$ 665,391

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

1

HOMECOM COMMUNICATIONS, INC.

Consolidated Statements of Operations for the nine months ended September, 2002 and

	Three Months Ended September 30, (unaudited)		Nine M Sept (un
	2002	2001	2002
Revenues	$ 367,710	$ 308,212	$ 1,112,46
Cost of Revenues	274,110	209,675	746,96
GROSS PROFIT	93,600	98,537	365,49
OPERATING EXPENSES:			
Sales and marketing		614	
General and administrative	103,407	142,059	395,60
Asset Impairment Charge			
Total operating expenses	103,407	142,673	395,60
OPERATING LOSS	(9,807)	(44,136)	(30,10
OTHER INCOME			
Other income, net	(1,435)	(4,152)	(25,24
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(8,372)	(39,984)	(4,85
INCOME TAX PROVISION (BENEFIT)	0	0	
LOSS FROM CONTINUING OPERATIONS	(8,372)	(39,984)	(4,85
GAIN ON DISPOSAL OF DISCONTINUED BUSINESS SEGMENT			
NET LOSS	(8,372)	(39,984)	(4,85
DEEMED PREFERRED STOCK DIVIDEND	(176,682)	(36,603)	(530,04
LOSS APPLICABLE TO COMMON SHAREHOLDERS	$ (185,054)	$ (76,587)	$ (534,90
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED			
CONTINUING OPERATIONS	$ (0.01)	$ (0.01)	$ (0.0
DISCONTINUED OPERATIONS	0.00	0.00	0.0

LOSS PER SHARE - BASIC AND DILUTED	$ (0.01)	$ (0.01)	$ (0.0
WEIGHTED NUMBER OF SHARES OUTSTANDING	14,999,156	9,359,156	14,999,15

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

2

HOMECOM COMMUNICATIONS, INC.

Consolidated Statements of Cash Flows for the nine months ended
September 30, 2002 and 2001

	Nine Months Ended September 30, (unaudited)	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,854)	$(386,106)
Adjustments to reconcile net loss to cash used in operating activities:		
Write down of investment		493,905
Provision for bad debts	(8,369)	40,654
Deferred rent expense	(4,932)	3,565
Change in operating assets and liabilities:		
Accounts receivable	(62,165)	(27,336)
Prepaid expenses	(35,145)	
Accounts payable and accrued expenses	(75,502)	(715,049)
Accrued payroll liabilities		(341,354)
Net cash used in operating activities	(190,967)	(931,721)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of furniture, fixtures, and equipment	(28,883)	(15,679)
Proceeds from sale of divisions		864,603
Net cash provided by (used in) investing activities	(28,883)	848,924
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of capital lease obligations		(43,868)
Net cash Used in financing activities		(43,868)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(219,850)	(126,665)
CASH AND CASH EQUIVALENTS at beginning of period	413,346	520,716
CASH AND CASH EQUIVALENTS at end of period	$ 193,496	$ 394,051

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

HOMECOM COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to Article 10 of Regulation S-X of the Securities and Exchange Commission. The accompanying unaudited financial statements reflect, in the opinion of management, all adjustments necessary to achieve a fair statement of the financial position and results of operations of HomeCom Communications, Inc. (the "Company," "we" or "us") for the interim periods presented. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

2. GOING CONCERN MATTERS

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidations of liabilities in the normal course of business. The Company has incurred significant losses since its incorporation resulting in an accumulated deficit as of September 30, 2002 of approximately $25.7 million. The Company continues to experience negative cash flows from operations and historically has been dependent on continued financing from investors and liquidation of assets to sustain its activities. However, we believe that it is highly unlikely that we will be able to secure any additional financing from investors or any proceeds from the sales of any of our remaining assets. These factors raise doubt about the Company's ability to continue as a going concern.

On March 23, 2001, the Company 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." This announcement followed the sale of substantially all of the assets of First Institutional Marketing, Inc. ("FIMI") and its affiliates to Digital Insurance, Inc. on January 31, 2001 and the sale of substantially all of the assets used in our Internet Banking operations to Netzee, Inc. on March 15, 2001. These sales left us with only one remaining business, our hosting and web site maintenance business, which we had been trying to sell for approximately two years. We have been negotiating an agreement to sell this business, representing substantially all of our operating assets, to Tulix Systems, Inc., an entity 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. If this sale or any other sale of these assets is completed, the Company will have no operating assets and no source of revenue or profits. At this time, however we do not have an agreement with Tulix and we can provide no assurance that we will be able to complete the sale of these assets to Tulix or any other person.

3. SEGMENT INFORMATION

Historically, the Company was organized into five separate business units. The Company has determined that its reportable segments were those that were based on the Company's method of internal reporting, which disaggregated its business by product and service category into business units. The Company's reportable segments were custom Web development (FAST), Internet outsourcing services (HostAmerica), Internet security services (HISS), Internet banking, 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 the assets 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. and on March 15, 2001, the Company sold the remaining assets of its Internet Banking group to Netzee, Inc. The Company currently operates in a single business segment, including hosting services and web development. Historical segment information is not provided since each of the former business segments are presented as discontinued operations.

4

4. BASIC AND DILUTED LOSS PER SHARE

Loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding for the period of time then ended. The effect of the Company's stock options and convertible securities is excluded from the computations for the nine months ended September 30, 2002 and 2001, as it is antidilutive.

5. TAXES

There was no provision for cash payment of income taxes for the nine months ended September 30, 2002 and 2001, respectively, as the Company anticipates a net taxable loss for the year ended December 31, 2002.

6. STOCKHOLDERS' DEFICIT

As a requirement of the private placements of the Company's Series B, C, D and E Convertible Preferred Stock, the Company was obligated to file and have declared effective, within a specified time period, a registration statement with respect to a minimum number of shares of common stock issuable upon conversion of the Series B, C, D and E Preferred Stock. As of September 30, 2002, such registration statement has not been declared effective and penalties are owed to the Series B, C, D and E Preferred Stock holders. In addition, given the Company's financial condition as discussed in footnote 2, the Company has no current plans to ensure that such registration statement is declared effective. In accordance with the terms of the agreement between the parties, penalties accrue at the rate of 2% per 30 day period for the Series E and 6% per year for the Series B, C and D of the outstanding purchase price of the unregistered securities. As of September 30, 2002, $1,367,574 has been accrued into accounts payable and accrued expenses for such penalties.

7. OTHER MATTERS

Certain prior period amounts have been reclassified to conform to current period presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

This report contains certain statements, such as statements regarding the

Company's future plans, that constitute forward-looking statements within the meaning of Section 37A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements include, but may not be limited to, those statements regarding the Company's expectations, beliefs, intentions, or strategies regarding the future. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Specifically, the Company's statements with respect to, among other things, the potential disposition of the Company's remaining assets and business and its ability or inability to continue as a going concern are forward looking statements. The Company notes that a variety of risk factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements including, among other things, our ability or inability to dispose of our remaining assets and business, our ability to obtain additional financing, and other factors discussed in this report and set forth in our Annual Report on Form 10-K and our Registration Statements on Forms S-1 and S-3.

Historically, we developed and marketed specialized software applications, products and services that enabled financial institutions and their customers to use the Internet and intranets/extranets to obtain and communicate important business information, conduct commercial transactions and improve business productivity. We provided Internet/intranet solutions in three areas: (i) the design, development and integration of customized software applications, including World Wide Web site development and related network outsourcing; (ii) the development, sale and integration of our existing software applications into the client's operations; and, (iii) security consulting and integration services. In October, 1999, we sold our security consulting and integration services operations and entered into a joint marketing program with the acquiror. During 2001, we sold our remaining software applications businesses.

Currently, we only derive revenue from professional web development services and hosting fees. On March 23, 2001, we announced our intentions to wind down our operations. We have been negotiating an agreement to sell substantially all of the assets used in our hosting and website maintenance business to Tulix Systems, Inc., an entity 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. If this sale or any other sale of these assets is completed, we will have no operating assets and no source of revenue or profits. At this time, however, we do not have an agreement with Tulix and can provide no assurance that we will be able to complete the sale of these assets to Tulix or any other person.

Our revenues and operating results have varied substantially from period to period, and should not be relied upon as an indication of future results.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2001

NET SALES. Net sales increased 19.3% from $308,212 in the third quarter of 2001 to $367,710 in the third quarter of 2002. This increase of $59,498 is primarily attributable to increased sales to Roadrunner. Revenues would actually have decreased without the growth in the Roadrunner service. Revenues consisted of $4,166 of development work in progress, which is recognized based upon an average percentage completion calculation (66% of current contracts totaling $12,500, less $4,166 recognized in previous periods), and $363,544 in hosting and hourly development, which is recognized at the time that services are provided.

COST OF SALES. Cost of sales includes salaries for programmers, technical staff and customer support, as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of sales increased from $209,675, or 68.0% of revenues, in the third quarter of 2001, to $274,110, or 74.5% of revenues, in the third quarter of 2002. The increase in the percentage of the cost of sales is due to a reduction in the number of administrative employees between the third quarter of 2001 and the third quarter of 2002, which reduction resulted in a larger percentage of costs being assigned to production.

GROSS PROFIT. Gross profit decreased by $4,937 from $98,537 in the third quarter of 2001 to $93,600 in the third quarter of 2002. Gross profit margins decreased from 32.0% during the third quarter of 2001 to 25.5% during the third quarter of 2002. This decrease in gross profit is due to a reduction in the number of administrative employees between the third quarter of 2001 and the third quarter of 2002, which reduction resulted in a larger percentage of costs being assigned to production.

SALES AND MARKETING. The Company ceased all significant sales and marketing efforts entering 2001. There were no significant sales and marketing expenditures in the third quarter of 2001 or 2002.

PRODUCT DEVELOPMENT. The Company ceased all significant product development efforts entering 2001. There were no such expenditures in the third quarter of 2001 or 2002.

GENERAL AND ADMINISTRATIVE. General and administrative expenses include salaries for administrative personnel, insurance and other administrative expenses, as well as a pro-rata allocation of telecommunications, and facilities and data center costs. General and administrative expenses decreased from $142,059 in the third quarter of 2001 to $103,407 in the third quarter of 2002 due to continued reductions in personnel and the resulting reduction in the pro-rata portion of costs assigned to General and Administrative expenses. As a percentage of net sales, these expenses decreased from 46.1% in the third quarter of 2001 to 28.1% in the third quarter of 2002.

DEPRECIATION AND AMORTIZATION. With the write down of the carrying value of all fixed assets in the fourth quarter of 2000, the Company has suspended depreciation of its remaining assets in anticipation of a sale. There were no charges recognized in the third quarter of 2001 or 2002.

OTHER INCOME. Other income consists of miscellaneous amounts received which are outside the normal course of operations. Other income decreased $2,717 from $4,152 in the third quarter of 2001 to $1,435 in the third quarter of 2002.

NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2001

NET SALES. Net sales increased 19.7% from $929,010 in the first nine months of 2001 to $1,112,461 in the first nine months of 2002. This increase of $183,451 is primarily attributable to increased sales to Roadrunner. Revenues would actually have decreased without the growth in the Roadrunner service. Revenues consisted of $8,332 in development work, which is recognized based upon an average percentage completion calculation of 66% of current contracts, which total $12,500, and $1,104,129 in hosting and hourly development, which is recognized at the time that services are provided.

COST OF SALES. Cost of sales includes salaries for programmers, technical staff and customer support, as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of sales decreased from $763,322, or 82.2% of revenues in the first nine months of 2001, to $746,964, or 67.1% of revenues, in the first nine months of 2002. The decrease in the percentage of the cost of sales is due to an increase in net sales in 2002 combined with holding production costs below 2001 levels.

GROSS PROFIT. Gross profit increased by $199,809 from $165,688 in the first nine months of 2001 to $365,497 in the first nine months of 2002. Gross profit margins increased from 17.8% during the first nine months of 2001 to 32.9% during the first nine months of 2002. This improvement in gross profit is primarily related to recognizing continued growth in Roadrunner revenue while at the same time holding production costs below 2001 levels.

SALES AND MARKETING. The Company ceased all significant sales and marketing efforts entering 2001. There were no significant sales and marketing expenditures in the first nine months of 2001 or 2002.

PRODUCT DEVELOPMENT. The Company ceased all significant product development efforts entering 2001. There were no such expenditures in the first nine months of 2001 or 2002.

GENERAL AND ADMINISTRATIVE. General and administrative expenses include salaries for administrative personnel, insurance and other administrative expenses, as well as a pro-rata allocation of telecommunications, and facilities and data center costs. General and administrative expenses decreased from $596,494 in the first nine months of 2001 to $395,600 in the first nine months of 2002 due to continued reductions in personnel and a subsequent reduction in the pro-rata portion of costs assigned to General and Administrative costs. Included in general and administrative expenses for the first nine months of 2002 is a charge for $42,933 related to the write off of an accounts receivable from Haines Avenue, LLP. As a percentage of net sales, these expenses decreased from 64.2% in the first nine months of 2001 to 35.6% in the first nine months of 2002.

DEPRECIATION AND AMORTIZATION. With the write down of the carrying value of all fixed assets in the fourth quarter of 2000, the Company has suspended depreciation of its remaining assets in anticipation of a sale. There were no charges recognized in the first nine months of 2001 or 2002.

OTHER INCOME. Other income consists of miscellaneous amounts received which are outside the normal course of operations. Other income in the first nine months of 2002 consisted of the favorable settlement of legal proceedings for which expense accruals had been established. Other income decreased $119,517 from $144,766 in the first nine months of 2001 to $25,249 in the first six months of 2002.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of capital are extremely limited. We have incurred operating losses since inception and as of September 30, 2002, we had an accumulated deficit of $25,705,145 and a working capital deficit of $1,512,758. On March 23, 2001, we announced our intentions to wind down operations. We have been negotiating an agreement to sell substantially all of our operating assets to Tulix. If we complete this sale, or any other sale of these assets, we will have no operating assets and no source of revenue or profits. At this time, however, we can provide no assurance that we will be able to sell these assets to Tulix or any other person.

Regardless of whether we are able to sell our remaining assets, we believe that we have exhausted our current sources of capital and also believe that it is highly unlikely that we will be able to secure additional capital that would be required to undertake additional steps to continue our operations. We may elect to implement other cost reduction actions that we may determine to be necessary and in our best interests. Also, we believe that there may be value in remaining current in our reporting obligations under the Securities Exchange Act of 1934, as amended, although we can give no assurance that we will ever be able to realize any value from our situation. If we cannot resolve our liabilities, and no other alternatives are available, we may be forced to seek protection from our creditors. The aforementioned factors raise substantial doubt about HomeCom's ability to continue as a going concern. The financial statements included herein have been prepared assuming HomeCom is a going concern and do not include any adjustments that might result should HomeCom be unable to continue as a going concern.

We spent $28,883 during the first nine months of 2002 for the purchase of capital equipment. This amount was expended primarily for computer equipment, communications equipment and software necessary for us to maintain the operating integrity of our Network Operations Center for the continued provision of services to our existing customers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this report, the Company's management conducted an evaluation, under the supervision and with the participation of the Company's Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation.

PART II. OTHER INFORMATION

Item 1. 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, accruing interest and court costs.

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.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

As a requirement of the private placements of the Company's Series B, C, D and E Convertible Preferred Stock, the Company was obligated to file and have declared effective, within a specified time period, a registration statement with respect to a minimum number of shares of common stock issuable upon conversion of the Series B, C, D and E Preferred Stock. As of September 30, 2002, such registration statement has not been declared effective and penalties are owed to the Series B, C, D and E Preferred Stock holders. In addition, given the Company's financial condition as discussed in footnote 2, the Company has no current plans to ensure that such registration statement is declared effective. In accordance with the terms of the agreement between the parties, penalties accrue at the rate of 2% per 30 day period for the Series E and 6% per year for the Series B, C and D of the outstanding purchase price of the unregistered securities. As of September 30, 2002, $1,367,574 has been accrued into accounts payable and accrued expenses for such penalties.

In March 2002, the outstanding shares of our Series B preferred stock were scheduled to convert automatically into shares of common stock, pursuant to the Certificate of Designations governing our Series B preferred stock. However, because we did not have a sufficient number of authorized shares of Common Stock available for issuance upon conversion of these shares of Series B preferred stock, we are not in compliance with the requirements of our Certificate of Incorporation. Furthermore, no shares of Series B stock have been converted since the automatic conversion date, and we remain obligated to convert the remaining shares of Series B preferred stock into shares of common stock. If the outstanding shares of Series B preferred stock had been converted into shares of common stock on September 30, 2002, we would have been obligated to issue 104,740,000 shares of common stock upon such conversions.

In July 2002, the outstanding shares of our Series C preferred stock were scheduled to convert automatically into shares of common stock, pursuant to the Certificate of Designations governing our Series C preferred stock. However, because we did not have a sufficient number of authorized shares of Common Stock available for issuance upon conversion of these shares of Series C preferred stock, we are not in compliance with the requirements of our Certificate of Incorporation. Furthermore, no shares of Series C stock have been converted since the automatic conversion date, and we remain obligated to convert the remaining shares of Series C preferred stock into shares of common stock. If the outstanding shares of Series C preferred stock had been converted into shares of common stock on September 30, 2002, we would have been obligated to issue 538,656,750 shares of common stock upon such conversions.

In September 2002, the outstanding shares of our Series D preferred stock were scheduled to convert automatically into shares of common stock, pursuant to the Certificate of Designations governing our Series D preferred stock. However, because we did not have a sufficient number of authorized shares of Common Stock available for issuance upon conversion of these shares of Series D preferred stock, we are not in compliance with the requirements of our Certificate of Incorporation. Furthermore, no shares of Series D stock have been converted since the automatic conversion date, and we remain obligated to convert the remaining shares of Series D preferred stock into shares of common stock. If the outstanding shares of Series D preferred stock had been converted into shares of common stock on September 30, 2002, we would have been obligated to issue 7,620,000 shares of common stock upon such conversions.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

During the third quarter of 2002, we filed the following reports on Form 8-K:

(i) On October 4, 2002, we filed a report on Form 8-K to report a change in our Certifying Accountant on May 11, 2002.

9

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOMECOM COMMUNICATIONS, INC.

By: /s/ Timothy R. Robinson

Name: Timothy R. Robinson
Title: Executive Vice President,
Chief Financial Officer
Date: November 8, 2002

CERTIFICATION

I, Timothy R. Robinson, Executive Vice President and Chief Financial Officer of HomeCom Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HomeCom Communications, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 11/08/02

/s/ Timothy R. Robinson

Timothy R. Robinson
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

(a) Exhibits

None