HOME SOLUTIONS OF AMERICA INC
Form 10KSB
March 28, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB

(Mark One)

[x] Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

Commission file number 0-22388

HOME SOLUTIONS OF AMERICA, INC.
(Name of Small Business Issuer in Its charter)

Delaware	99-0273889
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

5565 Red Bird Center Drive, Suite 150, Dallas, Texas	75237
(Address of Principal Executive Offices)	(Zip Code)

(214) 623-8446
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Stock, Par Value $0.001 per share	The American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, Par Value $.001 Per Share
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ___________

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $31,121,373

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant (16,583,199 shares) on March 24, 2005, was approximately $26,864,782 based upon the closing sale price of the common stock ($1.62 per share) as quoted on the American Stock Exchange on March 24, 2005. For purposes of this response, officers, directors and holders of 10% or more of the registrant's common stock are considered affiliates of the registrant at that date.

The number of shares outstanding of the registrant's common stock, $.001 par value per share, as of March 24, 2005: 16,967,785 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 9 through 12 and Item 14 of Part III of this Form 10-KSB is incorporated by reference from the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's fiscal year ended December 31, 2004.

Transitional Small Business Disclosure Format: Yes _________ No____X______

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PRELIMINARY NOTE: This Annual Report on Form 10-KSB contains forward-looking statements relating to our goals, beliefs, plans or current expectations and other statements that are not historical facts. For example, when we use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could" or "may," or other words that convey uncertainty of future events or outcome, we are making forward-looking statements. We refer you to the caption entitled "Trends, Risks and Uncertainties" in Item 6 of Part II for important factors that could cause actual results to differ materially from those indicated by our forward-looking statements made herein and presented elsewhere by management. Such forward-looking statements represent management's current expectations and are inherently uncertain. We do not undertake any obligation to update forward-looking statements made by us.

PART I
(Dollars and Shares in Thousands, Except Per Share Data)

Item 1. Description of Business.

Overview

Home Solutions of America, Inc. ("we," "us," "Home Solutions," or the "Company") is a Delaware corporation that was incorporated in 1998. Our growth strategy is to become a leading provider of specialty residential services that protect the homeowner's single largest investment - their home. We seek a dominant market position through the acquisition of strategic, specialized, profitable and well-managed residential service companies and through the above average internal growth of these operations. Home Solutions provides Restoration Services and Specialty Interior Services. These segments include services such as cleaning and fabric protection, fire and water damage restoration, the remediation of indoor air contaminants, and cabinet/countertop installation. (See "Trends, Risks and Uncertainties" in Part II, Item 6 below).

Growth Strategy

As part of its strategy announced in 2002, Home Solutions seeks to acquire or internally generate projects that focus on providing the specialty residential services to homeowners that are discussed below. In November 2002, we closed our first acquisition as part of this strategy, acquiring PW Stephens, Inc. ("PWS"), a provider of indoor air contaminate removal services for homeowners in California and Florida. In July 2003, we closed the acquisition of Fiber Seal Systems, LP ("FSS"), a provider of cleaning and fabric protection services. In December 2003, we closed the acquisition of Southern Exposure Unlimited of Florida, Inc. and related companies ("SE"), a provider of cabinet and countertop installation services. We expect to continue our aggressive growth strategy with additional acquisitions. (See "Trends, Risks and Uncertainties" in Part II, Item 6 below).

The Company currently has a signed definitive agreement to acquire a specialty residential services company for approximately $12,500. The acquisition is contingent on financing and other customary closing conditions. There can be no assurances that we will successfully complete this transaction.

The Company is aggressively acquiring complementary specialty residential services businesses as part of its announced strategy.

The following is a list of the specialty residential services that we offer:

Restoration Services

Cleaning and Fabric Protection: Under the Fiber Seal brand name, we provide fabric protection services to protect furniture, carpet and draperies from stains and daily wear through both Company-owned locations as well as over forty franchised locations. This niche market is primarily targeted at above-average income homeowners with an average ticket of approximately $0.4. We provide our customers with an annual fabric protection service agreement that allows them to have on-site spill clean up during the life of the agreement. In addition, using well-tested methods of cleaning carpet, we offer maintenance and emergency response services to our customer base to repair carpet damaged by common stains, pet dander, bacteria and dust. This procedure extends the life of the homeowners' carpets and makes the carpet look its finest. Furthermore, Home Solutions provides air duct cleaning services to its customer base. Particulate (organic and inorganic) material within a home's heating and air conditioning systems and the transfer air ducts can cause allergic reactions and is often the breeding ground for many types of mold. It is expected that a portion of our cleaning operations will generate additional opportunities across our other business segments.

Indoor Air Contamination: Under the PW Stephens brand name, we provide indoor air contamination services, including contamination from mold, asbestos and lead paint. With increased media attention regarding the health threat of mold, fewer insurance options, and property transfers at risk, current market conditions have created significant demand for mold inspections, certifications and remediation services. These services consist of property and system inspections, surface and air testing, project design, microbial removal, light interior demolition, repair and specialized cleaning work. Home inspections and testing can range from $0.2 to $0.8. For the typical mold-contaminated house, a remediation project can last approximately one week and cost up to $10 or more. Customer opportunities are developed through a regional sales force as well as through referrals by real estate firms, insurance adjusters, mortgage companies, attorneys and nationally branded retailers. Although government-promulgated regulation is currently under review, industry practice and general awareness is building momentum. The Company believes it can use its industry experience to give efficacy to its processes and provide homeowners with quality assurance. Furthermore, we plan to provide annual and quarterly monitoring services, in which technicians will regularly inspect, test and certify the air quality of our clients' homes. It is expected that a portion of our indoor air contamination operations will generate additional opportunities across our other business segments.

Fire and Water Damage Restoration: As part of Home Solutions specialty residential services strategy, we will provide highly trained technicians to respond to fire, water and weather-related emergencies to inspect structural members and contents damaged by water, to determine the likelihood or extent of mold growth, and to provide immediate cleaning, drying, moving, storage, and deodorization, among other services. As most cases of mold are associated with excess moisture, we believe that response to this type of event-related damage will provide significant additional revenue opportunities. The cost and time requirements of these projects can vary dramatically from case-to-case. It is expected that a portion of our fire/water damage restoration operations will generate additional opportunities across our other business segments.

Specialty Interior Services

Specialty Interior Services: Under the Southern Exposure brand name, Home Solutions offers cabinet and countertop installation services. SE manufactures and installs a high-end product line of cabinets and countertops. Its customer base includes both homebuilders and homeowners in the rapidly growing southwestern Florida marketplace. It is expected that a portion of our cabinet and countertop installation services will generate additional opportunities across our other business segments.

Definitive Agreement

In March 2005, the Company signed a definitive agreement to acquire a specialty residential services company for approximately $12,500. The acquisition is subject to certain closing conditions. There can be no assurances that the Company will successfully complete this transaction. At December 31, 2004 the Company has recorded $596 in current assets related to the acquisition costs.

We continue to actively pursue the acquisition of companies that provide specialty residential services as we proceed with our growth strategy. Our ability to acquire such businesses is dependent upon, among other factors, our ability to obtain outside financing and/or issue shares of the Company's common stock as a portion of the purchase price.

Competition

We compete against numerous national providers, including Steamatic and ServiceMaster. Locally, we compete against numerous family controlled operations as well as larger regional operations. We expect additional competitors as the market for specialty residential services continues to grow and due to the lack of significant barriers of entry into the residential services field.

Regulatory Matters

General

The specialty residential services industry is subject to various federal, state and local laws.

Environmental Regulation

The operations of the Company are subject to various federal, state, and local laws and regulations regarding environmental matters. We are not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position, or result in material capital expenditures; however, we cannot predict the effect on our operations of possible future environmental legislation or regulations.

Employees

As of December 31, 2004, we had an aggregate of 186 employees. All of these employees were full-time and were not represented by collective bargaining agreements.

Business Background

The Company was incorporated in Delaware on January 8, 1998, for the purpose of serving as the successor corporation of EIF Holdings, Inc., a Hawaii corporation, pursuant to a reincorporation merger that was completed in June 1998. During 1999 and most of 2000, the Company, then named U S Industrial Services, Inc., operated through its wholly owned subsidiaries as a multi-state service company, specializing in industrial cleaning services, including soil and groundwater remediation, and hazardous material management and clean-up.

From February 2002 until November 2002, the Company, then named Nextgen Communications, had no significant operations.

In August 2002, we announced a new corporate strategy of acquiring companies in the specialty residential services industry. Within this industry, we are targeting companies that perform Restoration Services and Specialty Interior Services. These segments include indoor air contaminate removal, fire/water damage restoration, cleaning and fabric protection and cabinet/countertop installation services. We continue to seek additional acquisitions with complementary service offerings.

Effective November 1, 2002, we acquired PWS, based in California, for an aggregate purchase price of approximately $13,400, which we paid with cash, promissory notes issued by the Company, the assignment of certain promissory notes owed to the Company, and a warrant to purchase 293 shares of the Company's common stock at $.01 per share. PWS has a twenty-year operating history of providing indoor air contaminate removal services for residential and light commercial clients.

In December 2002, in connection with the implementation of our residential services strategy, our stockholders approved a change of our corporate name to Home Solutions of America, Inc.

In July 2003, we acquired FSS, based in Dallas, Texas. Fiber Seal provides cleaning and fabric protection services through both company-owned and over 40 franchised locations across the United States. We paid approximately $1,621 for Fiber Seal, including 300 common shares, a warrant to purchase 250 shares of the Company's common stock at $2.00 per share and a note for $520.

In July 2003, we acquired Central Texas Residential Services, Inc. ("CTRS"). We paid approximately $769 for CTRS, including 850 common shares. The acquisition of CTRS was rescinded in October 2003; no revenues were generated during this timeframe, and the consideration paid was returned to the Company.

Effective December 2003, we acquired SE, based in Fort Myers, Florida, for approximately $12,172, including $2,000 in cash, $5,968 in seller notes, $2,500 in common stock and $1,704 in acquisition costs. SE provides cabinet and countertop installation services to homebuilders and homeowners throughout southwestern Florida.

Recent Developments - Early 2005

In March 2005, the Company signed a definitive agreement to acquire a specialty residential services company for approximately $12,500. The acquisition is contingent on financing and other customary closing conditions. There can be no assurances that the Company will successfully complete this transaction. At December 31, 2004 the Company has recorded $596 in current assets related to the acquisition cost.

Our website is located at www.HOMcorp.com.

Item 2. Description of Property.

In October 2002, we purchased the office building that served as the corporate offices, consisting of approximately 8,000 square feet of office space, at 11850 Jones Road Houston, Texas 77070. The purchase price of the building was $1,000, including $250 paid by issuing the seller 152 shares of our common stock and $750 financed through a first-lien mortgage provided by an affiliate of one of our stockholders. In May 2004, the Company moved its corporate headquarters to Dallas, Texas in a leased office building co-located with FSS. The Company currently has the Houston, Texas building and land for sale with a net book value of $940 and is actively marketing the property.

As of December 31, 2004, PWS leased its headquarters in Huntington Beach, California and had two additional offices in Fremont, California and El Cajon, California. These lease agreements expire in 2005 to 2007.

As of December 31, 2004, FSS leased its headquarters in Dallas, Texas. This lease agreement expires in 2005.

As of December 31, 2004, SE leased its headquarters in Fort Myers, Florida and has one additional office in Florida. One of its offices is leased from the former owner of SE, who is now an affiliate of the Company, at a monthly rate of $10. One lease agreement expires in 2005 and one expires in 2008.

Item 3. Legal Proceedings.

The nature and scope of our business operations bring us into regular contact with the general public, a variety of businesses and government agencies. These activities inherently subject us to potential litigation, which we defend in the normal course of business. At December 31, 2004, there were various claims and disputes incidental to the business. The Company believes that the disposition of all such claims and disputes, individually or in the aggregate, should not have a material adverse affect upon our financial position, results of operations or cash flows.

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

None.

PART II
(Dollars and Shares in Thousands, Except Per Share Data)

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Market Prices

The Common Stock of the Company was traded on the OTC Bulletin Board until, beginning June 2003, the Common Stock began trading on the American Stock Exchange. The Common Stock is listed under the symbol "HOM." The following table sets forth, for the fiscal quarters indicated, the range of the high and low sales prices for the Company's Common Stock as reported by the American Stock Exchange or the National Quotation Bureau, Inc, as applicable. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

Fiscal Year ended December 31, 2004:	High	Low
Quarter ended December 31, 2004	1.76	1.40
Quarter ended September 30, 2004	1.68	1.15
Quarter ended June 30, 2004	1.67	1.30
Quarter ended March 31, 2004	2.10	1.39
Fiscal Year ended December 31, 2003:	High	Low
Quarter ended December 31, 2003	2.19	1.52
Quarter ended September 30, 2003	3.15	1.99
Quarter ended June 30, 2003	3.45	1.70
Quarter ended March 31, 2003	3.25	1.90

Stockholders

As of March 18, 2005, the Company had approximately 147 record holders of its Common Stock, as reflected on the books of the Company's transfer agent. A significant number of shares were held in street name and, as such, the Company believes that the actual number of beneficial owners is significantly higher.

Dividends

The Company has not established a policy concerning payment of regular dividends nor has it paid any dividends on its Common Stock to date. Any payment of dividends in the future will be determined by the Board of Directors in light of conditions then existing, including restrictions imposed by the Company's preferred stock then outstanding, the Company's earnings, financial condition, capital requirements and debt covenants, and the tax treatment consequences of paying dividends. The company's ability to pay dividends to holders of its Common stock is restricted by the terms of the Series A and Series B Convertible Preferred Stock and the Laurus financing (See "Liquidity and Capital Resources" in Item 6 below).

Penny Stock

The Company's Common Stock is subject to provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock rule." Section 15(g) sets for the certain requirements for transactions in penny stock, and Rule 15g-9(d) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines "penny stock" to be any equity security that has a market price less than $5.00 per share, subject to certain exceptions. If the

Company's Common Stock is deemed to be penny stock, trading in the shares will be subject to additional sales practice requirements on broker-dealers who sell penny stock to persons other than established customers and accredited investors. "Accredited investors" are persons with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving penny stock, unless exempt, the rules require the delivery, prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt the rules require the delivery, prior to the first transaction of a risk disclosure document, prepared by the SEC, relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information to the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealer to trade and/or maintain a market in the Company's Common Stock and may affect the ability of the Company's shareholders to sell their shares.

Sale of Unregistered Securities

During the fourth quarter of 2004, the Company issued the following shares of its common stock without registration under the Securities Act of 1933, as amended (the "Securities Act"):

1. On October 1, 2004, the Company issued 40 shares of common stock to Greenwood Partners, L.P. related to a conversion of 0.002 shares of Series A Preferred Stock.

2. On December 2, 2004, the Company issued 111 shares of common stock to Laurus Master Fund, Ltd. related to the conversion of $150 of a convertible note payable.

The above issuances were unregistered, as the Company was relying on the exemptions from registration contained in Section 4(2) of the Securities Act, and Regulation D promulgated thereunder, on the basis that such transactions did not involve public offerings of securities.

Item 6. Management's Discussion and Analysis or Plan of Operation.

General

Use of Estimates and Critical Accounting Policies

In preparing our consolidated financial statements, we make estimates, assumptions and judgments that can have a significant effect on our revenues, income (loss) from operations, and net income (loss), as well as on the value of certain assets on our consolidated balance sheet. We believe that there are several accounting policies that are critical to an understanding of our historical and future performance as these policies affect the reported amounts of revenues, expenses, and significant estimates and judgments applied by management. While there are a number of accounting policies, methods and estimates affecting our financial statements, areas that are particularly significant include receivable reserves, recoverability of long-lived assets, revenue recognition, stock-based compensation, and recoverability of goodwill and other intangible assets. In addition, please refer to Note 1 to the accompanying financial statements for further discussion of our accounting policies.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is based on specific identification of customer accounts and our best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. We evaluate the collectibility of our receivables at least quarterly. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The differences could be material and could significantly impact cash flows from operating activities.

Impairment of Long-Lived Assets

The Company's management assesses the recoverability of its long-lived assets by determining whether the depreciation and amortization of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment is measured based on fair value and is charged to operations in the period in which long-lived asset impairment is determined by management.

Goodwill

Goodwill represents the excess of acquisition cost over the net assets acquired in a business combination. Management reviews, on an annual basis, the carrying value of goodwill in order to determine whether impairment has occurred. Impairment is based on several factors including the Company's projection of future operating cash flows. If an impairment of the carrying value were to be indicated by this review, the Company would perform the second step of the goodwill impairment test in order to determine the amount of goodwill impairment, if any.

Deferred Taxes

We record a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. We have considered estimated future taxable income and ongoing tax planning strategies in assessing the amount needed for the valuation allowance. If actual results differ favorably from those estimates used, we may be able to realize all or part of our net deferred tax assets. Such realization could positively impact our operating results and cash flows from operating activities.

Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 101, "*Revenue Recognition in Financial Statements"*, as revised by SAB 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable and collectibility is probable. Sales are recorded net of sales discounts.

Revenue is generally recognized at the time the contract and related services are performed. The Company recognizes revenues from time and materials contracts and consulting services as those services are performed. Advance payments made under these contracts are recorded as deferred revenue and recognized when the related services are performed.

SouthernStone Cabinets, Inc. and SE Tops of Florida, Inc. recognize revenue for product sales at the time the related products are shipped to the customer. SE recognizes revenue upon complete installation of the cabinets and inspection.

Stock-Based Compensation

The Company uses the intrinsic value method of accounting for stock-based compensation to employees in accordance with Accounting Principles Board Opinion ("APB") No. 25, as amended, *"Accounting for Stock Issued to Employees."* The Company accounts for non-employee stock-based compensation under Statement of Financial Accounting Standards ("SFAS") No. 123, *"Accounting for Stock-Based Compensation."* At December 31, 2004, the Company had two stock-based employee compensation plans, which are described more fully in Note 9 of the accompanying consolidated financial statements. The Company accounts for those plans under the recognition and measurement principles of APB 25, and related interpretations. The Company has applied the disclosure provisions in SFAS No. 148 in its consolidated financial statements and the accompanying notes.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("Statement 123(R)") to provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transaction be recognized in financial statements. The cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123(R) replaces SFAS No.123, and supercedes APB 25. SFAS No.123, as originally issued in 1995, established a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) will be required to apply Statement 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. Small business issuers will be required to apply Statements 123(R) as of the first interim or annual reporting period that begins after December 15, 2005. The Company is in the process of evaluating whether the adoption of SFAS 123(R) will have a significant impact on the Company's overall results of operations or financial position.

Beneficial Conversion Feature

The Company has issued a note payable and preferred stock which provides for rates of conversion that are below market value. This feature is normally characterized as a beneficial conversion feature ("BCF"), which is recorded by the Company, pursuant to the Emerging Issues Task Force ("EITF") Issue No. 98-5 ("EITF 98-05"), "*Accounting For Convertible Securities with Beneficial Conversion Features or Contingency Adjustable Conversion Ratio*," and EITF Issue No. 00-27, "*Application of EITF Issue No. 98-5 To Certain Convertible Instruments*."

Results of Operations - Year ended December 31, 2004 compared to year ended December 31, 2003

Net Sales

Restoration Services

The revenue for the year ended December 31, 2004 was $16,566 compared to $13,996 for the year ended December 31, 2003. The increase is primarily due to PWS's increased revenues of $2,122 in 2004. PWS was awarded two contacts that generated revenues of $900 in 2004. One of the contracts is completed. Approximately 60% of the increased revenues were a result of the Florida hurricane restoration work. The company expects to achieve hurricane restoration revenues announced in the press releases from 2004. PWS mold remediation revenues in 2004 ($1,726) decreased 40% from 2003 ($2,886) as a result of insurers imposing stricter requirements on coverage for mold claims. Twelve months of FSS revenues were included in 2004 ($800) compared to five months FSS revenue in 2003 ($347). FSS was acquired as of July 31, 2003.

Specialty Interior Services

The revenue for the year ended December 31, 2004 was $14,555 compared to $0 for the year ended December 31, 2003. The increase is due to the revenues from the SE acquisition effective December 31, 2003.

Costs of Sales

Restoration Services

Costs of sales for the year ended December 31, 2004 were $7,937 compared to $7,095 for the year ended December 31, 2003. Restoration services total cost of sales increased with increased sales. Restoration service gross margins were 48% and 51% for the year ended December 31, 2004 and December 31, 2003, respectively. PWS Florida cost of sales (40%) were lower than experienced when performing work only in California (49%) because the Florida restoration work does not involve hazardous material.

Specialty Interior Services

Costs of sales for the year ended December 31, 2004 were $8,781 compared to $0 for the year ended December 31, 2003. The increase is due to the costs of sales from the SE acquisition effective December 31, 2003. Costs for material are not anticipated to increase materially in 2005.

Selling, General and Administrative Expenses

Restoration Services

Selling, general and administrative expenses were $6,097 for the year ended December 31 , 2004 compared to $5,488 for the year ended December 31, 2003. The increase of $668 from 2003 is primarily due to the addition of FSS, acquired as of July 31, 2003 and slightly increased PWS expenses. Selling, general and administrative expenses as a percentage of revenues were 33% and 39% for the year ended December 31 , 2004 and December 31, 2003, respectively.

Specialty Interior Services

Selling, general and administrative expenses were $2,140 for the year ended December 31 , 2004 compared to $0 for the year ended December 31, 2003. This increase is due to the operating costs from the SE acquisition effective December 31, 2003. These expenses are expected to be stable during 2005.

Corporate

Corporate general and administrative expenses were $2,119 for the year ended December 31 , 2004 compared to $1,674 for the year ended December 31, 2003. The increase of $445 is due primarily to increased legal expenses incurred in the second quarter 2004 related to the Acstar and Barber litigation ($104), increased investor relations, legal and professional and consulting expenses ($233) and increased salaries and payroll taxes ($247). Acquisition costs decreased $231 from the year ended December 31, 2003. Corporate expenses in the year ended December 31 , 2003 include $92 in one-time credits to expenses. Corporate expenses as a percentage of revenues were 7% and 12% for the year ended December 31, 2004 and December 31, 2003, respectively.

Other Income (Expense)

Interest expense was $930 for the year ended December 31, 2004 compared to $619 for the year ended December 31, 2003. The increase of $311 is primarily related to the debt issue cost amortization related to the financing events in 2004. Other income was $224 in 2004 compared to $179 in 2003. Interest income was $38 for the year ended December 31, 2004 compared to $1 for the year ended December 31, 2003. In 2004 $31 in non-cash amortization of imputed interest income was recorded from a note receivable.

Impairment Loss

Impairment loss expenses were $0 for the year ended December 31, 2004 compared to $297 for the year ended December 31, 2003. This represents a decrease of $297 from 2003. In 2003, $140 was related to CTRS acquisition expenses written off after the rescission of the CTRS acquisition and $157 was related to a loss on retirement of the shares returned after the CTRS rescission.

Liquidity and Capital Resources

The Company's existing capital resources as of December 31, 2004, consisted of cash and accounts receivable totaling $6,624 compared to cash and accounts receivable of $7,279 as of December 31, 2003. The Company believes that the financing arrangements the Company currently has in place are sufficient throughout the next twelve months to finance its working capital needs. Implementation of the Company's strategic plan of acquiring niche residential services companies will require additional capital, however.

The Company had a credit agreement with a financial institution. The credit agreement included a term loan, revolving line of credit and an equipment line of credit. A former stockholder of PWS guaranteed the credit agreement, secured by substantially all PWS assets and contained a provision that required PWS to maintain certain financial covenants. The Company repaid and closed the term loan, revolving line of credit and equipment line of credit facility in full on January 22, 2004 using proceeds from the Laurus Master Fund financing.

In January 2004, the Company raised $4,000 in a private placement with Laurus Master Fund, Ltd. ("Laurus"). The placement included two promissory notes -- a secured convertible minimum borrowing note in the original principal amount of $1,500 (the "Convertible Note") and a secured revolving note in the original principal amount of $2,500 (together, the "Notes") and 476 warrants, including the additional 50 warrants issued in November 2004 (See below). The Notes earn interest at the prime rate plus 2.5%, are secured by all of the assets of the Company, and the Convertible Note can be converted into shares of common stock at a conversion of price of $1.87 per share, as amended in connection with certain antidilution provisions as defined. These notes have a two-year term. The Company incurred $621 in related debt issue costs ($372 cash, $249 non-cash). The non-cash costs of $249 represent the relative fair value of the warrant and the effective beneficial conversion feature, which will be amortized to interest expense over the term of the related debt instrument along with the debt discount. For the year ended December 31, 2004, $263 has been amortized. In November 2004, the Company amended the Convertible Note adjusting the conversion price to $1.35 for $1,000 of the note and issued 50 additional warrants. As of December 31, 2004, $150 of principal balance was converted into 111 shares of common stock.

In March 2004, the Company raised $2,000 in a private placement of 0.08 shares of Series A Preferred Stock, $0.001 par value per share ("Series A Preferred Stock"). Dividends on the Series A Preferred Stock are payable semi-annually at a rate of 8% per annum, in cash or common stock, at the option of the Company. The Series A Preferred Stock converts into common stock at a conversion rate of $1.25 for each share of common stock at the option of the holder or automatically after two years. Purchasers of the Series A Preferred Stock received Series A Warrants to purchase 1,600 shares of common stock at an exercise price of $1.75 per share, which expired on July 1, 2004, and Series B Warrants to purchase 1,600 shares of common stock at an exercise price of $2.22 per share, as adjusted and subject to future adjustments, expiring March 2009. In the event of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of the Series A Preferred Stock are entitled to receive, out of the assets of the Company available for distribution to its stockholders, an amount equal to $25,000 per share of the Series A Preferred Stock plus any accrued and unpaid dividends before any payment is made or any assets distributed to the holders of the common stock. Related to this financing, the Company also issued 480 warrants to purchase common shares in the Company to consultants. Estimated costs of this transaction of $1,480 ($ 122 cash, $1,358 non cash) are being amortized as additional dividends over the two-year maximum life of the preferred stock. The $1,358 of non-cash issuance costs relate to the relative fair value of the warrants issued and the effective BCF. For the year ended December 31, 2004, the Company has accrued $122 in dividends payable and $640 in amortization of issuance, warrant and BCF costs. In September 2004 the Company at its option issued 60 shares of common stock in lieu of cash payment for $75 in accrued dividends.

In March 2004, the Company filed an S-3 registration statement, which was declared effective April 2, 2004, relating to the offer and sale of an aggregate of 10,533 shares of common stock, $0.001 par value per share to be offered by the selling stockholders identified in the S-3 prospectus. Such shares include (i) 1,535 previously issued shares of Common Stock (ii) 2,560 shares of Common stock that could be issued by the Company upon the conversion of .08 shares of Series A Preferred Stock, $0.001 par value per share ("Preferred Stock") (including a certain number of shares of Common Stock that may be paid as dividends on the Preferred Stock issued by the Company), (iii) up to 1,499 shares of Common Stock that could be issued upon the conversion of a convertible promissory note (including a certain number of shares that could be paid as interest on such note) issued by the Company, and (iv) 4,940 shares of Common Stock that could be issued by the Company upon the exercise of certain outstanding warrants issued by the Company. The prices at which the selling stockholders may sell these shares will be determined by the prevailing market price for shares of our Common Stock or in negotiated transactions. The Company will not receive any of the proceeds from the sale of these shares, other than the exercise prices of any warrants that are exercised by selling stockholders who do not conduct cashless exercises of such warrants.

In July 2004, the Company raised $1,000 in a private placement of 0.04 shares of Series B Preferred Stock, $0.001 par value per share ("Series B Preferred Stock"). Dividends on the Series B Preferred Stock are payable semi-annually at a rate of 8% per annum, in cash or common stock, at the option of the Company. The Series B Preferred Stock converts into common stock at a conversion rate of $1.50 for each share of common stock at the option of the holder or automatically after two years. In the event of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of the Series B Preferred Stock are entitled to receive, out of the assets of the Company available for distribution to its stockholders, an amount equal to $25,000 per share of the Series B Preferred Stock plus any accrued and unpaid dividends before any payment is made or any assets distributed to the holders of the common stock.

During the twelve months ended December 31 , 2004, the Company generated net cash from operating activities of $2,734 including net income of $2,563.

The Company's investing activities used net cash of $5,093, primarily due to the purchase of SE and purchase of property and equipment.

The Company's net financing activities of $759 were primarily due to net proceeds from preferred stock issuance and notes payable. Cash flow outlays were for principal payments on long-term debt and capital leases, distributions to minority stockholder, repayments to the PWS line of credit balance and payments on notes payable to a related party.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether or to what extent any of such risks may be realized, nor are there any assurances that the Company has identified all possible risks that might arise. Current and potential investors should carefully consider all of the following risk factors before making an investment decision with respect to our stock.

We Have a Limited History of Acquiring and Operating Residential Services Companies.

The current strategy of acquiring and operating residential services companies is a relatively new direction for the Company, and we may encounter unanticipated, unusual, or unexpected risks and problems in developing this new area of business, which could adversely affect us as well as our operations, revenue, and ability to obtain a profit.

We Require Additional Capital to Acquire Residential Services Companies.

We will require additional capital to purchase niche residential services companies. If we are unable to raise capital when our needs arise, we will be unable to pursue our current business strategy and may not be able to fund our operations.

If We Obtain Additional Financing, or Acquire Companies using Our Common Stock, It Could Dilute Present Stockholder Holdings.

We will likely need to raise money through the sale of additional equity within the next twelve months, in one or more private placements and/or public offerings. If we do so, all of the then current existing stockholders and their stock holdings will be proportionately diluted. In addition, we will likely acquire companies using our common stock as consideration. If we do so, all of our existing stockholders at such time and their stock holdings will be proportionately diluted.

Our Business Depends on the Demand for Residential Services.

We would be adversely affected by any slowdown in the growth of, or reduction in demand for, residential services. Demand for our services depends on numerous factors including:

the amount and growth of household income;

the financial condition of homeowners, and whether a homeowner's insurance policy is available to pay the cost of our services;

the need for the remediation of indoor air contaminates, cleaning services, fabric protection and fire/water damage restoration;

changes in mortgage rates; and

general economic conditions.

Our Aggressive Business Plans Will Place a Significant Strain on Our Assets.

Implementation of our aggressive acquisition strategy will continue to impose significant strains on our management, operating systems and financial resources. The acquisitions that we are currently contemplating would involve substantial expenditures of our time and resources to close. If we fail to manage our growth or encounter unexpected difficulties during expansion, it could have a material adverse effect on our financial condition and results of operations. The pursuit and integration of acquisitions will require substantial attention from our senior management, which will limit the amount of time they are able to devote to our existing operations.

We Are Heavily Dependent on Our Senior Management.

If we lose members of our senior management, we may not be able to find appropriate replacements on a timely basis, and our business could be adversely affected. Our existing operations and continued future development depend to a significant extent upon the performance and active participation of certain key individuals, including our Chief Executive Officer and our Chief Financial Officer. We cannot guarantee that we will be successful in retaining the services of these or other key personnel. If we were to lose any of these individuals, we may not be able to find appropriate replacements on a timely basis and our financial condition and results of operations could be materially adversely affected.

We have a history of losses.

We incurred a consolidated net loss of $702 during the year ended December 31, 2003. Our management believes that our revised business plan will be successful and we will continue to be profitable as we were in 2004; however, there can be no assurance that we will be successful in executing our business plan or that we will sustain profitability now or in the future.

Because Our Competition Has Greater Experience and Resources Than We Do, We May Be at a Competitive Disadvantage.

Many of our competitors have significantly greater experience and financial resources than us, which could place us at a competitive disadvantage.

Item 7. Financial Statements.

The audited financial statements are annexed to this report, commencing on page F-i.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

On January 2, 2003, the Company replaced its former auditor, Merdinger, Fruchter, Rosen & Company, P.C. (who had resigned because the firm no longer audited public companies) with Corbin & Company LLP. The information relating to this change in the Company's independent accountants that was disclosed in the Company's Current Report on Form 8-K, which was filed with the SEC on January 7, 2003, is incorporated herein by reference**.**

Item 8A. Controls and Procedures.

As of December 31, 2004, an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to December 31, 2004.

(a) Evaluation of Disclosure Controls and Procedures. The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the CEO and CFO concluded that as of December 31, 2004 our disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company (or the Company's consolidated subsidiaries) required to be included in the Company's periodic filings with the SEC, subject to the various limitations on effectiveness set forth below under the heading, "LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS," such that the information relating to the Company, required to be disclosed in SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

Item 8B. Other information

None

PART III

Item 9. Directors and Executive Officers of the Registrant.

The information relating to directors, executive officers, and compliance with Section 16(a) of the Exchange Act contained in the Company's definitive proxy statement to be delivered to stockholders in connection with the 2005 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

Item 10. Executive Compensation.

The information relating to executive compensation contained in the Proxy Statement is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information relating to security ownership of certain beneficial owners and management contained in the Proxy Statement is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions

The information relating to related party transactions contained in the Company's Proxy Statement is incorporated herein by reference.

Item 13. Exhibits.

2.1 Stock Purchase Agreement dated November 1, 2002, by and between Nextgen Communications Corporation and Jane C. Barber (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.2 Promissory Note dated November 1, 2002, in the original principal amount of $1,500 issued by Nextgen Communications Corporation to Jane C. Barber (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.3 Promissory Note dated November 1, 2002, in the original principal amount of $1,000, issued by Nextgen Communications Corporation to Jane C. Barber (filed as Exhibit 2.3 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.4 Promissory Note dated November 1, 2002, in the original principal amount of $1,444, issued by Nextgen Communications Corporation to Jane C. Barber (filed as Exhibit 2.4 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.5 Secured Promissory Note dated November 1, 2002, in the original principal amount of $5,200, issued by Nextgen Communications Corporation to Jane C. Barber (filed as Exhibit 2.5 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.6 Assignment of Promissory Notes, dated November 1, 2002, by and between Nextgen Communications Corporation and Jane C. Barber (filed as Exhibit 2.6 to the Company's Current Report on Form 8-K filed on January 17, 2003, and incorporated herein by reference).

2.7 Warrant Purchase Agreement, dated November 15, 2002 by and between Nextgen Communications Corporation and Jane C. Barber (filed as Exhibit 2.16 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, and incorporated herein by reference).

2.8 First Amendment to Stock Purchase Agreement dated June 5, 2003, by and between Home Solutions of America, Inc. and Jane C. Barber (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.9 Registration Rights Agreement dated June 5, 2003, by and between Home Solutions of America, Inc. and Jane C. Barber (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.10 Amended and Restated Secured Convertible Note dated June 5, 2003, in the original principal amount of $2,242, issued by Home Solutions of America, Inc. to Jane C. Barber (filed as Exhibit 2.3 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.11 Amended and Restated Secured Promissory Note dated June 5, 2003, in the original principal amount of $1,554, issued by Home Solutions of America, Inc. to Jane C. Barber (filed as Exhibit 2.4 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.12 Pledge and Security Agreement dated June 5, 2003, by and among Jane C. Barber, Home Solutions of America, Inc., P.W. Stephens, Inc., and Kirkpatrick & Lockhart LLP (filed as Exhibit 2.5 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.13 Guaranty Agreement dated June 5, 2003, given by P.W. Stephens, Inc. to Jane C. Barber (filed as Exhibit 2.6 to the Company's Current Report on Form 8-K filed on June 6, 2003, and incorporated herein by reference).

2.14 Stock Purchase Agreement and Plan of Reorganization dated July 10, 2003, by and among Home Solutions of America, Inc., Jeffrey Hawkins, and CTRS Holding Corp. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 22, 2003, and incorporated herein by reference).

2.15 Partnership Interest Purchase Agreement, dated July 31, 2003, by and among Home Solutions of America, Inc., FSS Holding Corp., Grassmere Computer Products, Inc., and Merritt Computer Products, Inc. (filed as Exhibit 2.15 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).

2.16 Repurchase Option Agreement, dated July 31, 2003, by and among Home Solutions of America, Inc., FSS Holding Corp., Grassmere Computer Products, Inc., and Merritt Computer Products, Inc. (filed as Exhibit 2.16 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).

2.17 Agreement, dated December 2, 2003, by and among Home Solutions of America, Inc., FSS Holding Corp., Grassmere Computer Products, Inc., Merritt Computer Products, L.P. d/b/a Amherst Merritt International, Fiber-Seal Systems, L.P., and Rick J. O'Brien (filed as Exhibit 2.25 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003, and incorporated herein by reference).

2.18 Plan of Merger and Stock Purchase Agreement, dated February 6, 2004, by and among Home Solutions of America, Inc., Southern Exposure Holdings, Inc., S.E. Acquisition Corp. I, S.E. Acquisition Corp. II, Southern Exposure Unlimited of Florida, Inc., S.E. Tops of Florida, Inc., Dale W. Mars, and Dale W. Mars, Trustee for the Dale W. Mars Trust Dated 7-16-97 (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.19 Registration Rights Agreement, dated February 6, 2004, by and between Home Solutions of America, Inc. and Dale W. Mars (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.20 Subordinated Promissory Note, in the original principal amount of $4,500, issued by Southern Exposure Holdings, Inc. to Dale W. Mars, Trustee for the Dale W. Mars Trust Dated 7-16-97 (filed as Exhibit 2.3 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.21 Subordinated Promissory Note, in the original principal amount of $1,468, issued by Southern Exposure Holdings, Inc. to Dale W. Mars, Trustee for the Dale W. Mars Trust Dated 7-16-97 (filed as Exhibit 2.4 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.22 Pledge and Security Agreement, dated February 6, 2004, by and among Southern Exposure Holdings, Inc., S.E. Acquisition Corp. I, S.E. Acquisition Corp. II, Dale W. Mars, and Dale W. Mars, Trustee for the Dale W. Mars Trust Dated 7-16-97 (filed as Exhibit 2.5 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.23 Guaranty Agreement, dated February 6, 2004, provided by Home Solutions of America, Inc. to Dale W. Mars, Trustee for the Dale W. Mars Trust Dated 7-16-97 (filed as Exhibit 2.6 to the Company's Current Report on Form 8-K filed on February 9, 2004, and incorporated herein by reference).

2.24 Third Amendment to Stock Purchase Agreement, effective December 31, 2003, between Home Solutions of America, Inc. and Jane C. Barber (filed as Exhibit 2.1 to the Company's Registration Statement on Form S-3 filed on March 5, 2004, and incorporated herein by reference).

2.25 Stock Purchase Agreement, dated July 1, 2004, by and among Home Solutions of America, Inc., RAM Home Warranty Holding Corp., John Mazurkiewitz, Melinda Mazurkiewitz, and Watch Tower Bible & Tract Society of Pennsylvania, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 20, 2004, and incorporated herein by reference).

2.26 Fourth Amendment to Stock Purchase Agreement and Global Settlement and Release Agreement, effective December 31, 2003, among Home Solutions of America, Inc., P.W. Stephens, Inc., Jane C. Barber, and Spruce MacIntyre Holdings Corporation (filed as Exhibit 2.26 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, and incorporated herein by reference).

2.27 Amended and Restated Promissory Note, in the original principal amount of $800, dated June 2, 2004, issued by Home Solutions of America, Inc. and P.W. Stephens, Inc. to Jane C. Barber (filed as Exhibit 2.27 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, and incorporated herein by reference).

2.28 Secured Promissory Note, in the original principal amount of $1,550, dated June 2, 2004, issued by TFW Inc. to Jane C. Barber, as assigned to Home Solutions of America, Inc. on June 2, 2004 (filed as Exhibit 2.28 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, and incorporated herein by reference).

3.1	Certificate of Incorporation of the Company, as restated on July 31, 2001 (filed as Exhibit A to the Company's Information Statement on Schedule 14C filed on July 9, 2001, and incorporated herein by reference).
3.2	Certificate of Amendment to the Certificate of Incorporation of Nextgen Communications Corporation, changing the corporation's name to "Home Solutions of America, Inc.", as filed on December 23, 2002 (filed as Exhibit A to the Company's Information Statement on Schedule 14C filed on December 22, 2002, and incorporated herein by reference).
3.3	Bylaws of the Company, as amended on April 2, 2001 (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2001, and incorporated herein by reference).
4.1	Certificate of Designation of the Relative Rights and Preferences of the Series A Convertible Preferred Stock of Home Solutions of America, Inc., as filed with the Secretary of State of Delaware on February 27, 2004 (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-3 filed on March 5, 2004, and incorporated herein by reference).
4.2	Certificate of Designation of the Relative Rights and Preferences of the Series B Convertible Preferred Stock of Home Solutions of America, Inc., as filed with the Secretary of State of Delaware on July 19, 2004 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 20, 2004, and incorporated herein by reference).
10.1 *	1998 Stock Option Plan (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-KSB for the year ended September 30, 1998, and incorporated herein by reference).
10.2 *	First Amendment to 1998 Stock Option Plan, dated May 20, 2003 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).
10.3 *	2001 Stock Plan (filed as Exhibit B to the Company's Information Statement on Schedule 14C filed on July 9, 2001, and incorporated herein by reference).
10.4 *	First Amendment to 2001 Stock Plan, dated May 20, 2003 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).
10.5 *	Stock Option Agreement executed December 27, 2001, to be effective as of October 3, 2000, by and between Frank J. Fradella and Nextgen Communications Corporation (filed as Exhibit 2 to Amendment No. 3 to Schedule 13D of Frank J. Fradella filed on January 3, 2002, and incorporated herein by reference).
10.6 *	Stock Option Agreement by and between R. Andrew White and Nextgen Communications Corporation, dated February 1, 2002 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2002, and incorporated herein by reference).
10.7 *	Restricted Stock Purchase Agreement by and between Frank J. Fradella and U S Industrial Services, Inc. dated April 2, 2001 (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, and incorporated herein by reference).
10.8*	Employment Agreement by and between P.W. Stephens, Inc., a California corporation, and Scott Johnson, effective September 1, 2001 (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, and incorporated herein by reference).
10.9	Form of Registration Rights Agreement between Nextgen Communications Corporation and each of four accredited investors, dated November 19, 2002 (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, and incorporated herein by reference).
10.10	Form of Warrant Purchase Agreement between Nextgen Communications Corporation and each of four accredited investors, dated November 19, 2002 (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, and incorporated herein by reference).
10.11 *	Executive Employment Agreement by and between R. Andrew White and Home Solutions of America, Inc., dated March 15, 2003 (filed as Exhibit 10.15 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, and incorporated herein by reference).

10.12 *	Consulting Agreement by and between Frank J. Fradella and Home Solutions of America, Inc., dated March 15, 2003 (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003, and incorporated herein by reference).
10.13 *	Executive Employment Agreement by and among Home Solutions of America, Inc., Fiber-Seal Systems, L.P., and Rick J. O'Brien, dated July 31, 2003 (filed as Exhibit 10.19 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).
10.14 *	Stock Option Agreement by and between Home Solutions of America, Inc. and Rick J. O'Brien, dated July 31, 2003 (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003, and incorporated herein by reference).
10.15 *	Stock Option Agreement by and between Home Solutions