HOM CORP
Form 10QSB
February 14, 2002

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OMB Number: 3235-0416
Expires: May 31, 2000
Estimated average burden
hours per response: 9708.0

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

(Mark One)
[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from __________________ to __________________

Commission file number: 000-32335

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

Georgia	58-2558702
(State or other jurisdiction of incorporation or organization)	(Employer Identification No.)

4210 Columbia Road, Suite 10C, Martinez, Georgia 30907-0401
(Address of principal executive offices)

(706) 228-5087
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity. As of February 3, 2002: 3,833,182 shares of common stock were outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [x]

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

HOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2001	SEPTEMBER 2001
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,759	$ 22,05
Accounts receivable	400	85
Trading securities	9,093	61
Total current assets	19,252	23,51
PROPERTY AND EQUIPMENT - NET	23,815	27,69
OTHER ASSETS	2,095	3,32
	$ 45,162	$ 54,53
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 43,474	$ 43,45
Accounts payable to related parties	99,881	86,78
Accrued wages	58,131	38,88
Deferred revenues	3,481	4,53
Short-term notes payable	21,201	21,42
Shareholder advances	108,657	54,00
Total current liabilities	334,825	249,07
STOCKHOLDERS' DEFICIT		
Paid in capital - 1,000,000 preferred shares authorized; 0 shares issued and outstanding	-	
Paid in capital - no par common - 50,000,000 shares authorized; issued and outstanding 3,508,667 shares at December 31, 2001 and September 30, 2001	687,524	687,52
Accumulated deficit	(977,187)	(882,06
	(289,663)	(194,53
	$ 45,162	$ 54,53

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

HOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED DECEMBER 31, 2001	2000
	(UNAUDITED)	(UNAUDITED)
REVENUES	$ 18,197	$ 16,597
OPERATING EXPENSES		
Salaries, commissions and benefits	32,633	21,720
Professional fees	19,329	632
Office expense	5,519	6,537
Travel	5,353	6,043
Rent	4,118	7,742
Magazine printing	3,952	2,681
Depreciation	3,876	3,890
Closing costs	2,873	-
Utilities and telephone	2,542	7,289
Advertising	1,395	4,191
Website maintenance	-	4,800
Other	3,016	3,208
	84,606	68,733
Operating loss	(66,409)	(52,136)
OTHER INCOME (EXPENSE)		
Unsuccessful business combination costs	(27,104)	-
Interest	(2,198)	(642)
Realized gains on trading securities	379	-
Unrealized gains on trading securities	206	-
	(28,717)	(642)
Loss before income taxes	(95,126)	(52,778)
PROVISION FOR INCOME TAXES	-	-
Net loss	$ (95,126)	$ (52,778)
PER SHARE INFORMATION:		
Basic net loss per common share	$ (0.03)	$ (0.02)
Weighted average shares outstanding	3,508,667	3,017,001

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

HOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	COMMON STOCK		
	SHARES	PAID IN CAPITAL	ACCUMULA DEFICI
BALANCE, SEPTEMBER 30, 2000	2,901,667	$ 535,774	$(535,66
Common stock issued as settlement for accounts payable related to professional services received	63,000	15,750	
Common stock issued for cash	368,000	92,000	
Common stock issued as repayment for cash advances	176,000	44,000	
Net loss	-	-	(346,39
BALANCE, SEPTEMBER 30, 2001	3,508,667	687,524	(882,06
Net loss (unaudited)	-	-	(95,12
BALANCE, DECEMBER 31, 2001 (UNAUDITED)	3,508,667	$ 687,524	$(977,18

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

HOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
	UNAUDITED	UNAUDITED
OPERATING ACTIVITIES		
Net loss	$(95,126)	$(52,778)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,876	3,890

Realized and unrealized gains from trading securities	(585)	-
Changes in deferred and accrued amounts:		
Accounts receivable	450	1,026
Prepaid expenses	-	25,250
Other assets	1,232	-
Accounts payable and accrued expenses	17	1,245
Accounts payable to related parties	13,101	-
Accrued wages	19,251	-
Deferred revenues	(1,049)	(4,092)
Net cash used in operating activities	(58,833)	(25,459)
INVESTING ACTIVITIES		
Purchase of trading securities	(31,433)	-
Proceeds from sale of trading securities	58,194	-
Net cash provided by investing activities	26,761	-
FINANCING ACTIVITIES		
Proceeds, net of repayments, from short-term notes payable and stockholder advances	19,776	1,801
Proceeds from the sale of common stock	-	30,000
Net cash provided by financing activities	19,776	31,801
Net increase (decrease) in cash	(12,296)	6,342
CASH, BEGINNING OF PERIOD	22,055	689
CASH, END OF PERIOD	$ 9,759	$ 7,031

(Continued)

HOM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
	UNAUDITED	UNAUDITED
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 353	$ 465
Noncash financing activities		

Trading securities received as advances from stockholders	$ 34,657	$ -
Common stock issued as settlement for accounts payable related to professional services received	$ -	$15,750

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

HOM CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of HOM CORPORATION AND SUBSIDIARIES (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The Company's management believes that all adjustments considered necessary for a fair presentation have been included in the consolidated financial statements. Operating results for the three months ended December 31, 2001, are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2002. For further information, refer to the consolidated financial statements and footnotes thereto for the fiscal year ended September 30, 2001, included in the Company's registration statement on Form 10-SB/A-3 and Form 10-KSB, both of which were filed on January 15, 2002 with the Securities and Exchange Commission.

Certain reclassifications have been made to the financial information of previous periods to conform to the presentation of the financial statements as of and for the three months ended December 31, 2001.

NOTE B - TRADING SECURITIES

Management has classified all financial instruments, which are equity securities, as trading securities. Realized gains and losses resulting from the sale of securities are reported in current earnings based on proceeds received from the sale and the actual cost of the securities sold. Unrealized gains and losses on the securities are reported in current earnings based on the estimated fair values as reported on public exchanges. The fair values of the Company's financial instruments reported in the financial statements approximate their carrying values.

NOTE C - ACCOUNTS PAYABLE TO RELATED PARTIES

The Company receives substantially all of its legal counsel from a firm related through common ownership (aggregate ownership by the firm and one of its partners of approximately 9.5% of the Company's outstanding stock at December 31, 2001). Amounts payable to this firm for services rendered totaled $99,881 at December 31, 2001 and $86,780 at September 30, 2001.

NOTE D - UNSUCCESSFUL BUSINESS COMBINATION COSTS

During 2001, the Company entered into negotiations for a business combination with Connectivity, Inc. and Econo-Comm, Inc., two closely-held Florida corporations. In conjunction with the negotiations, the Company contracted with various professionals to perform due diligence, to audit the financial statements of Connectivity, Inc. and to draft the various contracts for the proposed business combination(s). The Company was unsuccessful in reaching an agreement on the terms of the business combination(s) and believes the proposed business combination(s) will not be consummated. The unsuccessful business combination costs incurred for the three months ended December 31, 2001 were $27,104 and are reported as other expense in the statement of operations.

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NOTE D - UNSUCCESSFUL BUSINESS COMBINATION COSTS, CONTINUED

The total costs incurred on the unsuccessful business combination(s) through December 31, 2001 are as follows:

Legal fees	$ 45,508
Accounting fees	16,043
Other professional fees	18,000
Other	4,700
	$ 84,251

Management does not anticipate additional costs will be incurred with respect to the unsuccessful business combination(s) with Connectivity, Inc. and Econo-Comm, Inc.

NOTE E - SEGMENT INFORMATION

The Company provided services through two industry segments during the three months ended December 31, 2001 and 2000. The Company's advertising segment provides advertising services for For Sale By Owner (FSBO) real estate and for businesses. The Company's mortgage segment provides mortgage services to individuals and small business as a mortgage broker. The basis for identifying and measuring the results of the segment activities is consistent within the periods presented and is consistent with the basis used in the audited financial statements for the year ended September 30, 2001 and 2000, included in the Company's registration statement on Form 10-SB/A-3 and Form 10-KSB.

The accompanying financial statements include the following business segment information:

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
	(UNAUDITED)	(UNAUDITED)
REVENUES:		

Mortgage	$ 6,752	$ 7,241
Advertising	11,445	9,356
	$ 18,197	$ 16,597
OPERATING LOSS:		
Mortgage	$ 25,452	$ 19,639
Advertising	40,957	32,497
	$ 66,409	$ 52,136
DEPRECIATION:		
Mortgage	$ 523	$ 540
Advertising	3,353	3,350
	$ 3,876	$ 3,890

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NOTE E - SEGMENT INFORMATION, CONTINUED

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
	(UNAUDITED)	(UNAUDITED)
PURCHASE OF PROPERTY AND EQUIPMENT:		
Mortgage	$ -	$ -
Advertising	-	-
	$ -	$ -
PROPERTY AND EQUIPMENT - NET:		
Mortgage	$ 7,452	$ 9,918
Advertising	16,363	32,193
	$ 23,815	$ 42,111

NOTE F - SUBSEQUENT EVENTS

Subsequent to December 31, 2001, the Company issued Common shares as payment for advances from certain shareholders, including interest accrued thereon. Total shares issued and the fair value exchanged (advances paid plus interest) are summarized as follows:

	SHARES	FAIR VALUE
Shareholder advances	308,291	$ 77,073
Accrued interest on shareholder advances	12,224	3,056
	320,515	$ 80,129

In addition, the Company agreed to settle $39,069 of the accrued compensation payable to the Company's chairman and chief executive officer of $54,000, as of December 31, 2001, in exchange for 156,276 Common shares. The 156,276 Common shares are to be issued on or before June 30, 2002, and the balance payable of $14,931 will be settled with cash.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Form 10-QSB. Reference is also made to other filings by the Company with the Securities and Exchange Commission, financial statements therein and management's discussion and analysis related to such financial statements, particularly the financial statements and management's discussion and analysis contained in the Company's Form 10-KSB with filing date of January 15, 2002.

The Company's financial position is not good. It has never earned a profit, has incurred an accumulated deficit of $977,187 as of December 31, 2001 and has limited access to material additional capital. Revenues of the magazine, FOR SALE BY OWNER AND BUILDER, will need to improve substantially and/or the number of mortgage closings will need to increase substantially for the Company to survive in its present form. If the Company is unable to do this, it will not be able to continue as a going concern without materially changing its business in a way to produce positive operating cash flow. The Company currently has no arrangements for any such change. The Company has reduced its annual expenses an estimated $50,000 a year since December 2000, (i) by moving to smaller and less expensive premises and (ii) by replacing the employee who handled the production of FOR SALE BY OWNER AND BUILDER through the performance of his functions by other Company personnel. These expense reductions, however, do not eliminate the Company's current operating deficits. Although there has been a recent increase in customer interest in mortgage financings, believed to be a result of declining interest rates, and the Company has closed 8 financings this year through February 11, 2002, a material increase over any full quarter in fiscal 2001; there can be no assurance that the Company can survive with its present operations. The Company, therefore, is seeking a merger or other business combination or strategic alliance with a stronger partner that would be attracted by the business potential and/or the business structure of the Company, including its situation as an entity whose common stock has been registered under Section 12(g) of the Securities Exchange Act of 1934. In this regard, negotiations with Robert S. Sauls and his company, Factory Built Homes, Inc. ("Factory"), to acquire Factory, which the Company believes would put HOM in a position to obtain additional financing, have been suspended indefinitely, in view of financing uncertainties, although the Company hopes ultimately to acquire Factory if the financing uncertainties can be resolved. There is no merger, other business combination or strategic alliance as to which the Company has any commitments or agreements, although discussions continue to be held with various persons in an attempt to develop business opportunities for the Company.

LIQUIDITY

The Company currently and throughout its existence has lacked liquidity as a result of its lack of initial financing and its continuing operating losses. It has maintained its ability to pay expenses through the sale of its common stock from time to time, principally to its directors, who have made multiple investments. It is anticipated that the Company will remain dependent on such funding, as to which there is no assurance that it will continue, until it is able to arrange a financing of the Company or it is able to arrange a merger, joint venture or other strategic alliance with a financially sound entity, as to which there is no assurance.

CAPITAL EXPENDITURES

The Company has no material commitments for capital expenditures and has no need, in its present operations, to make material capital expenditures.

RESULTS OF OPERATIONS

o Quarter ended December 31, 2001 compared with Quarter ended December 31, 2000.

Revenue increased $1,600 from $16,597 TO $18,197, or 9.6%, as a result of an increase in advertising revenue partially offset by a decline in mortgage revenues.

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The operating loss increased $14,273 from $52,136 to $66,409, or 27.4%, principally as a result of (1) an increase in professional fees of $18,697 from $632 to $19,329, or 2,958%, principally as a result of accounting and legal services relating to the preparation of audited financial statements for the year ended September 30, 2001 and the preparation of filings with the Securities and Exchange Commission (which services were not required in the previous period) and an increase in other legal services; (2) an increase in salaries, commissions and benefits of $10,913, or 22%, from $21,720 to $32,633, as a result of the salary of the Chairman and Chief Executive Officer of $18,000 during the period, which salary did not exist in the prior period, partially offset by a reduction in compensation to others; (3) $2,873 in closing costs (which were not incurred in the prior period), and (4) an increase in magazine printing cost of $1,271, or 49%, from $2,681 to $3,952, which increases were partially offset by the elimination of web maintenance costs, which were $4,800 in the prior period, a reduction in rent of $3,624, or 47%, from $7,742 to $4,118 and lesser reductions in advertising, office expense, travel, other and depreciation, together with the increase in revenue of $1,600 noted above.

OTHER INCOME (EXPENSE)

The net other expense for the Quarter ended December 31, 2001 was $28,717, as compared with $642 for the Quarter ended December 31, 2000, substantially all of such $28,075 increase resulting from unsuccessful business combination costs of $27,104, which costs did not exist in the previous quarter. Interest expense increased from $642 to $2,198, partially offset by realized and unrealized gains on trading of $585, which did not exist in the earlier period. It is contemplated that there will be no material unsuccessful business combination expenses or gains or losses on trading in the current quarter, and interest expenses will not materially increase.

NET OPERATING LOSS CARRYFORWARDS FOR TAX PURPOSES

The Company has net operating loss carryforwards as at September 30, 2001 totaling $894,324 that may be offset against future taxable income until 2018, 2019, 2020 and 2021. In view of the losses sustained in the three months ended December 31, 2001, the net operating loss carryforwards will have increased as of that date. This amount, net of tax (assuming an estimated net federal and state tax rate of 29.5%), together with $7,979 relating to intangible assets and $11,470 relating to accrued wages resulting from differences in reporting for income tax and financial statement purposes, or a total of $260,335 as of September 30, 2001, are assets of the Company that may be used against future income tax. For financial statement purposes, a valuation allowance of $259,426, or 100%, has been taken against net deferred taxes as of September 30, 2001. A larger equivalent valuation will be taken against the larger amount of such assets as of December 31, 2001. There can be no assurance that these deferred tax assets can ever be used. A deferred tax asset can be used only if there is future taxable income, as to which there can be no assurance in the case of the Company. The deferred tax asset, therefore, is not reflected as an asset of any value in HOM's Consolidated Balance Sheet as of December 31, 2001 but it nevertheless is a valuable asset that can be utilized if the Company becomes profitable.

ACCOUNTING AND REPORTING CHANGES

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations." SFAS No. 141 addresses accounting and reporting for all business combinations and defines the purchase method as the only acceptable method. The statement is effective for all business combinations initiated after June 30, 2001. The Company plans to account for business combinations in accordance with SFAS No. 141.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 addresses how goodwill and other intangible assets should be accounted for at their acquisition (except for those acquired in a business combination) and after they have been initially recognized in the financial statements. The statement is effective for all fiscal years beginning after December 15, 2001. The Company believes the effect of SFAS No. 142 will not have a material impact on the financial position of the Company.

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In August 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes prior pronouncements associated with impairment or disposal of long-lived assets and establishes methodologies for assessing impairment of long-lived assets, including assets to be disposed of by sale or other means. The statement is effective for all fiscal years beginning after December 15, 2001. The Company believes that the adoption of SFAS No. 144 will not have a material impact on the Company's financial statements.

Other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

OTHER

Certain items discussed in this quarterly report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this quarterly report. The Company expressly disclaims any obligation or undertaking to release publicly any updates of revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART II -- OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS

NA

ITEM 2. CHANGES IN SECURITIES

NA

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NA

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

NA

ITEM 5. OTHER INFORMATION

NA

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter ended June 30, 2001.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOM CORPORATION

Date: February 13, 2002

By: /s/ Robert S. Wilson

Robert S. Wilson, Chairman and Chief Executive Officer