HOMECOM COMMUNICATIONS INC
Form 10-K
April 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2002

or

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

For the transition period from ______________ to ______________

Commission File Number: 0-29204

HomeCom Communications, Inc.
(Exact name of registrant specified in its charter)

Delaware	58-2153309
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Building 12, Suite 110
3495 Piedmont Road
Atlanta, Georgia 30305
(Address of principal executive offices and zip code)

Registrant's Telephone Number, Including Area Code:
(404) 237-4646

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

Title of each class	Name of exchange on which registered
Common Stock, par value $0.0001 per share	OTC-BB

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the average of the closing bid and ask quotations for the Common Stock on March 12, 2003 as reported on the OTC Bulletin Board, was approximately $8,316. The shares of Common Stock held by each officer and director and by each person known to us who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 12, 2003, Registrant had outstanding 14,999,156 shares of Common Stock.

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PART I

Item 1. BUSINESS

FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain statements, such as statements regarding HomeCom's future plans, that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, including certain statements contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations" concerning our expectations, beliefs, or strategies regarding increased future revenues and operations, and certain statements contained under "Business" concerning our future business plans. When used in this Form 10-K, the words "expects", "believes," "intends," "anticipates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected or implied by such forward-looking statements. Such risks and uncertainties include things such as changes in the value and condition of our assets, the loss of key personnel, whether we are able to complete the proposed transactions described in this form 10-K, a change in control of the Company or changes in financial markets and general economic conditions. Reference is also made in particular to the discussion set forth in our Registration Statements on Forms S-1 (File Nos. 333-12219, 333-42599, 333-45383, 333-86837, 333-88491, and 333-56795) and S-3 (333-73123 and 333-81581).

HISTORY AND RECENT DEVELOPMENTS

Recent Developments

Sale of Assets to Tulix Systems, Inc.

On March 27, 2003, HomeCom Communications, Inc. ("HomeCom," "we" or "us") entered into an Asset Purchase Agreement (the "Agreement") with Tulix Systems, Inc. ("Tulix"), a company in which Gia Bokuchava, Nino Doijashvili and Timothy R. Robinson, who are officers and directors of HomeCom, are officers, directors and founding shareholders.

Under the Agreement, Tulix will purchase the assets used in the operation of our hosting and web site maintenance business, including intellectual property, equipment, contracts, certain accounts receivable in an aggregate amount of approximately $70,000, and cash of $50,000 (the "Asset Sale"). As consideration for these assets, Tulix will:

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

- issue to us a secured promissory note (the "Note") for a principal amount of $70,000 (subject to adjustment as described herein) that will bear interest at an annual rate of 7%, will be secured by certain assets of Tulix that are transferred to Tulix as part of the Asset Sale, and will become due one year after the closing of the Asset Sale (the principal amount of the note may be increased at closing pursuant to the terms of the Agreement); and,

- assume certain obligations of ours, including certain accounts payable related to ongoing operations.

The note to be issued by Tulix to HomeCom will be for a principal amount of $70,000, subject to adjustment as described below. If the sum of the cash and accounts receivable of HomeCom (as determined in accordance with GAAP in a manner consistent with HomeCom's past practices) on the day that we complete the Asset Sale is less than $325,053, the principal amount of the Note will be increased by an amount equal to the difference between $325,053 and the sum of HomeCom's cash and accounts receivable on the closing date (to the extent that the sum of cash and accounts receivable on the day that we complete the Asset Sale is more than $325,053, we will divide the excess evenly between HomeCom and

Tulix). The Note will bear interest at a rate of 7.0% per year and will mature on the one year anniversary of the Closing of the Asset Sale. Interest will be due and payable at maturity. The Note will be secured by certain assets transferred to Tulix in the Asset Sale.

In connection with the Asset Sale, the Agreement provides that we will enter into a Shareholders' Agreement with Tulix, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili. The Shareholders' Agreement would give HomeCom certain rights as a holder of Tulix stock for a period of five years. These rights include rights of co-sale, rights of first refusal, anti-dilution rights and rights to inspect the books and records of Tulix. The co-sale rights will give us (and the other Tulix shareholders) the right to participate in any sales, subject to certain exclusions, of Tulix stock by other Tulix shareholders. The rights of first refusal granted to us in the Shareholders' Agreement will require that Tulix give us (and the other Tulix shareholders) the right to purchase any securities, subject to certain exclusions, that it intends to offer to third parties before it offers those securities to third parties. The anti-dilution rights contained in the Shareholders' Agreement require Tulix to grant us additional shares of common stock any time, subject to certain exclusions, it issues shares of common stock to other persons so that our aggregate ownership interest in Tulix is generally not diluted. Finally, the Shareholders' Agreement gives us the right to inspect the books and records of Tulix, subject to the specific terms of the Shareholders' Agreement.

The parties intend to complete the Asset Sale if (i) it is approved by HomeCom's stockholders as required under Delaware law and (ii) the other conditions to closing set forth in the 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 and a condition in favor of Tulix that the largest customer of the business to which the assets relate not have given notice that it intends to terminate its relationship with the business. As such, we can offer no assurance that the Asset Sale will be completed. Neither we nor Tulix is under any obligation to pay any type of termination fee if we do not complete the Asset Sale, and there are no other deal protection measures. The Agreement also contains a release from Tulix pertaining to certain matters and mutual releases with Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili regarding certain employment matters. (See "Part III. Item 11: Executive Compensation, Employment Contracts.").

License Agreement with Eurotech, Ltd.

Also on March 27, 2003, HomeCom entered into a License and Exchange Agreement with Eurotech, Ltd. ("Eurotech") and, with respect to Articles V and

VI thereof, Polymate, Ltd. and Greenfield Capital Partners LLC (the "Exchange Agreement"). The Exchange Agreement contemplates that Eurotech and HomeCom will enter into a License Agreement (the "License Agreement"). Pursuant to the Exchange Agreement and the License Agreement, Eurotech will license to HomeCom its rights to the EKOR, HNIPU and Electro Magnetic Radiography (EMR) technologies. In exchange for the license of these technologies, HomeCom will (i) issue to Eurotech 11,250 shares of Series F preferred stock and 1,069 shares of Series G preferred stock, both of which are new series of HomeCom's preferred stock, and (ii) pay Eurotech a royalty of seven percent (7.0%) on net sales generated by the licensed technologies and a royalty of four percent (4.0%) on net sales generated by products and services that are improvements on the licensed technologies. Closing of this transaction is subject to a number of conditions, including HomeCom's delivery of evidence that: (i) its accounts payable have been reduced to roughly $600,000, and (ii) the holders of HomeCom's Series B, C, D and E preferred stock have waived the mandatory conversion rights granted to them in connection with their respective shares of preferred stock. As such, we can offer no assurance that this transaction will be completed. The Exchange Agreement provides that, during the period prior to closing of the sale of HomeCom's hosting and web site maintenance business, the financial needs of the hosting and web site maintenance business will be funded by the operations of that business, while the finances relating to the new licensed technologies will be kept separate.

EMR is a technology intended for the imaging of subterranean nuclear and hazardous wastes in ground and marine settings, and for oil exploration. HNIPU is a technology intended to improve upon conventional monolithic polyurethanes through a non-toxic process. EKOR is a family of non-toxic advanced composite polymer materials used in the containment of nuclear and hazardous materials.

Shares of Series F Convertible Preferred Stock are convertible into shares of common stock at a conversion rate of 10,000 shares of common stock per Series F Share, subject to adjustment as set forth in the Certificate of Designations

governing the Series F Preferred Stock. As such, the 11,250 shares of Series F Preferred Stock to be issued to Eurotech will be convertible into 112,500,000 shares of common stock. In connection with the consummation of the transactions contemplated by the Exchange Agreement, we have agreed to issue 1,500 shares of Series F Preferred Stock to Polymate and 750 shares of Series F Preferred Stock to Greenfield. As such, we have agreed to issue a total of 13,500 shares of Series F Preferred Stock that will be convertible into 135,000,000 shares of common stock. The Certificate of Designations, however, provides that the shares of Series F preferred stock will only be convertible if HomeCom has a sufficient number of authorized but unissued shares of common stock available to support the conversion of the outstanding shares of all series of preferred stock (although the Certificate of Designations states that the shares of Series F Preferred Stock will become convertible on December 31, 2003 regardless of whether a sufficient number of shares of common stock have been authorized by such date). Currently, however, HomeCom has only 15,000,000 shares of authorized common stock, of which 14,999,156 shares have been issued and are outstanding. As such, our Board of Directors has approved, and has directed us to submit to our stockholders, a proposal to amend our Certificate of Incorporation to, among other things, increase the number of shares of common stock that we are authorized to issue to 300,000,000 shares. If this amendment is approved, and if Eurotech converts its shares of Series F Preferred Stock into shares of common stock, a change in control of HomeCom could occur. For example, if Eurotech were to convert all of its shares of Series F Preferred Stock, and if Polymate and Greenfield were to convert their shares of Series F Preferred Stock into shares of common stock, and if none of our other preferred shareholders were to convert their shares of preferred stock into shares of common stock, Eurotech would hold approximately 112,500,000 of the approximately 150,000,000 shares of common stock then-outstanding, or roughly 75% of the then-outstanding shares of common stock, and Polymate and Greenfield would hold, in the aggregate, approximately 22,500,000 shares of common stock, representing roughly 15% of the then-outstanding shares. Shares of Series F Preferred Stock have the right to vote on all matters with the common stock to the extent that such shares of Series F Preferred Stock are then convertible into shares of common stock.

Pursuant to the License Agreement, HomeCom has agreed to issue 1,069 shares of Series G Convertible Preferred Stock to Eurotech. Each share of Series G Convertible Preferred Stock is convertible into a number of shares of common stock determined by dividing $1,000 by a number equal to 82.5% of the average closing price of the common stock over the preceding five business days. Shares of Series G preferred stock have no voting rights.

HomeCom has agreed to enter into a commercially reasonable registration rights agreement with Eurotech, Polymate and Greenfield pursuant to which HomeCom would grant both demand and piggyback registration rights to those entities.

In anticipation of the transaction, Lawrence Shatsoff and David Danovitch have resigned from the HomeCom Board of Directors, and Don Hahnfeldt, the President and Chief Executive Officer of Eurotech, and Dr. Randolph Graves, a director and the Chief Financial Officer and Vice President of Eurotech, have been elected to fill these vacancies on the HomeCom Board of Directors.

If we complete the Tulix transaction, we expect Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili to resign from the Board of Directors. This would leave Michael Sheppard, Mr. Hahnfeldt and Dr. Graves as the three members of the HomeCom Board of Directors, meaning that the two designees of Eurotech will constitute a majority of our Board of Directors. It is expected that new HomeCom officers, who will be identified by Eurotech, will be appointed by the Board of Directors at such time.

History

The Company 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. In fact, 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.

On March 24, 1999, we acquired all of the outstanding shares of FIMI and certain of its affiliates for 1,252,174 shares of common stock. In addition, we entered into employment agreements for an initial term of three years with the three principals of FIMI, calling for them to continue in their roles for the acquired companies. Prior to the closing of the acquisition, we loaned the shareholders of FIMI $370,000 ("FIMI notes"). The FIMI notes were to be repaid in either cash or common stock and were collateralized by common stock. We also granted these FIMI shareholders 300,000 warrants to acquire our shares of common stock at an exercise price of $3.74 per share. Vesting of the warrants was contingent upon FIMI meeting certain operating goals.

On April 23, 1999, we 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 in exchange 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. In connection with the sale, the FIMI principals surrendered the shares of the common stock that collateralized the FIMI notes and forfeited their warrants.

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 $407,000.

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.

On March 23, 2001, HomeCom 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 have entered into our agreement with Tulix in furtherance of the intentions announced in this press release.

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 have tried to use non-disclosure and confidentiality agreements with employees, vendors, contractors, consultants and customers to address these concerns.

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.

Employees

As of March 12, 2003, we had 7 full-time employees. If we sell our assets to Tulix, we expect that all of these employees will resign from their positions with us and go to work for Tulix. On March 21, 2003, the Board appointed Michael Sheppard, one of our outside directors, to serve as a vice president of the Company, with specified limited powers generally relating to the proposed sale of assets to Tulix and the proposed transaction with Eurotech. The Board expects that Mr. Sheppard will remain an officer of HomeCom if the sale of assets to Tulix and the proposed license transaction with Eurotech are completed.

Customers

During 2000, two customers each accounted for over 10% of revenues with one of those customers accounting for over 40%. During 2001 only one customer, Roadrunner, accounted for over 10% of sales, accounting for 82%. During 2002 Roadrunner alone accounted for 93% of sales. Our sales to our five largest customers represented approximately 76%, 89% and 97% of the total revenues for 2000, 2001 and 2002 respectively.

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. It is possible that a number of additional laws and regulations may be adopted with respect to the Internet, covering issues such as user privacy, pricing, characteristics, and quality of products and services. The adoption of any such laws or regulations may decrease the growth of the Internet, which could in turn decrease the demand for our products and services and increase our cost of doing business or cause us to modify our operations, or otherwise have an adverse effect on our business, financial condition and 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.

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 and is a dormant entity.

Item 2. PROPERTIES

As of March 12, 2003 we occupy approximately 7,000 square feet in one office building in Atlanta, Georgia under a lease expiring in October 2003. This facility serves as our headquarters and computer center. If we complete the sale of substantially all of our assets to Tulix, we expect that Tulix will assume this lease from us.

We have abandoned an office in New York City where we used to occupy approximately 3,400 square feet under a lease that expired in January 2003, and abandoned an office in Atlanta.

As of December 31, 2002 we have an accrual for real estate disposition liabilities of approximately $206,000, which we believe will be sufficient to settle all obligations related to the closing and abandonment of our offices in New York and Atlanta.

We believe that the property which we currently have under lease is adequate to serve our business operations for the foreseeable future. We believe that if we were unable to renew the lease on this facility, we could find other suitable facilities with no material adverse effect on our business.

Item 3. 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 sought damages in the amount of $141,752 plus interest of $23,827, plus attorneys' fees and court costs. On December 18, 2002 we reached a settlement with Georgia OBJLW One Corporation in the amount of $135,000, consisting of one payment of $30,000 paid at that time, followed by seven monthly payments of $15,000 to be made from February thru August, 2003.

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 sought 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. On April 26, 2002, after retaining counsel and as a result of the Company's response, the complaint was dismissed.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matters to a vote of securityholders during the fourth quarter of 2002.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Our Common Stock has been quoted on the OTC Bulletin Board under the symbol "HCOM" since December 8, 2000. Prior to that date it was quoted on the Nasdaq SmallCap Market. The following table shows for the periods indicated the range of high and low bid prices as quoted on the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	High	Low
2001:		
First quarter	$ .190	$ .018
Second quarter	.023	.006
Third quarter	.019	.007
Fourth quarter	.019	.003
2002:		
First quarter	$ .010	$ .010
Second quarter	.028	.003
Third quarter	.005	.003
Fourth quarter	.006	.001
2003:		
First quarter (through March 12, 2003)	$ .004	$ .001

Holders of Record

We had approximately 127 holders of record of our Common Stock as of March 12, 2003.

Dividends

We have not paid any cash dividends on our capital stock to date and do not foresee that we will have earnings with which to pay dividends in the foreseeable future. Our board of directors would determine the amount of future dividends, if any, based upon our earnings, financial condition, capital requirements and other conditions.

Item 6. SELECTED FINANCIAL DATA

The following selected financial data of HomeCom Communications, Inc. 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.

Year Ended December 3

	1998	1999	2000
Statement of Operations Data:			
Revenues	$ 2,481,905	$ 3,907,282	$ 4,509,977
Cost of revenues	2,085,598	951,406	2,722,309
Gross profit	396,307	2,955,876	1,787,668
Operating expenses:			
Sales and marketing	1,142,222	2,878,302	1,944,020
Product development	633,268	315,809	321,259
General and administrative	2,896,287	3,765,514	1,182,192
Depreciation and amortization	542,269	1,757,124	1,605,345
Asset Impairment			1,436,078
Total operating expenses	5,214,046	8,716,749	6,488,894
Operating loss	(4,817,739)	(5,760,873)	(4,701,226)
Other expenses (income):			
Gain on sale of division	(4,402,076)		
Interest expense (income)	445,216	32,583	(5,981)
Other expense (income), net	(166,917)	(103,175)	(90,793)
Loss from continuing operations before income taxes	(693,962)	(5,690,281)	(4,604,452)
Income tax provision (benefit)	--	--	--
Loss from continuing operations	(693,962)	(5,690,281)	(4,604,452)
Loss from discontinued operations	(510,178)	(4,630,508)	(1,755,898)
Gain (loss) on disposal of business segment		1,144,591	(3,000,377)
Net Loss	(1,204,140)	(9,176,198)	(9,360,727)
Deemed preferred stock dividend	(666,667)	(2,557,466)	(1,526,728)
Loss applicable to common shareholders	$ (1,870,807)	$(11,733,664)	$(10,887,455)
Gain (Loss) per common share--basic and diluted			
Continuing operations	$ (0.16)	$ (0.90)	$ (0.72)
Discontinued operations	(0.28)	(0.96)	(0.55)
Total	$ (0.44)	$ (1.86)	$ (1.27)
Weighted average common shares outstanding	4,287,183	6,324,791	8,549,693

	1998	1999	2000	
Balance Sheet Data:				
Working capital (deficit)	$ 2,265,725	$ 1,033,802	$ (823,406)	$
Total assets	4,565,490	10,535,718	2,528,973	
Long-term obligations	88,242	315,275	357,757	
Total liabilities	1,117,041	2,930,600	2,298,013	
Redeemable Preferred Stock		1,624,920	251,750	
Stockholders' equity (deficit)	3,448,449	5,980,198	(20,790)	(

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

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 acquirer. 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 entered into an agreement to sell substantially all of the assets used in our hosting and website maintenance business to Tulix. We have also entered into an agreement to license certain technologies from Eurotech. If these transactions are consummated, our only assets will be cash and accounts receivable that we do not transfer to Tulix and the assets that we license from Eurotech.

In March 1999, we completed the acquisition of all the outstanding shares of the First Institutional Marketing Companies, a group of insurance agencies and a NASD broker/dealer (the "FIMI Companies"), for 1,252,174 shares of common stock. Pursuant to the Merger and Plan of Reorganization the FIMI Companies continued as separate subsidiaries of HomeCom. On January 31, 2001 we sold substantially all of the assets of the FIMI Companies for approximately $458,000 and the assumption of certain liabilities. We recorded a loss on the sale of $3,000,377. We have removed the results of this discontinued operation from the continuing operations of the Company for all periods presented.

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

Year Ended December 31, 2001 as Compared to Year Ended December 31, 2002

Revenues. Revenues increased 16.0% from $1,279,486 in 2001 to $1,484,836 in 2002. This increase of $205,350 is primarily attributable to the growth in the RoadRunner account. Revenues consisted of $9,332 in website development work in progress, which is recognized based upon an average percentage completion calculation (69% of current contracts totaling $13,500), and $16,090 and $1,459,414 in hourly maintenance and monthly hosting respectively, which are recognized at the time that services are provided.

Cost of Revenues. Cost of revenues includes salaries for programmers, technical staff, sales staff and customer support, as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of revenues increased from $1,007,430, or 78.7% of revenues in 2001 to $1,036,961 or 69.8% of revenues in 2002. The increase in the cost of sales is attributable to the expenditure of funds associated with the growth of the RoadRunner account. Costs of Revenues decreased as a percentage of revenues due to the gains in Hosting revenues outpacing increases in production costs.

Gross Profit. Gross profit increased by $175,819 from $272,056 in 2001 to $447,875 in 2002. Gross profit margins also increased from 21.3% during 2001 to 30.2% during 2002. This increase as a percentage of net sales is due to gains in Hosting revenues, which outpaced increases in production costs.

Sales and Marketing. The Company ceased all significant sales and marketing efforts during 2001. There were no sales and marketing expenditures in 2002.

Product Development. The Company ceased all product development efforts during 2001. There were no product development expenditures in 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 $770,659 in 2001 to $517,323 in 2002. As a percentage of net sales, these expenses decreased from 60.2% in 2001 to 34.8% in 2002. The percentage decrease is due to continued reduction in personnel and a resulting decrease in the pro-rata portion of costs assigned to general and administrative expenses.

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 2001 or 2002.

Asset Impairment Charge. We incurred an asset impairment charge of $52,584 in association with the writedown of the fair market value of our fixed assets to current market levels.

Other Income. Other income consists of miscellaneous amounts received which are outside the normal course of operations. Other income decreased from $146,362 in 2001 to $26,637 in 2002. The decrease is primarily due to the absence of any significant income outside of normal operations. Approximately $20,600 of the miscellaneous income is attributable to the dismissal of the lawsuit pursued by Creditor's Adjustment Bureau on behalf of Siemen's ICN and the resultant adjustment to expenses which had been accrued.

Year Ended December 31, 2000 as Compared to Year Ended December 31, 2001

Revenues. Revenues decreased 71.6% from $4,509,977 in 2000 to $1,279,486 in 2001. This decrease of $3,230,491 is primarily attributable to the absence of any web development work and the expiration of all maintenance contracts without renewal. Revenues now consist exclusively of hosting and hourly billing site maintenance work. We recognized revenues from continuing operations for the year ended December 31, 2001 at the time the services were provided. These services consisted of $53,181 in maintenance services, and $1,226,305 in web site hosting services.

Cost of Revenues. Cost of revenues includes salaries for programmers, technical staff, sales staff and customer support, as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of revenues decreased from $2,722,309 or 60.4% of revenues in 2000 to $1,007,430 or 78.7% of revenues in 2001. The decrease in the cost of sales is attributable to reductions in production personnel and to the reduction of internet connection and local loop costs. Costs of Revenues increased as a percentage of revenues due to the loss in Web development revenues outpacing reductions in production costs.

Gross Profit. Gross profit decreased by $1,515,612 from $1,787,668 in 2000 to $272,056 in 2001. Gross profit margins also decreased from 39.6% during 2000 to 21.3% during 2001. This decrease as a percentage of net sales is due to the loss of higher margin Web development work.

Sales and Marketing. Sales and marketing expenses include salaries, variable commissions, and bonuses for the sales force, advertising and promotional marketing materials, and a pro-rata allocation of telecommunications, facilities and data center costs. Sales and marketing expenses decreased $1,943,162 from $1,944,020, or 43.1% of revenues, in 2000 to $858, or 0.1% of revenues in 2001. The Company has discontinued all significant sales and marketing efforts.

Product Development. Product development costs consist of personnel costs required to conduct our product development efforts, and a pro-rata allocation of telecommunications, facilities and data center costs. Total expenditures for product development decreased from $321,259 or 7.1% of revenues in 2000 to $0 in 2001. The Company has discontinued all product development efforts.

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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 $1,182,192 in 2000 to $770,659 in 2001. As a percentage of net sales, these expenses increased from 26.2% in 2000 to 60.2% in 2001. The percentage increase is due to the continued decline in revenues.

Depreciation and Amortization. Depreciation and amortization includes depreciation and amortization of computers, network equipment, office equipment, equipment under capital leases, and intangible assets. Depreciation and amortization decreased from $1,605,345 or 35.6% of net sales in 2000 to $0 or 0.0% in 2001. With the write down of the carrying value of all fixed assets in the fourth quarter of 2000 and the Company's announcement that it intends to wind-down its operations, the Company has suspended depreciation of its remaining assets.

Other Income. Other income consists of miscellaneous amounts received which are outside the normal course of operations. Other income increased from $90,793 in 2000 to $146,362 in 2001. The increase is primarily due to the favorable settlement of a $130,000 liability related to the prior sale of certain assets. Without this settlement other income would have declined.

Asset Impairment Charge. We incurred an asset impairment charge of $493,905 in association with the writedown of the carrying value of our investment in iDefense.

Interest Expense. No interest expense was incurred in 2001.

Discontinued Operations. On January 31, 2001 we sold our FIMI division. FIMI incurred operating losses of $1,970,584 for the year ended December 31, 2000. On March 15, 2001 we sold our Internet Banking segment for a gain of $394,543. This segment produced net income of $214,686 for the year ended December 31, 2000 with no operating profit or loss for the year ended December 31, 2001.

Recently Issued Accounting Standards

See Note 1 to Notes to Consolidated Financial Statements for a complete discussion of recently issued accounting standards and their expected impact on our consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

General

Our sources of capital are extremely limited. We have incurred operating losses since inception and as of December 31, 2002, we had an accumulated deficit of $25,795,686 and a working capital deficit of $1,705,568. On March 23, 2001, we announced our intentions to wind down operations. We have entered into an agreement to sell substantially all of our operating assets to Tulix and we have entered into an agreement to license certain technologies from Eurotech. If we complete these transactions, our only operating assets will be cash and accounts receivable that we do not transfer to Tulix and the assets that we license from Eurotech.

Whether we sell our remaining assets to Tulix or not, 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. It is our understanding that additional financing may be made available to HomeCom if the proposed transaction with Eurotech closes. However, we have received no commitment that any such financing will be made available, and the closing of the Eurotech transaction is subject to a number of conditions that may prevent the closing of the transaction from occurring. Furthermore, we can provide no assurance that any such financing, even if it were to be provided to HomeCom, would enable us to sustain our operations. 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.

Net cash used in operating activities was $214,626 for the year ended December 31, 2002. Funds necessary for operations were provided by the use of funds on deposit at the end of 2002.

We spent $38,378 and $31,825 during 2002 and 2001, respectively, for the purchase of capital equipment. These amounts were 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. Our commitments as of December 31, 2002 consist of our lease on our Atlanta, Georgia facility.

Item 8. FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Homecom Communications, Inc.

We have audited the accompanying consolidated balance sheets of HomeCom Communications, Inc. and subsidiaries as of December 31, 2002 and 2001 and the related statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of Amercia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HomeCom Communications, Inc. and subsidiaries as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America .

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.

/s/ Sherb & Company, LLC

Sherb & Company, LLC
Certified Public Accountants

New York, New York
March 19, 2003, except for Note 14, which is dated as of March 28, 2003

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HOMECOM COMMUNICATIONS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2001	200
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 413,346	$ 16
Accounts receivable, net	154,144	24
Total current assets	567,490	40
Prepaid expenses		2
Furniture, fixtures and equipment, net	97,901	8
Total assets	$ 665,391	$ 50
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,527,644	$ 2,10
Total current liabilities	1,527,644	2,10
Other liabilities	5,480	
Total liabilities	1,533,124	2,10
Redeemable Preferred stock, Series B $.01 par value, 125 shares authorized, 125 shares issued at December 31, 2001 and 2002, respectively and 17.8 shares outstanding at December 31, 2001 and 2002, respectively, convertible, participating, $423,449 liquidation value as of December 31, 2002	251,750	25
STOCKHOLDERS' DEFICIT:		
Common stock, $.0001 par value, 15,000,000 shares authorized, 14,999,156 shares issued and outstanding at December 31, 2001 and 2002, respectively	1,500	
Preferred stock, Series C, $.01 par value, 175 shares issued and		

authorized, 90.5 shares outstanding at December 31, 2001 and 2002, respectively, convertible, participating; $2,181,993 liquidation value at December 31, 2002	1	
Preferred stock, Series D, $.01 par value, 75 shares issued and authorized,1.3 shares outstanding at December 31, 2001 and 2002, respectively; convertible, participating; $30,871 liquidation value at December 31, 2002	1	
Preferred stock, Series E, $.01 par value, 106.4 shares issued and outstanding as of December 31, 2001 and 2002 respectively, convertible, participating; $2,588,996 liquidation value at December 31, 2002	1	
Treasury stock, 123,695 shares at December 31, 2002	(8,659)	(
Additional paid-in capital	24,587,964	23,94
Accumulated deficit	(25,700,291)	(25,79
Total stockholders' deficit	(1,119,483)	(1,85
Total liabilities and stockholders' deficit	$ 665,391	$ 50

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

HOMECOM COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2000	2001	20
Revenues	$ 4,509,977	$ 1,279,486	$ 1,4
Cost of revenues	2,722,309	1,007,430	1,0
GROSS PROFIT	1,787,668	272,056	4
OPERATING EXPENSES:			
Sales and marketing	1,944,020	858	
Product development	321,259		
General and administrative	1,182,192	770,659	5
Depreciation and amortization	1,605,345		
Asset impairment charge	1,436,078	493,905	
Total operating expenses	6,488,894	1,265,422	5
OPERATING LOSS	(4,701,226)	(993,366)	(1
OTHER INCOME			
Interest income	(5,981)		
Other income	(90,793)	(146,362)	(
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,604,452)	(847,004)	(
INCOME TAX PROVISION (BENEFIT)	--	--	

LOSS FROM CONTINUING OPERATIONS	(4,604,452)	(847,004)	(
LOSS FROM DISCONTINUED OPERATIONS	(1,755,898)		
GAIN (LOSS) ON DISPOSAL OF DISCONTINUED BUSINESS SEGMENT	(3,000,377)	394,543	
NET LOSS	(9,360,727)	(452,461)	(
DEEMED PREFERRED STOCK DIVIDEND	(1,526,728)	(708,778)	(7
LOSS APPLICABLE TO COMMON SHAREHOLDERS	$(10,887,455)	$ (1,161,239)	$ (8
GAIN (LOSS) PER SHARE--BASIC AND DILUTED			
CONTINUING OPERATIONS	$ (0.72)	$ (0.16)	$
DISCONTINUED OPERATIONS	(0.55)	0.04	
TOTAL	$ (1.27)	$ (0.12)	$
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	8,549,693	9,869,074	14,9

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

HOMECOM COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For Each of the Three Years in the Period Ended December 31, 2002

	Preferred Stock		Common Stock		Trea
	Shares	Amount	Shares	Amount	Sto
Balance, December 31, 1999	213	$ 3	7,040,525	$ 704	$
Issuance of preferred stock and warrants, net of offering costs	106	1			
Warrant exercises			15,077	1	
Conversion of Series B preferred stock to common shares			902,307	90	
Conversion of Series C and D preferred stock to common shares	(119)	(1)	1,391,629	139	
Stock option exercises			8,197	1	
Cancellation of subscription receivable under employment agreements					
Penalties on Series E					

preferred stock					
Other			1,421	1	
Net loss					
Balance, December 31, 2000	200	3	9,359,156	$ 936	
Receipt of Treasury stock					
Conversion of Series C preferred stock to common shares	(2)		5,640,000	564	
Penalties on preferred stock					
Net loss					
Balance, December 31, 2001	198	3	14,999,156	1,500	
Penalties on preferred stock					
Net loss					
Balance, December 31, 2002	198	$ 3	14,999,156	$ 1,500	$

Table continues on following page.

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

HOMECOM COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For Each of the Three Years in the Period Ended December 31, 2002

(Continued)

	Additional Paid-In Capital	Subscriptions Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 1999	$ 21,931,281	$ (64,687)	$(15,887,103)	$ 5,980,198
Issuance of preferred stock and warrants, net of offering costs	1,855,425			1,855,426
Warrant exercises	79,617			79,618
Conversion of Series B preferred stock to common shares	1,599,044			1,599,134
Conversion of Series C and D preferred tock to common shares	(138)			
Stock option exercises	12,083			12,084
Cancellation of				

subscription receivable under employment agreements		64,687		64,687
Penalties on Series E preferred stock	(251,211)			(251,211)
Other				1
Net loss			(9,360,727)	(9,360,727)
Balance, December 31, 2000	25,226,101	0	(25,247,830)	(20,790)
Receipt of Treasury stock				(8,659)
Conversion of Series C preferred stock to common shares	(564)			
Penalties on preferred stock	(637,573)			(637,573)
Net loss			(452,461)	(452,461)
Balance, December 31, 2001	24,587,964	0	(25,700,291)	(1,119,483)
Penalties on preferred stock	(638,387)			(638,387)
Net loss			(95,395)	(95,395)
Balance, December 31, 2002	$ 23,949,577	$ 0	$(25,795,686)	$ (1,853,265)

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

HOMECOM COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2000	2001	2
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(9,360,727)	$ (452,461)	$ (
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	1,632,939		
Write down of investment, fixed assets and intangibles	4,638,314	477,759	
Forgiveness of subscriptions receivable	64,687		
Provision for bad debts	(184,851)	37,472	(
Deferred rent expense	(124,321)	2,698	
Change in operating assets and liabilities:			
Accounts receivable	901,613	24,433	(
Prepaid expenses			(
Accounts payable and accrued expenses	(228,422)	(982,431)	(
Accrued payroll liabilities	85,121		
Unearned revenue	(296,319)		
Other	244,402		
Net cash used in operating activities	(2,627,564)	(892,530)	(2

CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of furniture, fixtures and equipment	(362,161)	(15,679)	(
Loans to related parties	200,000		
Proceeds from sale of divisions		864,603	
Net cash provided by (used in) investing activities	(162,161)	848,924	(
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of capital lease obligations	(54,747)	(63,764)	
Proceeds from issuance of common shares and exercise of warrants	12,084		
Proceeds from issuance of preferred shares and warrants	1,855,426		
Net cash provided by (used in) financing activities	1,812,763	(63,764)	

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

HOMECOM COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year Ended Decembe	
	2000	2001
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (976,962)	$ (107,370)
CASH AND CASH EQUIVALENTS at beginning of year	1,497,678	520,716
CASH AND CASH EQUIVALENTS at end of year	$ 520,716	$ 413,346
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON CASH INVESTING AND FINANCING ACTIVITIES:		
Interest paid	$ --	$ --
Capital lease obligations incurred during year on lease of computer equipment	$ 40,474	$ --

Year 2001

1.63 shares of preferred stock were converted into 5,640,000 shares of common stock. 123,695 shares of common stock were returned to the Company and classified as treasury stock (See Note 12).

Year 2000

216.33 shares of preferred stock were converted into 2,293,936 shares of common stock.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Basis of Presentation--Going Concern

Historically, HomeCom Communications, Inc. (the "Company") developed and marketed specialized software applications, products and services to enable 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. Revenue was derived from professional web development services, software licensing, application development, insurance and securities sales commissions, hosting fees and transactions fees. The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplate the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred significant losses since its incorporation, resulting in an accumulated deficit at December 31, 2002 of approximately $26 million. The Company continues to experience negative cash flows from operations and is dependent on continued financing from investors to sustain its activities. 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.

On March 23, 2001 the Company announced that it was seeking to wind down its operations. Additionally, the Company has filed a preliminary Proxy Statement to announce a Special Meeting of the stockholders. One of the proposals that the stockholders are being asked to consider and vote upon is a proposal to sell the remaining hosting and website 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. If completed, the sale of this business, which is the Company's only operating business, will constitute a sale of substantially all of the Company's operating assets and will leave the Company without any operating business with which to generate revenues or profits.

Asset Impairment

The Company evaluates the recoverability and carrying value of its long-lived assets at each balance sheet date, based on guidance in SFAS No. 142, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. Among other factors considered in such evaluation is the historical and projected operating performance of business operations, the operating environment and business strategy, competitive information and market trends. The Company recognized a charge of $52,584, $493,905, and $1,436,078 during the years ending December 31, 2002, 2001 and 2000 respectively for asset impairment.

Investment in iDefense

During the fourth quarter of year 2000, the Company recognized an impairment loss of $329,270 with no associated tax benefit, related to its investment in iDefense (See Note 12). The Company identified conditions including the continued losses of iDefense, the difficulty iDefense had in obtaining additional financing, as well as significant reductions in valuations of Internet related companies. The Company believed that these items were all indicators of asset impairment. During the second quarter of year 2001, the Company recorded an additional impairment charge of $493,905 with no associated tax benefit to write down the remaining carrying value. Subsequently, on October

19th, 2001 the Company was advised that iDefense had filed Chapter 11 Bankruptcy in the Eastern District of Virginia, and under the supervision of the Bankruptcy Court the assets of iDefense had been sold. The sale did not produce sufficient funds to satisfy iDefense's creditors. The Chapter 11 filing is anticipated to be converted to Chapter 7 with liquidation of all assets in fractional satisfaction of outstanding creditor claims. No residual value for stockholders is anticipated.

Ganymede Goodwill

During the second quarter of 2000, the Company recognized a goodwill impairment charge of $831,310 with no associated tax benefit, related to the 1999 acquisition of Ganymede Corporation ("Ganymede") (See Note 12). The review

for the impairment of these operations was triggered by cash flow losses and forecasted operating cash flows below those expected at the time that Ganymede was acquired. Accordingly, the Company concluded that intangible assets were no longer recoverable through future operations and therefore recognized an impairment charge related to this asset.

Fixed Assets

In the fourth quarter of years 2002 and 2000, the Company recorded charges of $52,584 and $275,498 respectively, related to the write-down of fixed assets at its Atlanta operations. These write-downs were a result of the conditions as outlined above relative to the future of the Company. The Company has suspended depreciation of its remaining assets.

Intangible Assets

Intangible assets represented identifiable and unidentifiable intangible assets related to acquired businesses. Amounts assigned to certain relationships and licenses were amortized on a straight-line basis over three years; amounts assigned to retail insurance operations were amortized on a straight-line basis over seven years; costs in excess of net tangible and identifiable intangible assets acquired that were recorded as goodwill were amortized on a straight-line basis over periods ranging from three to five years. As of December 31, 2000 the remaining intangible assets balance of $557,173 represented the net recoverable asset in conjunction with the ultimate disposition of the FIMI operations. This amount was written off in the first quarter of 2001 in conjunction with the closing of the sale of FIMI to Digital Insurance.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, subsequent to acquisition, after the elimination of all significant intercompany accounts and transactions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable, Net

Accounts receivable are shown net of the allowance for doubtful accounts.

Allowance for Doubtful Accounts
Three Years ended December 31, 2002

Description	Balance at Beginning of Period	Additions (Reductions) Charged to Costs and Expenses	Deductions (A/R Written Off to Bad Debt)
Year Ending 12/31/00	$ (215,925)	$ 95,060	$ 89,790
Year Ending 12/31/01	$ (31,075)	$ (52,321)	$ 14,850
Year Ending 12/31/02	$ (68,546)	$ (21,113)	$ 45,926

Historically, concentration of credit risk with respect to trade accounts receivable has been generally diversified due to the large number of entities comprising the customer base. However, the Company's sales to its five largest customers represented approximately 89% and 97% of total revenues for the years ended December 31, 2001 and 2002, respectively. During 2001, one customer accounted for 82% of the revenues of the Company. During 2002, one customer accounted for 93% of the revenues of the Company. The Company provides an allowance for accounts which are estimated to be uncollectible.

Furniture, Fixtures and Equipment, Net

Furniture, fixtures and equipment are recorded at cost less accumulated depreciation, which is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 5 year life; computer equipment is depreciated over a 3 year life. Assets recorded under capital leases are amortized over the shorter of their useful lives or the term of the related leases using the straight-line method. Maintenance and repairs are charged to expense as incurred. Upon sale, retirement or other disposition of these assets, the cost and the related accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is included in income. The company has suspended depreciation of its remaining assets.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments approximates fair value.

Revenue Recognition

The Company recognizes revenues on web site development and specialized software application contracts using the percentage-of-completion method. Earned revenue is based on the percentage that incurred hours to date bear to total estimated hours after giving effect to the most recent estimates of total hours. Earned revenue reflects the original contract price adjusted for agreed upon claim and change order revenue, if any. If estimated total costs on any of these contracts indicate a loss, the entire amount of the estimated loss is recognized immediately. Revenues related to other services are recognized as the services are performed. Revenues related to insurance product commissions are recognized upon receipt. Revenues from equipment sales and related costs are recognized when products are shipped to the customer. Unearned revenue, as reflected on the accompanying balance sheet, represents the amount of billings recorded on contracts in advance of services being performed.

For the year ended December 31, 2000, $2,677,475 in revenue was recognized under the percentage-of-completion method for fixed price contracts. All contracts were 100% complete as of the end of the year. Revenues for other services were recognized at the time the services were provided and consisted of $583,441 in maintenance services, $9,020 in consulting services and $1,240,041 in web site hosting services.

For the year ended December 31, 2001, revenues for all services were recognized at the time the services were provided and consisted of $53,181 in maintenance services and $1,226,305 in web site hosting services.

For the year ended December 31, 2002, $9,332 in revenue was recognized under the percentage-of-completion method for fixed price contracts. The weighted average completion was 69%. Revenues for other services were recognized at the time the services were provided and consisted of $16,090 in maintenance services and $1,459,414 in web site hosting services.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising expenses were approximately $216,098, $0 and $0 for the years ended December 31, 2000, 2001 and 2002, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method as described by Statement of Financial Accounting Standards No. 109, Accounting For Income Taxes ("SFAS No. 109").

Under SFAS 109 the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company provides a valuation allowance for deferred tax assets which are determined by management to be below the threshold for realization established by SFAS 109.

Basic and Diluted Loss Per Share

Basic and diluted loss per share are calculated according to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). Due to the net loss position of the Company for each of the three years in the period ending December 31, 2002, the numerator and denominator are the same for both basic and diluted loss per share.

The table below illustrates the calculation of the loss per share amounts attributable to continuing and discontinued operations applicable to common shareholders.

	Year Ended December 31,		
	2000	2001	2002
Loss from continuing operations	$ (4,604,452)	$ (847,004)	$ (95,3
Less: Deemed Preferred stock dividend	(1,526,728)	(708,778)	(706,7
Loss from continuing operations applicable to common shareholders	(6,131,180)	(1,555,782)	(802,1
Discontinued operations	(4,756,275)	394,543	
Net loss applicable to common shareholders	$(10,887,455)	$ (1,161,239)	$ (802,1
Weighted average common shares outstanding-- Basic and diluted	8,549,693	9,869,074	14,999,1
Loss per share--continuing operations	$ (0.72)	$ (0.16)	$ (0.
Gain (Loss) per share--discontinued operations	(0.55)	0.04	
	$ (1.27)	$ (0.12)	$ (0.

The Company has not declared or paid any dividends to the shareholders of the Preferred Stock. However, the Preferred Stock possess conversion rights (the "Beneficial Conversion Feature") that are analogous to dividends. Accordingly, the Beneficial Conversion Feature is accounted for as a Deemed Preferred Stock Dividend. (See footnotes 7, 8, 9 and 10).

Recently Issued Accounting Standards

The FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002, which is effective for fiscal years beginning after May 15, 2002. SFAS No. 145 rescinds SFAS No. 4 and SFAS No. 64, which generally required that all gains and losses from extinguishment of debt be aggregated, and classified as an extraordinary item. Management does not expect the adoption of this Statement to have a material impact on the Company's financial condition or results of operations.

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In July 2002 the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This Statement also establishes that fair value is the objective for initial measurement of the liability. Severance pay under SFAS 146, in many cases, would be recognized over time rather than up front. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Management does not expect the adoption of this Statement to have a material impact on the Company's financial condition or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based

Compensation-Transition and Disclosure," which provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation as prescribed in SFAS 123, "Accounting for Stock-Based Compensation." Additionally, SFAS 148 requires more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of this Statement are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. Management does not expect the adoption of this Statement to have a material impact on the Company's financial condition or results of operations.

In November 2002, the FASB Issued FASB interpretation (FIN) No. 45. "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires a guarantor to recognize, at the inception of a qualified guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN No. 45 is effective on a prospective basis for qualified guarantees issued or modified after December 31, 2002. Management does not expect adoption of this Interpretation to have a material impact on the Company's financial condition or results of operations.

Other Matters

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

2. FURNITURE, FIXTURES AND EQUIPMENT, NET

Furniture, fixtures and equipment, net, are comprised of the following as of:

	December 31,	
	2001	2002
Furniture and fixtures	$ 8,940	$ 29,525
Computer equipment	88,961	106,754
	97,901	136,279
Less: write down to fair value less costs to sell		52,584
	$ 97,901	$ 83,695

During the year ending December 31, 2000 Furniture, Fixtures and Equipment were adjusted to reflect estimated realizable value pending sale. This approach to fixed assets has been maintained during the years ending December 31, 2001 and 2002, given the business conditions outlined above relative to the future of the Company. During the year ending December 31, 2002 Furniture, Fixtures and Equipment were again adjusted to reflect estimated realizable value pending sale.

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31,	
	2001	2002

Goodwill	557,173	
Less: Write down related to asset impairment and sale of division	(557,173)	
	$ 0	$ --

The $557,173 write down in 2001 represents the remaining intangible value of FIMI that was written off in the process of the closing of the sale. After the sale of FIMI in 2001 the Company holds no other Intangible Assets.

4. SEGMENT INFORMATION

Historically, the Company was organized into five separate business units. The Company 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.

The contribution of each historical business segment for the year 2000 to total discontinued operations is reflected in the following table.

Discontinued Operations Segments	Year Ended December 31, 2000
Revenues:	
FIMI	$ 2,497,366
Internet Banking	465,467
Totals	$ 2,962,833
Gain (Loss) from Discontinued Operations	
FIMI	$(1,970,584)
Internet Banking	214,686
Totals	$(1,755,898)

5. COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under non-cancelable operating lease agreements expiring through 2003. The Company has previously entered into capital leases of computer equipment. Future minimum lease payments under operating leases are $136,489 for the year ending December 31, 2003.

As of March 12, 2003 we occupy approximately 7,000 square feet in one office building in Atlanta, Georgia under a lease expiring in October 2003. This facility serves as our headquarters and computer center. We have also abandoned an office in New York City where we used to occupy approximately 3,400 square feet under a lease that expired in January 2003, and abandoned an office in Atlanta.

As of December 31, 2002 we have an accrual for real estate disposition liabilities of approximately $206,000, which we believe will be sufficient to settle all obligations related to the closing and abandonment of our offices in New York and Atlanta.

Rental expense under operating leases was approximately $831,999, $150,307 and $157,772 for the years ended December 31, 2000, 2001 and 2002 respectively.

Various legal proceedings may arise in the normal course of business. Additionally, the Company's software and equipment are vulnerable to computer viruses or similar disruptive problems caused by customers or other Internet users. Computer viruses or problems caused by third parties could lead to interruptions, delays or cessation in service to the Company's customers. Moreover, customers of the Company could use computer files and information stored on or transmitted to Web server computers maintained by the Company to engage in illegal activities that may be unknown or undetectable by the Company, including fraud and misrepresentation, and unauthorized access to computer systems of others. Furthermore, inappropriate use of the Internet by third parties could also jeopardize the security of customers' confidential information that is stored in the Company's computer systems. Any such actions could subject the Company to liability to third parties. The Company does not have errors and omissions, product liability or other insurance to protect against risks caused by computer viruses or other misuse of software or equipment by third parties. Although the Company attempts to limit its liability to customers for these types of risks through contractual provisions, there can be no assurance that these provisions will be enforceable. Management does not believe that there are currently any asserted or unasserted claims that will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

6. EQUITY AND CONVERTIBLE DEBT TRANSACTIONS

At December 31, 2002, 142,000 warrants were outstanding at a weighted average exercise price of $5.05.

7. ISSUANCE OF SERIES B PREFERRED STOCK

The Company issued Series B Preferred Stock totaling $2,500,000 on March 25, 1999 (the "Issuance Date"). 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. The Company 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 the Company of $2,283,750 for the preferred shares and warrants.

The Series B Preferred Stock bears no dividends and is convertible at the option of the holder at the earlier of 90 days after issuance or the effective date of a registration statement covering the shares. The warrants are exercisable at any time and expire five years from the date of issuance.

The Series B Preferred Stock is convertible into common stock at a conversion price equal to the lower of (a) the average of the closing price for four consecutive trading days in the twenty-five consecutive trading days ending one day prior to the conversion date ($4.86 at the Issuance date) and (b) $5.23. The number of common shares into which the Series B Preferred Stock is convertible is determined by dividing the stated value of the Series B Preferred

Stock, increased by 5% annually, by the conversion price. As the Series B Preferred Stock was to be automatically convertible on March 24, 2002, the most beneficial conversion ratio was determined to include the additional common shares attributable to the 5% annual increase for the three year period ending in 2002. After adjustment for this additional benefit the $4.86 conversion price is reduced to $4.23, the most beneficial conversion price at the Issuance Date.

In determining the accounting for the beneficial conversion feature, the Company first allocated the net proceeds of $2,283,750 to the preferred stock and the warrants based on their relative fair values at the Issuance Date, resulting in $1,766,217 assigned to the preferred stock and $517,533 assigned to the warrants as of March 24, 1999. The Company then allocated $899,284 of the Series B net proceeds to additional paid in capital for the beneficial conversion feature. The beneficial conversion feature will be recognized as a

deemed dividend to the preferred shareholders over the minimum period in which the preferred shareholders can realize that return. Approximately $18,000 and $2,672 of the beneficial conversion was amortized in 2000 and 2001, respectively. During 1999, 10 shares of Series B Preferred Stock were converted into 63,317 shares of common stock. During 2000, 97.19 shares of Series B Preferred Stock were converted into 902,307 shares of common stock.

The Company has the option to redeem the Series B Preferred Stock after 110 days for 120% of face value. Additionally, if the Company has issued common stock upon conversion of the Series B Preferred Stock such that 19.99% of the common stock outstanding is held by the preferred shareholders, the Company must obtain approval of the shareholders before any more preferred shares can be converted. If such approval is not obtained within 60 days of notice, the preferred shareholders may require the Company to repurchase the remaining Series B Preferred Stock at 120% of face value. The Series B Preferred Stock is presented outside of permanent equity as the outcome of the shareholder vote, and possible redemption, is outside of the control of the Company.

In March of 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, no shares of Series B preferred stock have been converted, and we remain obligated to convert the remaining shares of Series B preferred stock into shares of common stock.

8. ISSUANCE OF SERIES C PREFERRED STOCK

On July 28, 1999, the Company completed a private placement of $3,500,000 principal amount of the Company's Series C Convertible Preferred Stock, par value $.01 per share (the "Series C Preferred Stock") and warrants to acquire up to 59,574 shares of Common Stock (the "Series C Preferred Warrants"). The Series C Preferred Stock has an initial stated value of $20,000 per share, which stated value increases at the rate of 6% per year (such stated value, as increased from time to time, is referred to as the "Series C Stated Value"). Each Series C Preferred Share is convertible, from and after 120 days following the date of issuance, at the option of the holder, into such number of shares of Common Stock as is determined by dividing the Series C Stated Value by the lesser of (a) $5.875, and (b) 82.5% of the average of the closing bid prices for the five trading days preceding the date of conversion. Any Series C Preferred Stock issued and outstanding on July 22, 2002 to automatically be converted into Common Stock at the conversion price then in effect.

In determining the accounting for the beneficial conversion feature, the Company first allocated the net proceeds of $3,323,748 to the preferred stock and the warrants based on their relative fair values at the Issuance Date, resulting in $3,170,904 assigned to the preferred stock and $152,844 assigned to the warrants as of July 27, 1999. The Company then allocated $1,678,505 of the Series C net proceeds to additional paid in capital for the beneficial conversion feature. The beneficial conversion feature will be recognized as a deemed dividend to the preferred shareholders over the minimum period in which the preferred shareholders can realize that return. Approximately $72,000 and $190 of the beneficial conversion was amortized in 2000 and 2001, respectively. During 1999, 37.5 shares of Series C Preferred Stock were converted into 281,460 shares of common stock. During 2000, 45.4 shares of Series C Preferred Stock were converted in to 802,056 shares of common stock. During 2001, 1.63 shares of Series C Preferred Stock was converted into 5,640,000 shares of Common Stock.

The Company has the right, in its sole discretion, to redeem, from time to time, any or all of the Series C Preferred Stock; provided that certain conditions are met, including the availability of cash, credit or standby underwriting facilities available to fund the redemption at 120% of the original purchase price.

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, no shares of Series C preferred stock have been converted, and we remain obligated to convert the remaining shares of Series C preferred stock into shares of common stock.

The Series C Preferred Warrants expire on July 27, 2004 and have an exercise price of $7.34 per share, subject to adjustment under certain circumstances.

9. ISSUANCE OF SERIES D PREFERRED STOCK

On September 28, 1999, the Company completed a private placement of $1,500,000 principal amount of the Company's Series D Convertible Preferred Stock, par value $.01 per share (the "Series D Preferred Stock") and warrants to acquire up to 25,000 shares of Common Stock (the "Series D Preferred Warrants"). The Series D Preferred Stock has an initial stated value of $20,000 per share, which stated value increases at the rate of 6% per year (such stated value, as increased from time to time, is referred to as the "Series D Stated Value"). Each Series E Preferred Share is convertible, from and after 120 days following the date of issuance, at the option of the holder, into such number of shares of Common Stock as is determined by dividing the Series D Stated Value by the lesser of (a) $5.875, and (b) 82.5% of the average of the closing bid prices for the five trading days preceding the date of conversion. Any Series D Preferred Stock issued and outstanding on September 22, 2002 was to automatically be converted into Common Stock at the conversion price then in effect.

In determining the accounting for the beneficial conversion feature, the Company first allocated the net proceeds of $1,423,750 to the preferred stock and the warrants based on their relative fair values at the Issuance Date, resulting in $1,387,477 assigned to the preferred stock and $36,273 assigned to the warrants as of September 28, 1999. The Company then allocated $642,084 of the Series D net proceeds to additional paid in capital for the beneficial conversion feature. The beneficial conversion feature will be recognized as a deemed dividend to the preferred shareholders over the minimum period in which the preferred shareholders can realize that return. Approximately $280,000 and $281,000 of the beneficial conversion was amortized in 1999 and 2000, respectively. During 2000, 73.7 shares of Series D Preferred Stock were converted into 589,573 shares of common stock.

The right of the holders of the Series D Preferred Stock to convert their shares is also subject to the following restrictions: (i) during the period beginning on the issuance date through the following 90 days, each holder may not convert more than 25% of the Series D Preferred Stock purchased by such holder; (ii) during the period beginning on the issuance date through the following 120 days, each holder may not convert more than 50% of the Series D Preferred Stock purchased by such holder; and (iii) during the period beginning on the issuance date through the following 150 days, each holder may not convert more than 75% of the Series D Preferred Stock purchased by such holder. At any time after the issuance date, the Company shall have the right, in its sole discretion, to redeem, from time.

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, no shares of Series D preferred stock have been converted, and we remain obligated to convert the remaining shares of Series D preferred stock into shares of common stock.

10. ISSUANCE OF SERIES E PREFERRED STOCK

On April 14, 2000, the Company completed a private placement of $2,127,000 principal amount of the Company's Series E Convertible Preferred Stock, par value $.01 per share (the "Series E Preferred Stock") and warrants to acquire 66,667 shares of common stock (the "Series E Preferred Warrants"). The Series E Preferred Stock has an initial stated value of $20,000 per share, which stated value increases at the rate of 8% per year. Each Series E Preferred Share is convertible 120 days following the date of issuance, at the option of the holder, into such number of shares of common stock as is determined by dividing the Series E Stated Value by the lesser of (a) $3.53, or (b) 82.5% of the average of the closing bid prices for the five trading days preceding the date of conversion. Any Series E Preferred Stock issued and outstanding on April 14, 2003 will automatically be converted into common stock at the conversion price then in effect.

Pursuant to certain registration rights granted to the investors in the private placement, we are obligated to file a registration statement under the Securities Act of 1933 with respect to a minimum of 1,808,293 shares of common stock issueable upon conversion of the Series E Preferred Stock and exercise of the Series E Preferred Warrants. The Company is obligated to pay penalties if the Registration Statement is not filed and/or declared effective within the specified time periods. As of March 12, 2003, such registration statement has not been declared effective and penalties are owed to the Series E Preferred Stock holders. In accordance with the terms of the private placement, penalties accrue at the rate of 2% per 30 day period of the outstanding purchase price of the unregistered securities. $637,572 and $638,387 was recorded as a deemed dividend to the Preferred Stockholders for the years ended December 31, 2001 and 2002, respectively.

At any time after the issuance date, the Company shall have the right, in its sole discretion, to redeem, from time to time, any or all of the Series E Preferred Stock; provided that certain conditions are met, including the availability of cash, credit or standby underwriting facilities available to fund the redemption. The redemption price will be calculated as (i) 105% of the original purchase price for the first 30 days following the issuance date; (ii) 110% of the original purchase price for the next 90 days thereafter and (iii) 120% of the original purchase price after 120 days from the issuance date.

In determining the accounting for the beneficial conversion feature, the Company first allocated the net proceeds of $1,855,426 to the Series E Preferred Stock and the Series E Preferred Warrants based on their relative fair values at the issuance date, resulting in $1,791,211 assigned to the Series E Preferred Stock and $64,215 assigned to the Series E Preferred Warrants as of April 14, 2000. The Company then allocated $1,059,347 of the Series E Preferred Stock net proceeds to additional paid in capital for the beneficial conversion feature. The beneficial conversion feature will be recognized as a deemed dividend to the preferred shareholders over the minimum period in which the preferred shareholders can realize that return. Approximately $905,000, $68,344 and $68,345 of the beneficial conversion was amortized in 2000, 2001 and 2002, respectively. The balance of the beneficial conversion feature will be recognized through April 14, 2003.

The Series E Preferred Warrants expire on April 14, 2005 and have an exercise price of $3.35 per share, subject to adjustment under certain circumstances.

11. STOCK OPTION PLANS

The Company's Employee Stock Option Plan (the "Stock Option Plan") was adopted by the Company's stockholders in September 1996. Shares of common stock may be sold or awarded to officers, key employees and consultants. On March 3, 1999 at a Special Meeting of Stockholders, the Company's stockholders approved an amendment to the Stock Option Plan which increased the number of shares reserved for issuance under the Stock Option Plan to 2,000,000. Options granted under the Stock Option Plan may be either (i) options intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code or (ii) non-qualified stock options.

The options granted to purchase shares under the Stock Option Plan. The options vest 25% per year and expire ten years after the grant date. The exercise price of the options was at or above the fair market value of the stock on the grant date.

The Company's Non-Employee Directors' Stock Option Plan (the "Directors' Plan") was adopted by the Company's stockholders in September 1996. Shares of common stock may be sold or awarded to directors who are not officers or employees of the Company ("Non-Employee Directors"). The Company has reserved 300,000 shares of common stock for issuance under the Directors' Plan.

The Directors' Plan provides for the automatic granting of an option to purchase 10,000 shares of common stock to each Non-Employee Director who is first appointed or elected to the Board of Directors. Also, each Non-Employee Director is automatically granted an option to purchase 5,000 shares of common

stock on the date of each annual meeting of the Company's stockholders. Furthermore, the Directors' Plan allows the Board of Directors to make extraordinary grants of options to Non-Employee Directors.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") requires that companies with stock-based compensation plans either recognize compensation expense based on new fair value accounting method or continue to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and disclose pro forma net income and earnings per share assuming the fair value method had been applied.

The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options, however, on September 20, 2000, the Company re-priced options to purchase its common stock, $.0001 par value, held by certain employees and certain officers. To be eligible for the re-pricing, option holders were required to exchange one and one-half old options for each new option. As such, 587,580 old options were exchanged for 391,719 new options. Options having an exercise price greater than $0.59, the closing bid price of Homecom common stock on September 20, 2000, were re-priced to an exercise price of $0.59. In addition, each option holder agreed to a six month lock-up period in which they would be precluded from exercising any of their options. According to FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation," reductions to the exercise price of a fixed option award must be accounted for as variable from the date of the modification to the date the award is exercised, forfeited or expires unexercised. Under variable accounting, a compensation cost must be recorded based on the intrinsic value of the award, which is computed as the difference between the exercise price and the fair value of Homecom's common stock on the date of the re-pricing. Thereafter, an additional compensation cost must be recorded or reversed based on the difference between the value of the option at the beginning and end of the accounting period. The reversal of compensation cost cannot be larger than accumulated compensation expense incurred. To date, no compensation expense has been recognized as Homecom's stock price has been below the new exercise price of $0.59. The Company has recognized no compensation expense for options issued to employees, non-employees, and non-employee directors.

Pro forma information regarding loss per share is required by FAS 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	December 31,		
	2000	2001	2002
Risk-free interest rate	5.58%	N/A	N/A
Volatility factors of the expected market price of the Company's common stock	85%	106%	110%
Weighted average expected life of the options	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%

Had compensation cost for the Company's stock-based compensation plans been determined under the provisions consistent with FAS 123, the Company's net loss and loss per share for the years ended December 31, 2000, 2001 and 2002 would have been the pro forma amounts listed below:

	Year Ended December 31,		
	2000	2001	2002
Loss applicable to common shareholders:			
As reported	$ (10,887,455)	$ (1,161,239)	$ (802,128)
Pro forma	(11,496,918)	(1,073,237)	(971,837)

Basic and diluted loss per share:			
As reported	(1.27)	(0.12)	(0.05)
Pro forma	(1.34)	(0.11)	(0.06)

Option activity under all of the stock option plans is summarized as follows:

	Year Ended December 31,				
	2000		2001		
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Sha
Outstanding at beginning of year	1,155,259	$ 4.49	$ 791,644	$ 2.75	3
Granted	924,688	1.17	0	0.00	
Exercised	(4,500)	4.06	0	0.00	
Forfeited	(1,283,803)	3.10	(402,559)	2.87	
Outstanding at end of year	791,644	2.75	389,085	2.31	3
Options exercisable at year end	348,349	3.52	239,081	3.32	3
Shares available for future grant	1,080,187		1,610,915		1,6
Weighted-average fair value of options granted during the year at the shares' fair value	$ 0.40		$ 0.00		$

The following table summarizes information about fixed options outstanding at December 31, 2002.

Exercise Prices	Shares	Weighted Average Remaining Contractual Life
$0.59-0.75	231,095	7.2
$2.18-4.55	95,687	6.3
$6.00-6.13	60,637	5.4
	387,419	6.3

12. ACQUISITIONS, DIVESTITURES AND DISCONTINED OPERATIONS

FIMI/InsureRate

On March 24, 1999, the Company acquired First Institutional Marketing, Inc., and certain of its affiliates ("FIMI") of Houston, Texas for total consideration of $4,236,104, consisting of 1,252,174 shares of common stock. The acquisition was accounted for as a purchase transaction. The value of the shares was determined by using the average closing stock price of the two days before and after the definitive agreement was publicly announced. The resulting intangible assets were being amortized over a period of approximately 3 to 7 years. Prior to the closing of the acquisition, the Company 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 January 31, 2001, the Company 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 defaulted on and were exchanged for 123,695 shares of Company common stock that collateralized the notes. This Common stock was returned to the Company and has been treated as Treasury stock. It has been valued at $8,659, or $0.07 per share, the fair market value at closing. Additionally, the warrants were forfeited. The purchase price was established through arms' length negotiations between the Company and Digital.

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The Company has removed the results of this discontinued operation from the continuing operations of the Company for all periods presented. The Company recorded a loss of approximately $3 million on the sale of the assets of FIMI in 2000.

Ganymede

On April 23, 1999, the Company acquired all of the outstanding shares of Ganymede Corporation ("Ganymede") for total consideration of $1,348,186, consisting of 185,342 shares of common stock and $100,000 cash. The acquisition was accounted for as a purchase transaction. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values at the time and the resulting intangible assets were being amortized over a period of approximately 3 to 5 years. Results of operations for Ganymede have been included with those of the Company for periods subsequent to the date of acquisition. In June 2000, the company recognized a goodwill impairment charge of approximately $800,000 with no associated tax benefit, related to this acquisition (See Note 1).

HISS

On October 1, 1999, the Company sold substantially all of the assets of its HomeCom Internet Security Services ("HISS") division to Infrastructure Defense, Inc. ("iDefense") for $823,175 in common stock of the non-public acquiror, certain security audit rights and $200,000 cash, paid in January, 2000. The purchase price was established through arms' length negotiations between the Company and iDefense.

The fair value of the common stock was established at the time of the transaction based upon the review of recent investment activity in iDefense. The stated fair value of the stock in the purchase agreement was to be $20.50/share. As iDefense was a private company, no quoted prices or exchanges were available. However, iDefense had sold shares for cash in private placement transactions near year end. iDefense had sold shares for $25.00/share with the investor receiving the same number of shares for free as an inducement. These transactions resulted in a transaction with a fair value of $12.50/share. Given the shares tendered in consideration within the sale, the value of the investment in iDefense was determined to be $823,175. The sale was an arms' length transaction and there were no related parties.

The Company has removed the results of this discontinued operation from the continuing operations of the Company for all periods presented. The Company recorded a gain of approximately $1.14 million on the sale of the HISS unit in 1999. Subsequently, the Company has written off its entire investment in iDefense (See Note 1).

Internet Banking

On March 15, 2001, the Company sold substantially all of the assets of its Internet Banking group to Netzee, Inc. ("Netzee") for $406,603 in cash. The purchase price was established through arms' length negotiations between the Company and Netzee. The Company has removed the results of this discontinued operation from the continuing operations of the Company for all periods presented. The Company recorded a gain of $394,543 on the sale of the Internet Banking group in 2001.

13. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows, as of:

	December 31,		
	2000	2001	2002
Temporary differences:			
Allowance for uncollectibles	$ 12,430	$ 27,418	$ 17,493
Vacation accrual	0	0	0
Depreciation	166,183	(17,828)	(123,052)
Capital losses	0	166,629	166,629
Accrued legal fees	0	24,000	18,000
Accrued settlement	16,000	0	0
Deferred rent expense	181,555	96,265	82,726
Cash to accrual adjustment	70,370	35,185	0
Write-off of employee loans	186,000	0	0
Other accruals	12,000	0	0
Software development expenses	0	0	0
Net operating loss carryforward	7,061,664	7,643,728	7,849,024
Deferred tax asset	7,706,203	7,975,398	8,010,820
Valuation allowance	(7,706,203)	(7,975,398)	(8,010,820)
Net deferred tax asset	--	--	--
Acquired intangibles	--	--	--
Deferred tax liability	--	--	
Net deferred tax asset (liability)	$ --	$ --	$ --

At December 31, 2002, the Company had net operating loss carryforwards for income tax purposes of approximately $20 million which begin to expire in 2011. Realization of these assets is contingent on having future taxable earnings. In addition, certain stock transactions during 1997 resulted in the Company incurring an ownership change as defined in Internal Revenue Code Section 382. The result of this ownership change is to substantially limit the future utilization of the Company's net operating loss carryforwards as of the change date. Certain stock transactions occurring in 1998 and 1999 may have resulted in the Company incurring an ownership change, which may result in a limitation on the Company's future utilization of net operating loss carryforwards generated in 1998 and 1999. Based on the cumulative losses in recent years and the limitation and the use of the Company's net operating losses management believes that a full valuation allowance should be recorded against the deferred tax asset.

The income tax benefit differs from the amounts computed by applying the Federal statutory rate of 40% to loss before taxes principally as a result of the recording of the valuation allowance.

14. SUBSEQUENT EVENT

On March 27, 2003, the Company entered into a License and Exchange Agreement with Eurotech, Ltd. ("Eurotech") and, with respect to Articles V and VI thereof, Polymate, Ltd. and Greenfield Capital Partners LLC (the "Exchange Agreement"). The Exchange Agreement contemplates that HomeCom will enter into a License Agreement with Eurotech (the "License Agreement"). Pursuant to the Exchange Agreement and the License Agreement, Eurotech will license to the Company its rights to the EKOR, HNIPU and Electro Magnetic Radiography (EMR) technologies. In exchange for the license of these technologies, the Company will (i) issue to Eurotech 11,250 shares of Series F preferred stock and 1,069 shares of Series G preferred stock, both of which are new series of the Company's preferred stock, and (ii) pay Eurotech a royalty of seven percent

(7.0%) on net sales generated by the licensed technologies and a royalty of four percent (4.0%) on net sales generated by products and services that are improvements on the licensed technologies. Closing of this transaction is subject to a number of conditions, including the Company's delivery of evidence that: (i) its accounts payable have been reduced to roughly $600,000, and (ii) the holders of the Company's Series B, C, D and E preferred stock have waived the mandatory conversion rights granted to them in connection with their respective shares of preferred stock. The Exchange Agreement provides that, during the period prior to closing of the sale of the Company's hosting and web site maintenance business, the financial needs of the hosting and web site maintenance business will funded by the operations of that business, while the finances related to the new licensed technologies will be kept separate.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This disclosure has been omitted from this Annual Report on Form 10-K pursuant to the Instructions to Item 304 of Regulation S-K.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Identification of Directors, Executive Officers and Significant Employees

The names and ages of the directors and executive officers of the Company as of December 31, 2002 and certain information about them are set forth below.

Name	Age	Position
Gia Bokuchava, Ph.D	39	Chief Technical Officer and Director
Timothy R. Robinson	39	Executive Vice President, Chief Financial Officer and Director
Nino Doijashvili, Ph.D.	41	Director of Technical Services and Director
David Danovitch	40	Director
Larry Shatsoff	48	Director
Michael Sheppard	52	Director

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 (Ms. 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 (Ms. 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 remain on the Board of Directors. The Class II directors (Dr. Bokuchava and Mr. Robinson, formerly Mr. Nebel) were to serve until the 2002 Annual Meeting of Stockholders. However, because we never had a 2002 Annual Meeting of Stockholders, they remain on the Board of Directors. 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 remain on the Board of Directors, as well. Please note, however, that we expect Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili to resign from the Board of Directors if we complete the sale of assets to Tulix.

Recent Developments

On March 21, 2003, Mr. Danovitch and Mr. Shatsoff resigned from the Board of Directors. The remaining members of the Board of Directors appointed Don V. Hahnfeldt and Dr. Randolph A. Graves, Jr. to fill the vacancies created by the resignations of Mr. Danovitch and Mr. Shatsoff, respectively.

Background of our 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, Tblisi, 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, Tblisi, 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.

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.

Recent Developments

As discussed above, Mr. Hahnfeldt and Dr. Graves have been appointed to fill the vacancies created by the resignations of Mr. Danovitch and Mr. Shatsoff. Background information concerning Mr. Hahnfeldt and Dr. Graves is set forth below.

Don V. Hahnfeldt, 58, is currently President and Chief Executive Officer of Eurotech, Ltd. and has been with Eurotech since July 1999. Mr. Hahnfeldt has expertise in nuclear energy technology, strategic planning, financial management and a thirty-year background in public and government service. Mr. Hahnfeldt joined Eurotech after working in municipal management and development in the State of Washington. Prior to that, Mr. Hahnfeldt served with the United States Nuclear Submarine Force, as executive leader of the Nuclear Navy. He managed assets in excess of $17 billion and more than 4000 personnel as Commodore of the United States Pacific Trident submarines and nuclear facilities.

Dr. Randolph A. Graves, Jr., 64, currently serves as a Vice President for Technology of Eurotech, Ltd., a position that he has held since March 2002. As the Vice President for Technology, Dr. Graves is responsible for Eurotech's long-range technology agenda, focusing on technology evaluation, acquisition strategy, and analysis of commercial competitiveness. Dr. Graves served as the Chairman and CEO of Eurotech from May 1995 until January 1998 and was a member of the Board of Directors from the date of Eurotech's incorporation until January 1998, from February 1999 to July 2001, and has again served as a director since August 2001 to the present. He has also served in several other capacities for Eurotech over the past three years. Dr. Graves has over thirty-five years experience with technology development, management and application. He served twenty-six years with NASA, finishing his career as a Senior Executive at NASA Headquarters. He has served on numerous managerial and technical panels and committees including a member of the White House's Federal Coordinating Council on Science Engineering and Technology Subcommittee on High Performance Computing and as NASA's member of NATO's Advisory Group on Aerospace Research and Development Fluid Dynamics Panel. He is currently a member of George Washington University's National Advisory Council for the School of Engineering Applied Science. Dr. Graves was awarded a Sloan Fellowship at Stanford University's Graduate School of Business in 1982. He also received NASA's Exceptional Performance Award for his managerial activities at NASA

Headquarters.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the officers, directors and persons who own more than ten percent 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 its review of the copies of such forms received by it, the Company believes that, to the best of its knowledge, each of its 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, 2002.

Item 11. EXECUTIVE COMPENSATION

Executive Compensation

The following table sets forth the total compensation paid or accrued by the Company in 2002 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			Lon Compensa
Position	Year	Salary	Bonus	Other Annual Compensation (1)	Number of Securities Underlying Options
Gia Bokuchava, Ph.D	2002	$105,000			
Chief Technical	2001	105,000			
Officer and Director	2000	102,022		$66,518	
Timothy R. Robinson	2002	$135,000			
Executive Vice	2001	135,000	$25,000		
President, Chief Financial Officer and Director	2000	70,885	30,000		150,000
Nino Doijashvili	2002	$102,000			
Director of	2001	102,000			
Technical Services and Director	2000	98,695		$8,755	

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(1) Pursuant to the employment agreements between the Company and Drs. Bokuchava and Doijashvili, Dr. Bokuchava and Dr. Doijashvili were eligible to receive cash bonuses to repay certain promissory notes issued by them to

the Company in connection with their individual purchase of shares of Common Stock from the Company in August 1996.

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.

No options were granted to or exercised by named executive officers in 2002. The following table sets forth the value of options held by the executive officers at December 31, 2002:

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, 2002		Value o In-The-M Decem
			Unexercisable	Exercisable	Unexercisab
Gia Bokuchava, Ph.D	0	0	0	25,000	$0
Timothy R. Robinson	0	0	37,500	112,500	$0
Nino Doijashvili	0	0	8,333	38,095	$0

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 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 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.

Pursuant to the Tulix Agreement, Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili, on the one hand, and HomeCom, on the other hand, have agreed to release one another from all claims arising out of the three executives' employment with or separation from HomeCom, other than HomeCom claims arising out of the Tulix Agreement or arising out of any fraud, willful misconduct or criminal act.

Additional Information with Respect to Compensation Committee

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 our 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.

In connection with the winding down of the operations of HomeCom, these committees have been disbanded and have not been reconstructed upon the filling of vacancies on the Board of Directors. There were no changes to the Company's executive compensation policies in 2002.

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
05/08/97	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
12/31/01	.06	168.24	179.90
12/31/02	.02	103.49	114.23
03/24/03	.02	96.14	111.05

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Securities Authorized for Issuance under Equity Compensation Plans

The following table presents information as of December 31, 2002:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Numb remain futur equity (excl refle
Equity Compensation Plans approved by security holders...	329,419	$2.61	
Equity Compensation Plans not approved by security holders...	N/A	N/A	
Total...	329,419	$2.61	

Beneficial Ownership of Common Stock

The following tables provide information as of March 12, 2003, 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 for 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 shareholders hold at any one time to not more than 4.99% of the outstanding shares of our common stock.

Title of Class	Name of Beneficial Owner (2)	Amount of Nature of Beneficial Ownership (3)	Percent of
Common	Brittany Capital Management	5,640,000	37.6
Common	Harvey W. Sax (4)	823,534	5.5
Common	George Bokuchava, Ph.D. (5)	64,559	(1
Common	Nino Doijashvili (7)	42,335	(1
Common	Timothy Robinson (6)	112,500	(1
Common	All executive Officers and Directors as a group (Messrs. Bokuchava, Doijashvili and Robinson)	219,394	(1

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(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, subject to community property laws where applicable. Shares of Common Stock subject to options that are currently exercisable or exercisable within sixty days of following the date of this Report 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 of options outstanding as of March 12, 2003 at a weighted average exercise price of $4.48 per share.

(6) Includes 112,500 shares of Common Stock issuable upon the exercise of options outstanding as of March 12, 2003 at an exercise price of $0.75. Excludes 37,500 shares of Common Stock issuable upon the exercise of options outstanding held by Timothy Robinson as of March 12, 2003 at an exercise price of $.75 which are not currently exercisable and which become exercisable more than 60 days following the date of this Statement.

(7) Includes 38,095 shares of Common Stock issuable upon exercise of options outstanding as of March 12, 2003 at a weighted average exercise price of $0.59. Excludes 8,333 shares of Common Stock issuable upon the exercise of options outstanding as of March 12, 2003 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 Statement.

Currently, there are 17.813 shares of our Series B preferred stock, 90.478 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. If all of these shares were converted into shares of common stock, we would have an insufficient number of shares of common stock authorized by our Certificate of Incorporation to support such conversions.

Changes in Control

Currently, HomeCom is authorized to issue up to 15,000,000 shares of common stock. On April 8, 2002, HomeCom filed a preliminary proxy statement that contains a proposal to increase the number of authorized shares of common stock to 100,000,000. The Board of Directors has subsequently determined to seek stockholder approval to increase the number of authorized shares of common stock to 300,000,000. Applicable corporate law requires that this proposal be approved by the holders of a majority of the outstanding shares of common stock of HomeCom in order to be implemented. If this proposal is presented to the stockholders for their approval, and if the stockholders approve the proposal, holders of outstanding shares of convertible preferred stock will be able to convert their shares of preferred stock into a large number of shares of common stock, possibly resulting in a change in control of HomeCom. Assuming a market price of the common stock of $.05 per share, the outstanding shares of HomeCom's Series B preferred stock, Series C preferred stock, Series D preferred stock and Series E preferred stock are currently convertible into 104,505,000 shares of HomeCom common stock. Obviously, we cannot predict how our stock price may change in the future, and the stock price presented in the previous sentence is intended only to illustrate the conversion features of our preferred stock. Any change in our stock price will cause a change in the number of shares of common stock into which our preferred stock is convertible. In addition, shares of Series F preferred stock and Series G preferred stock will also become convertible into shares of common stock, as more fully described in "PART I. Item 1: Business, Recent Developments."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with Management and Others

We have entered into an agreement with Tulix to sell substantially all of the assets used in our hosting and web site maintenance business to Tulix. Timothy R. Robinson, Gia Bokuchava and Nino Doijashvili, who are officers and directors of both HomeCom and Tulix, own all of the outstanding stock of Tulix. Pursuant to the agreement with Tulix, we would sell these assets to Tulix in exchange for 15% of the outstanding capital stock of Tulix and a secured note for approximately $70,000, and Tulix also would assume certain of our liabilities. The note will be secured by certain assets being sold to Tulix. In addition, the agreement requires that we, Tulix and Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili (as the holders of the outstanding Tulix stock) enter into a shareholders' agreement pursuant to which the shares of Tulix stock to be issued to us will carry certain rights, including rights of first refusal, rights of co-sale and rights to anti-dilution protection. Tulix will be capitalized with a total investment of $20,000 from Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili. (See "PART I. Item 1: Business, Recent Developments").

We have also entered into the Exchange Agreement and the License Agreement with Eurotech. Mr. Hahnfeldt and Dr. Graves, who have been elected to serve on the Board of Directors of HomeCom in connection with the proposed transactions between HomeCom and Eurotech, are officers and directors of Eurotech. (See "PART I. Item 1: Business, Recent Developments").

ITEM 14. CONTROLS AND PROCEDURES

Based on their evaluation as of a date within 90 days of the filing date of this annual report on Form 10-K, the Company's principal executive and financial officer has concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by the Company in its filings under the Securities Exchange Act of 1934 is processed, recorded, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. There have been no significant changes in the Company's internal controls, or in other factors that could significantly affect its internal controls, since the date of the most recent evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) List of Financial Statements

(1) Consolidated Balance Sheets as of December 31, 2001 and December 31, 2002.

(2) Consolidated Statements of Operations for years ended December 31, 2000, December 31, 2001 and December 31, 2002.

(3) Consolidated Statement of Changes in Stockholder's Equity (Deficit) for years ended December 31, 2000, December 31, 2001 and December 31, 2002.

(4) Consolidated Statements of Cash Flows for the years ended December 31, 2000, December 31, 2001 and December 31, 2002.

(B) Exhibits

Exhibit	Description
2.1	--Asset Purchase Agreement, dated January 31,2001, for the Acquisition of Certain Ass HomeCom Communications, Inc., InsureRate, Inc. and FIMI Securities, Inc. by Digital Insurance, Inc.*****
2.2	--Asset Purchase Agreement by and between Netzee, Inc. and HomeCom Communications, In as of March 15, 2001.*****
2.3	--Asset Purchase Agreement by and between HomeCom Communications, Inc. and Tulix Sy Inc., dated March 24, 2003.
2.4	--License and Exchange Agreement, dated March 27, 2003, by and among HomeCom Communic Inc., Eurotech, Ltd. and, with respect to Articles V and VI thereof, Polymate, Ltd Greenfield Capital Partners LLC.
3.1	--Restated Certificate of Incorporation of the Registrant.*
3.2	--Restated Bylaws of the Registrant.*
3.3	--Certificate of Designation of Series A Convertible Preferred stock.***
3.4	--Certificate of Designation of Series B Convertible Preferred Stock.**
3.5	--Certificate of Designation of Series C Convertible Preferred Stock (previously file
3.6	--Certificate of Designation of Series D Convertible Preferred Stock (previously file
3.7	--Certificate of Designation of Series E Convertible Preferred Stock (previously file
3.8	--Certificate of Designation of Series F Convertible Preferred Stock.

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3.9	--Certificate of Designation of Series G Convertible Preferred Stock.
4.1	--See Exhibits 3.1 and 3.2 for provisions of the Restated Certificate of Incorporatio Bylaws of the Registrant defining rights of the holders of Common Stock of the Regi
4.2	--Specimen Stock Certificate.*
4.3	--Form of Warrant.*
10.1	--HomeCom Communications, Inc. Stock Option Plan and form of Stock Option Certificate
10.2	--HomeCom Communications, Inc. Non-Employee Directors Stock Option Plan and form Option Certificate.*
10.3	--Employment Agreement between the Registrant and Harvey W. Sax, dated January 1, 199
10.4	--Form of Employment Agreement entered into between the Registrant and each of its officers except Harvey W. Sax.*
10.5	--Lease Agreement between Property Georgia OBJLW One Corporation and the Registrant d January 22, 1996.*

10.6	--Lease and Services Agreement between Alliance Greensboro, L.P. and the Registran June 25, 1996.*
10.7	--Business Alliance Program Agreement between Oracle Corporation and the Registrant, May 30, 1996, together with the Sublicense Addendum, Application Specific Sublicens Addendum, Full Use and Deployment Sublicense Addendum and License Transfer Policy, dated May 30, 1996.*
10.8	--Network Enrollment Agreement between Apple Computer, Inc. and the Registrant, effe 1996.*
10.9	--Member Level Agreement between Microsoft Corporation and the Registrant, effe 1996.*
10.10	--Master Agreement for internet Services and Products between BBN Planet Corporation Registrant, dated February1, 1996.*
10.11	--Authorized Business Partners Agreement between BBN Planet Corporation and the Regis dated May 14, 1996.*
10.12	--Stock Purchase Agreement between the Registrant and the stockholders of HomeCom int Security Services, Inc., dated August 31, 1996.*
10.13	--Form of Promissory Notes issued by the Registrant and held by Mark Germain.*
10.14	--Form of Promissory Notes issued by the Registrant and held by Esther Blech and t A. Blech Trust.*
10.15	--Marketing Associate Solution Alliance Agreement dated February 6, 1997 bet Registrant and Unisys Corporation.*

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10.16	--Marketing Associate Agreement dated February 6, 1997 between the Registrant a Corporation.**
10.17	--Letter agreement dated January 16, 1997 between the Registrant, David A. Blech Blech and the Edward A. Blech Trust.*
10.18	--HomeCom Communications, Inc. Employee Stock Purchase Plan.*
10.19	--5% Convertible Debenture Purchase Agreement dated effective September 19, 1997 be Registrant, euro factors International, Inc., Beauchamp Finance, FTS Worldwide Co and CPLBO.***
10.20	--Form of 5% Convertible Debenture issued by the Registrant and held by Euro International, Inc., Beauchamp Finance, FTS Worldwide Corporation and COLBO.***
10.21	--Registration Rights Agreement dated effective September 19, 1997 between the Regist Euro Factors International, Inc., Beauchamp Finance, FTS Worldwide Corporation and
10.22	--Letter agreement dated September 23, 1997 between the Registrant, Euro Factors International, Inc., Beauchamp Finance, FTS Worldwide Corporation and COLBO.***
10.23	--Letter agreement dated September 27, 1997 between the Registrant, Euro Factors International, Inc., Beauchamp Finance, FTS Worldwide Corporation and COLBO.***
10.24	--Form of Warrant to purchase 200,000 shares of Common Stock at an exercise price of per share issued by the Registrant to First Granite Securities, Inc.***

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*	Incorporated herein by reference to exhibit of the same number in the Form S-1 Registration Statement of the Registrant (Registration No. 333-12219).
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(B) Reports on Form 8-K

On October 7, 2002, we filed a Current Report on Form 8-K to report a change in our Certifying Public Accountant that had occurred on May 11, 2002.

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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

Timothy R. Robinson
Executive Vice President and Chief
Financial Officer (Principal Accounting Officer)

DATE: April 14, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ TIMOTHY R. ROBINSON	Vice President - Chief Financial Officer; Director	April 14, 20

Timothy R. Robinson		
/s/ GIA BOKUCHAVA, PH.D. Gia Bokuchava, Ph.d.	Chief Technical Officer; Director	April 14, 20
/s/ NINO DOIJASHVILI, PH.D Nino Doijashvili, Ph.d.	Director of Technical Services, Director	April 14, 20
/s/ DON V. HAHNFELDT Don V. Hahnfeldt	Director	April 14, 20
/s/ DR. RANDOLPH A. GRAVES, JR. Dr. Randolph A. Graves, Jr.	Director	April 14, 20
/s/ MICHAEL SHEPPARD Michael Sheppard	Vice President; Director	April 14, 20

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CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of HomeCom Communications, Inc.

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and 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 us by others within those entities, particularly during the period in which this annual 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 annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons fulfilling the equivalent functions):

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. The registrant's other certifying officers and I have indicated in this annual 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 our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

By: /s/ Timothy R. Robinson
Name: Timothy R. Robinson
Title: Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit	Description
2.1	--Asset Purchase Agreement, dated January 31,2001, for the Acquisition of Certain Ass HomeCom Communications, Inc., InsureRate, Inc. and FIMI Securities, Inc. by Digital Insurance, Inc.*****
2.2	--Asset Purchase Agreement by and between Netzee, Inc. and HomeCom Communications, In as of March 15, 2001.*****
2.3	--Asset Purchase Agreement by and between HomeCom Communications, Inc. and Tulix S Inc., dated March 24, 2003.
2.4	--License and Exchange Agreement, dated March 27, 2003, by and among HomeCom Communic Inc., Eurotech, Ltd. and, with respect to Articles V and VI thereof, Polymate, Ltd. Greenfield Capital Partners LLC.
3.1	--Restated Certificate of Incorporation of the Registrant.*
3.2	--Restated Bylaws of the Registrant.*
3.3	--Certificate of Designation of Series A Convertible Preferred stock.***
3.4	--Certificate of Designation of Series B Convertible Preferred Stock.**

3.5 --Certificate of Designation of Series C Convertible Preferred Stock (previously file

3.6 --Certificate of Designation of Series D Convertible Preferred Stock (previously file

3.7 --Certificate of Designation of Series E Convertible Preferred Stock (previously file

3.8 --Certificate of Designation of Series F Convertible Preferred Stock.

3.9 --Certificate of Designation of Series G Convertible Preferred Stock.

4.1 --See Exhibits 3.1 and 3.2 for provisions of the Restated Certificate of Incorporation and Bylaws of the Registrant defining rights of the holders of Common Stock of the Registrant.*

4.2 --Specimen Stock Certificate.*

4.3 --Form of Warrant.*

10.1 --HomeCom Communications, Inc. Stock Option Plan and form of Stock Option Certificate

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10.3 --Employment Agreement between the Registrant and Harvey W. Sax, dated January 1, 199

10.4 --Form of Employment Agreement entered into between the Registrant and each of its ex officers except Harvey W. Sax.*

10.5 --Lease Agreement between Property Georgia OBJLW One Corporation and the Registrant dated January 22, 1996.*

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10.6 --Lease and Services Agreement between Alliance Greensboro, L.P. and the Registrant, June 25, 1996.*

10.7 --Business Alliance Program Agreement between Oracle Corporation and the Registrant, dated May 30, 1996, together with the Sublicense Addendum, Application Specific Sublicense Addendum, Full Use and Deployment Sublicense Addendum and License Transfer Policy, each dated May 30, 1996.*

10.8 --Network Enrollment Agreement between Apple Computer, Inc. and the Registrant, effec 1996.*

10.9 --Member Level Agreement between Microsoft Corporation and the Registrant, effective 1996.*

10.10 --Master Agreement for internet Services and Products between BBN Planet Corporation and the Registrant, dated February1, 1996.

10.11 --Authorized Business Partners Agreement between BBN Planet Corporation and the Registrant, dated May 14, 1996.*

10.12 --Stock Purchase Agreement between the Registrant and the stockholders of HomeCom internet Security Services, Inc., dated August 31, 1996.*

10.13 --Form of Promissory Notes issued by the Registrant and held by Mark Germain.*

10.14 --Form of Promissory Notes issued by the Registrant and held by Esther Blech and the A. Blech Trust.*

10.15 --Marketing Associate Solution Alliance Agreement dated February 6, 1997 between the Registrant and Unisys Corporation.*

10.16 --Marketing Associate Agreement dated February 6, 1997 between the Registrant and Uni Corporation.**

10.17 --Letter agreement dated January 16, 1997 between the Registrant, David A. Blech, st Blech and the Edward A. Blech Trust.*

10.18 --HomeCom Communications, Inc. Employee Stock Purchase Plan.*

10.19 --5% Convertible Debenture Purchase Agreement dated effective September 19, 1997 betw Registrant, euro factors International, Inc., Beauchamp Finance, FTS Worldwide Corp and CPLBO.***

10.20 --Form of 5% Convertible Debenture issued by the Registrant and held by Euro Factors International, Inc., Beauchamp Finance, FTS Worldwide Corporation and COLBO.***

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