GENFINITY CORP
Form 10QSB
April 03, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 31, 2000

(_) 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 0-22045

GENFINITY CORP0RATION
(Exact name of registrant as specified in its charter)

District of Delaware	13-3525328
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

GENFINITY CORPORATION
308 West Rosemary
Chapel Hill, North Carolina 27516
(Address of principal executive offices)

(919) 960-2660
(Issuer's telephone number)

APPLE HOMES CORPORATION
124 North Belair Road
Evans, Georgia 30809
(Former name, former address and former fiscal year if changed since last report)

Check 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 (_)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 22,121,367 shares of Common Stock, $.002 par value, were outstanding as of December 31, 2000.

Transitional Small Business Disclosure Forms (check one):

Yes (_) No (X)

ITEM I - FINANCIAL STATEMENTS.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
INDEX TO FORM 10-QSB

DECEMBER 31, 2000

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

AT DECEMBER 31, 2000

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 82,116
Accounts receivable, net of allowance for doubtful accounts of $105,850	59,906
Prepaid expenses	106,019
TOTAL CURRENT ASSETS	248,041
PROPERTY AND EQUIPMENT - at cost, net of accumulated depreciation	85,309
INTANGIBLE ASSETS, net of accumulated amortization	34,003
SECURITY DEPOSITS	12,141
TOTAL ASSETS	$ 379,494

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES	
Accrued merger costs	$ 206,881
Other accrued liabilities	186,875
Accrued interest - convertible debentures	13,764
Due to related parties	198,125
Unearned revenues	88,000
TOTAL CURRENT LIABILITIES	693,645
CONVERTIBLE DEBENTURES	387,500
TOTAL LIABILITIES	1,081,145
COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Notes 5, 6 and 7)	
STOCKHOLDERS' DEFICIENCY	
Common stock - $.002 par value; authorized 60,000,000 shares, issued and outstanding 22,121,367 shares	44,243
Additional paid-in capital	4,743,162
Accumulated deficit	(5,489,056)
TOTAL STOCKHOLDERS' DEFICIENCY	(701,651)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 379,494

See accompanying notes.

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GENFINITY CORPORATION
(Formerly Apple Homes Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
REVENUES	$ 1,134,586	$ 456,227
COST OF REVENUES	592,074	208,098
GROSS PROFIT	542,512	248,129
OTHER EXPENSES:		
Selling, general and administrative expenses	1,278,234	351,349
Interest expense	14,936	5,100
Provision for severance	150,000	-
Write-off of excess of acquisition cost over fair value of net assets acquired	4,580,416	-
TOTAL OTHER EXPENSES	6,023,586	356,449
LOSS BEFORE INCOME TAXES	(5,481,074)	(108,320)
PROVISION FOR INCOME TAXES	-	-
NET LOSS	$(5,481,074)	$ (108,320)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (.27)	$ -
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	20,000,000	20,000,000

See accompanying notes.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999

REVENUES	$ 273,729	$ 211,050
COST OF REVENUES	211,292	42,383
GROSS PROFIT	62,437	168,667
OTHER EXPENSES:		
Selling, general and administrative expenses	495,228	294,854
Interest expense	11,436	1,700
Provision for severance	150,000	-
Write-off of excess of acquisition cost over fair value of net assets acquired	-	-
TOTAL OTHER EXPENSES	656,664	296,554
LOSS BEFORE INCOME TAXES	(594,227)	(127,887)
PROVISION FOR INCOME TAXES	-	-
NET LOSS	$ (594,227)	$ (127,887)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (.03)	$ -
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	20,000,000	20,000,000

See accompanying notes.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(UNAUDITED)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000

	Common Stock		Additional	
	Shares	Amount	Paid-in Capital	Subscriptions Receivable
Balance - March 31, 2000 (1)	20,000,000	$ 40,000	$ 504,671	$ (300,000)
Common shares to Apple shareholders in reverse merger - September 30, 2000	2,121,367	4,243	4,238,491	--

Receipts of stock subscriptions	--	--	--	300,000
Net loss	--	--	--	--
Balance - December 31, 2000	22,121,367	$ 44,243	$ 4,743,162	$ --

(1) Share amounts have been restated to reflect the merger transactions effected in April and May of 2000 (Note 1).

See accompanying notes.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(5,481,074)	$ (108,320)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Non-cash portion of write-off of excess of acquisition cost over fair value of net assets acquired	4,104,560	-
Depreciation and amortization	112,497	16,030
Provision for bad debts	75,000	15,850
Provision for severance	150,000	-
Cash (used in) provided by:		
Accounts receivable	(28,360)	(10,264)
Prepaid expenses and other assets	(101,463)	(1,000)
Accounts payable and accrued liabilities	298,184	95,337
Security deposit	(12,141)	-
Increase in unearned revenues	88,000	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(794,787)	7,633

CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(124,051)	(13,696)
Intangible assets expenditures	(13,319)	-
NET CASH USED IN INVESTING ACTIVITIES	(137,370)	(13,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt due to related parties	(24,545)	-
Proceeds from issuance of stock	300,000	-
Proceeds from asset sale	600,000	-
Proceeds from stockholder loans	90,000	36,841
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	965,455	36,841
INCREASE IN CASH	33,288	30,778
CASH AND CASH EQUIVALENTS - BEGINNING	48,828	3,072
CASH AND CASH EQUIVALENTS - ENDING	$ 82,116	$ 33,850

SUPPLEMENTAL INFORMATION:

Cash paid during the period for:		
Interest	$ 14,936	$ 5,100
Convertible debentures and interest assumed in merger	$ 400,826	$ -
Severance liability satisfied by transfer of equipment	$ 150,000	$ -

See accompanying notes.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2000

NOTE 1 - NATURE OF BUSINESS

Basis of Presentation

The accompanying consolidated financial statements are unaudited. These statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to state fairly the financial position and results of operations as of and for the periods indicated. These financial statements should be read in conjunction with the Company's financial statements and notes thereto for the year ended March 31, 2000, included in the Company's Form 10KSB as filed with the Securities and Exchange Commission. Fiscal years will continue to end on March 31st.

The preparation of financial statements in conformity with general 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Description of Business

Genfinity Corporation ("Genfinity"), previously known as Apple Homes Corporation, was organized as a Delaware corporation on April 17, 1989 under the name PLAM Properties, Inc. It changed its name to Mayfair Homes Corporation in 1993 to reflect the name of its principal residential development and again to Apple Homes Corporation in 1997 to reflect the trade name under which it operates its manufactured home sales centers. On September 30, 2000, Genfinity merged with Bravo.com Acquisition Corp. ("Bravo") and PlayRadio.net Acquisition Corp. ("PlayRadio") and sold its historical business of the selling and the installation of manufactured homes (the "Merger Transaction"). Upon the filing of the Certificates of Merger with the State of Delaware the name of the corporation was changed to Genfinity Corporation. Genfinity's new business consists of the combined operations of Bravo and PlayRadio. The operations, which have generated revenues, consist of web development, application services and hosting services.

During the quarter ended December 31, 2000, the Company downsized its operations through substantial reductions in its personnel and facilities. Further, the Company has ceased active sales of the web design and development and has refocused its web-hosting operations.

Substantially, all of the Company"s revenue, subsequent to December 31, 2000, is related to a revenue project with a significant customer. The project is expected to be concluded by June of 2001.

In addition, the Company has decided not to fund any of the development-stage business acquired as a result of the merger with Bravo and PlayRadio. No assurance can be given that the Company can complete the development and successfully commercialize the above described businesses under development.

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GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2000

NOTE 1 - NATURE OF BUSINESS (Continued)

Basis of Consolidation

The consolidated financial statements include the accounts of Bravo and PlayRadio, and commencing September 30, 2000, Genfinity (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated.

NOTE 2 - MERGER TRANSACTIONS

Merger - September 30, 2000

On September 30, 2000, pursuant to a merger agreement dated May 10, 2000, Genfinity completed a merger with Bravo.com Acquisition Corp. ("Bravo") and PlayRadio.net Acquisition Corp. ("PlayRadio"), whereby all of the outstanding common shares of Bravo and PlayRadio held by its shareholders were exchanged for 20,000,000 shares of common stock of Genfinity. The merger was considered a reverse merger in that the shareholders of Bravo and PlayRadio collectively owned 90.4% of the common stock of Genfinity after the stock issuances.

Bravo and PlayRadio were incorporated on April 3, 2000 in the state of New York for the purpose of bringing together existing internet-related businesses. Bravo and PlayRadio each had 10,000,000 shares of authorized, issued and outstanding common stock at $0.0001 par value at the date of the merger with Apple. On the effective date of the merger, the separate existence of Bravo and PlayRadio ceased, and Apple survived as the surviving corporation, governed under the laws of Delaware. The reverse merger has been accounted for under the purchase method of accounting with Bravo and PlayRadio being the acquirer. The excess of the acquisition cost over the fair value of the net assets acquired of $4,043,560 was treated as an expense on the effective date of the merger, September 30, 2000.

The merger agreement also provided that on the effective date of closing, the surviving corporation will sell to Apple Homes Acquisition Corp. ("AHAC") all of Apple's existing assets and business, along with the assumption of all of Apple's contracts, liabilities and duties other than Apple's debentures and Apple's warrants. AHAC, Bravo, and PlayRadio have a major common shareholder, Thomas Kontogiannis. As a purchase price for the sale of assets, AHAC was obligated to pay to Apple $1,500,000 less the amount by which the cash and cash equivalents of Apple transferred to AHAC in the transaction total less than $800,000. The purchase price was reduced on the closing date by a cash shortfall of $600,000. In addition, expenses and commissions, in connection with this sale, were $300,000. As of September 30, 2000, a balance of $400,000 was outstanding under this asset sale. The $400,000 was received in October and November of 2000.

The above transactions were approved by a vote of the stockholders of Apple held on August 21, 2000.

NOTE 2 - MERGER TRANSACTIONS (Continued)

Mergers - April and May of 2000

Bravo Group:

The Bravo group consisted of The Calvander Corporation ("Calvander"), NetworkArts, Inc. ("Network") and LetterPath, Inc. ("LetterPath").

On May 1, 2000, Calvander, Network and LetterPath entered into a merger agreement with Bravo, whereby the shareholders of Calvander received 3,100,000 shares of Bravo in exchange for all 1,500 shares of Calvander and the shareholders of Network received 1,000,000 shares of Bravo in exchange for all 1,000,000 shares of Network and the shareholders of LetterPath received 3,000,000 shares of Bravo in exchange for all 1,802,332 shares of LetterPath. The founding shareholders of Bravo received 2,900,000 shares of the common stock of Bravo upon its formation.

Calvander was incorporated in the state of Delaware on November 12, 1999. Calvander, doing business as "Catalogue.com", is a full-service web development and application service provider.

In November of 1999, the shareholders of Calvander contributed the assets of a former corporation to Calvander. The net assets were valued at $155,000, which was recorded as additional paid-in capital. The former corporation operated a Web development business organized as Catalogue.com, Inc.

Historical and pro forma financial information has not been provided for the eight months ended November 30, 1999 because the contributed operations were co-mingled with other lines of business and separate financial information is unavailable.

Network was incorporated in the state of North Carolina on July 6, 1998. Network is an Internet Web Site development, management, and hosting firm. Network acquired the assets of Signal Interactive, Inc. in July of 1998, thereby creating the goodwill on the books of Network of $52,446.

On March 22, 2000, Network effected a 100-to-1 stock split, thereby increasing the number of issued and outstanding shares to 1,000,000, and decreasing the par value of each share to $0.0001.

NOTE 2 - MERGER TRANSACTIONS (Continued)

Mergers - April and May of 2000 (Continued)

Bravo Group: (Continued)

LetterPath was incorporated on September 9, 1999 in the state of North Carolina. LetterPath is a development-stage company, which has not generated any revenues to date.

On February 8, 2000, the shareholders and directors of LetterPath declared a dividend of 14.29982 shares of common stock on each share of common stock issued and outstanding, thereby increasing the number of shares of common stock to 1,529,982 from 100,000.

On March 25, 2000, LetterPath entered into a stock purchase agreement with a shareholder of Calvander, whereby the shareholder of Calvander agreed to pay the shareholders of LetterPath an aggregate of $200,000 and to pay LetterPath the sum of $300,000. Upon receipt of these payments, the shareholders of LetterPath agreed to transfer an aggregate of 180,236 of their own common shares and LetterPath agreed to issue 270,332 common shares to the shareholder of Calvander.

During the quarter ended December 31, 2000, management decided to suspend the funding of the LetterPath business.

PlayRadio Group:

PlayRadio is a New York corporation incorporated on April 3, 2000 as "Motel.com". PlayRadio has two divisions, effective May 1, 2000: (1) PlayRadio, and (2) MoneyLink.

PlayRadio is a development-stage web-based music broadcasting platform, which has not generated any revenues to date. During the quarter ended December 31, 2000, management decided not to fund the development of this business.

On October 28, 1999, MoneyLink Capital.com, Inc. ("MoneyLink") was incorporated in the state of Delaware with 1,500 authorized, unissued shares. On April 28, 2000, one share was issued with no par value for $1. On May 1, 2000, the sole shareholder of MoneyLink entered into a merger agreement with PlayRadio, whereby the shareholder of MoneyLink received 4,275,000 shares of PlayRadio in exchange for one share of MoneyLink common stock and $427.50. MoneyLink thereby became a division of PlayRadio. MoneyLink has the rights to a software program that automates the process of applying for a home mortgage on the Internet. MoneyLink is still in the start-up stage and does not have any commercial operations or employees to date. During the quarter ended December 31, 2000, management decided not to fund the development of this business.

The total common shares of PlayRadio outstanding at the time of the merger with Apple was 10,000,000.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2000

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Foreign Currency Exposure

The Corporation's current activities have all been denominated in dollars. Consequently there has been no Foreign Currency Exposure.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. An allowance for doubtful accounts has been provided aggregating $105,850 as of December 31, 2000.

Property and Equipment

Depreciation is provided for using the straight-line method over the estimated useful lives of three to seven years.

Intangible Assets

Intangible assets consist of goodwill, patents rights, domain name rights and organization costs. Goodwill represents the excess of the cost of a company acquired in July 1998 over the fair value of its net assets at the date of acquisition. Goodwill is amortized on the straight-line method over 15 years. Other intangible assets are being amortized on the straight-line method over five years.

Stock-Based Compensation

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", Bravo and Radio account for stock-based compensation arrangements pursuant to APB Opinion No. 25, "Accounting for Stock Issued to Employees". In accordance with the provisions of SFAS No. 123, Bravo recorded compensation expense for options granted to non-employees during the three months ended March 31, 2000 at the fair value of services rendered.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share

Basic earnings per share ("basic EPS") is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("diluted EPS") gives effect to all dilutive potential common shares outstanding during the period. In computing diluted EPS, the treasury stock method is used in determining the number of shares assumed to be purchased from the conversion of common stock equivalents. See Note 9 for potentially dilutable securities.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the nine months ended December 31, 2000 and 1999 was $9,897 and $-0-, respectively.

Revenue Recognition

Fees for Web development, management, and hosting services are recognized when earned.

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.

Prior to the merger date of May 1, 2000, each company's tax situation was as follows:

- The Calvander Corporation

Calvander's tax loss for the year ended December 31, 1999 has been carried forward was utilized during the four months ending April 30, 2000. No deferred and current tax provision has been provided as it has been estimated to be insignificant.

- NetworkArts, Inc.

NetworkArts elected to be an "S" corporation for Federal and State tax purposes. In general, an "S" corporation does not pay a tax on its income since the shareholders are responsible for paying income taxes on the taxable income earned by the corporation. Accordingly, no Federal and State corporation taxes were provided for NetworkArts prior to May 1, 2000. Pursuant to the May 1, 2000 merger discussed in Note 1, NetworkArts terminated its "S" corporation status. No accumulated deficit existed on April 30, 2000. If NetworkArts had been a "C" corporation, the tax provisions would have been insignificant for the periods prior to May 1, 2000.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

- LetterPath, Inc.

LetterPath had no operations during the year ended December 31, 1999 and incurred a loss during the four months ended April 30, 2000. A deferred tax asset has not been recorded as it has been estimated to be insignificant.

PlayRadio.net Acquisition Corp. and MoneyLink Capital.com, Inc.

PlayRadio and MoneyLink have no revenues from operations to date. No tax benefit has been provided for the period prior to the merger as it has been estimated to be insignificant.

Effective with the Bravo and PlayRadio mergers on May 1, 2000, Calvander, Network, LetterPath and MoneyLink ceased to exist. Bravo and PlayRadio reported combined net income of approximately $4,000. No current tax provision has been provided as it has been estimated to be insignificant.

There are no Federal or State tax credits that have been carried forward.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. The carrying amounts of long-term debt approximate fair value due to the length of maturities, as well as borrowing rates currently available for bank loans with similar terms and maturities.

Impairment of Assets

The Company reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Management has not identified any such impairment losses.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Office and computer equipment	$ 286,372
Office furniture and fixtures	26,933
	313,305
Accumulated depreciation	227,996
	$ 85,309

During the quarter ended December 31, 2000, severance obligations to various employees were satisfied by the transfer of computer equipment with a carrying value of approximately $150,000.

Depreciation expense for the nine months ended December 31, 2000 and 1999 was $86,071 and $12,763, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consisted of the following:

Goodwill	$ 52,446
Other	14,506
	66,952
Accumulated amortization	32,949
	$ 34,003

Amortization expense for the nine months ended December 31, 2000 and 1999 was $26,426 and $3,267, respectively.

GENFINITY CORPORATION
(Formerly Apple Homes Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
DECEMBER 31, 2000

NOTE 6 - RELATED PARTY TRANSACTIONS

Amounts due to related parties consist of the following:

Advances from principal stockholder	$ 90,000
Advances from shareholders and relative of shareholders	96,125

Two-year note payable to certain shareholders at 9% interest and equal monthly installments of $1,000 beginning April of 2000; secured by certain computer equipment	12,000
Total	$ 198,125

The two-year note payable to shareholders described above included an option to purchase common shares representing 4.5% of issued and outstanding stock of Network at an exercise price equal to one month's principal payment. The option was exercised during March of 2000.

A leasing company, controlled by a Director at the date of the Merger Transaction, had executed a lease with Calvander for certain computing equipment on a 24 month operating lease. Payments for this lease are:

2000 $22,387.64 (calendar year)
2001 $24,422.88
2002 $2,035.24

NOTE 7 - CONVERTIBLE DEBENTURES

As part of the merger transaction completed on September 30, 2000 (Note 2), the liabilities under various convertible debentures remained as obligations of Genfinity. During the year ended March 31, 1994, Apple completed a private placement of seventeen debentures in the principal amount of $300,000. The debentures are due in 2003, pay interest semi-annually at 10.0% and are convertible by the holders after two years into shares of the Company's common stock at a conversion ratio of $1.25 per share subject to anti-dilution rights. As a result of the merger with Bravo and PlayRadio, the conversion price was reduced to $.1198 on November 29, 2000. As of September 30, 2000, $115,000 of the original debentures have been converted to stock, leaving a remaining balance of $185,000. The remaining $185,000 is convertible into 1,543,327 shares of common stock.

In December 1998, Apple offered convertible subordinated debentures as a private placement, pursuant to Rule 504 of Regulation D of the 1933 Securities Act. As of March 31, 2000, Apple completed the placement of $202,500 of debentures to eight investors. The debentures are due five years from their date of issue. They bear interest, payable semi-annually, at a rate of 10.0% per annum. They are convertible into common stock of the Company at the conversion price of $5.00 per share subject to anti-dilution rights. As a result of the merger with Bravo and PlayRadio, the conversion price was reduced to $.4795 on November 29, 2000. There were no conversions into common stock as of December 31, 2000. The $202,500 is convertible into 422,329 shares of common stock.

NOTE 8 - COMMITMENTS, CONTINGENCIES, AND OTHER MATTERS

Leases and Contractual Commitments

On September 15, 1998, Calvander entered into a three-year lease agreement with a third party for dedicated Internet access. The lease provides for a minimum monthly billing of $3,594.

On May 24, 2000, Bravo entered into a 50-month lease agreement for a new furnished facility in Chapel Hill, North Carolina. The lease requires monthly rent payments of $13,287, with escalation clauses of 4% over the previous year's rent for years two, three, and four. The lease expires on July 14, 2004.

Genfinity Corporation leases space where connectivity to customers and the Internet provider is maintained. Payments are made on a month-to-month basis at a cost of $2,400 per month.

In April 2000, LetterPath entered into a 12-month lease agreement for an unfurnished facility in Chapel Hill, North Carolina. The lease requires minimum payments in the Year Ending December 2000 of $23,600, and in the Year Ending December 2001 of $8,600. The facility has never been actively used and the Corporation is actively seeking to release the space.

Future minimum lease payments under all operating leases are as follows:

Year Ending December 31	
2001	$ 202,578
2002	176,142
2003	171,508
2004	177,902
	$ 728,130

Rent expense for the nine months ended December 31, 2000 and 1999 was $148,289 and $15,100, respectively.

In July 2000, LetterPath entered into a secured finance transaction for certain equipment and services to be provided by an outside vendor. Installation of the equipment was not accepted and the Corporation anticipates that the funds advanced to execute the transaction, shown as Prepaid Expenses, will be returned.

Genfinity Corporation entered into a services agreement in September 2000 that has a total value of $100,000 with payments on a quarterly basis commencing in the 4th calendar quarter of 2000 through calendar 3rd quarter 2002.

Genfinity Corporation does not currently have any short term borrowing lines.

NOTE 8 - COMMITMENTS, CONTINGENCIES, AND OTHER MATTERS (Continued)

Leases and Contractual Commitments (Continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily trade accounts receivable. Ongoing credit evaluations of customers' financial condition are performed and generally no collateral is required. The Company has not experienced any material losses in these transactions and maintains a reserve for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations. One customer accounted for approximately 80% of the accounts receivable balance at December 31, 2000, contributing approximately 50% of nine-month revenues, and 95% of sales for the continuing accounts.

NOTE 9 - STOCKHOLDERS' EQUITY

As of December 31, 2000, the Company had outstanding Class A warrants allowing holders to purchase 2,913,872 shares of the Corporation's common stock at $.66 per share. The warrants expire on December 31, 2001. The holders of the warrants have certain anti-dilution rights.

On August 21, 2000, the shareholders approved an amendment to the Corporation's article of incorporation increasing the number of authorized common shares from 10,000,000 to 60,000,000, as part of the approval of the Merger Transaction. The total number of shares authorized for Genfinity Corporation is 60,000,000.

As of September 30, 2000, at the completion of the Merger Agreement, the number of shares was 22,121,367.

In addition to shares outstanding, Convertible Debenture Holders have certain rights of conversion as well as anti-dilution rights that are continued from the original issue by Apple Homes Corporation to Genfinity Corporation.

Securities that could potentially dilute basic earnings per share (`EPS') in the future that were not included in the computation of diluted EPS because to do so would have been anti-dilutive for the periods presented consist of the following:

Warrants to purchase common stock	2,913,872
Convertible Debentures (assumed conversion at December 31, 2000	1,965,656
Total as of December 31, 2000	4,879,528

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

a. Background Information

On September 30, 2000 control of the Apple Homes Corporation was effectuated by the merger of Bravo.com Acquisition Corporation ("Bravo") and PlayRadio.net

Acquisition Corporation (PlayRadio) into Apple Homes, Inc.

As part of the mergers, Apple Homes Corporation's name has been changed to Genfinity Corporation.

In the mergers, 20 million shares of common stock of the Apple Homes Corporation representing approximately 90.5% of our outstanding stock, was issued to the former stockholders of the Bravo and PlayRadio.

On September 30, 2000, as part of the merger agreement, the Genfinity Corporation sold to Apple Homes Acquisition Corporation, a Georgia corporation controlled by Thomas Kontogiannis, Genfinity"s principal shareholder, all of the assets and business of the home related business (as it existed as Apple Homes Corporation, immediately prior to the Merger Transaction), and Apple Homes Acquisition Corporation assumed all of the liabilities of the Apple Homes Corporation other than our obligations to then existing debenture holders and warrant holders. Please see other Notes for additional information and explanation.

b. Management Discussion of Operations

The financial statements and background information provided in this document reflect a period of extensive transitions for Genfinity Corporation. Changes since the last reporting period for Apple Homes, Inc. include:

o A Merger Transaction, September 30, 2000, wherein Bravo.com Acquisition Corporation and PlayRadio.net Acquisition Corporation were merged into the Corporation. An Apple Home, Inc. stockholder vote to approve the merger was finalized on August 21, 2000 at a special meeting of stockholders of record as of June 30, 2000, with 99.85% of the votes received approving the merger and sale of assets. The stockholder vote was held on the material in the Definitive Proxy dated July 19, 2000.

o Concurrent sale of the operating businesses that have been Apple Homes, Inc. to Apple Homes Acquisition Corporation on September 30, 2000.

o Integration of operations for Bravo.com Acquisition Corporation operating groups.

o Introduction of a substantially new management team to operations combined from Bravo.com Acquisition Corporation, PlayRadio Acquisition Corporation, and new business and markets.

Genfinity Corporation operates in a single line of business for segment reporting under The NetworkArts brand which provides web-hosting, Internet World Wide Web site development, web marketing programs, e-commerce B2B (business to business) and B2C (business to consumer) solutions to both "clicks" and "mortar" companies.

During the quarter ended December 31, 2000, we downsized our operations through substantial reductions in our personnel and facilities. Further, we have ceased active sales of the web design and development and have refocused our web-hosting operations.

In addition, we have decided not to fund any of the development-stage business acquired as a result of the merger with Bravo and PlayRadio, including the LetterPath business, PlayRadio business and MoneyLink business.

Business methods and processes are changing very frequently in response to both new organizational and customer driven issues. As a result, reliance on period-to-period comparisons of revenue and operating results, including costs of sale and other operating expenses as a percentage of total revenue, are not meaningful and should not be relied upon as indicators of future performance. Genfinity is currently a small business where growth in one or more operating lines will substantially change both the allocations of resources and the financial characterization of the business.

Nine Months Ended December 31, 2000 Compared with Nine Months Ended December 31, 1999

Revenue for the nine months ended December 31, 2000 increased from $456,000 in the 1999 period to $1,135,000 in the 2000 period. The revenue for the 2000 period includes nine months of revenues related to the Calvander operation, while the 1999 period included only one month of revenues from the Calvander operation.

Substantially, all of our revenues were from shared and dedicated web hosting/e-commerce services. Most of our hosting revenues are generated from recurring monthly fees and bandwidth charges. Many existing customers have under short-term (12 months of less) setup and operating agreements. Material amounts of existing customer revenue operates on a month-to-month contractual basis that may be cancelled on thirty days notice. In addition, our revenue from a significant customer agreement represented over 50% of our 2000 period revenues and 95% of our current revenues, and this agreement is expected to be concluded in June of 2001. We expect revenues for our March 2001 quarter to decline to $250,000.

Cost of revenue, which is mainly comprised of compensation and related expenses for technical operations, Internet connectivity and other related telecommunications expense, lease expense in particular related to our leased property, and depreciation of equipment. Cost of revenues increased to $592,000, or 52% of revenues for the 2000 period, from $208,000, or 46% of revenues for the 1999 period.

The increase was attributed to our increase in technical personnel and lower average margins in new projects. Commencing January of 2001, we eliminated most of our salaried personnel and entered into an agreement to outsource our existing revenue contracts.

Selling, general and administrative, which is mainly comprised of compensation costs and costs associated with marketing our products and services. Compensation costs include salaries and related benefits, commissions and bonuses. Our marketing expenses include the costs of direct mail, advertising and other marketing programs. Our general and administrative, which is mainly comprised of compensation and related expenses, occupancy costs, and other operating expenses. Selling, general and administrative costs increased from $351,000 in the 1999 period to $1,278,000 in the 2000 period. The increase was related to the increase in corporate overhead (personnel, facilities) implemented during the quarters ended September 30, 2000 and December 31, 2000. Commencing in January of 2001, we substantially reduced our corporate overhead and are using outside contractors for our administrative requirements.

Our net loss increased from $108,000 in the 1999 period to $5,481,000 in the 2000 period. The increase was attributable to our increase in selling, general and administrative costs of $927,000, provision for severance pay of $150,000 and a principally non-cash charge to earnings of $4,580,000, representing the excess of the acquisition costs over the fair value of the net assets acquired in the September 30, 2000 merger with Apple Homes, Inc.

Three Months Ended December 31, 2000 Compared with Three Months Ended December 31, 1999

Revenue for the three months ended December 31, 2000 increased from $211,000 in the 1999 period to $274,000 in the 2000 period. The principal reason for the increase was due to the 2000 period included three months of revenues related to the Calvander operation, while the 1999 period included only one month of revenues from the Calvander operation.

Substantially, all of our revenues were from shared and dedicated web hosting/e-commerce services. Most of our hosting revenues are generated from recurring monthly fees and bandwidth charges. Many existing customers have under short-term (12 months of less) setup and operating agreements. Material amounts of existing customer revenue operates on a month-to-month contractual basis that may be cancelled on thirty days notice. In addition, our revenue from a significant customer agreement represented over 75% of our three-month revenues and 95% of our current revenues, and this agreement is expected to be concluded in June of 2001. We expect revenues for our March 2001 quarter to decline to $250,000.

Cost of revenues increased to $211,000, or 77% of revenues for the 2000 period, from $42,000, or 20% of revenues for the 1999 period. The increase was attributed to our increase in technical personnel and lower average margins in new projects. Commencing January of 2001, we eliminated most of our salaried personnel and entered into an agreement to outsource our existing revenue contracts.

Selling, general and administrative costs increased from $295,000 in the 1999 period to $495,000 in the 2000 period. The increase was related to the increase in corporate overhead (personnel, facilities) implemented during the quarters ended September 30, 2000 and December 31, 2000. Commencing in January of 2001, we have substantially reduced our corporate overhead and are using outside contractors for our administrative requirements.

Our net loss increased from $128,000 in the 1999 period to $594,000 in the 2000 period. The increase was attributable to our increase in cost of revenues and selling, general and administrative costs and a provision for severance pay of $150,000.

Liquidity and Capital Resources

We have financed our operations during the nine months ended December 31, 2000 through shareholder loans of $90,000, asset sales of $600,000 and proceeds from stock sale of $300,000.

We have incurred significant losses in the period covered by the financial statements. Further investment in capital equipment, staff, marketing, and product development will require additional financing in both near term and long-term expectations. Failure to obtain timely investment capital will also place continued operations in doubt.

Our ability to achieve profitability and positive cash flow from these operations will be dependent upon our ability to grow our revenues substantially and achieve longer-term commitments from our customers.

Substantial changes in the market for web site design and implementation are occurring as the technology matures and many new firms and individuals enter the marketplace. Large-scale projects are becoming increasingly complex and requiring high-risk time schedules. Small projects are becoming a commodity product that is often used as a promotional leader by organizations seeking to expand marketplace awareness and service/product market share. In this climate the development of human resources, expending appropriate capital to maintain a competitive infrastructure, and continuing efforts to improve services and quality will be difficult for Genfinity to meet without a stable financing commitment.

Part II. Other Information

Item 1. Legal Proceedings

Genfinity Corporation is a party to routine litigation incidental to our business, however, management believes that none of which is likely to have a material effect on the Corporation's financial position or capabilities.

Item 2. Changes in Securities and Use of Proceeds

Please see Notes to financial statements for additional information. Interested parties are also encouraged to view the Form D, Form 3, and Form 13 on the Securities and Exchange Commission web site (http://www.sec.gov) for additional information.

Item 3. Defaults on Senior Securities

As noted in the Notes to Financial Statements Genfinity Corporation has continued the rights and privileges of continuing holders of Convertible Debentures and Warrants for Apple Homes Corporation.

Senior debt related to the historical business conducted by Apple Homes Corporation was assumed by Apple Homes Acquisition Corporation in the asset sale transaction on September 30, 2000.

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

None.

Item 5. Other Information

Additional Press Release Information is available on the Corporation Web Site (http://www.genfinity.com) or on public news services.

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K

The Corporation filed the following information on Form 8-K with the SEC during the period ending December 31, 2000:

Form 8-K, Merger Transaction, dated October 13, 2000 Form 8-K, Change in Auditors, dated November 16, 2000
Form 8-K, Change in Terms of Convertible Debentures and Warrants, dated November 29, 2000

Form 8-K, Merger Transaction, dated November 29, 2000

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SIGNATURES

Pursuant to the requirements 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.

GENFINITY CORPORATION
Dated: March 23, 2001

By /s/ Nick Tsismenakis

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