

NEXT INC/TN
Form SB-2/A
September 09, 2003
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As filed with the Securities and Exchange Commission on September 9, 2003

Registration No. 333-107815

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1

to

FORM SB-2

REGISTRATION STATEMENT

Under

The Securities Act of 1933

NEXT, INC.

(Name of Small Business Issuer in Its Charter)

(Primary Standard Industrial Classification Code Number)

7625 Hamilton Place Drive, Suite 12

Chattanooga, Tennessee 37421

Delaware
(State of Jurisdiction of

(423) 296-8213
(Address, and Telephone Number of

95-4675095
(I.R.S. Employer

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Incorporation or Organization)

Principal Executive Offices
and Principal Place of Business)

Identification Number)

Dan F. Cooke

7625 Hamilton Park Drive, Suite 12

Chattanooga, Tennessee 37421

(423) 296-8213, Ext. 1

(Name, Address, and Telephone Number of Agent for Service)

Copies of Communications to:

W. Scott McGinness, Jr.

Miller & Martin LLP

Suite 1000 Volunteer Building

832 Georgia Avenue

Chattanooga, Tennessee 37402-2289

(423) 756-6600

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933 (the Securities Act), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

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Subject to Completion, Dated September 9, 2003

PROSPECTUS

NEXT, INC.

1,150,000 Shares of Common Stock

This Prospectus relates to the registration of up to 1,150,000 shares of common stock of the Company. Of these shares, 750,000 have been issued pursuant to a Securities Purchase Agreement dated July 9, 2003 and 375,000 may be issued pursuant to warrants dated July 9, 2003 as follows: (i) Mainfield Enterprises Inc. purchased from the Company 250,000 shares of common stock and a warrant to purchase 125,000 shares of common stock; (ii) Smithfield Fiduciary LLC purchased from the Company 250,000 shares of common stock and a warrant to purchase 125,000 shares of common stock; (iii) Shoulda Partners, L.P. purchased from the Company 50,000 shares of common stock and a warrant to purchase 25,000 shares of common stock; and (iv) OTAPE Investments, LLC purchased from the Company 150,000 shares of common stock and a warrant to purchase 75,000 shares of common stock. In connection with this transaction, the Company also issued 50,000 shares to each of Triad Capital LLC and Elliott Smith. The shares offered under this Prospectus were issued by the Company in private transactions.

There is no minimum number of shares that must be sold in this offering. Information regarding the selling stockholders and the times and manner in which they may offer and sell the shares under this Prospectus is provided under the headings Issuance of Securities to the Selling Stockholders commencing on page 5 and Plan of Distribution commencing on page 6. Although the Company has received the proceeds from the sale of the common stock and the warrants and may receive further proceeds from the exercise of the warrants, it will not receive any of the proceeds from sales of the common stock by the selling stockholders under this Prospectus. To the knowledge of the Company, the selling stockholders have not made any arrangements with any brokerage firm, underwriter or agent for the sale of the shares of common stock.

The common stock is quoted on the OTC Bulletin Board (OTCBB) under the symbol NXTI.OB but it is not listed on a national securities exchange. On August 4, 2003 the last reported sale price of the common stock was \$0.90 per share.

Investing in the common stock involves a high degree of risk which is described in the Risk Factors beginning on page 2 of this Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

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The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The Prospectus is not an offer to sell these securities and it is not a solicitation of an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this Prospectus is September , 2003.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this Prospectus. It may not contain all of the information you should consider before investing in the Company's common stock. You should carefully consider all information contained in this Prospectus and particularly the section on Risk Factors set forth below before investing in the shares of common stock offered under this Prospectus.

The Company	Next, Inc., a Delaware corporation (the Company) formed in 1989, is a creative and innovative sales and marketing organization that designs, develops, markets and distributes licensed and branded promotional products and imprinted sportswear primarily through key licensing agreements and the Company's own proprietary designs. The Company's fiscal year ends on November 30. The Company's principal executive offices are located at 7625 Hamilton Park Drive, Suite 12, Chattanooga, Tennessee 37421. The Company's telephone number is (423) 296-8213. The common stock is quoted on the OTCBB but it is not listed on a national securities exchange. Because the common stock is not listed for trading on any national securities exchange there may be a limited market for the Company's shares. The trading symbol is NXTI.OB.
The Offering	Up to 1,150,000 shares of common stock, par value \$0.001 may be sold by the selling stockholders from time to time at prevailing market prices or in privately negotiated transactions. Of these shares, 700,000 have been issued pursuant to a Securities Purchase Agreement dated July 9, 2003 and 350,000 may be issued pursuant to warrants dated July 9, 2003. In addition, 100,000 shares of common stock have been issued to consultants in connection with these transactions.
Selling Stockholders	Mainfield Enterprises Inc., Smithfield Fiduciary LLC, Shoulda Partners, L.P., OTAPE Investments, LLC, Triad Capital LLC, Elliot Smith.
Net Proceeds to the Company	Although the Company will receive no proceeds from sales of common stock by the selling stockholders, the Company received \$560,000 in the aggregate for sales of the shares of common stock to the selling stockholders and may receive up to \$393,750 if the selling stockholders exercise all their warrants for cash.

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RISK FACTORS

Before purchasing shares of the Company's common stock you should carefully consider the risk factors discussed below and elsewhere in this Prospectus as well as other information incorporated herein by reference.

Risks Related To Our Business. In addition to the other information contained in this Prospectus, including risks and uncertainties described elsewhere, the following risk factors should be considered in evaluating the Company. The risks and uncertainties described below or elsewhere in this report are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial also may impair the Company's business and operations. If any of the risks described below or elsewhere in this report materialize, the Company's business, financial condition, operating results and cash flows could be materially affected. Stockholders or investors considering the purchase of shares of the Company's common stock should carefully consider the following risk factors, in addition to the other information contained in this Prospectus.

You should not rely on the Company's past results to predict its future performance because its operating results fluctuate due to factors, which are difficult to forecast, that are often out of the Company's control and which can be volatile. The Company's past revenues and other operating results may not be accurate indicators of the Company's future performance. The factors that may contribute to these fluctuations include: fluctuations in aggregate capital spending, cyclicalities and other economic conditions domestically and internationally in one or more markets in which we sell our products; changes or reductions in demand in the markets we serve; a change in market acceptance of the Company's products or a shift in demand for the Company's products; new product introductions by the Company or by the Company's competitors; changes in product mix and pricing by the Company, its suppliers or its competitors; pricing and related availability of raw materials for the Company's products; the Company's failure to manufacture a sufficient volume of products in a timely and cost-effective manner; the Company's failure to anticipate changing product requirements of its customers; changes in the mix of sales by distribution channels; exchange rate fluctuations; and extraordinary events such as litigation or acquisitions.

Licenses. A substantial portion of the Company's revenue is derived from its licensing program and Company owned brands. The Company is a party to numerous licensing agreements to utilize branded logos for its products. Licenses from colleges and universities comprise the greatest segment of the Company's licenses and these licenses are grouped into master licenses. All of these master license arrangements have a duration of one to three years and may not contain automatic renewal options. Although the Company has had no difficulty renewing these license arrangements in the past and obtaining new licenses, there can be no assurance that the Company will be able to do so in the future. The loss of any one group of licenses or any master license may have a material adverse effect on the Company's financial conditions and results of operations.

Competition. The principal competitive factors affecting the market for the Company's products include product functionality, performance, quality, reliability, delivery, price, compatibility and conformance with customer and licensor standards. Several of the Company's existing and potential competitors are larger than the Company and may have substantially greater financial, sourcing and other resources than does the Company. In addition, the Company may in the future face competition from new entrants in its markets and there can be no assurance that these competitors will not offer better price points for competitive products or offer better terms to the Company's customers than those offered by the Company to obtain greater market share or cause the Company to lower prices for its products, any of which could harm the Company's business.

Dependence Upon Key Personnel. The Company depends to a significant degree on the continued contribution of key executive management and key operations and sales management. The loss of the services of one or more key executive or senior management could have a material adverse effect on the Company. The Company's success also depends on its ability to attract and retain additional highly qualified management personnel to meet the needs of future expansion. Competition for these individuals is intense and

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they are often subject to offers from competing employers, some of whom may be better able to offer more lucrative compensation incentives than those offered by the Company. Although most of the Company's key employees have been with the Company for an extended period of time, there can be no assurance that the Company will be able to retain its key employees, or that it will be able to attract or retain additional skilled personnel as needed. The Company does not currently maintain key person insurance on any employee. The senior operational, finance and sales management personnel are under employment contracts. The Company's key executive management, senior operational, finance and sales management personnel have entered into written employment contracts with the Company.

Dependence On Non-U.S. Suppliers. The Company sources most of its products in the Far East, the Caribbean and Mexico. Although the majority of the products used by the Company are available from multiple sources, any disruption in availability of products and services from these foreign suppliers could lead to significant increases in the Company's product costs, which could make the Company's products less competitive and have a negative impact on our financial condition and results of operations. Identifying alternative suppliers and entering into new supply arrangements may be difficult and time consuming as new suppliers would be required to satisfy our quality, price and delivery standards. There can be no assurance that there will not be a significant disruption in the supply of products in the future, or in the event of such disruption, that the Company will be able to locate alternative suppliers that are able to satisfy our quality, price and delivery standards. An interruption in the supply of components used in the manufacture of the Company's products could have a negative impact on the Company's business, financial condition and results of operations.

Dependence Upon Key Customers. Historically, the Company's customer base has been comprised primarily of national and regional mass merchandise and specialty retailers. During the past two years the Company has made a concerted effort to expand its customer base, particularly with the acquisition of CMJ Ventures, Inc. (CMJ), which sells to over five hundred specialty retailers, and the introduction of major product lines and distribution channels, such as its Motor Sports Division, which sells to a dealer network of approximately 6,000 auto dealers. As a result of this effort the Company has developed a large, diverse, and distinguished customer base of traditional retailers, ranging from national as well as large regional chains, specialty retailers, corporate accounts, college book stores, motor sports, souvenir, golf and gift shops. If the Company is unable to sustain this expansion of its customer base or if it is unable to maintain its customer base it could have a negative impact on its financial condition and results of operations.

Possible Need For Additional Financing/Capital. The Company is highly leveraged. Based upon the Company's current level of operations and anticipated growth, the Company believes that cash flows from operations, together with its working capital facility, will be sufficient to enable the Company to satisfy anticipated cash flow requirements for operating, investment and financing activities, including debt service. However, with the Company's expected expansion and additional acquisitions, the Company could be required to obtain additional financing and/or capital, by private placement or in the public markets, to satisfy its requirements. There can be no assurance that such alternatives would be available to the Company at all or on terms reasonably acceptable to the board of directors. If we cannot obtain adequate funds on acceptable terms or at all, we may not be able to take advantage of market opportunities, develop or enhance new products, pursue acquisitions that would complement our existing product offerings, execute our business plan or otherwise respond to competitive pressures or unanticipated requirements.

Limited Trading Market For Common Stock. The common stock is quoted on the National Association of Securities Dealers OTC Bulletin Board. There may be a limited trading market for the common stock.

Volatility Of Common Stock's Market Price. The market price of the common stock is subject to, and will continue to be subject to, a variety of factors, including the business environment, including the operating results of companies in the industries we serve; future announcements concerning the Company's business or that of its competitors or customers; the introduction of new products or changes in product pricing policies by the

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Company or its competitors; litigation matters; changes in analysts' earnings statements; developments in the financial markets; quarterly operating results; and perceived dilution from stock issuances for acquisitions and other transactions. Furthermore, stock prices for many companies fluctuate for reasons that may be unrelated to their operating results. Those fluctuations and general economic, political and market conditions, such as recessions, terrorist actions or other military actions, or international currency fluctuations, as well as public perception of equity values of publicly traded companies may adversely affect the market price of our common stock.

Concentration Of Stock Ownership. The Company's officers and directors and their affiliates directly and beneficially own a controlling interest in the issued and outstanding shares of the Company's common stock. If these officers and directors were to vote in unison, together they have the ability to control the election of the Company's directors and other corporate actions requiring stockholder approval.

Additional Shares. The Board of Directors has the authority to issue, without further action by the stockholders, up to 10,000,000 shares of preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of such series. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of the Company without further action by the stockholders and may adversely affect the market price of, and the voting and other rights of, the holders of common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and certain documents incorporated by reference in this prospectus contain forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about marketing and commercialization of the Company's products under development; its estimates regarding our capital requirements and its needs for additional financing; plans for future products and services and for enhancements of existing products and services; its ability to attract customers and market its products; its intellectual property; its ability to establish relationships with suppliers and distributors for its products; plans for future acquisitions and for the integration of recent acquisitions; and sources of revenues and anticipated revenues, including the contribution from the growth of new products and markets.

In some cases, you can identify forward-looking statements by terms such as *may, intend, might, will, should, could, would, expect, estimate, predict, potential,* or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. The Company may discuss many of these risks in this Prospectus in greater detail under the heading *Risk Factors*. Also, these forward-looking statements represent the Company's estimates and assumptions only as of the date of this Prospectus.

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USE OF PROCEEDS

All net proceeds from the sale of the common stock covered by this Prospectus will go to the selling stockholders. The Company will not receive any proceeds from the sale of the common stock in this offering. The Company did, however, receive proceeds from the sale of the common stock and the warrants to selling stockholders and many receive proceeds from the exercise of the warrants by the Equity Group. If all of the warrants were exercised with cash, instead of with the cashless exercise feature, the Company would receive proceeds of \$421,875. These proceeds would be used for general corporate purposes, including working capital and potential acquisitions.

DETERMINATION OF OFFERING PRICE

The prices at which the shares of common stock may actually be sold will be determined by the prevailing public market price for the shares or by negotiations in private transactions.

DIVIDEND POLICY

It is the Company's present policy not to pay cash dividends and to retain future earnings for use in the operations of the business and to fund future growth. Any payment of cash dividends in the future will be dependent upon the amount of funds legally available, earnings, financial condition, capital requirements and other factors that the Board of Directors may think are relevant. The Company does not contemplate or anticipate paying any dividends on the common stock in the foreseeable future.

ISSUANCE OF SECURITIES TO THE SELLING STOCKHOLDERS

Of the shares of common stock offered in this Prospectus, 700,000 have been issued pursuant to a Securities Purchase Agreement dated July 9, 2003 and 350,000 may be issued pursuant to warrants dated July 9, 2003 as follows: (i) Mainfield Enterprises Inc. purchased from the Company 250,000 shares of common stock and a warrant to purchase 125,000 shares of common stock; (ii) Smithfield Fiduciary LLC purchased from the Company 250,000 shares of common stock and a warrant to purchase 125,000 shares of common stock; (iii) Shoulda Partners, L.P. purchased from the Company 50,000 shares of common stock and a warrant to purchase 25,000 shares of common stock; (iv) OTAPE Investments, LLC purchased from the Company 150,000 shares of common stock and a warrant to purchase 75,000 shares of common stock. In connection with this transaction, the Company also issued 50,000 shares to each of Triad Capital LLC and Elliot Smith.

The warrants are exercisable, in whole or in part, at any time at \$1.125 per share of common stock. The terms of the warrants expire on July 9, 2008. Payment for shares upon exercise of the warrants can be made in cash or by a cashless exercise, in which a net number of shares is issued after deduction of shares with fair market value equal to the exercise price. The Company may force the exercise of the warrants upon the satisfaction of certain conditions, including the maintenance of a market price for the common stock of at least \$1.97 per share for ten consecutive trading days. The number of shares of common stock that can be purchased under the warrants are convertible will be adjusted in the event of any stock dividend, stock split, stock combination or other similar transaction.

Table of Contents**SELLING STOCKHOLDERS**

The table below sets forth ownership information regarding the selling stockholders. For purposes of calculating the percentage of common stock outstanding, any securities not outstanding which are subject to options, warrants or conversion privileges are deemed outstanding for the purposes of computing the percentage of outstanding securities owned by the selling stockholders. Unless otherwise indicated, the selling stockholders have the sole power to direct the voting and investment over the shares owned by them.

Equity Group	Number of		Number of		
	Shares Owned	Percent Owned	Shares Being Offered (1)	Shares Owned	Percent Owned
	Prior to Offering	Prior to Offering	Offered (1)	After Offering (1)	After Offering (1)
Mainfield Enterprises Inc.	375,000	*	375,000	0	0
Smithfield Fiduciary LLC	375,000	*	375,000	0	0
OTAPE Investments, LLC	225,000	*	225,000	0	0
Shoulda Partners, L.P.	75,000	*	75,000	0	0
Triad Capital LLC	50,000	*	50,000	0	0
Elliot Smith	50,000	*	50,000	0	0

* Less than one percent.

- (1) Assumes that all the warrants are exercised in full and all shares of common stock held and to be held by the selling stockholders being offered under this Prospectus are sold, and that no one of the selling stockholders acquire any additional shares of common stock before the completion of this offering. The Company's registration of the shares of common stock does not necessarily mean that any one of the selling stockholders will sell all or any of the shares.

This prospectus also covers any additional shares of common stock that become issuable in connection with the shares being registered by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration which results in an increase in the number of our outstanding shares of common stock.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

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purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

short sales;

broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

a combination of any such methods of sale; and

any other method permitted pursuant to applicable law.

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The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

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The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934 may apply to sales of our common stock and activities of the selling stockholders.

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The Company has pending various minor legal actions arising in the normal course of business. Management does not believe that such legal actions, individually or in the aggregate, will have a material impact on the Company's business, financial condition or operating results.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, age, positions, and offices or employments for the past five years as of July 31, 2003, for our executive officers and directors. Members of the board are elected and serve for one year terms or until their successors are elected and qualify. All of the officers serve at the discretion of the Board of Directors of the Company.

Name	Age	Position
Dan F. Cooke	54	Director, Chairman and Chief Executive Officer
William B. Hensley III	53	Director, President and Chief Operating Officer
Charles L. Thompson	51	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
David C. Gleason	42	Executive Vice President of Operations
Salvatore Geraci	56	Director
Ronald J. Metz	44	Director
G. Michael Cross	54	Director

Dan F. Cooke, Chairman and Chief Executive Officer. Mr. Cooke has served as Chairman of the Board of the Company since February 2002, and as Chief Executive Officer since September 2002. Between 1989 and 1997, respectively, and 2001, Mr. Cooke was a principal owner and executive officer of Blue Sky and Next Marketing.

William B. Hensley III, President and Chief Operating Officer. Mr. Hensley has served as a Director of the Company and as its Chief Operating Officer since February 2002 and as President of the Company since September 2002. Between 1989 and 1997, respectively, and 2001, Mr. Hensley was a principal owner and executive officer of Blue Sky and Next Marketing.

Charles L. Thompson, Executive Vice President, Chief Financial Officer and Chief Accounting Officer. Since February 2002, Mr. Thompson has served as an Executive Vice President and as the Company's Chief Financial Officer and Chief Accounting Officer. During 2001 and 2002, Mr. Thompson served as Vice President Finance and Business Development of Ameris Health Systems, an operator of six hospitals. From 1997 to 2000, Mr. Thompson served Vice President/Chief Financial Officer of Great Smokies Diagnostics Laboratory. Mr. Thompson is also the principal owner and President of RAE & Company, a financial consulting firm.

David Gleason, Executive Vice President Operations. Mr. Gleason has been Vice President of Operations of the Company and its predecessor since January 30, 1997.

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Salvatore Geraci. Mr. Geraci has been a Director of the Company since February 2002. Since 1987, 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.

Ronald J. Metz. Mr. Metz has been a Director of the Company since February 2002. Since 1987, Mr. Metz has been a named senior partner with the accounting firm of Bucheri McCarty & Metz LLP.

G. Michael Cross. 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, Inc. From 2000 to 2002 Mr. Cross was the director of business development for Wealth Port, Inc., an internet financial services company. From 1997 to 1999 Mr. Cross was a business consultant for CAO, LLC, a regional consulting firm.

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The following table sets forth certain information concerning the beneficial ownership of the Company's outstanding classes of stock based on ownership information reported by the stockholders as of December 31, 2002, and on the number of shares outstanding as of July 14, 2003 by each person known by the Company to own beneficially more than 5% of each class, by each of the Company's directors and executive officers and by all officers and directors as a group. Unless otherwise indicated below, to the Company's knowledge, all persons listed below have 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. All shares are held directly.

<u>Name and Address of Beneficial Owner</u>	<u>Common Shares Beneficially Owned</u>	<u>Percentage Owned</u>
Dan F. Cooke (a)	3,000,000	23.62%
The William B. III and Cindy S. Hensley Family Limited Partnership (b)	3,000,000	23.62%
Sean and Lisa Garber (c)	1,260,000	9.92%
Charles L. Thompson (d)	750,000	5.90%
David C. Gleason	0	0%
Salvatore Geraci	0	0%
Ronald J. Metz	0	0%
G. Michael Cross	0	0%
All officers and Directors as a group	8,010,000	63.07%

- (a) Based on an amended schedule 13D filed pursuant to the Exchange Act which indicates that Mr. Cooke has sole voting and dispositive power of all of those shares. Mr. Cooke is the Chairman of the Board, the Chief Executive Officer of the Company and a director on the Company's board of directors. Mr. Cooke's address is c/o Next Inc 7625 Hamilton Park Drive, Suite 12, Chattanooga, Tennessee, 37421.
- (b) Based on a holdings report on Form 13D filed pursuant to the Exchange Act which indicates that The William B. Hensley 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, the Company's President and Chief Operating Officer and a director on the Company's board of directors. The address of the Hensley Partnership is c/o Next Marketing, Inc., 1295 Vernon Street, Wabash, Indiana, 46992.
- (c) Based on an amended schedule 13D filed pursuant to the Exchange Act which indicates that Sean and Lisa Garber have sole voting and dispositive power of all of those shares. Sean Garber is a former principal of CMJ Ventures, Inc., one of the Company's operating subsidiaries. The address of Sean and Lisa Garber is 3600 Chamberlain Lane, Suite 826, Louisville, Kentucky 40241.
- (d) Based on a holdings report on Form 13D filed pursuant to the Exchange Act which indicates that RAE & Company has sole voting and dispositive power of all of those shares. The shares of RAE & Company were transferred in April of 2003 to Charles L. Thompson, the owner and president of RAE & Company. Mr. Thompson is the Company's Executive Vice President, Chief Financial Officer and Chief Accounting Officer. The address of Mr. Thompson is c/o Next Inc 7625 Hamilton Park Drive, Suite 12, Chattanooga, Tennessee, 37421

Table of Contents**DESCRIPTION OF SECURITIES**

The Company has 50,000,000 shares of authorized common stock of which 12,701,131 shares were issued and outstanding as of July 14, 2003. All shares of common stock have equal voting, liquidation, and dividend rights.

All shares of common stock now outstanding are fully paid for and non-assessable.

The common stock is quoted on the OTCBB under the symbol NXTI.OB but it is not listed on a national securities exchange.

The holders of outstanding shares of the Company's common stock are entitled to receive dividends out of legally available funds at such times and in such amounts as the board of directors may from time to time determine. Each stockholder is entitled to one vote for each share of our common stock held on all matters submitted to a vote of stockholders. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon a liquidation, dissolution or winding-up, the assets legally available for distribution to stockholders are distributable ratably among the holders of the common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding preferred stock and payment of other claims of creditors.

MARKET FOR COMMON STOCK

The common stock is traded on the OTC Bulletin Board. The following table sets forth the high and low bid prices of the Company's common stock for the periods indicated, as reported by published sources. The prices reflect inter-deal prices without retail mark-up, mark-down or commission and may not represent actual transactions.

	<u>Low</u>	<u>High</u>
<i>2003 Fiscal Year</i>		
First Quarter	\$ 0.12	\$ 0.75
Second Quarter	\$ 0.12	\$ 0.60
Third Quarter (through July 28, 2003)	\$ 0.46	\$ 1.45
<i>2002 Fiscal Year</i>		
First Quarter	\$ 0.17	\$ 0.35
Second Quarter	\$ 0.17	\$ 0.75
Third Quarter	\$ 0.19	\$ 0.51
Fourth Quarter	\$ 0.12	\$ 0.20
<i>2001 Fiscal Year (a)</i>		
November 30, 2000	\$ 0.54	\$ 0.54
February 28, 2001	\$ 0.60	\$ 0.48
May 31, 2001	\$ 1.80	\$ 1.80
August 31, 2001	\$ 0.61	\$ 0.61

(a)

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Information for fiscal year 2001 is presented for the prior year end which was August 31. Therefore, the per share price presented above reflects quarters that represent periods different than the Company's current quarters. These share prices have also been adjusted to reflect the 1 for 12 reverse stock split effected on July 2, 2001. As a result, these prices may not accurately reflect the true value of the shares on these dates.

As of August 1, 2003, there were 961 holders of record of our common stock. We have never declared a cash dividend on our common stock and our Board of Directors does not anticipate that we will pay cash dividends in the foreseeable future.

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COMMISSION S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suite or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believes to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person s conduct was unlawful.

A corporation also shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney s fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Article Sixth of the Company s Amended and Restated Certificate of Incorporation states that the Company shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, as amended, shall indemnify any and all persons whom it shall have the power to indemnify under said section from and against any and all of the expenses, liabilities and other matters referred to in or covered by such section and further that the indemnification provided in such Certificate of Incorporation shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Insofar as indemnification for liabilities under the Securities Act of 1933 may be permitted to our directors, officers, and controlling persons, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and therefore unenforceable.

DESCRIPTION OF BUSINESS

Organization and Business. The Company was formed in the State of Delaware on January 2, 1987. Pursuant to a reorganization in 2002, it is the parent company of three operating wholly owned subsidiaries: (i) Next Marketing Inc., a Delaware corporation (Next Marketing), (ii) Blue Sky Graphics, Inc., a Delaware corporation (Blue Sky), and (iii) CMJ Ventures, Inc., a Florida corporation (CMJ). The Company is a creative and innovative sales and marketing organization that designs, develops, markets and distributes licensed and branded promotional products and imprinted sportswear primarily through key licensing agreements and the Company s own proprietary designs.

The Company s management (Management) believes that there are substantial growth opportunities in the promotional products and imprinted sportswear industries. Management believes that the Company is well positioned to take advantage of the growth opportunities in the marketplace. Management believes that Company

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has an excellent reputation in the marketplace as a result of its ability to provide quality products and services, on-time delivery, at competitive prices. In recent years, licensed imprinted sportswear has become very popular. Licensing agreements are available for branded products and services, professional sports teams, and many other promotional areas. According to the 26th annual licensing industry survey published in The Licensing Letter, a publication of EPM Communications in New York, sales of the sports licensing sector increased by 8% during the year ended December 31, 2002, to \$11.3 billion. To maximize its potential, the Company has, over the past two years, significantly expanded its license program to include the following:

The Company has accumulated about 200 licenses and agreements to distribute its **College Wear USA** line for every major college and university;

The Company has entered into licensing agreements with **Chevy[®], Pontiac[®], Dodge[®], GMC[®] and Ford[®]** to utilize their respective branded logos for the **RPM Sports USA** Motor Sports line, targeting the automotive dealership network consisting of approximately 6,000 auto dealers, and the NASCAR market, the largest spectator sport in the nation;

The Company's proprietary designs include **American Biker**, **American Wildlife**, **Ragtops Sportswear** and; **Cadre Athletic** among others;

The Company has acquired the exclusive license for distribution of the **Kentucky Derby** products;

The Company has major licenses through a teaming agreement with **Corona[®], Miller[®]**