HOMECOM COMMUNICATIONS INC
Form 10-Q
October 29, 2003

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2003.

/ / 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 small business issuer as specified in its charter)

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

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

(Address of principal executive offices)

(404) 237-4646

(Issuer's Telephone Number)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 10, 2003, there were 14,999,156 shares of the registrant's Common Stock, par value $0.0001 per share.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

HOMECOM COMMUNICATIONS, INC.

Consolidated Balance Sheets as of September 30, 2003 and December 31, 2002

	September 30, 2003 (unaudited)	December 31,
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 85,784	$ 160,
Accounts receivable, net	258,949	243,
Total current assets	344,733	403,
Prepaid expenses	42,029	20,
Furniture, fixtures and equipment held for sale	105,624	83,
Licensed Technology rights, net	920,475	
Total assets	$ 1,412,861	$ 507,
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 2,417,271	$ 2,109,
Total current liabilities	2,417,271	2,109,
Note payable	175,000	
Convertible preferred stock (See Note 9)	6,442,133	
Total liabilities	9,034,404	2,109,
Redeemable Convertible Preferred stock, Series B, $.01 par value, 125 shares authorized, 125 shares issued and 17.8 shares outstanding at December 31, 2002, convertible, participating (See Note 9)		251,
STOCKHOLDERS' DEFICIT:		
Common stock, $.0001 par value, 15,000,000 shares authorized, 14,999,156 shares issued and outstanding at September 30, 2003 and December 31, 2002	1,500	1,
Preferred stock, Series C, $.01 par value, 175 shares issued and authorized, 90.5 shares outstanding at December 31, 2002, convertible, participating (See Note 9)		
Preferred stock, Series D, $.01 par value, 75 shares issued and authorized, 1.3 shares outstanding at December 31, 2002, convertible, participating (See Note 9)		
Preferred stock, Series E, $.01 par value, 106.4 shares issued and authorized, 106.4 shares outstanding at December 31, 2002, convertible, participating (See Note 9)		
Preferred stock, Series H, $.01 par value, 13,500 shares authorized, 13,500 shares issued and outstanding at September 30, 2003, convertible, participating, $13,500,000 liquidation value at September 30, 2003	135	
Treasury stock, 123,695 shares at September 30, 2003		

and December 31, 2002	(8,659)	(8,
Additional paid-in capital	19,228,821	23,949,
Accumulated deficit	(26,843,340)	(25,795,
Total stockholder's deficit	(7,621,543)	(1,853,
Total liabilities and stockholder's deficit	$ 1,412,861	$ 507,

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

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HOMECOM COMMUNICATIONS, INC.

Consolidated Statements of Operations for the three and nine months ended September 30, 2003

	Three Months Ended September 30, (unaudited)		Nine Month Septembe (unaudi
	2003	2002	2003
Revenues	$ 410,005	$ 367,710	$ 1,227,745
Cost of Revenues	280,445	274,110	818,300
GROSS PROFIT	129,560	93,600	409,445
OPERATING EXPENSES:			
Sales and marketing			
Product development			
General and administrative	178,368	103,407	439,637
Depreciation and amortization	49,311		65,748
Total operating expenses	227,679	103,407	505,385
OPERATING LOSS	(98,119)	(9,807)	(95,940)
OTHER EXPENSES (INCOME)			
Interest expense	238,499		239,732
Other income, net	(1,039)	(1,435)	(90,748)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	(335,579)	(8,372)	(244,924)
INCOME TAX PROVISION (BENEFIT)			
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	(802,730)		(802,730)
NET LOSS	(1,138,309)	(8,372)	(1,047,654)
DEEMED PREFERRED STOCK DIVIDEND		(176,682)	(336,361)
LOSS APPLICABLE TO COMMON SHAREHOLDERS	$ (1,138,309)	$ (185,054)	$ (1,384,015)
LOSS PER SHARE - BASIC AND DILUTED:			
Loss before cumulative effect of a change in accounting principle	(0.022)	(0.012)	(0.038)
Cumulative effect of a change in accounting			

principle, net of tax	(0.054)		(0.054)
LOSS PER SHARE - BASIC AND DILUTED	$ (0.076)	$ (0.012)	$ (0.092)
WEIGHTED NUMBER OF SHARES OUTSTANDING	14,999,156	14,999,156	14,999,156

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

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HOMECOM COMMUNICATIONS, INC.

Consolidated Statements of Cash Flows for the nine months ended
September 30, 2003 and 2002

	Nine Months Ended September 30, (unaudited)	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,047,654)	$ (4,854)
Adjustments to reconcile net loss to cash used in operating activities:		
Cumulative effect of a change in accounting principle	802,730	
Provision for bad debts	23,054	(8,369)
Deferred rent expense		(4,932)
Change in operating assets and liabilities:		
Accounts receivable	(38,844)	(62,165)
Prepaid expenses	(21,671)	(35,145)
Accounts payable and accrued expenses	54,756	(75,502)
Net cash used in operating activities	(227,629)	(190,967)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of furniture, fixtures, and equipment	(21,929)	(28,883)
Net cash used in investing activities	(21,929)	(28,883)
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of Note Payable	175,000	
Net cash provided by financing activities	175,000	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,558)	(219,850)
CASH AND CASH EQUIVALENTS at beginning of period	160,342	413,346
CASH AND CASH EQUIVALENTS at end of period	$ 85,784	$ 193,496

SUPPLEMENTAL DATA:

Non-Cash Activities:

Preferred stock issued for acquisition of technology licenses	$ 986,223	
Accrued penalty on preferred stock	$ 478,791	$ 478,790

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

HOMECOM COMMUNICATIONS, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. BASIS OF PRESENTATION

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to Article 10 of Regulation S-X of the Securities and Exchange Commission. The accompanying unaudited financial statements reflect, in the opinion of management, all adjustments necessary to achieve a fair statement of the financial position and results of operations of HomeCom Communications, Inc. (the "Company," "we" or "us") for the interim periods presented. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Commission on April 15, 2003.

2. GOING CONCERN MATTERS AND RECENT EVENTS

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and liquidations of liabilities in the normal course of business. The Company has incurred significant losses since its incorporation resulting in an accumulated deficit as of September 30, 2003 of approximately $25.8 million. The Company continues to experience negative cash flows from operations and is dependent on one client that accounts for 97% of revenue. These factors raise doubt about the Company's ability to continue as a going concern.

On March 27, 2003, we 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 the Company, 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 below) 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 the Company 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 the Company (as determined in accordance with GAAP in a manner consistent with the Company's past practices) on the day that we complete the Asset Sale is less than $325,053 (subject to certain

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adjustments), the principal amount of the Note will be increased by an amount equal to the difference between $325,053 (as adjusted) and the sum of the Company'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 (as adjusted), the excess will be divided evenly between the Company and Tulix. The Note will bear interest at a rate of 7% 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 the Company 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 will 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 will give 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 the Company'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 notified the Company or Tulix that it intends to terminate its relationship with HomeCom or Tulix, that it does not intend to transfer its business to Tulix upon completion of the Asset Sale, or that it intends to materially change the amount of business that it does with HomeCom or Tulix. 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.

On May 22, 2003, the Company completed a transaction with Eurotech, Ltd. ("Eurotech"). The Company had entered into a License and Exchange Agreement with Eurotech and, with respect to Articles V and VI thereof, Polymate, Ltd. and

Greenfield Capital Partners LLC, on March 27, 2003 (as amended, the "Exchange Agreement"). In connection with the completion of the transaction, the Company entered into a License Agreement, dated May 22, 2003 with Eurotech (as amended, the "License Agreement"). Pursuant to the Exchange Agreement and the License Agreement, Eurotech has licensed to the Company its rights to the EKOR, HNIPU, Electro Magnetic Radiography/Acoustic Core (EMR/AC), Rad-X, Firesil, LEM and Rapidly Biodegradable Hydrophobic Material (RBHM) technologies. In exchange for

the licenses of these technologies, the Company (i) issued to Eurotech 11,250 shares of Series F Convertible Preferred Stock and 1,069 shares of Series G Convertible Preferred Stock, both of which were new series of the Company's preferred stock, and (ii) will pay Eurotech a royalty of seven percent (7%) on net sales generated by the licensed technologies and a royalty of four percent (4%) on net sales generated by products and services that are improvements on the licensed technologies. The License Agreement provides that the licenses granted to the Company thereunder will become terminable at the option of Eurotech (i) if the Company has not effected a commercial sale of any licensed technology or improved licensed technology by April 1, 2006, and (ii) in certain other circumstances. The holders of the outstanding shares of Series F Preferred Stock have surrendered and cancelled their outstanding shares of Series F Preferred Stock in exchange for the right to receive shares of Series H Convertible Preferred Stock, which we issued on September 30, 2003.

Shares of Series H Convertible Preferred Stock are convertible into shares of common stock at a conversion rate of 10,000 shares of common stock per share of Series H Preferred Stock, subject to adjustment as set forth in the Certificate of Designations governing the Series H Preferred Stock. As such, the 13,500 shares of Series H Preferred Stock issued to Eurotech, Polymate and Greenfield are convertible into 135,000,000 shares of common stock. The Series H Certificate of Designations, however, provides that no holder of Series H Shares may convert Series H Shares into shares of common stock if such conversion would result in that holder beneficially owning more than 9.9% of the outstanding shares of common stock (excluding, for purposes of the calculation, any unconverted Series H Shares). In addition, the Series H Certificate of Designations provides that the shares of Series H Preferred Stock will only become convertible at such time as the Company 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. Currently, the Company has only 15,000,000 shares of authorized common stock, of which 14,999,156 shares have been issued and are outstanding. Given this deficiency, and given that the License and Exchange Agreement requires that we increase the number of shares of common stock that we are authorized to issue to not less than 150,000,000 shares, 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. Shares of Series H Preferred Stock do not have the right to vote.

Pursuant to the License Agreement, the Company issued 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. The Series G Certificate of Designations, however, provides that no holder of Series G Shares may convert Series G Shares into shares of common stock if such conversion would result in that holder owning more than 9.9% of the outstanding shares of common stock (excluding, for purposes of the calculation, any unconverted Series G Shares). Shares of Series G Preferred Stock do not have the right to vote.

The Exchange Agreement provides that, during the period prior to closing of the Asset Sale, 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. On May 22, 2003, we executed a note in favor of one of our preferred shareholders that, as

amended, provides that we may borrow up to $200,000 for use solely in connection with the technologies that we have licensed from Eurotech. Advances under this agreement, which advances are secured by a security agreement, bear interest at a rate of 10% per annum and mature on December 31, 2003. As of September 30, 2003, we had borrowed $175,000 under this agreement. Since September 30, 2003, we have borrowed another $25,000 from this lender under this agreement.

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

In connection with the closing of the transaction with Eurotech, the holders of the Company's Series C, Series D, and Series E Preferred Stock (i) have agreed to waive the mandatory conversion features of their respective series of Preferred Stock and to vote in favor of an amendment to the Certificates of Designations that govern their respective shares to delete these mandatory conversion provisions from the Certificates of Designations, and (ii) together with one holder of the Company's Series B Preferred Stock, have agreed to refrain from converting their shares of Preferred Stock into shares of common stock until the Company has amended its Certificate of Incorporation to authorize at least 150,000,000 shares of common stock. In addition, the holder of the outstanding shares of the Company's Series C, Series D and Series E Preferred Stock has agreed to accept payment for approximately $2.0 million of penalties that may be owed to it in shares of common stock instead of cash. These penalties are attributable to the Company's failure to register the resale of the shares of Common Stock into which those shares of Preferred Stock are convertible, as the Company was required to do by its agreements with the holders of those Preferred Shares.

In conjunction with the transaction, Lawrence Shatsoff and David Danovitch resigned from the Company's Board of Directors, and Don V. Hahnfeldt, formerly a director, the President and Chief Executive Officer of Eurotech, and Randolph A. Graves, Jr., a director and the Chief Financial Officer and Vice President of Eurotech, were elected to fill these vacancies on the Company's Board of Directors. The Board of Directors also appointed Mr. Hahnfeldt and Dr. Graves to serve as officers of our Licensed Technologies Division, which is the new division that we created in connection with the license of the above-referenced technologies from Eurotech. Mr. Hahnfeldt has subsequently resigned his positions as an officer and director of HomeCom.

If we complete the Tulix transaction, we expect Mr. Robinson, Mr. Bokuchava and Ms. Doijashvili to resign from the Board of Directors.

3. SEGMENT INFORMATION

During 2002, HomeCom operated as a single business unit. Beginning May 22, 2003, with the closing of the License Agreement with Eurotech, the Company was reorganized into two separate business units. These units are organized based upon the products and services which they deliver. HomeCom's reportable segments are (i) Internet Services which consists of custom web development, hourly maintenance services, and hosting; and (ii) Licensed Technologies, which consists of business activities associated with the technologies licensed from Eurotech.

The table below presents information about the reported business unit income for HomeCom Communications, Inc. for the three and nine months ended September 30, 2003 and 2002.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Internet Services	$ 409,560	$ 367,710	$ 1,219,499	$ 1,112,461
Licensed Technologies	445		8,246	
Totals	$ 410,005	$ 367,710	$ 1,227,745	$ 1,112,461
Business Unit Net Income:				
Internet Services	$ 199,226	$ 93,600	$ 534,467	$ 365,497
Licensed Technologies	(69,666)		(125,022)	
Totals	$ 129,560	$ 93,600	$ 409,445	$ 365,497
Adjustments to reconcile business unit net income with consolidated net loss				
General and Administrative Expenses	227,679	103,407	505,385	395,600
Interest expense	238,499		239,732	
Other income, net	(1,039)	(1,435)	(90,748)	(25,249)
Cumulative effect of change in accounting principles, net of tax	802,730		802,730	
Consolidated net loss	$(1,138,309)	$ (8,372)	$(1,047,654)	$ (4,854)

4. BASIC AND DILUTED LOSS PER SHARE

Loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding for the period of time then ended. The effect of the Company's stock options and convertible securities is excluded from the computations for the three and nine months ended September 30, 2003 and 2002, as it is antidilutive.

5. STOCK OPTIONS

The Company has adopted the disclosure requirement of Statement of Financial Accounting Standards No. 148 (SFAS 148), "Accounting for Stock-Based Compensation-Transition and Disclosure" effective December 15, 2002. SFAS 148 amends Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation and also amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the methods of accounting for stock-based employee compensation and the effect of the method used on report results. As permitted by SFAS 148 and SFAS 123, the Company continues to apply the accounting provisions of APB

25, and related interpretations, with regard to the measurement of compensation cost for options granted under the Company's Stock Option Plan. No compensation expense has been recorded as all options granted had an exercise price equal to the market value of the underlying stock on the grant date. The pro-forma effect on our results of operations, had expense been recognized using the fair value method described in SFAS 123, using the Black-Scholes option pricing model, is shown below.

	For the three months ended September 30,	
	2003	2002
Loss applicable to common shareholders:		
As reported	(1,138,309)	(185,054)
Pro forma	(1,228,438)	(227,481)
Basic and diluted loss per share:		
As reported	(0.076)	(0.012)
Pro forma	(0.082)	(0.015)

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6. TAXES

There was no provision for cash payment of income taxes for the nine months ended September 30, 2003 and 2002, respectively, as the Company anticipates a net taxable loss for the year ended December 31, 2003.

7. STOCKHOLDERS' DEFICIT

As a requirement of the private placements of the Company's Series B, C, D and E Convertible Preferred Stock, the Company was obligated to file and have declared effective, within a specified time period, a registration statement with respect to a minimum number of shares of common stock issuable upon conversion of the Series B, C, D and E Preferred Stock. As of September 30, 2003, such registration statement has not been declared effective and penalties are owed. In accordance with the terms of the agreement between the parties, penalties accrue at a percentage of the purchase price of the unregistered securities per 30 day period. The Company accrued penalties of $159,597 as interest expense during the quarter ending September 30, 2003. As of September 30, 2003, $2,005,962 has been accrued into accounts payable and accrued expenses for such penalties. In connection with the closing of the transaction with Eurotech, the holders of the Company's Series C, Series D, and Series E Preferred Stock (i) have agreed to waive the mandatory conversion features of their respective series of Preferred Stock and to vote in favor of an amendment to the Certificates of Designations that govern their respective shares to delete these mandatory conversion provisions from the Certificates of Designations, and (ii) together with one holder of the Company's Series B Preferred Stock, have agreed to refrain from converting their shares of Preferred Stock into shares of common stock until the Company has amended its Certificate of Incorporation to authorize at least 150,000,000 shares of common stock. In addition, the holder of the outstanding shares of the Company's Series C, Series D and Series E Preferred Stock has agreed to accept payment for approximately $2.0 million of penalties that may be owed to it in shares of common stock instead of cash.

8. ISSUANCE OF SERIES F AND H PREFERRED STOCK

On May 22, 2003, the Company issued 13,500 shares of the Company's Series F Convertible Preferred Stock, par value $.01 per share. Each Series F Share was convertible into 10,000 shares of common stock and has a stated value of $1,000 per share (See Note 2). The holders of the outstanding shares of Series F Preferred Stock have cancelled and surrendered their Series F Shares and have been subsequently issued shares of Series H Preferred Stock.

On September 30, 2003, the Company issued 13,500 shares of the Company's Series H Convertible Preferred Stock, par value $.01 per share. Each Series H Share was convertible into 10,000 shares of common stock and has a stated value of $1,000 per share; provided, however, that no holder of Series H shares may convert Series H shares into shares of common stock if the aggregate shares of common stock beneficially owned by such holder and its affiliates would exceed 9.9% of the outstanding shares of common stock following such conversion (excluding, for purposes of the calculation, the unconverted Series H Shares).

9. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for classification and measurement in the

statement of financial position of certain financial instruments with characteristics of both liabilities and equity. It requires classification of a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and, otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For financial instruments created before the issuance date of this statement, transition shall be achieved by reporting the cumulative effect of a change in accounting principle by initially measuring the financial instrument at fair value. We adopted SFAS 150 on July 1, 2003.

Since the Series B, C, D, E and G Preferred Stock represent financial instruments that embody unconditional obligations that will be settled with a variable number of the Company's common equity shares, based on a fixed monetary amount that was known at inception, the Company reclassified its Series B, C, D, E and G Preferred Stock as a long term liability and recorded a loss of $802,730 as a cumulative effect of a change in accounting principle. We recorded each series of Preferred Stock at its liquidation value as of July 1, 2003. The Company believes that this represents the fair value of the obligation.

Additionally, the Company accrued additional penalty interest, which was reported as a deemed dividend in previous periods, in the amount of $159,597 as interest expense for the third quarter (see note 7) and $75,137 in interest expense related to the required increase in stated value as called for in the conversion rate calculation of the Series B, C, D and E Preferred stock.

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

GENERAL

Except for historical information contained herein, some matters discussed in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements include, but may not be limited to, those statements regarding the Company's expectations, beliefs, intentions, or strategies regarding the future. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Specifically, the

Company's statements with respect to, among other things, the completion of the sale of assets to Tulix, the viability of and plans for the technologies that we license from Eurotech, and our ability or inability to continue as a going concern are forward-looking statements. The Company notes that a variety of risk factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements including, among other things, our ability or inability to complete the transaction with Tulix, our ability to obtain additional financing, the commercial viability of the licensed technologies that we have acquired from Eurotech, our ability to retain the licenses to these technologies, and other factors discussed in this report and set forth in our Annual Report on Form 10-K and in our other securities filings.

Historically, we developed and marketed specialized software applications, products and services that enabled financial institutions and their customers to use the Internet and intranets/extranets to obtain and communicate important business information, conduct commercial transactions and improve business

productivity. We provided Internet/intranet solutions in three areas: (i) the design, development and integration of customized software applications, including World Wide Web site development and related network outsourcing; (ii) the development, sale and integration of our existing software applications into the client's operations; and, (iii) security consulting and integration services. In October, 1999, we sold our security consulting and integration services operations and entered into a joint marketing program with the acquiror. During 2001, we sold our remaining software applications businesses. Currently, we derive revenue primarily from professional web development services and hosting fees. On March 23, 2001, we announced our intentions to wind down our operations. On March 27, 2003 we entered into an agreement to sell substantially all of the assets used in our web development, hosting and website maintenance business to Tulix.

On May 22, 2003 we closed the transactions contemplated by the License and Exchange Agreement to license certain technologies from Eurotech. If the Tulix transaction is consummated, our primary assets will include cash and accounts receivable that we do not transfer to Tulix, the assets that we license from Eurotech, the Tulix Note and the shares of Tulix stock that Tulix will issue to us in the transaction.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

NET SALES. Net sales increased 11.5% from $367,710 in the third quarter of 2002 to $410,005 in the third quarter of 2003. This increase of $42,295 is primarily attributable to increased sales to Roadrunner. Revenues consisted of development work of $4,166, which is recognized based upon an average percentage completion calculation of 100% of current contracts which total $12,500, hosting and hourly development services of $405,394 and sales of EKOR of $445, both of which are recognized at the time that products are shipped or services are provided.

COST OF SALES. Cost of sales includes: cost of materials; salaries for programmers, technical staff and customer support; as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of sales increased from $274,110, or 74.5% of revenues, in the third quarter of 2002 to $280,445, or 68.4% of revenues, in the third quarter of 2003. The increase in the cost of sales is primarily due to expenses incurred with the start up of the Licensed Technologies Division. The percentage cost of sales decreased by 6.1% reflecting the increased revenue from Roadrunner outpacing increases in cost.

GROSS PROFIT. Gross profit increased by $35,960 from $93,600 in the third quarter of 2002 to $129,560 in the third quarter of 2003. Gross profit margins increased from 25.5% during the third quarter of 2002 to 31.6% during the third quarter of 2003. This increase in gross profit is primarily related to the increased revenue from Roadrunner outpacing the increase of the cost of sales in support of the Licensed Technologies Division for the quarter.

SALES AND MARKETING. The Company ceased all sales and marketing efforts related to our Internet Services Division in 2001. There were no such expenditures in the third quarter of 2002 or 2003. As of the end of the third quarter of 2003, there have been no expenditures for sales and marketing related to the Licensed Technologies Division.

PRODUCT DEVELOPMENT. The Company ceased all product development efforts related to our Internet Services Division in 2001. There were no such expenditures in the third quarter of 2002 or 2003. As of the end of the third quarter of 2003, there have been no expenditures for product development related to the Licensed Technologies Division.

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 increased from $103,407 in the third quarter of 2002 to $178,368 in the third quarter of 2003. As a percentage of net sales, these expenses increased from 28.1% in the third quarter of 2002 to 43.5% in the third quarter of 2003. This increase is primarily due to the cost of the Licensed Technologies Division.

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. Amortization expense of $49,311, which represents three months of amortization of the intangible Licensed Technologies, was recognized in the third quarter of 2003.

OTHER INCOME. Other income in the third quarter of 2003 consisted of $1,039 in interest earned on money market accounts, $3,765 in interest expense on the notes related to the Licensed Technologies Division, $75,137 in interest charges on the B, C, D and E preferred stock and $159,597 in penalty interest on B, C, D, and E preferred stock.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. As described in note 9 to the unaudited consolidated financial statements the Company has reflected the adoption of SFAS 150 effective July 1, 2003 as a cumulative effect of a change in accounting principle. The net impact was $802,730.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

NET SALES. Net sales increased 10.4% from $1,112,461 in the first nine months of 2002 to $1,227,745 in the first nine months of 2003. This increase of $115,284 is primarily attributable to increased sales to Roadrunner and in sales by the Licensed Technologies Division. Revenues consisted of development work of

$4,166, which is recognized based upon an average percentage completion calculation of 100% of current contracts which total $12,500, hosting and hourly development services of $1,215,333 and sales of EKOR of $8,246, both of which are recognized at the time that products are shipped or services are provided.

COST OF SALES. Cost of sales includes: cost of materials; salaries for programmers, technical staff and customer support; as well as a pro-rata allocation of telecommunications, facilities and data center costs. Cost of sales increased from $746,964, or 67.1% of revenues, in the first nine months of

2002 to $818,300, or 66.7% of revenues, in the first nine months of 2003. The increase in the cost of sales is primarily due to expenses incurred with the start up of the Licensed Technologies Division. The decrease in the percentage of cost of sales is due to increased revenue from Roadrunner outpacing increases in cost.

GROSS PROFIT. Gross profit increased by $43,948 from $365,497 in the first nine months of 2002 to $409,445 in the first nine months of 2003. Gross profit margins increased from 32.9% during the first nine months of 2002 to 33.3% during the first nine months of 2003. The improvement in gross profit is primarily related to recognizing continued growth in Roadrunner. Gross profit would have increased an additional $125,022 and gross profit margins would have increased to 43.5% without the additional costs associated with the Licensed Technologies Division.

SALES AND MARKETING. The Company ceased all sales and marketing efforts related to our Internet Services Division in 2001. There were no such expenditures in the first nine months of 2002 or 2003. As of the end of the first nine months of 2003, there have been no expenditures for sales and marketing related to the Licensed Technologies Division.

PRODUCT DEVELOPMENT. The Company ceased all product development efforts related to our Internet Services Division in 2001. There were no such expenditures in the first nine months of 2002 or 2003. As of the end of the first nine months of 2003, there have been no expenditures for product development related to the Licensed Technologies Division.

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 increased from $395,600 in the first nine months of 2002 to $439,637 in the first nine months of 2003. As a percentage of net sales, these expenses increased from 35.6% in the first three quarters of 2002 to 35.8% in the first three quarters of 2003. This increase is primarily due to the costs associated with the Licensed Technologies Division. This increase was offset by the reversal of accruals for operating expenses incurred during the fall of 2001 which were ultimately resolved at a lower cost than estimated or were no longer needed for their originally intended purpose. The increase was also offset by successful negotiations to reduce the cost of the Company's internet connections and a one time charge of $42,133 taken in 2002.

DEPRECIATION AND AMORTIZATION. With the write down of the carrying value of all fixed assets in the fourth quarter of 2000, the Company has suspended depreciation of its remaining assets in anticipation of a sale. Amortization expense of $65,748, which represents four months of amortization of the intangible Licensed Technologies, was recognized in the first nine months of 2003.

OTHER INCOME. Other income in the first nine months of 2003 consisted of $3,519 in interest earned on money market accounts, $4,998 in interest expense on the notes related to the Licensed Technologies Division, $75,137 in interest charges on the B, C, D and E preferred stock, $159,597 in penalty interest on B, C, D, and E preferred stock, $18,388 in the reversal of accruals related to defaults on the lease for our Atlanta offices during the third quarter of 2001, and $68,841 in the reversal of accruals related to defaults on leases of capital equipment during the third quarter of 2001 which were resolved at a lower cost than estimated.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. As described in note 9 to the unaudited consolidated financial statements the Company has reflected the adoption of SFAS 150 effective July 1, 2003 as a cumulative effect of a change in accounting principle. The net impact was $802,730.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for classification and measurement in the statement of financial position of certain financial instruments with characteristics of both liabilities and equity. It requires classification of a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and, otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For financial instruments created before the issuance date of this statement, transition shall be achieved by reporting the cumulative effect of a change in accounting principle by initially measuring the financial instrument at fair value. We adopted SFAS 150 on July 1, 2003.

Since the Series B, C, D, E and G Preferred Stock represents financial instruments that embody unconditional obligations that will be settled with a variable number of the Company's common equity shares, based on a fixed monetary amount that was known at inception, the Company reclassified its Series B, C, D, E and G Preferred Stock as a long term debt liability and recorded a loss of $802,730 as a cumulative effect of a change in accounting principle. We recorded each series of Preferred Stock at its liquidation value as of July 1, 2003. The Company believes that this represents the fair value of the obligation.

Additionally, the Company accrued additional penalty interest, which was reported as a deemed dividend in previous periods, in the amount of $159,597 as interest expense for the third quarter (see note 7) and $75,137 in interest expense related to the required increase in stated value as called for in the conversion rate calculation of the Series B, C, D and E Preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of capital are extremely limited. We have incurred operating losses since inception and as of September 30, 2003, we had an accumulated deficit of $26,683,743 and a working capital deficit of $1,997,401. On March 23, 2001, we announced our intentions to wind down operations. We have entered into an agreement to sell substantially all of the operating assets of our hosting and website maintenance business to Tulix and we have entered into an agreement whereby we license certain technologies from Eurotech. If we complete the Tulix transaction, our primary assets will include cash and accounts receivable that we do not transfer to Tulix, the assets that we license from Eurotech, the Tulix Note and shares of Tulix stock.

On May 22, 2003, we executed a note in favor of one of our preferred shareholders that, as amended, provides that we may borrow up to $200,000 for use solely in connection with the technologies that we have licensed from Eurotech. Advances under this agreement, which advances are secured by a security agreement, bear interest at a rate of 10% per annum and mature on December 31, 2003. As of September 30, 2003, we had borrowed $175,000 under this agreement. Since September 30, 2003, we have borrowed another $25,000 from this lender under this agreement.

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On September 30, 2003, we entered into a Private Equity Credit Agreement with Brittany Capital Management LLC ("Brittany"). Pursuant to this agreement, the Company has agreed to issue and sell to Brittany up to $10,000,000 worth of the Company's common stock over the next three years. The Company may sell these shares to Brittany from time to time, in its discretion, subject to certain minimum and maximum limitations. Prior to any sales, however, the Company is required to file a registration statement with, and have such registration statement declared effective by, the Securities and Exchange Commission relating to the shares to be issued. The number of shares of common stock to be purchased by Brittany at any time will be determined by dividing (i) the dollar amount requested by the Company by (ii) the market price of the common stock, less a discount of 9% of the market price. The Company is required to sell at least $1,000,000 worth of common stock to Brittany under the agreement. If the Company does not do so, the agreement provides that the Company will pay penalties to Brittany. The amount of the penalties will equal to 91% of the difference between $1,000,000 (the minimum amount of common stock that the Company is required to sell to Brittany under the agreement) and the amount of common stock actually sold to Brittany during the term of the agreement. The Company has agreed that, no later than March 31, 2004, it will reserve and keep available for issuance a number of shares of common stock sufficient to enable it to fulfill its obligations under this agreement. The agreement provides that the number of shares to be purchased by Brittany in any particular sale shall not exceed a number of shares that would cause Brittany to own more than 9.9% of the then-outstanding shares of common stock. Also, in connection with this agreement, the Company has entered into a Registration Rights Agreement with Brittany pursuant to which the Company has agreed to register, within 150 days after the Company's Certificate of Incorporation is amended to increase the number of authorized shares of common stock to at least 150,000,000 shares, at least 20,000,000 shares of common stock, subject to increases if the number of shares of common stock sold under the Private Equity Credit Agreement exceeds 20,000,000 shares. If, by September 30, 2004, the registration statement has not been declared effective, then the Private Equity Credit Agreement and the Registration Rights Agreement will terminate and the Company will be required to pay Brittany the penalties described above.

We can provide no assurance that the financing sources described above, or any other financing that we may obtain in the future (if we are able to obtain financing from any other sources, and we can provide no assurances that we will be able to obtain any such financing), will enable us to sustain our operations. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements included herein have been prepared assuming the Company is a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern.

We spent $21,929 during the first nine months of 2003 for the purchase of capital equipment. This amount was expended primarily for computer equipment, communications equipment and software necessary for us to maintain the operating integrity of our Network Operations Center for the continued provision of services to our existing customers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Within 90 days prior to the filing date of this report, the Company's management conducted an evaluation, under the supervision and with the participation of the Company's Executive Vice President and Chief Financial

Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On or about February 8, 2002, we received a complaint filed by Properties Georgia OBJLW One Corporation in the State Court of Fulton County, Georgia on December 6, 2001, alleging that we defaulted on our lease in Building 14 at 3495 Piedmont Road, Atlanta, Georgia 30305. The complaint 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. We have complied with this agreement and have paid the full amount of the settlement. We have completed our obligation under this agreement and have been released from further obligations.

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

Item 2. Changes in Securities and Use of Proceeds

In connection with the closing of the transaction with Eurotech, the holders of the Company's Series C, Series D, and Series E Preferred Stock (i) have agreed to waive the mandatory conversion features of their respective series of Preferred Stock and to vote in favor of an amendment to the Certificates of Designations that govern their respective shares to delete these mandatory conversion provisions from the Certificates of Designations (previously, the holders of the Series C, Series D and Series E Preferred Stock and one holder of the Company's Series B Preferred Stock had agreed to extend the mandatory conversion dates for their preferred stock until March 31, 2004), and (ii) together with one holder of the Company's Series B Preferred Stock, have agreed to refrain from converting their shares of Preferred Stock into shares of common stock until the Company has amended its Certificate of Incorporation to authorize at least 150,000,000 shares of common stock. In addition, the holder of the outstanding shares of the Company's Series C, Series D and Series E Preferred Stock has agreed to accept payment for approximately $2.0 million of penalties that may be owed to it in shares of common stock instead of cash. These penalties are attributable to the Company's failure to register the resale of the shares of Common Stock into which those shares of Preferred Stock are convertible, as the Company was required to do by its agreements with the holders of those Preferred Shares.

On September 30, 2003, the Company issued 13,500 shares of the Company's Series H Convertible Preferred Stock, par value $.01 per share, to the former holders of the outstanding shares of our Series F Preferred Stock, who had previously surrendered and cancelled their outstanding shares of Series F Preferred Stock in exchange for the right to receive an equal number of shares of Series F Preferred Stock. The Company relied on the exemptions from registration provided by Sections 4(2) and 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act") in issuing shares of Series H Preferred Stock. Shares of Series H Convertible Preferred Stock are convertible into shares of common stock at a conversion rate of 10,000 shares of common stock per share of Series H Preferred Stock, subject to adjustment as set forth in the Certificate of Designations governing the Series H Preferred Stock. As such, the 13,500 shares of Series H Preferred Stock issued to Eurotech, Polymate and Greenfield are convertible into 135,000,000 shares of common stock. The Series H Certificate of Designations, however, provides that no holder of Series H Shares may convert Series H Shares into shares of common stock if such conversion would result in that holder beneficially owning more than 9.9% of the outstanding shares of common stock (excluding, for purposes of the calculation, any unconverted Series H Shares). In addition, the Certificate of Designations provides that the shares of Series H Preferred Stock will only become convertible at such time as the Company 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. Currently, the Company 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. Shares of Series H Preferred Stock have a liquidation preference of $1,000 per share over the outstanding shares of common stock. Shares of Series H Preferred Stock do not have the right to vote.

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

On May 22, 2003, we executed a note in favor of one of our preferred shareholders that, as amended during the quarter ended September 30, 2003, provides that we may borrow up to $200,000 for use solely in connection with the technologies that we have licensed from Eurotech. Advances under this agreement, which advances are secured by a security agreement, bear interest at a rate of 10% per annum and mature on December 31, 2003. As of September 30, 2003, we had borrowed $175,000 under this agreement. Since September 30, 2003, we have borrowed another $25,000 from this lender under this agreement.

The Company relied upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933 in issuing these securities, based on the sophistication of the offerees, the small number of offerees and the absence of any advertising or general solicitation, among other factors.

On September 30, 2003, the Company entered into a Private Equity Credit Agreement and a Registration Rights Agreement with Brittany. These agreements are described in "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources," above.

Item 3. Defaults Upon Senior Securities

As a requirement of the private placements of the Company's Series B, C, D and E Convertible Preferred Stock, the Company was obligated to file and have declared effective, within a specified time period, a registration statement with respect to a minimum number of shares of common stock issuable upon conversion of the Series B, C, D and E Preferred Stock. As of September 30, 2003, such registration statement has not been declared effective and penalties are owed to the Series B, C, D and E Preferred Stock holders. In accordance with the terms of the agreement between the parties, penalties accrue at a percentage of the purchase price of the unregistered securities per 30 day period. During the quarter ending September 30, 2003, the Company accrued penalties of $159,597 as interest expense. As of September 30, 2003, $2,005,962 has been accrued into accounts payable and accrued expenses for such penalties. Additionally, the outstanding shares of our Series B, C, D, and E Preferred Stock were scheduled to convert automatically into shares of common stock in March 2002, July 2002, September 2002, and April 2003 respectively, pursuant to the Certificates of Designations governing our Series B, C, D, and E 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, C, D, and E Preferred Stock, we are not in compliance with the requirements of our Certificate of Incorporation. Furthermore, no shares of Series B, C, D, or E Preferred Stock have been converted since the automatic conversion date, and we remain obligated to convert the remaining shares of Series B, C, D, and E Preferred Stock into shares of common stock. If the outstanding shares of Series B, C, D, and E Preferred Stock had been converted into shares of common stock on September 30, 2003, we would have been obligated to issue 121,072,642 shares of common stock upon such conversions. In connection with the closing of the transaction with Eurotech, the holders of the Company's Series C, Series D, and Series E Preferred Stock (i) have agreed to waive the mandatory conversion features of their respective series of Preferred Stock and to vote in favor of an amendment to the Certificates of Designations that govern their respective shares to delete these mandatory conversion provisions from the Certificates of Designations, and (ii) together with one holder of the Company's Series B Preferred Stock, have agreed to refrain from converting their shares of Preferred Stock into shares of common stock until the Company has amended its Certificate of Incorporation to authorize at least 150,000,000 shares of common stock. In addition, the holder of the outstanding shares of the Company's Series C, Series D and Series E Preferred Stock has agreed to accept payment for approximately $2.0 million of penalties that may be owed to it in shares of common stock instead of cash.

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

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Certificate of Designations, Preferences and Rights of Series H Convertible Preferred Stock of HomeCom Communications, Inc., as filed on September 30, 2003.

10.1 Private Equity Credit Agreement, dated September 30, 2003, by and between HomeCom Communications, Inc. and Brittany Capital Management LLC.

10.2 Registration Rights Agreement, dated September 30, 2003, by and between HomeCom Communications, Inc. and Brittany Capital Management LLC.

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This certification is not "filed" for purposes of Section 18 of the Exchange Act [15 U.S.C. 78r] or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates them by reference.)

(b) Reports on Form 8-K

None.

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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

Name: Timothy R. Robinson
Title: Executive Vice President, Chief Financial Officer
Date: October 29, 2003

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EXHIBIT INDEX

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