

NEXT INC/TN  
Form DEF 14A  
September 24, 2004

**SCHEDULE 14A**

**(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
  - Definitive Proxy Statement
  - Definitive Additional Materials
  - Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

**Next, Inc.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

NEXT, INC.

7625 Hamilton Park Drive

Suite 12

Chattanooga, Tennessee 37341

October 5, 2004

Dear Stockholder:

On behalf of the Board of Directors and Management of Next, Inc. (the Company), I cordially invite you to the Annual Meeting of Stockholders to be held on October 26, 2004, at 10:30 a.m. at Hilton Garden Inn located at 2342 Shallowford Village Drive, Chattanooga, Tennessee 37421.

At the Annual Meeting, the stockholders will consider and vote upon the election of directors, the ratification of the appointment of the Company's independent auditors, the authorization of the reservation of 1,000,000 shares of common stock of the Company to be issued under the Next, Inc. 2002 Stock Option Plan, and the adoption of the Amended and Restated Bylaws of Next, Inc.

The accompanying Proxy Statement includes a formal notice of the Annual Meeting, information concerning the nominees to the Board of Directors and other information concerning the Annual Meeting.

A proxy card is enclosed, and you are urged to complete, sign and return it as soon as possible in the enclosed, postage-prepaid envelope. If you attend the Annual Meeting in person, you may revoke your proxy at that time simply by requesting the right to vote in person. Additionally, you may revoke the proxy by filing a subsequent proxy with the Chief Financial Officer of the Company prior to or at the time of the Annual Meeting.

Your continued support of the Company is very important. I look forward to welcoming you at the meeting.

Sincerely,

Ronald J. Metz

Chairman of the Board of Directors

**NEXT, INC.**

7625 Hamilton Park Drive

Suite 12

Chattanooga, Tennessee 37341

**NOTICE OF MEETING OF SHAREHOLDERS**

**TO BE HELD ON OCTOBER 26, 2004**

Notice is hereby given that the Annual Meeting of Stockholders (the Annual Meeting ) of Next, Inc., a Delaware corporation (the Company ), will be held at Hilton Garden Inn located at 2342 Shallowford Village Drive, Chattanooga, Tennessee 37421, on October 26, 2004, beginning at 10:30 a.m. local time, for the following purposes:

1. Elect Directors. To elect four (4) individuals to the Board of Directors.
2. Ratification of Appointment of Accounting Firm. To ratify the appointment of Tauber & Balser, P.C. as independent auditors of the Company for the fiscal year ending November 30, 2004.
3. Reservation of Shares for Stock Option Plan. To authorize the reservation of 1,000,000 shares of common stock of the Company to be issued under the Next, Inc. 2002 Stock Option Plan.
4. Adoption of Amended and Restated Bylaws. To adopt Amended and Restated Bylaws of Next, Inc.
5. Other Business. To transact such other or further business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Information regarding the matters to be acted upon at the Annual Meeting is contained in the Proxy Statement attached to this Notice.

Only stockholders of record at the close of business on September 24, 2004 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) thereof.

All stockholders, whether or not they expect to attend the Annual Meeting in person, are requested to complete, date, sign and return the enclosed proxy in the accompanying envelope. The proxy may be revoked by the person executing the proxy at any time before it is exercised by filing with the Chief Financial Officer of the Company an instrument of revocation or a duly executed proxy bearing a later date, or by electing to vote in person at the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

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Chattanooga, Tennessee

Ronald J. Metz

October 5, 2004

Chairman of the Board of Directors

**YOU ARE ENCOURAGED TO ATTEND THE ANNUAL MEETING IN PERSON. IF YOU ARE UNABLE TO ATTEND THE ANNUAL MEETING, THE BOARD OF DIRECTORS REQUESTS THAT, AT YOUR EARLIEST CONVENIENCE, YOU PLEASE COMPLETE, DATE, SIGN AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED REPLY ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES.**

**PROXY STATEMENT**  
**FOR**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**OF**  
**NEXT, INC.**  
**TO BE HELD ON**  
**OCTOBER 26, 2004**

**SOLICITATION OF PROXIES**

This Proxy Statement is being furnished to the stockholders (the **Stockholders**) of Next, Inc., a Delaware corporation (the **Company**), in connection with the solicitation of proxies by the Board of Directors of the Company (the **Board**) from holders of the outstanding shares of the common stock, \$0.001 par value per share, of the Company (the **Common Stock**) for use at the meeting of the Stockholders to be held at The Hilton Garden Inn located at 2342 Shallowford Village Drive, Chattanooga, Tennessee 37421, on Tuesday, October 26, 2004 at 10:30 a.m. local time and at any adjournment or postponement thereof (the **Annual Meeting**).

The Board has fixed the close of business on September 24, 2004 as the record date for the determination of Stockholders entitled to notice of, and to vote at, the Annual Meeting. Each share of the Common Stock entitles the holder thereof to one vote. As of September 24, 2004 there were issued and outstanding 15,011,327 shares of Common Stock.

Proxies for the Annual Meeting are hereby being solicited on behalf of the Company. In connection with the solicitation of proxies, the Board has designated Mr. William B. Hensley III as their proxy. Shares represented by all properly executed proxy cards received in time for the meeting (the **Proxy Shares**) will be voted at the Annual Meeting in accordance with the directions on such proxies. If no directions are specified, the Proxy Shares will be voted (a) **FOR** the election of the four (4) persons specified as nominees for directors of the Company; (b) **FOR** the ratification of the Company's appointment of Tauber & Balsler, P.C. as independent auditors; (c) **FOR** the authorization of the reservation of 1,000,000 shares of common stock of the Company to be issued under the Next, Inc. 2002 Stock Option Plan; (d) **FOR** the adoption of the Amended and Restated Bylaws of Next, Inc.; and (e) in the best judgment of the person named in the enclosed proxy in connection with the transaction of such other business as may properly come before the Annual Meeting. The Board knows of no other business that will be presented for consideration at the Annual Meeting other than the matters described in this Proxy Statement. Should any director nominee named herein become unable or unwilling to serve if elected, it is intended that the Proxy Shares will be voted for the election, in his or her stead, of such other person as the Board may recommend.

You may revoke the proxy by providing written notice to the Chief Financial Officer of the Company at any time prior to the exercise of the authority granted thereby or by attending the Annual Meeting and electing to vote in person.

This Proxy Statement is dated October 5, 2004 and it and the accompanying notice and form of proxy are first being mailed to the Stockholders on or about October 5, 2004. All costs of preparing, printing, assembling and mailing the form of proxy and the material used in the solicitation will be paid by the Company.

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The presence in person or by proxy of the holders of a majority of the shares of the Common Stock will constitute a quorum for the transaction of business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be counted by the person appointed by the Company to act as election inspector for the meeting. The election inspector will treat Proxy Shares that reflect abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum but are not counted as for or against any proposal. In those instances where shares are held by brokers who are prohibited from exercising discretionary authority for beneficial owners who have not given voting instructions ( broker non-votes ), those shares will be counted as present for quorum purposes. Broker non-votes will not be counted as votes for or against any proposal.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

## OWNERS AND MANAGEMENT

Set forth below is information, as of September 22, 2004, with respect to beneficial ownership by (a) each person who is known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, (b) each director and nominee of the Company, (c) each executive officer named in the compensation tables below and the Company's Chief Executive Officer and Chief Financial Officer, and (d) all beneficial owners, directors and executive officers of the Company as a group. Unless otherwise indicated below, to the Company's knowledge, all persons listed below have the sole voting and investment power with respect to their shares of Common Stock (except to the extent that authority is shared by spouses under applicable law) and all shares of Common Stock are held directly.

Name and Address of Beneficial Owner	Description	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Stock
William B. Hensley III <sup>(a)</sup> 1295 Vernon Street Wabash, Indiana 46992	Director, President, Chief Executive Officer, Beneficial Owner	3,000,000	20.0%
Ronald J. Metz 2366 West Boulevard Kokomo, Indiana 46902	Chairman of the Board, Director	40,000	*
Salvatore Geraci 1400 Williams Street Chattanooga, Tennessee 37408	Director	40,000	*
G. Michael Cross 720A Crescent Road Nashville, Tennessee 37205	Director	40,000	*
Charles L. Thompson <sup>(b)</sup> 7625 Hamilton Park Drive, Suite 12 Chattanooga, Tennessee 37341	Executive Vice President, Chief Financial Officer, Chief Accounting Officer, Beneficial Owner	1,050,000	7.0%
David C. Gleason 1295 Vernon Street Wabash, Indiana 46992	Executive Vice President Operations of Blue Sky Graphics, Inc.	100,000	*
Dan F. Cooke <sup>(c)</sup> 6430 Cobble Lane Harrison, Tennessee 37341	Beneficial Owner	3,000,000	20.0%
		4,270,000	28.4%



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All directors and executive officers as  
a group (6) persons

\* Signifies less than one percent.

Notes:

- (a) Based on a holdings report on Schedule 13D filed pursuant to the Exchange Act which indicates that The William B. III and Cindy S. Hensley Family Limited Partnership (the Hensley Partnership ) has sole voting and dispositive power of all of those shares. The Hensley Partnership is controlled by William B. Hensley III.
- (b) Based on a holdings report on Schedule 13D filed pursuant to the Exchange Act which indicates that Charles L. Thompson has sole voting and dispositive power of all those shares
- (c) (Based on an amended Schedule 13D filed pursuant to the Securities and Exchange Act of 1934, as amended (the Exchange Act ) which indicated that Mr. Cooke has sole voting and dispositive power of all of those shares.

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**PROPOSALS**
**I. ELECTION OF DIRECTORS**

The Board has named William B. Hensley III, Salvatore Geraci, G. Michael Cross and Ronald J. Metz to stand for election as directors at the Annual Meeting. Should anyone or more of these nominees become unable to serve for any reason, or choose not to serve, the Board may designate a substitute nominee or nominees (in which event the persons named in the enclosed proxy card will vote all valid proxy cards for the election of such substitute nominee or nominees), allow the vacancy or vacancies to remain open until a suitable candidate or candidates are located or by resolution provide for a lesser number of directors. Each director elected at the Annual Meeting will serve until the next Annual Meeting of Stockholders and until his or her successor has been duly elected and qualified or until his or her earlier resignation or removal. Directors will be elected by a plurality of the votes cast at the annual meeting at which a quorum is present.

**NOMINEES**

Set forth below with respect to the directors and nominees for director of the Company is information regarding their business experience during the past five years and other information. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS OF THE COMPANY.**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>
Ronald J. Metz	45	Mr. Metz has been a director of the Company since February of 2002 and Chairman of the Board since November 2003. Since 1987, Mr. Metz is a senior partner with the accounting firm of Bucheri McCarty & Metz LLP.
William B. Hensley III	55	Mr. Hensley has served as a director of the Company and as its Chief Operating Officer since February 2002, and as its Chief Executive Officer since November 2003. Between 1989 and 1997, respectively, and 2001, Mr. Hensley was a principal owner and executive officer of Blue Sky Graphics, Inc. and Next Marketing, Inc.
Salvatore Geraci	57	Mr. Geraci has been a director of the Company since February 2002. Since 1997, Mr. Geraci has been a principal of Evergreen Management, Inc., a provider of tax, estate, retirement and investment planning. Mr. Geraci also serves as an adjunct professor of accounting and finance at the University of Tennessee at Chattanooga.
G. Michael Cross	56	Mr. Cross has been a director of the Company since February 2002. Since August 2002, Mr. Cross has served as an investor consultant at Van Hedge Fund Advisors International, LLC. From November 2000 to September 2001, Mr. Cross was the director of business development for Wealth Port, Inc., an internet financial services company. From March 2000 to August 2000, Mr. Cross was the director of business development for Fundraisingfo.com. From March 1997 to March 2000, Mr. Cross was a business consultant for CAO, LLC, a regional consulting firm.

**II. RATIFICATION OF AUDIT COMMITTEE S SELECTION OF INDEPENDENT ACCOUNTANTS**

The Company s Audit Committee has appointed Tauber & Balsler, P.C. ( T&B ) as the independent certified public auditors for the Company and its subsidiaries for the fiscal year ending November 30, 2004. T&B has served as independent auditor for the Company since November, 2002. T&B has advised the Company that neither T&B nor any of its partners have any direct or material interest in the Company and its subsidiaries

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except as auditors and independent certified public accountants of the Company and its subsidiaries.

A representative of T &B will be present at the Annual Meeting and will be given the opportunity to make a statement on behalf of T &B if he or she so desires. The T &B representative will also be available to respond to appropriate questions from the Stockholders.

The affirmative vote of the holders of shares of Common Stock representing a majority of the votes represented at the Stockholder s Meeting, at which a quorum is present, is required to ratify the appointment of T &B as independent auditors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF TAUBER & BALSER, P.C. AS INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2004.**

**III. AUTHORIZATION OF THE RESERVATION OF 1,000,000 SHARES OF COMMON STOCK OF THE COMPANY TO BE ISSUED UNDER THE NEXT, INC. 2002 STOCK OPTION PLAN**

The Board has approved, and is recommending to the Stockholders, that 1,000,000 shares of Common Stock be reserved for issuance to employees, officers and directors of, and consultants and advisors to, the Company and its subsidiaries under the Next, Inc. 2002 Stock Option Plan (the Plan ). The Plan is administered by a Plan Committee constituted of two non-employee directors that are appointed by the Board. The Plan Committee has full power and authority to designate the recipients of the options and to determine the terms and conditions of the respective options (which need not be identical). The Plan Committee has at this time not made and determinations with respect to option recipients or the terms and conditions of any options to be issued. Except as actually awarded, no options would have been granted in prior periods.

Eligible for receipt of options are approximately one hundred and twenty employees, four directors, three officers and two consultants and advisors. As of September 24, 2004, the Company had issued options for 634,500 shares of Common Stock to employees, officers and directors of, and consultants and advisors to, the Company and its subsidiaries under the Plan that have not been exercised. Options for an additional 55,500 shares of Common Stock are currently available for future issuance.

The Plan is intended as an incentive to retain the employ of officers, directors and employees of, and consultants and advisors to, the Company and its subsidiaries that are persons of training, experience and ability, to attract new employees, directors, officers, consultants and advisors whose services are considered valuable, to encourage the sense of proprietorship, and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries.

The affirmative vote of the holders of shares of Common Stock representing a majority of the votes represented at the Stockholder s Meeting, at which a quorum is present, is required to authorize the reservation of 1,000,000 shares of Common Stock under the Next, Inc. 2002 Stock Option Plan.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE AUTHORIZATION OF THE RESERVATION OF 1,000,000 SHARES OF COMMON STOCK OF THE COMPANY TO BE ISSUED UNDER THE NEXT, INC. 2002 STOCK OPTION PLAN**

**IV. ADOPTION OF THE AMENDED AND RESTATED BYLAWS OF NEXT, INC.**

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The Board has approved, and is recommending to the Stockholders for adoption, the Amended and Restated Bylaws of Next, Inc. The Amended and Restated Bylaws are attached as Exhibit A to this Proxy Statement.

The Board has recommended the Amended and Restated Bylaws to the Stockholders for purposes of updating the Company's current bylaws and ensure compliance with the Securities and Exchange Act of 1934 and applicable rules and regulations promulgated thereunder and the Delaware General Corporation Law. Some provisions of the Amended and Restated Bylaws may be considered to have anti-takeover effects which may hinder or prevent a tender offer, proxy contest, or other attempted takeover that stockholders may consider to be in their best interest. Those provisions may allow the Board to defend against an attempted transaction that might otherwise result in payment of a premium over the market price of our common stock. The following is a summary description of certain sections of the Amended and Restated Bylaws:

The Amended and Restated Bylaws provide that special meetings of the stockholders may be called by the Board, the Chairman of the Board or the President, including upon the written request of stockholders at least twenty-five percent (25%) of the shares of the Corporation. Furthermore, that any stockholder action must be effected at a duly called annual or special meeting and may not be effected by written consent in lieu of a meeting.

The Amended and Restated Bylaws provide that the number of directors of the Corporation shall be not less than three (3) nor more than ten (10). Furthermore, the stockholders have the power to increase or decrease the number of directors within those limitations and to elect such directors at any annual or special meeting. The directors have the power to increase or decrease their own number within those limitations provided that no such decrease would terminate or shorten the term of office of any director then in office. If the number of directors is increased by the Board, the additional directors may be elected by a majority of the directors in office at the time. Any vacancy occurring in the Board by reason of the death, resignation, retirement, disqualification or removal from office of any director with or without cause or an increase in the number of directorships, or otherwise, may be filled by a majority of all of the directors then in office, although less than a quorum. Each director elected to fill a vacancy shall serve until the expiration of the term of his predecessor or, if there is no predecessor, until the next succeeding annual meeting of stockholders. Nominations for directors in the case of an annual meeting of stockholders must generally be received by the Corporation not later than the close of business on the ninetieth day nor earlier than the opening of business on the one hundred and twentieth day before the anniversary date of the most recent annual meeting.

For the purpose of determining the stockholders entitled to notice of, or to vote at any meeting of stockholders, or to express consent to or dissent from any proposal without a meeting, or to receive notice that any such corporate action was taken without a meeting or for the purpose of determining the stockholders entitled to receive payment of any dividend or the allotment of any rights, or to exercise any rights in respect of any conversion or exchange of stock or for the purpose of any other lawful action affecting the interests of stockholders, the Board may fix, in advance, a date as the record date for any such determination of stockholders. Generally, such date shall be not be more than sixty nor less than ten days before the date of any such meeting nor more than sixty days before any such other actions.

The Corporation, to the fullest extent authorized or permitted by applicable law, shall indemnify and hold harmless each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent. Any such person shall generally also have the right to be paid by the Corporation the expenses (including, without limitation, attorneys' fees) incurred in defending, testifying, or otherwise participating in any such proceeding in advance of its final disposition.

The Bylaws may be amended or repealed, and new bylaws may be adopted, by vote of the stockholders or by resolution adopted by a majority of the whole Board; provided, however, that any bylaw or amendment to the bylaws so adopted by the Board may be amended or repealed, and any bylaw so repealed by the Board may be reinstated, by vote of the stockholders.

***The foregoing summary of the proposed Amended and Restated Bylaws is qualified in its entirety by the complete text of the Amended and Restated Bylaws attached hereto as Exhibit A.***



The affirmative vote of the holders of shares of Common Stock representing a majority of the votes represented at the Stockholders Meeting, at which a quorum is present, is required to adopt the Amended and Restated Bylaws of Next, Inc.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL AND ADOPTION OF THE AMENDED AND RESTATED BYLAWS OF NEXT, INC.**

### EXECUTIVE COMPENSATION

Under rules established by the Securities and Exchange Commission (the SEC), the Company is required to provide certain data and information regarding the compensation and benefits provided to its Chief Executive Officer and other executive officers, including the four other most highly compensated executive officers who receive more than \$100,000 in annual compensation (the Executive Officers). The disclosure requirements for the Executive Officers include the use of tables.

#### Summary Compensation Table.

The following table sets forth certain information concerning compensation paid or accrued to our executive officers for services rendered to the Company during the fiscal years ended November 30, 2003 and 2002.

Name and Principal Position	Year <sup>(1)</sup>	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Comp (\$)	Awards		Payouts	
					Restricted Stock Awards (\$)	Securities Underlying Options/SARs	LTIP Payout (\$)	All Other Comp. (\$)
Dan F. Cooke, Former Chairman & CEO	2002			\$ 12,000 <sup>(2)</sup>				
	2003			\$ 14,000 <sup>(3)</sup>				
David Gleason, EVP Operations <sup>(4)</sup>	2002	\$ 111,746		\$ 9,000 <sup>(2)</sup>		50,000		
	2003	\$ 115,000	\$ 3,750	\$ 9,000 <sup>(2)</sup>		50,000		
William B. Hensley, CEO, President, COO	2002			\$ 12,000 <sup>(2)</sup>				
	2003	\$ 82,500		\$ 9,000 <sup>(2)</sup>				
Charles L. Thompson, CFO	2002	\$ 91,667		\$ 10,000 <sup>(2)</sup>		300,000		
	2003	\$ 106,664		\$ 12,000 <sup>(2)</sup>				

<sup>(1)</sup> Neither officer was employed by the Company prior to the fiscal year ending November 30, 2002.

<sup>(2)</sup> Automobile allowance

<sup>(3)</sup> Automobile allowance and IRA contribution



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(4) Executive Vice President of Operations of Blue Sky Graphics, Inc.

**Option/SAR Grants in 2003**

<b>Name</b>	<b>Individual Grants</b>			
	<b>Number of Securities Underlying Options/SAR s Granted (#)</b>	<b>% of Total Options/SAR s Granted to Employees in Fiscal Year</b>	<b>Exercise or Base Price (\$/share)</b>	<b>Expiration Date</b>
David C. Gleason	50,000	50%	\$ 1.01	12/19/2008

**Executive Employment Agreements**

The Company entered into an employment agreement with Mr. William B. Hensley III effective as of December 1, 2003 and continuing for a period of three years. Thereafter, the term of the agreement will automatically renew for an additional three-year period. The agreement provides for an annual base salary of \$120,000. Mr. Hensley is entitled to such bonus or incentive compensation and awards of stock options under the Company's stock option plan as may be determined by the Compensation Committee of the Board of Directors. Mr. Hensley is entitled to certain compensation upon the termination of his employment. Mr. Hensley is also entitled to certain compensation upon a change of control of the Company. The agreement requires Mr. Hensley to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement.

The Company entered into an employment agreement with Mr. Charles L. Thompson effective as of April 7, 2003 and continuing through January 3, 2006. The agreement provides for an annual base salary of \$110,000 per annum until January 4, 2004 and a base salary of \$120,000 for the remainder of the term of the agreement. Mr. Thompson is entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors based upon certain subjective criteria as established from year to year. The agreement requires Mr. Thompson to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement.

The Company entered into an employment agreement with Mr. David C. Gleason effective as of December 19, 2001 and continuing for a period of five years thereafter. The agreement provides for an annual base salary of \$115,000. Mr. Gleason is entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors based upon certain subjective criteria as established from year to year. The Agreement requires Mr. Gleason to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the Agreement.

**Equity Compensation Plan Information.**

The following table represents all stock options that have been issued by the Company as of September 24, 2004:

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plan approved by security holders:	634,500	\$ 0.65	55,500
Total:	634,500	\$ 0.65	55,500

The table represents options issued pursuant to the 2001 Stock Option Plan (the "Plan") of the Company's predecessor. The Plan and all options granted thereunder have been assumed by the Company. Pursuant to the terms of the Plan, any previously granted options to acquire shares of common stock of the Company's predecessor were replaced with options to acquire shares of the Company's Common Stock.

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**INFORMATION ABOUT THE BOARD OF DIRECTORS**

**Meetings of the Board of Directors**

The Board held four meetings and acted by unanimous written consent fourteen times during the fiscal year ended November 30, 2003. All directors of the Company attended the meeting held by the Board of Directors of the Company during the fiscal year. The Board established an audit committee and a compensation committee on March 4, 2003, at which time an audit committee charter and a compensation committee charter were adopted by the Board. The Audit Committee's members are G. Michael Cross and Salvatore Geraci. The Compensation Committee's members are G. Michael Cross and Ronald J. Metz.

The Board is comprised of three non-employee directors: G. Michael Cross, Salvatore Geraci and Ronald J. Metz. All three directors are independent directors, as defined by Rule 4200(a)(14) of the National Association of Securities Dealers listing standards. The Board has determined that Mr. Geraci qualifies as an audit committee financial expert as defined by Item 401 (e) of Regulation S-B.

### **Compensation of Directors**

As compensation for their services as members of the Board, the Company issued the independent board members stock options to purchase an aggregate of 60,000 shares of Common Stock at an exercise price of \$.20 per share in March 2003. The Company issued to the independent directors an aggregate of 135,000 shares of Common Stock at an exercise price of \$1.07 in December 2003. The options issued in March 2003 became exercisable in full commencing December 19, 2003, and expire December 19, 2008. As of September 24, 2004, no options have been exercised. The options issued in December 2003 will become exercisable in December 2005. The independent directors are also paid a directors fee of \$1,250 per quarter (or \$5,000 per year). The Board has determined that three directors are independent under the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. The Board members who were executives of the Company receive no additional compensation in excess of their management remuneration.

### **Communications with Directors**

Stockholders are encouraged to communicate with directors either in person or in writing at any time. Communications are not screened and written communications are passed on to the Board for their review and consideration. Written communications should be sent to the Company at 7625 Hamilton Park Drive, Suite 12, Chattanooga, Tennessee 37341

### **Audit Report**

The following Audit Report is provided in accordance with the rules and regulations of the SEC. Pursuant to such rules and regulations, this Audit Report shall not be deemed soliciting materials, filed with the SEC, subject to Regulation 14A or 14C of the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

The Audit Committee received from T&B written disclosures and a letter regarding its independence as required by Independence Standards Board Standard No. 1, describing all relationships between the auditors and the Company that might bear on the auditors' independence, and discussed this information with T&B. The Audit Committee also reviewed and discussed with management and with T&B the quality and adequacy of the Company's internal controls. The Audit Committee also reviewed with T&B and financial management of the Company the audit plans, audit scope and audit procedures. The discussions with T&B also included the matters required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended. The Audit Committee has also considered, and concluded, that the provision of services by T&B described under the captions Financial Information System Design and Implementation Fees and All Other Fees are compatible with maintaining the independence of T&B.

The Audit Committee reviewed the audited financial statements of the Company as of and for the fiscal year ended November 30, 2003 and discussed the audited financial statements with management and with T&B. Based on all of the foregoing reviews and discussions with management and T&B, the Audit Committee recommended included the audited financial statements in the Company's Annual Report on Form 10-KSB/A for the year ended November 30, 2003.

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The Board has engaged T&B to serve as the Company's auditors for fiscal 2004. Representatives of T&B will be present at the meeting. They will be given the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

## Audit Committee Charter

The Board has approved and adopted an Audit Committee Charter, which is attached hereto as Exhibit B. In accordance with the Audit Committee Charter, the Audit Committee oversees the accounting, auditing and financial reporting processes of the Company. Prior to the release of quarterly reports in fiscal year 2003, the Audit Committee or a member of the Audit Committee also reviewed and discussed the interim financial information contained therein with T&B.

## Audit Fees

The aggregate fees billed for professional services rendered by T&B for the fiscal years ended November 30, 2002 and 2003 were:

Services	Fiscal Year	Amount
Audit Fees <sup>(1)</sup> :	2002	\$ 76,030
	2003	\$ 65,000
Audit Related Fees <sup>(2)</sup> :	2002	\$ 0
	2003	\$ 92,803
Tax Fees <sup>(3)</sup> :	2002	\$ 0
	2003	\$ 0
All Other Fees <sup>(4)</sup> :	2002	\$ 0
	2003	\$ 8,645

(1) Audit fees consist of services rendered for the audit of the annual financial statements, including required quarterly reviews, statutory and regulatory filings or engagements and services that generally only the auditor can reasonably be expected to provide.

(2) Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the financial statements or that are traditionally performed by the independent auditor.

(3) Tax fees are for professional services rendered for tax compliance, tax advice and tax planning.

(4) All other fees are for services other than those in the previous categories such as permitted corporate finance assistance and permitted advisory services.

The Audit Committee's pre-approval policies and procedures related to products and services provided by its principal accountants are set forth in the Company's Audit Committee Charter. In fiscal years 2002 and 2003, the Audit Fees, Audit Related Fees, Tax Fees and All Other Fees were pre-approved by the Audit Committee and the Board.

The foregoing report is submitted by:

Salvatore Geraci

G. Michael Cross



### **Compensation Committee Report**

During fiscal year 2003, the Compensation Committee reviewed and approved the executive employment agreement of Mr. William B. Hensley III and the extension of Mr. Charles L. Thompson's employment agreement (both as described in the section titled EXECUTIVE COMPENSATION, Executive Employment Agreements, above). The Compensation Committee also reviewed and approve the grants of stock options for 446,500 shares of Common Stock issued to employees.

The foregoing report is submitted by:

Ronald J. Metz

G. Michael Cross

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

On January 20, 2004 the Company entered into a subordinated loan agreement with Next Investors, LLC for \$400,000. Next Investors, LLC is comprised of certain members of management and a significant stockholder. The purpose of this loan was to provide working capital to be repaid out of a future equity infusion. The loan has a 4% interest rate and maturity dates of January 2006.

### **OTHER MATTERS**

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Under federal securities laws, the Company's directors, executive officers and holders of 10% or more of shares of Common Stock are required to report, within specified monthly due dates, their initial ownership of the Common Stock and all subsequent acquisitions, dispositions or other transfers of beneficial interests therein, if and to the extent reportable events occur which require reporting by such due dates. Based solely on representations and information provided to the Company by the persons required to make such filings, the Company believes that all filing requirements were complied with during the last fiscal year.

#### **Stockholder Proposals for the 2005 Annual Meeting**

Proposals of Stockholders of the Company intended to be presented at the 2005 Annual Meeting of Stockholders must be received by the Company at its principal executive offices in accordance with the procedures set forth in the Company's bylaws. Proposals received in accordance with the procedures set forth in the Company's bylaws will be included in the Company's Proxy Statement and Proxy relating to the 2005 Annual Meeting of Stockholders. Only proper proposals which are timely received will be included in the Proxy Statement and Proxy.

#### **Available Information**



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The Company is subject to the informational requirements of the Exchange Act and, in accordance therewith, is required to file reports, proxy statements and other information with the SEC. Stockholders may inspect and copy such reports, proxy statements and other information at the Public Reference Section of the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices at CitiCorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Stockholders may also obtain copies of the reports, proxy statements and other information from the Public Reference Section of the SEC, Washington, D.C., at prescribed rates. The SEC maintains a World Wide Web site on the internet at <http://www.sec.gov> that contains reports, proxies, information statements, and registration statements and other information filed with the SEC through the EDGAR system.

### **Annual Report on Form 10-KSB/A**

A copy of the Company's Annual Report on Form 10-KSB/A is being mailed with this proxy statement to each stockholder of record.

**Exhibit A**

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**NEXT, INC.**

**ARTICLE I**

**OFFICES**

1.1. Registered Office. The principal place of business in Delaware of the Corporation's registered agent in that state shall be the Corporation's registered offices.

1.2. Other Offices. The Corporation may also have offices and places of business at such other places, within or without the State of Delaware, as the Board of Directors (the Board) may from time to time determine or the business of the Co