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NEXIA HOLDINGS INC
Form 10QSB
November 30, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 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: 33-22128-D

NEXIA HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

84-1062062

(I.R.S. Employer Identification No.)

268 West 400 South, Salt Lake City, Utah

(Address of principal executive office)

84101

(Zip Code)

(801) 575-8073 (Issuer's telephone number)

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 XX

No

The number of outstanding shares of the issuer's common stock, \$0.001 par value, as of November 19, 2004 was 207,895,332.

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ITEM 1. FINANCIAL STATEMENTS

As used herein, the term "Nexia" refers to Nexia Holdings, Inc., a Nevada corporation, its subsidiary corporations and predecessors unless otherwise indicated. The accompanying unaudited, consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-QSB pursuant to the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows and stockholders' equity in conformity with generally accepted accounting principles in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial positions have been included and all such adjustments are of a normal recurring nature.

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Our unaudited consolidated balance sheet as of September 30, 2004, audited consolidated balance sheet as of December 31, 2003, the related unaudited consolidated statements of operations and other comprehensive income (loss) for the three and nine months ended September 30, 2004 and 2003 and unaudited consolidated statements of cash flows for the nine months ended September 30, 2004 and 2003 are attached hereto as Pages F-1 through F-17 and are incorporated herein by this reference.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES Consolidated Balance Sheets

		September 30, 2004

		(Unaudited)
ASSETS		
Current Assets		
Cash	\$	93,515
Restricted Cash		79,674
Accounts receivable - trade, net		120,889
Related party accounts receivable		39,982
Notes receivable - net of allowance of \$315,000		50,590

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Prepaid expenses	3,025
Marketable securities	31,889

Total Current Assets	419,564

Fixed Assets	
Property and equipment, net	2,824,683
Land	489,295

Total Fixed Assets	3,313,978

Other Assets	
Loan Costs, net	27,880

Total Other Assets	27,880

TOTAL ASSETS	\$ 3,761,422
	=====

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)

September 30, 2004

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	\$ 258,323
Accrued liabilities	161,045
Current portion of WVDEP liability	-
Unearned rent	34,640
Deferred revenue	409
Deferred gain on sale of subsidiary	-
Refundable deposits	15,391
Convertible debentures	60,000
Current portion long-term debt	1,161,957

Total Current Liabilities	1,691,765

Long-Term Liabilities	
Long-term debt	1,607,381

Total Long-Term Liabilities	1,607,381

Total Liabilities	3,299,146

MINORITY INTEREST	196,740

STOCKHOLDERS' EQUITY:	

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Preferred Series B stock, \$0.001 par value, 50,000,000 shares authorized, 8,000,000 shares issued and outstanding	8,000
Common stock, \$0.001 par value, 10,000,000,000 shares authorized 3,947,966 and 348,503 shares issued and outstanding, respectively	3,948
Additional paid-in capital	12,056,702
Treasury stock - 29,138 and 20,038 shares at cost, respectively	(100,618)
Expenses prepaid with common stock	-
Stock subscription receivable	(22,821)
Other comprehensive income	(4,396)
Accumulated deficit	(11,675,279)

TOTAL STOCKHOLDERS' EQUITY	265,536

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,761,422
	=====

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES Consolidated Statements of Operations and Other Comprehensive (Loss) (Unaudited)

	Three Months Ended September 30,	
	2004	2003
	-----	-----
Revenue		
Consulting revenue	\$ 52,700	\$ 145,869
Rental revenue	132,947	107,426
	-----	-----
Total Revenue	185,647	253,295
Costs of Revenue		
Costs associated with consulting revenue	96,506	323,116
Costs associated with rental revenue	223,521	71,255
Interest associated with rental revenue	55,771	36,110
	-----	-----
Total Costs of Revenue	375,798	430,481
Gross Profit (Deficit)		
Gross (deficit) from consulting operations	(43,806)	(177,247)
Gross profit (deficit) from real estate operation	(146,345)	61
	-----	-----

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Gross Profit (Deficit)	(190,151)	(177,186)
Expenses		
General & administrative expense	192,955	88,231
Impairment of marketable securities	6,935	-
Total Expenses	199,890	88,231
Operating Loss	(390,041)	(265,417)
Other Income (Expense)		
Interest Income (expense)	(2,562)	
Gain (loss) on sale of property and equipment	-	4,511
Gain on sale of subsidiaries	73,849	-
Gain (loss) on sale of marketable securities	-	20,777
Other income (expense)	14,828	(13)
Gain on settlement of debt	-	
Total Other Income (Expense)	86,115	25,277
Loss Before Minority Interest	(303,926)	(240,140)
Minority Interest in Loss	2,350	2,293
Net Loss Before Discontinued Operations	(301,576)	(237,847)
Loss from discontinued operations	-	-
Net Loss	(301,576)	(237,847)
Other Comprehensive Loss		
Change in marketable securities	-	(16,073)
Total Comprehensive Loss	\$ (301,576)	\$ (253,920)

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Other Comprehensive (Loss)
(Unaudited) Continued

	Three Months Ended September 30,	
	2004	2003
Net Loss Per Common Share, Basic and Diluted		
Loss before minority interest	\$ (0.15)	\$ (0.75)
Minority interest in loss	0.00	0.00
Loss before discontinued operations	(0.15)	(0.75)
Loss from discontinued operations	0.00	0.00

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Net loss per weighted average common share outstanding	\$ (0.15)	\$ (0.75)
	=====	=====
Weighted average shares outstanding - basic and diluted	1,966,904	322,217
	=====	=====

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Preferred Shares	Stock Amount
	-----	-----
Balance, December 31, 2002	-	\$ -
Common stock issued for loan fee	-	-
Disposition of treasury stock and stock subscription due to sale of subsidiary	-	-
Common stock issued for services	-	-
Common stock issued for Bonus	-	-
Common stock issued for services and prepaid services	-	-
Common stock issued for stock option exercise to employees	-	-

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Intrinsic value of stock options issued to employees	-	-
Beneficial conversion feature on convertible debentures	-	-
Adjustment for marketable securities	-	-
Net loss for the year ended December 31, 2003	-	-
	-----	-----
Balance, December 31, 2003	-	\$ -
	-----	-----

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Continued)

	Common Shares	Stock Amount	Additional Paid-in Capital	Treasury Stock	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting	Other Compr
Balance, December 31, 2003	310,353	\$ 310	\$ 9,957,316	\$(107,741)	\$ (107,800)	\$ -	\$ -	\$ -
Common stock issued for loan fee	5,000	5	49,996	-	-	-	-	-
Disposition of treasury stock and stock subscription due to sale of subsidiary	-	-	-	7,123	107,800	-	-	-
Common stock issued for services	8,000	8	18,992	-	-	-	-	-

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Common stock issued for bonus	17,550	18	228,132	-	-	-	-
Common stock issued for services and prepaid services	2,000	2	39,998	-	-	(13,333)	-
Common stock issued for stock option exercise to employees	5,600	6	55,994	-	(28,000)	-	-
Intrinsic value of stock options issued to employees	-	-	49,600	-	-	-	-
Beneficial conversion feature on convertible debentures	-	-	11,609	-	-	-	-
Adjustment for marketable securities	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2003	-	-	-	-	-	-	-
Balance, December 31, 2003	348,503	\$ 349	\$10,411,636	\$(100,618)	\$ (28,000)	\$ (13,333)	- \$

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (continued)

NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

	Preferred Stock
Shares	Amount

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Balance, December 31, 2003	----- -	----- \$ -
Cancellation of Common stock for subscription receivable (Unaudited)	-	-
Common stock issued for services (Unaudited)	-	-
Common stock issued for building improvements and services (Unaudited)	-	-
Common stock issued for stock option exercise to consultants (Unaudited)	-	-
Common stock issued for stock option exercise to employees (Unaudited)	-	-
Receipt of subscriptions receivable (Unaudited)	-	-
Amoritzation of prepaid expenses (Unaudited)	-	-
Intrinsic value of stock options issued to employees (Unaudited)	-	-
Balance, Forward	----- -	----- \$ -

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Continued)

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	Common Shares	Stock Amount	Additional Paid-in Capital	Treasury Stock	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting	Other Compr
Balance, December 31, 2003	348,503	\$ 349	\$10,411,636	\$ (100,618)	\$ (28,000)	\$ (13,333)	\$ -	\$ -
Cancellation of common stock for subscription receivable (Unaudited)	(700)	(1)	(6,999)	-	7,000	-	-	-
Common stock issued for services (Unaudited)	269,831	270	680,382	-	-	-	-	-
Common stock issued for building improvements and services (Unaudited)	6,000	6	19,194	-	-	-	-	-
Common stock issued for stock option exercise to consultants (Unaudited)	150,400	150	108,994	-	-	-	-	-
Common stock issued for stock option exercise to employees (Unaudited)	106,100	106	139,994	-	-	-	-	-
Receipt of subscriptions receivable (Unaudited)	-	-	-	-	21,000	-	-	-
Amortization of prepaid expenses (Unaudited)	-	-	-	-	-	13,333	-	-
Intrinsic value of stock options issued to employees (Unaudited)	-	-	253,250	-	-	-	-	-
Balance Forward	880,134	\$ 880	\$ 11,606,451	\$ (100,618)	\$ -	\$ -	\$ -	\$ -

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES Consolidated Statement of Stockholders' Equity

	Preferred Shares	Stock Amount
	-----	-----
Balance, Forward	-	\$ -
Fair Value of options issued for prepaid consulting fees (Unaudited)	-	-
Application of option grants to accounts payable (Unaudited)	-	-
Adjustment for marketable securities (Unaudited)	-	-
Common stock issued for services (Unaudited)	-	-
Common stock issued for stock option exercise to consultants (Unaudited)	-	-
Common stock issued for stock option exercise to employees (Unaudited)	-	-
Common stock issued for subscriptions receivable, consultants (Unaudited)	-	-

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Common Stock issued for subscriptions receivable employees (Unaudited)	-	-
Fair Value of stock options issued to consultants (Unaudited)	-	-
Series B preferred stock issued for services (Unaudited)	8,000,000	\$ 8,000
Balance Forward	8,000,000	\$ 8,000

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Continued)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting	Other Income
Balance Forward	880,134	\$ 880	\$11,606,451	\$(100,618)	\$ -	\$ -	\$ -	\$ -
Fair Value of options issued for prepaid consulting fees (Unaudited)	-	-	43,988	-	-	-	(43,988)	-
Application of option grants to accounts payable (Unaudited)	-	-	7,466	-	-	-	-	-
Adjustment for marketable securities (Unaudited)	-	-	-	-	-	-	-	-
Common stock issued for services								

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(Unaudited)	1,360,308	1,360	154,681	-	-	-	-
Common stock issued for stock option exercise to consultants (Unaudited)	358,000	358	40,104	-	-	-	-
Common stock issued for stock option exercise to employees (Unaudited)	105,000	105	19,395	-	-	-	-
Common stock issued for subscriptions receivables, consultants (Unaudited)	118,500	119	5,806	-	(5,925)	-	-
Common stock issued for subscriptions receivables, employees (Unaudited)	1,126,024	1,126	15,770	-	(16,896)	-	-
Fair value of stock options issued to consultants (Unaudited)	-	-	87,786	-	-	-	-
Series B preferred stock issued for services (Unaudited)	-	-	-	-	-	-	-
Balance Forward	<u>3,947,966</u>	<u>\$ 3,948</u>	<u>\$1,981,447</u>	<u>\$ (100,618)</u>	<u>\$ (22,821)</u>	<u>\$ -</u>	<u>\$ (43,988)</u>

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity

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	Preferred Stock Shares	Amount
	-----	-----
Balance, Forward	8,000,000	\$ 8,000
Intrinsic Value of stock options issued to employees (Unaudited)	-	-
Shareholder proceeds from Option stock sales applied to A/P (Unaudited)	-	-
Amortization of deferred consulting balance expensed (Unaudited)	-	-
Adjustment for marketable securities (Unaudited)	-	-
Net loss for the nine months ended September 30, 2004 (Unaudited)	-	-
	-----	-----
Balance, September 30, 2004 (Unaudited)	8,000,000	\$ 8,000
	=====	=====

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (C

	Common Stock Shares	Stock Amount	Additional Paid-in Capital	Treasury Stock	Stock Subscription Receivable	Expenses Prepaid with Common Stock	Deferred Consulting	Other Compr
	-----	-----	-----	-----	-----	-----	-----	-----
Balance, Forward	3,947,966	\$ 3,948	\$11,981,447	\$(100,618)	\$ (22,821)	\$ -	\$ (43,988)	\$
Intrinsic value of stock options								

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issued to employees (Unaudited)	-	-	55,949	-	-	-	-
Shareholder proceeds from Option stock sales applied to A/P (Unaudited)	-	-	19,306	-	-	-	-
Amortization of deferred consulting expensed (Unaudited)	-	-	-	-	-	-	43,988
Adjustment for marketable securities (Unaudited)	-	-	-	-	-	-	-
Net loss for the nine months ended September 30, 2004 (Unaudited)	-	-	-	-	-	-	-
Balance, September 30, 2004 (Unaudited)	3,947,966	\$ 3,948	\$12,056,702	\$ (100,618)	\$ (22,821)	\$ -	\$ -

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended
	September 30, 2004
Cash Flows From Operating Activities	
Net Income (Loss)	\$ (1,450,812)
Adjustments to reconcile net loss to net cash used in operating activities:	
Loss from discontinued operations	-
Loss from sale of investments	-
Loss from sale of property and equipment	-

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Gain from sale of subsidiaries	-
Permanent Impairment of marketable securities	194,827
Change in minority interest	(3,025)
Depreciation and amortization	99,574
Intrinsic and fair value of options issued	396,985
Issued common stock for services	752,207
Issued preferred stock for services	8,000
Amortization of expense prepaid with common stock	13,333
Revaluation and expense of variable deferred consulting	45,600
Changes in operating assets and liabilities:	
Increase in restricted cash	(79,674)
Accounts receivable	(87,502)
Related party transactions	(27,030)
Prepaid expenses	(2,926)
Other assets	10,179
Accounts payable	71,814
Accrued liabilities	30,521
Deferred revenue	6,184
Refundable deposit	(150)
Deferred gain on sale of subsidiary	(21,770)
Current portion of WVDEP liability	(20,000)
	<hr/>
Net Cash Used by Operating Activities	(63,665)
	<hr/>
Cash Flows From Investing Activities	
Cash paid for securities investment	(34,757)
Cash loaned on notes receivable	(20,431)
Cash received on notes receivable	6,790
Net cash distributed in sale transaction	-
Proceeds from sale of marketable securities	-
Proceeds from sale of property, plant and equipment	-
Cash paid of property, plant and equipment	(255,553)
	<hr/>
Net Cash Used By Investing Activities	(303,951)
	<hr/>

The accompanying notes are an integral part of these consolidated financial

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (continued)
(Unaudited)

	For the Nin
	----- September 30, 2004 -----
Cash Flows From Long Term Financing Activities	
Principal payments on long-term debt	\$ (97,351)
Proceeds from long-term debt	104,090
Receipt of stock subscriptions receivable	21,000

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Issuance of common stock for stock option exercise	339,319

Net Cash Provided By Financing Activities	367,058

Net Increase (Decrease) In Cash	(558)
Cash, Beginning Of Year	94,073

Cash, End Of Year	\$ 93,515
	=====
Supplemental Disclosure Of Information	
Cash paid during the year for interest	\$ 166,115
	=====
Cash paid during the year for income taxes	\$ -
	=====
Supplemental Disclosure of Non-Cash Investing and Financing Activities:	
Preferred stock issued for services	\$ 8,000
	=====
Common stock issued for services	\$ 752,207
	=====
Common stock issued for subscription receivable	\$ 22,281
	=====
Common stock issued for variable deferred consulting	\$ 43,988
	=====
Common stock issued for building improvements	\$ 98,733
	=====
Common stock issued for loan costs	\$ -
	=====
Office equipment acquired through capital lease	\$ -
	=====

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2004

NOTE 1 - BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements are those of Nexia Holdings, Inc. and Subsidiaries (the Company) and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim consolidated financial statements includes normal

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recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such consolidated financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim consolidated financial statements be read in conjunction with the Company's most recent audited consolidated financial statements and notes thereto included in its December 31, 2003 Annual Report on Form 10-KSB. Operating results for the nine months ended September 30, 2004 are not indicative of the results that may be expected for the year ending December 31, 2004.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred cumulative operating losses through September 30, 2004 of \$11,675,279 and a working capital deficit of \$1,272,201 at September 30, 2004 all of which raises substantial doubt about the Company's ability to continue as a going concern. Revenues have not been sufficient to cover the Company's operating costs. Management's plans to enable the Company to continue as a going concern include the following:

- o Increasing revenues from rental properties by implementing new marketing programs. Making certain improvements to certain rental properties in order to make them more marketable.
- o Reducing negative cash flows by selling rental properties that do not at least break even.
- o Refinancing high interest rate loans.
- o Increasing consulting revenues by focusing on procuring clients that pay for services rendered in cash or highly liquid securities.
- o Reducing expenses through consolidating or disposing of certain subsidiary companies. Relying on shares of common stock issued pursuant to registered S-8 to cover labor costs for renovations of properties and the Company's staff.
- o Raising additional capital through private placements of the Company's common stock.

There can be no assurance that the Company can or will be successful in implementing any of its plans or that they will be successful in enabling the company to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2004

NOTE 3 - MATERIAL EVENTS

A subsidiary of the Company is nearing completion of improvements to the Wallace Bennett building in downtown Salt Lake City. Through September 30, 2004, there have been improvements totaling \$529,000. Additional improvements completed in October total \$44,000, and it is estimated an additional \$100,000 will be spent to complete the project.

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The cost is being underwritten by issuing common stock to the general contractor for part and a bank construction loan for the balance. The bank loan balance as of October 14, 2004, was \$733,138 with monthly payments of \$6,948. It is estimated the loan balance will increase by another \$100,000.

Dark Dynamite, Inc., a related company, occupies part of the second floor of the building on a lease, and the ground floor retail space is all occupied. The Company will move to the Wallace Bennett Building by the end of November.

On July 1, 2004, the Company authorized the issuance of 38,000 shares of its common stock to Francis Zubrowski, pursuant to the exercise of his stock options, the shares were registered under the Company's S-8 Registration Statement.

On July 1, 2004, the Company authorized the issuance of 38,000 shares of its common stock to Tim Hall, pursuant to the exercise of his stock options, the shares were registered under the Company's S-8 Registration Statement.

On July 19, 2004, the Company authorized the issuance of the following shares pursuant to the exercise of options granted to the named individuals: 10,000 shares to Felix Correa, 10,000 shares to Tim Hall, 10,000 shares to Guy Cook, and 20,000 shares to Ernie Burch. The shares were registered under the Company's S-8 Registration Statement.

On July 22, 2004, the Company, as directed and authorized by the board of directors, filed an amendment to its S-8 Registration Statement and 2004 Benefit Plan, increasing the number of shares registered by 1,000,000. The total number of shares now registered pursuant to the S-8 Registration Statement and the 2004 Benefit Plan of the Company is 1,650,000.

On July 27, 2004, the Company authorized the issuance of the following shares pursuant to the exercise of options granted to the named individuals: 50,000 shares to Alex Bustos, 18,000 shares to Elias Roussos, 15,000 shares to Michael Golightly, 10,000 shares to Sandra Jorgensen, 50,000 shares to Tim Hall, 20,000 shares to Brent Sorensen, and 50,000 shares to Carl Spencer. The shares were registered under the Company's S-8 Registration Statement.

On July 27, 2004, the Company authorized the issuance of 75,000 shares to Tim Hall, 6,750 shares to Donald Decker and 10,500 shares to Carl Spencer of shares registered under the Company's S-8 Registration Statement.

On August 5, 2004, the Company authorized the issuance of 40,000 shares to Guy Cook, 40,000 shares to Ernie Burch, 40,000 shares to Michael Golightly, 70,000 to Jose R. Prado, 30,000 shares to A. Franklin Adams, 30,000 shares to Alex Bustos and 90,000 shares to Francis Zubrowski. All of these shares were registered under the Company's S-8 Registration Statement.

On August 30, 2004, the Company authorized the issuance of 100,000 shares to Hamlin K. Elrod and 100,000 shares to Edward T. Wells. All of these shares were registered under the Company's Amended S-8 Registration Statement.

On September 7, 2004, the Company authorized the issuance of 101,344 shares to Reggie Ainsworth, 66,560 shares to Jose R. Prado, 101,344 shares to Sandra Jorgensen, 101,344 shares to Ernie Burch, 160,000 shares to Frank Adams, 138,656 shares to Michael Golightly, 116,480 shares to Alex Bustos and 155,296 shares to Guy Cook. All of these shares were registered under the Company's Amended S-8 Registration Statement.

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On September 7, 2004, the Company authorized the issuance of 100,000 shares

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to Reggie Ainsworth pursuant to the exercise of an option good at 75% of the market price. The shares were registered under the Company's Amended S-8 Registration Statement.

On September 7, 2004, the Company authorized the issuance of 43,848 shares to Reggie Ainsworth, the shares were registered under the Company's Amended Registration Statement.

On September 16, 2004, the Company authorized the issuance of 100,000 shares to Reggie Ainsworth, 20,000 shares to Jose R. Prado, 18,500 shares to Elias Roussos, 50,000 shares to Carl Spencer, 20,000 to Sandra Jorgensen, 10,000 shares to Guy Cook, 15,000 shares to Michael Golightly, 50,000 shares to Tim Hall and 20,000 shares to Ernie Burch. All of these shares were registered under the Company's Amended S-8 Registration Statement.

NOTE 4 - RELATED PARTY TRANSACTIONS

On January 29, 2004, the Company accepted 9,100 shares of its own common stock held by Axia Group, Inc. (Axia), a related party, in satisfaction of all amounts due as a result of its consulting agreement. These shares are being held as treasury stock at predecessor basis of zero at September 30, 2004.

On September 21, 2004, the Company's board of directors approved the issuance to the Company's President and Chief Financial Officer, 8,000,000 shares of the Company's Series B Preferred Stock as an incentive to retaining the officer as an employee of the Company.

During the period ended September 30, 2004, the Company lent Axia a total of \$33,140 in the form of cash and payment of expenses. A total of \$39,982 is due from Axia at September 30, 2004.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
September 30, 2004

NOTE 5 - OUTSTANDING STOCK OPTIONS

A summary of the status of the Company's stock option plans as of September 30, 2004 and December 31, 2003 and changes during those periods is presented below:

	September 30, 2004		December 31,
	Shares	Weighted Average Exercise Price	Shares
Outstanding, beginning of period	-	\$ -	-
Granted	2,897,524	0.003	5,600
Exercised/Cancelled	-	-	-
Exercised	(2,075,024)	0.003	(5,600)
Outstanding end of period	822,500	\$ 0.002	-

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Exercisable - \$ -

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The Company estimated the fair value of each stock option issued during the period at the grant date by using the Black-Scholes option pricing model based on the following assumptions:

	For the Period Ended September 30, 2004
Risk free interest rate	0.89% -- 1.63%
Expected life	0.08 - 0.33 years
Expected volatility	446.82 - 616.97%
Dividend yield	0.00%

NOTE 6 - PREFERRED STOCK

On September 21, 2004, the Company authorized the issuance of 8,000,000 shares of its Series B Preferred Stock to Richard Surber. Such shares were issued to retain Mr. Surber as a personal guarantor of certain mortgages for the Company.

On October 15, 2004, the Company's board of directors executed a Certificate of Designation creating out of the 50,000,000 shares of Preferred Stock available for issue a series to be designated as Series C Convertible Preferred Stock consisting of 5,000,000 shares with a par value of \$0.001 and carrying a stated conversion value of \$5.00 per share.

A stock purchase agreement was signed on November 8, 2004, by the Company with Joseph Corso, Jr. The Company issued 100,000 shares of the Series C Convertible Preferred Stock in exchange for \$50,000 cash.

NOTE 7 - COMMON STOCK

On November 1, 2004, the Company conducted a 1 for 1000 reverse stock split of all of its issued and outstanding common shares. All references to common issued and outstanding stock or stock options, granted prior to November 1, 2004, have been retroactively restated to reflect the split.

NOTE 8 - SUBSEQUENT EVENTS

On October 6, 2004, the Company authorized the issuance of 250,000 shares to Reggie Ainsworth, 250,000 shares to Hamlin Elrod, 250,000 shares to Elias Roussos, 250,000 shares to Carl Spencer, 250,000 shares to Sandra Jorgensen, 250,000 shares to Guy Cook, 250,000 shares to Michael Golightly, 250,000 shares to Tim Hall, 250,000 to Grant Anea, 250,000 shares to Brent Sorensen, 250,000 shares to Felix Correa, 250,000 shares to Donald Decker, 250,000 shares to Frank Adams, 250,000 shares to Edward Wells and 250,000 shares to Alex Bustos. All of these shares were registered under the Company's Amended S-8 Registration Statement.

On October 15, 2004, the Company's board of directors executed a Certificate of Designation creating out of the 50,000,000 shares of Preferred Stock available for issue a series to be designated as Series C Convertible Preferred Stock consisting of 5,000,000 shares with a par value of \$0.001 and carrying a stated conversion value of \$5.00 per share.

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A stock purchase agreement was signed on November 8, 2004, by the Company with Joseph Corso, Jr. The Company issued 100,000 shares of the Series C Convertible

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Preferred Stock in exchange for \$50,000 cash.

On October 20, 2004, the Company authorized the issuance of 197,366 shares to Reggie Ainsworth registered under the Company's amended S-8 Registration Statement.

On November 1, 2004, the Company issued to Joseph Corso, Jr., a Series A Subordinated Convertible Redeemable Debenture due November 1, 2007, in the face amount of \$200,000, bearing interest at the rate of 24% per annum, in exchange for \$200,000 cash.

On November 4, 2004, the Company Board of Directors issued a resolution approving the stock purchase agreement for Series C Preferred Stock and the Series A Subordinated Convertible Redeemable Debenture due November 1, 2007, with Joseph Corso, Jr.

On November 9, 2004, the Company received from Community First Bank debt modification agreements which eliminated the on demand call provisions to two loans with balances at September 30, 2004, of \$1,015,256. The total balances of these two loans are included in the September 30, 2004 Consolidated Balance Sheets current portion of long term debt as part of the \$1,161,957 shown. Refer to the Capital Resources and Liquidity section, Page 5 of this report, for further comments on the matter. The effect of the debt modification agreements will result in a significant reduction in the current portion of long-term debt and total current liabilities at December 31, 2004.

On November 12, 2004, the Company authorized the issuance of 40,000,000 shares of its common stock registered on a Form S-8 Registration Statement as payment for services rendered to 16 individuals. These share were dispersed to the respective holders on November 19, 2004 pursuant to certain advisory and employment contracts.

On November 12, 2004, the Company authorized the issuance of a total of 200,000,000 shares pursuant to 20 Option Agreements which allow for the exercise of the option shares on a cashless basis with a strike price of 75% of the sales at the time of exercise. These option shares were dispersed to the respective holders on November 19, 2004.

On November 12, 2004, the Company issued 20,000,000 shares of its restricted pursuant to Section 4(2) of the Securities Act of 1933 as partial satisfaction to 2 debenture holders owed a total of \$60,000 plus interested. Each holder received 10,000,000 shares apiece.

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

General

Nexia operates in two primary areas of business through its subsidiaries: Nexia acquires, leases and sells real estate and provides financial consulting services. The following discussion examines Nexia's financial condition as a result of operations for the nine months ended September 30, 2004, and compares those results with the comparable period from last year.

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Real Estate Operations

Nexia's objective, with respect to real estate operations, is to acquire, through subsidiaries, properties which management believes to be undervalued and which Nexia is able to acquire with limited cash outlays. Nexia will consider properties anywhere within the continental United States. Nexia attempts to acquire such properties by assuming existing favorable financing and paying the balance of the purchase price with nominal cash payments or through the issuance of shares of common stock. Once such properties are acquired, Nexia leases them to primarily commercial tenants. Nexia also makes limited investments to improve the properties with the objective of increasing occupancy and cash flows.

Management believes that, with limited improvements and effective management, properties can be sold at a profit within a relatively short period of time.

Nexia recorded rental revenues of \$132,947 and \$379,958 for the three and nine months ended September 30, 2004 respectively, as compared to \$107,426 and \$346,650 for the same periods in 2003. Nexia's rental revenues for the comparative three month and nine months periods did not fluctuate significantly. Management's current belief is that rental revenues are stabilizing and with certain improvements being made to various properties rental revenues should improve over the next 12 months.

Nexia had a loss from real estate operations of \$146,345 and \$311,297 for the three and nine months ended September 30, 2004, compared to a gain of \$61 and a loss of \$82,208 for the same periods in 2003. The increase in loss is attributable primarily to the increase in expenses relating to certain improvements made during the three and nine months ended September 30, 2004.

Nexia will continue efforts to improve profitability and cash flow by working to increase occupancy and rental income from those properties which have a high vacancy rate as well as focusing on properties with the highest per square foot rental rates. Nexia also intends to continue to purchase real estate primarily for appreciation purposes. Accordingly, Nexia hopes to not only minimize any real estate cash flow deficit, but also generate sufficient cash to record a substantial profit upon property disposition.

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Consulting Operations

Nexia, through its majority owned subsidiary, Hudson Consulting Group, Inc., ("Hudson") provides a variety of financial consulting services to a wide range of clients. The primary service performed by Hudson involves assisting clients in structuring mergers and acquisitions. This includes locating entities suitable to be merged with or acquired by Nexia's clients, as well as providing general advice related to the structuring of mergers or acquisitions. Hudson also assists clients in restructuring their capital formation and advises with respect to general corporate problem solving.

Nexia's consulting subsidiary generates revenues through consulting fees payable in the client's equity securities, cash, other assets or some combination of the three. The primary form of compensation received is equity securities of clients. When payment is made in the form of equity, the number of shares to be paid is usually dependent upon the price of the client's common stock (if such price is available) and the extent of consulting services provided. When stock is received as payment it is booked as deferred revenue at its currently quoted market value. After the stock is sold, it is then booked as revenue along with an accompanying gain or loss on the sale.

Nexia generates cash flow, in part, by liquidating non-cash assets (equity securities) received as fees for consulting services. As most fees are paid in

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the form of equity, the revenues and cash flows realized by Nexia are somewhat tied to the price of its clients' securities and Nexia's ability to sell such securities. A decline in the market price of a client's stock can affect the total asset value of Nexia's balance sheet and can result in Nexia incurring substantial losses on its income statement.

Nexia's portfolio consists primarily of restricted and unrestricted shares of common stock in micro to small cap publicly traded companies. The Company's ownership in the above publicly traded companies is less than 20% and thus accounts for them as investments available for sale at the lower of cost or market. Nonetheless, Nexia's portfolio is considered extremely volatile.

Revenues from Nexia's financial consulting operations decreased for the period ended September 30, 2004, as compared to the comparable periods in 2003. Nexia recorded \$52,700 and \$109,133 in revenues for the three months and nine months ended September 30, 2004, respectively, from its financial consulting operations as compared to \$145,869 and \$256,702 for the same periods in 2003. Nexia experienced a loss from consulting operations of \$43,806 and \$240,196 for the three and nine months ended September 30, 2004, as compared to losses of \$177,247 and \$170,784 for the same periods in 2003. The increase in losses from consulting is a result of Nexia's efforts to restructure and redefine the types of services it will provide in the future. Nexia has significantly scaled back its consulting operations and is considering discontinuing such services.

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Company Operations as a Whole

Revenues

Gross revenues for the three and nine month periods ended September 30, 2004, were \$185,647 and \$489,091 respectively as compared to \$253,295 and \$603,352 for the same periods in 2003. The decrease in nine month revenues of \$114,261 is primarily the result of the Company's decrease in the consulting revenue as a result of restructuring efforts.

Losses

Nexia recorded operating losses of \$390,041 and \$1,798,694 for the three and nine month periods ended September 30, 2004, respectively, compared to losses of \$265,417 and \$370,605 for the comparable periods in the year 2003.

Nexia recorded net losses of \$301,576 and \$1,450,812 for the three and nine months ended September 30, 2004, respectively, as compared to net losses of \$237,847 and \$118,996 for the same periods in 2003. The increase in losses is attributable primarily to the issuance of shares of common stock to pay for services rendered which increased expenses and the decreased consulting revenues.

The increases in losses are primarily due to the issuance of shares of common stock for payment of services rendered. The shares in most cases are valued at market and usually liquidated for substantially less than market. Subsequently, the issuance of shares because of certain accounting pronouncements shows the company financial picture by grossing up expenses, thereby creating higher losses than if the company paid for such services with cash.

Nexia does not expect to operate at a profit through fiscal 2004. Since Nexia's activities are closely tied to the securities markets and the ability to operate its real estate properties at a profit, future profitability or its revenue growth tends to follow changes in the securities and real estate marketplace. There can be no guarantee that profitability or revenue growth can be realized in the future.

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Expenses

General and administrative expenses for the three and nine months ended September 30, 2004, were \$192,955 and \$1,052,374, respectively, compared to \$88,231 and \$112,591 for the same periods in 2003. The increase in expenses is due primarily to directors' fees of \$480,000 and \$107,153 in legal and accounting fees. The Company issued 10,000,000 shares of restricted stock to each director as fees during the first quarter of the year which has a current value of approximately \$80.

Depreciation expenses for the nine months ended September 30, 2004 and September 30, 2003, were \$99,574 and \$102,213, respectively. This change was due primarily to the sale of properties by the Company.

Capital Resources and Liquidity

On September 30, 2004, Nexia had current assets of \$419,564 and \$3,761,422 in total assets. Nexia had a net working capital deficit of \$1,272,201 at September 30, 2004. The working capital deficit is due primarily to mortgages, which will, or may, come due in the next twelve months and are thus considered as current liabilities.

Part of the balance of long-term debt at September 30, 2004, is being carried as a current liability because of clauses which allow the mortgagee to call the notes. However, none of \$1,015,256 will become due unless a default occurs. Consequently, the working capital deficit would be \$285,394 if this portion of long term debt were removed from the calculation.

The Company signed a real estate purchase contract on November 2, 2004, to purchase a 12 unit apartment building in Salt Lake City. The agreed to purchase price is \$620,000, and completion of the transaction is contingent on the Company obtaining financing.

Net cash used in operating activities was \$63,665 for the nine months ended September 30, 2004, compared to net cash used in operating activities of \$318,853 for the nine months ended September 30, 2003.

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Cash used in investing activities was \$303,951 for the nine months ended September 30, 2004, compared to cash used by investing activities of \$31,229 for the same period in 2003.

Cash provided by financing activities was \$367,058 for the nine months ended September 30, 2004, compared to cash provided of \$285,989 for the same period in 2003.

Due to Nexia's debt service on real estate holdings, willingness to acquire properties with negative cash flow shortages and acceptance of non-cash assets for consulting services, Nexia may experience occasional cash flow shortages. To cover these shortages we may need to sell securities from time to time at a loss. In addition, the Company is currently experiencing challenges with regard to cash flows. We are looking at several options to improve this situation, including private or public placement of Nexia common stock.

Stock and Options To Employees and Contractors

Throughout the quarter ending September 30, 2004, Nexia's subsidiary, Hudson Consulting Group, Inc., has continued a policy of limited cash payments to its employees and relied primarily on the issuance of Nexia's common stock

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registered under the Company's S-8 Registration Statement for employee compensation. This has created significant dilution and will continue to dilute existing shareholders until such practices cease to be used as a method of compensating employees.

Impact of Inflation

Nexia believes that inflation has had a negligible effect on operations over the past three years. Nexia believes that it can offset inflationary increases in the cost of materials and labor by increasing sales and improving operating efficiencies.

Known Trends, Events, or Uncertainties

General Real Estate Investment Risks

Nexia's investments are subject to varying degrees of risk generally incident to the ownership of real property. Real estate values and income from Nexia's current properties may be adversely affected by changes in national or local economic conditions and neighborhood characteristics, changes in interest rates and in the availability, cost and terms of mortgage funds, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes and other natural disasters which may result in uninsured losses, acts of war, adverse changes in zoning laws and other factors which are beyond the control of Nexia.

Value and Illiquidity of Real Estate

Real estate investments are relatively illiquid. The ability of Nexia to vary its ownership of real estate property in response to changes in economic and other conditions is limited. If Nexia must sell an investment, there can be no assurance that Nexia will be able to dispose of it in the time period it desires or that the sales price of any investment will recoup the amount of Nexia's investment.

Property Taxes

Nexia's real property is subject to real property taxes. The real property taxes may increase or decrease as property tax rates change and as the property is assessed or reassessed by taxing authorities. If property taxes increase, Nexia's operations could be adversely affected.

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ITEM 3. CONTROLS AND PROCEDURES

Nexia's president acts both as the Company's chief executive officer and chief financial officer ("Certifying Officer") and is responsible for establishing and maintaining disclosure controls and procedures for Nexia. The Certifying Officer has concluded (based on his evaluation of these controls and procedures as of a date within 90 days of the filing of this report) that the design and operation of Nexia's disclosure controls and procedures (as defined in Rule 13a-15) under the Securities Exchange Act of 1934 are effective and adequate.

There were no significant changes made in Nexia's internal controls or in other factors that could significantly affect Nexia's controls subsequent to the date of the evaluation, including any corrective actions with regard to slight deficiencies and material weaknesses. Due to the Certifying Officer's dual role as chief executive officer and chief financial officer, Nexia has no segregation of duties related to internal controls.

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PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Since the filing of Nexia's 10-KSB for the period ended December 31, 2003 no material changes have occurred to the legal proceedings reported therein, except as noted below. For more information please see Nexia's Form 10-KSB for the year ended December 31, 2003, filed May 19, 2004.

On September 14, 2004. Diversified Holdings I, Inc. v. West America Securities Corporation and Robert Kay, was filed in the Third Judicial District Court of Salt Lake County, civil file NO. 040919392. Suit was filed seeking final payment of the settlement from past litigation. Diversified is owed the sum of \$50,000 plus interest for the failure of Mr. Kay and West America to have paid these sums. Upon being informed of the filing of the suit settlement discussion were initiated and efforts are ongoing to obtain payment of the obligation and costs prior to service of process on the defendants. Diversified is a majority owned subsidiary of Nexia Holdings, Inc.

On September 28, 2004. Nexia Holdings, Inc. v. Richard Bailey, individually and Creative Marketing Group, Inc., was filed in the Third Judicial Circuit Court of Salt Lake County, civil file No. 040920424. This civil matter seeks to recover damages arising from the failed acquisition agreement between Nexia and Creative Marketing Group, Inc. including the failure to timely make payments provided for under a guaranty of payment for two debentures issued by Nexia in the total sum of \$60,000 principle, plus accrued interest. Additional causes of action and damages have been asserted in the suit, specific amounts of damages have not been specified. Service of process on the named defendants has been accomplished and the answer or response of the named defendants has not yet been received.

On October 6, 2004, Richard D. Surber and Hudson Consulting Group, Inc. v. Richard A. Bailey, Florian R. Ternes, Gateway Distributors Inc. and Worldwide Holdings Delaware Corp., was filed in the Third Judicial District Court of Salt Lake County, civil No. 040921072. Recovery is sought for the nonpayment of services provided to the named corporate defendants and the actions of the named individuals in failing to make payments as promised. Mr. Surber has joined the suit as a shareholder of Worldwide Holdings seeking recovery of damages due to him personally that are in addition to those due to Hudson. Service on the named parties has been placed with a private process server in the area where each defendant is located. None of the defendants have made an appearance.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On September 21, 2004, the Company authorized the issuance of 8,000,000 shares of its Series B Preferred Stock to Richard Surber, such shares were issued to retain Mr. Surber as a personal guarantor of certain mortgages for the Company and valued at \$8,000.

Effective as of November 1, 2004 the Board of Directors and with the consent of a majority of the voting rights approved and set a 1 for 1,000 reverse stock split of the common stock of the Company. All issued and outstanding shares of common stock on that date have been subjected to a reverse split with every 1,000 outstanding shares being exchanged for 1 post-reverse share. All fractional shares shall be rounded up to the next whole share. The trading symbol of the company has been changed as of the effective date of the stated

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reverse split and is now "NEXH.OB."

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

In a schedule 14C Information Statement filed on October 16, 2004, Nexia's board provided information regarding the decision of the board that it would be in the Company's best interest to conduct a reverse split of its common stock on up to a one for one thousand basis and that the board had received the consent of holders of a majority of the voting rights of the Company's securities to authorize the board to conduct such a reverse split in the Board's discretion. Final action was taken by the board and effective as of November 1, 2004 a 1 for 1,000 reverse split took effect.

The board believes that the reverse split provides for the combination of the presently issued and outstanding shares of common stock into a smaller number of shares of identical common stock. This process that is known as a reverse split will take up to one thousand shares of the issued and outstanding common stock on November 1, 2004 and convert those shares into one share of the post-reverse stock split common stock.

The board has indicated that fractional shares will not be issued. Instead, Nexia will issue one full share of the post-reverse stock split common stock to any shareholder who would have been entitled to receive fractional shares as a result of the process. Each shareholder will hold the same percentage of the outstanding common stock immediately following the reverse stock split as that shareholder did immediately prior to the stock split, except for minor adjustment as a result of the additional shares that will need to be issued as a result of the treatment of fractional shares.

The primary purposes of the reverse stock split as set forth by the board in the Schedule 14C are to accomplish the following:

- a) increase the per share price of the common stock to help maintain the interest of the markets
- b) reduce the number of outstanding shares of common stock to a level more consistent with other public companies with a similar anticipated market capitalization; and c) provide the management of the Company with additional flexibility to issue shares to facilitate future stock acquisitions and financing for the Company.

For the above stated reasons, the board believes that the reverse stock split is in the best interest of the Company and its shareholders. There can be no

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assurance, however, that the reverse stock split will have the desired benefits

Effects of the reverse stock split.

The reverse stock split has been effected by filing an amendment to the Company's Articles of Incorporation with the Nevada Secretary of State's office and an effective date of November 1, 2004 has been approved by the board of directors of the Company.

Nexia is currently authorized to issue 10,000,000,000 shares of its common stock of which 3,947,865,594 shares were currently issued and outstanding as of September 29, 2004. Shareholders holding votes equal to 4,172,426,643 have consented in writing to the proposal, this constitutes approval of 52.5% of

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the voting rights entitled to vote in any shareholder action. A reverse split on a 1 for one thousand basis would reduce the number of issued and outstanding shares of common stock to approximately 3,947,866 but will not reduce the number of authorized shares of common stock. The reverse split will not have any effect on the stated par value of the common stock.

The effect of the reverse split upon existing shareholders of the common stock will be that the total number of shares of Nexia=s common stock held by each shareholders will automatically convert into the number of whole shares of common stock equal to the number of shares of common stock owned immediately prior to the reverse stock split divided by up to 1,000, with an adjustment for any fractional shares. (Fractional shares will be rounded up into a whole share).

ITEM 5. OTHER INFORMATION

Each of the following disclosures has been adjusted to reflect the 1,000 for 1 reverse stock split of the outstanding shares of common stock that became effective as of November 1, 2004.

On July 1, 2004, the Company authorized the issuance of 38,000 shares of its common stock to Francis Zubrowski, pursuant to the exercise of his stock options, the shares were registered under the Company's S-8 Registration Statement.

On July 1, 2004, the Company authorized the issuance of 38,000 shares of its common stock to Tim Hall, pursuant to the exercise of his stock options, the shares were registered under the Company's S-8 Registration Statement.

On July 19, 2004, the Company authorized the issuance of the following shares pursuant to the exercise of options granted to the named individuals: 10,000 shares to Felix Correa, 10,000 shares to Tim Hall, 10,000 shares to Guy Cook, and 20,000 shares to Ernie Burch. The shares were registered under the Company's S-8 Registration Statement.

On July 22, 2004, the Company, as directed and authorized by the board of directors, filed an amendment to its S-8 Registration Statement and 2004 Benefit Plan, increasing the number of shares registered by 1,000,000. The total number of shares now registered pursuant to the S-8 Registration Statement and the 2004 Benefit Plan of the Company is 1,650,000.

On July 27, 2004, the Company authorized the issuance of the following shares pursuant to the exercise of options granted to the named individuals: 50,000 shares to Alex Bustos, 18,000 shares to Elias Roussos, 15,000 shares to Michael Golightly, 10,000 shares to Sandra Jorgensen, 50,000 shares to Tim Hall, 20,000 shares to Brent Sorensen, and 50,000 shares to Carl Spencer. The shares were registered under the Company's S-8 Registration Statement.

On July 27, 2004, the Company authorized the issuance of 75,000 shares to Tim Hall, 6,750 shares to Donald Decker and 10,500 shares to Carl Spencer of shares registered under the Company's S-8 Registration Statement.

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On August 5, 2004, the Company authorized the issuance of 40,000 shares to Guy Cook, 40,000 shares to Ernie Burch, 40,000 shares to Michael Golightly, 70,000 to Jose R. Prado, 30,000 shares to A. Franklin Adams, 30,000 shares to Alex Bustos and 90,000 shares to Francis Zubrowski. All of these shares were registered under the Company's S-8 Registration Statement.

On August 30, 2004, the Company authorized the issuance of 100,000 shares to Hamlin K. Elrod and 100,000 shares to Edward T. Wells. All of these shares were

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registered under the Company's Amended S-8 Registration Statement.

On September 7, 2004, the Company authorized the issuance of 101,344 shares to Reggie Ainsworth, 66,560 shares to Jose R. Prado, 101,344 shares to Sandra Jorgensen, 101,344 shares to Ernie Burch, 160,000 shares to Frank Adams, 138,656 shares to Michael Golightly, 116,480 shares to Alex Bustos and 155,296 shares to Guy Cook. All of these shares were registered under the Company's Amended S-8 Registration Statement.

On September 7, 2004, the Company authorized the issuance of 100,000 shares to Reggie Ainsworth pursuant to the exercise of an option good at 75% of the market price. The shares were registered under the Company's Amended S-8 Registration Statement.

On September 7, 2004, the Company authorized the issuance of 48,848 shares to Reggie Ainsworth, the shares were registered under the Company's Amended Registration Statement.

On September 16, 2004, the Company authorized the issuance of 100,000 shares to Reggie Ainsworth, 20,000 shares to Jose R. Prado, 18,500 shares to Elias Roussos, 50,000 shares to Carl Spencer, 20,000 to Sandra Jorgensen, 10,000 shares to Guy Cook, 15,000 shares to Michael Golightly, 50,000 shares to Tim Hall and 20,000 shares to Ernie Burch. All of these shares were registered under the Company's Amended S-8 Registration Statement.

Subsequent Events

On October 6, 2004, the Company authorized the issuance of 250,000 shares to Reggie Ainsworth, 250,000 shares to Hamlin Elrod, 250,000 shares to Elias Roussos, 250,000 shares to Carl Spencer, 250,000 shares to Sandra Jorgensen, 250,000 shares to Guy Cook, 250,000 shares to Michael Golightly, 250,000 shares to Tim Hall, 250,000 to Grant Anea, 250,000 shares to Brent Sorensen, 250,000 shares to Felix Correa, 250,000 shares to Donald Decker, 250,000 shares to Frank Adams, 250,000 shares to Edward Wells and 250,000 shares to Alex Bustos. All of these shares were registered under the Company's Amended S-8 Registration Statement.

On October 20, 2004, the Company authorized the issuance of 197,366 shares to Reggie Ainsworth. All of these shares were registered under the Company's Amended S-8 Registration Statement.

On November 12, 2004, the Company authorized the issuance of 40,000,000 shares of its common stock registered on a Form S-8 Registration Statement as payment for services rendered to 16 individuals. These share were dispersed to the respective holders on November 19, 2004 pursuant to certain advisory and employment contracts.

On November 12, 2004, the Company authorized the issuance of a total of 200,000,000 shares pursuant to 20 Option Agreements which allow for the exercise of the option shares on a cashless basis with a strike price of 75% of the sales at the time of exercise. These option shares were dispersed to the respective holders on November 19, 2004.

On November 12, 2004, the Company issued 20,000,000 shares of its restricted pursuant to Section 4(2) of the Securities Act of 1933 as partial satisfaction to 2 debenture holders owed a total of \$60,000 plus interest. Each holder received 10,000,000 shares.

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ITEM 6. EXHIBITS

(a) Exhibits: Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 9 of this Form 10-QSB, and are incorporated herein by this reference.

(b) Reports on Form 8-K During the period covered by this report, Nexia filed the following Form 8-K reports:

1. On August 31, 2004, the Company reported that on August 25, 2004 it had filed with the Nevada Secretary of State's office a designation for its Series B Preferred Stock. The shares have a liquidation value of \$0.001, same as the shares par value, and voting rights on a five hundred for one basis.

2. On September 28, 2004, the Company filed a report of an Unregistered Sale of Equity Securities. The board approved the issuance to the Company's President, Richard Surber, 8,000,000 shares of its Series B Preferred Stock. The issuance was intended to retain Mr. Surber as a guarantor on certain mortgages that benefit the Company. These shares equal 4,000,000,000 votes of the common stock of the Company.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 22nd day of November, 2004.

Nexia Holdings, Inc.

/s/ Richard Surber

Richard Surber, President and Director

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INDEX TO EXHIBITS

EXHIBIT NO.	PAGE NO.	DESCRIPTION
3(i)	*	Articles of Incorporation of Nexia (incorporated herein by reference to Form S-18 as filed with the Securities and Exchange Commission on September 28, 2004)
3(ii)	*	Bylaws of Nexia, as amended (incorporated herein by reference from Form S-18 as filed with the Securities and Exchange Commission on September 28, 2004)
3(iii)	*	Articles of Incorporation of Nexia (incorporated herein by reference to Form S-18 as filed with the Securities and Exchange Commission on September 28, 2004)

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Form 14-A as filed with the Securities and Exchange Commission on

4(a) * Form of certificate evidencing shares of "Common Stock" in Nexia (in accordance with the provisions of the Charter of Nexia) to Nexia's Form S-18 as filed with the Securities and Exchange Commission.

Material Contracts

10(i) * May 17, 2004 Contractor Agreement between the Company and Hallmark Construction Services, Inc. for construction services at the Wallace-Bennett building (cost of \$189,194.63 for construction services at the Wallace-Bennett building from the 10-QSB for March 31, 2004)

10(ii) * May 19, 2004 Contractor Agreement between West Jordan Real Estate Holdings, Inc. and the Company to refurbish two rental spaces located in the Glendale Shopping Plaza.

14.1 * Draft of Code of Ethics for Nexia Holdings, Inc. (incorporated hereinto the Charter of Nexia as of March 31, 2003 10-KSB).

Certifications

31(i) 16 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO THE SARBANES-OXLEY ACT OF 2002.

32(i) 17 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO THE SARBANES-OXLEY ACT OF 2002.

Other

Each of the following disclosures has been adjusted to reflect the 1,000 for 1 reverse stock split of the outstanding shares of common stock that became effective as of November 1, 2004.

99(x) 18 August 4, 2004, a Stock Option Agreement between the Company and Timothy J. Smith with a floating price set at 75% of the market price at the time of the agreement with 50,000 additional options vesting upon the execution of the agreement with 50,000 additional options vesting one month thereafter, beginning in September of 2004.

99(xi) 20 August 30, 2004, a Stock Option Agreement between the Company and Eric J. Smith with 25,000,000 options with a floating option price set at 75% of the market price at the time of the agreement with 25,000,000 options vesting upon the execution of the agreement with 25,000,000 options vesting one month thereafter beginning in September of 2004.

99(xii) 22 On August 31, 2004, a Stock Option Agreement between the Company and Eric J. Smith with 25,000,000 options with a floating option price set at 75% of the market price at the time of the agreement with 25,000,000 options vesting upon the execution of the agreement with 25,000,000 options vesting one month thereafter, beginning in September of 2004.

99(xiii) 24 September 1, 2004, an Employment Agreement between the Company and Eric J. Smith. Eric J. Smith is employed to provide paralegal services, maintenance of corporate records, and other administrative duties. Compensation is provided for at the rate of \$18.27 with 40 hours per week available.

99(xiv) 27 September 21, 2004, 2004, a Stock Option Agreement between the Company and Eric J. Smith granting 101,344 options with a floating option price set at 75% of the market price at the time of exercise, all of the options vested immediately.

99(xv) 29 September 21, 2004, 2004, a Stock Option Agreement between the Company and Eric J. Smith granting 66,560 options with a floating option price set at 75% of the market price at the time of exercise, all of the shares vested immediately.

99(xvi) 31 September 21, 2004, 2004, a Stock Option Agreement between the Company and Eric J. Smith granting 101,344 options with a floating option price set at 75% of the market price at the time of exercise, all of the options vested immediately.

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of exercise, all of the shares vested immediately.

99(xvii) 33 September 21, 2004, 2004, a Stock Option Agreement between the Compa
155,296 options with a floating option price set at 75% of the marke
all of the shares vested immediately.

99(xviii) 35 September 21, 2004, 2004, a Stock Option Agreement between the Compa
granting 138,656 options with a floating option price set at 75% of
of exercise, all of the shares vested immediately.

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99(xix) 37 September 21, 2004, 2004, a Stock Option Agreement between the Compa
160,000 options with a floating option price set at 75% of the marke
all of the shares vested immediately.

99(xx) 39 September 21, 2004, 2004, a Stock Option Agreement between the Compa
110,344 options with a floating option price set at 75% of the marke
all of the shares vested immediately.

99(xxi) 41 September 21, 2004, 2004, a Stock Option Agreement between the Compa
116,480 options with a floating option price set at 75% of the marke
all of the shares vested immediately.

Subsequent Events

99(xxii) 43 October 5, 2004, a Stock Option Agreement between the Company and Br
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxiii) 45 October 5, 2004, a Stock Option Agreement between the Company and Ca
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxiv) 47 October 5, 2004, a Stock Option Agreement between the Company and Edw
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxv) 49 October 5, 2004, a Stock Option Agreement between the Company and Ham
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxvi) 51 October 5, 2004, a Stock Option Agreement between the Company and Don
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxvii) 53 October 5, 2004, a Stock Option Agreement between the Company and Fel
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxviii) 55 October 5, 2004, a Stock Option Agreement between the Company and Gr
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxix) 57 October 5, 2004, a Stock Option Agreement between the Company and El
options with a floating option price set at 75% of the market price
the shares vested immediately.

99(xxx) 59 October 5, 2004, a Stock Option Agreement between the Company and Ti
with a floating option price set at 75% of the market price at the t
vested immediately.

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99(xxxi)	61	October 5, 2004, a Stock Option Agreement between the Company and Gu with a floating option price set at 75% of the market price at the t vested immediately.	14
99(xxxii)	63	October 5, 2004, a Stock Option Agreement between the Company and Re options with a floating option price set at 75% of the market price the shares vested immediately.	
99(xxxiii)	65	October 5, 2004, a Stock Option Agreement between the Company and Mi options with a floating option price set at 75% of the market price the shares vested immediately.	

* Previously filed as indicated and incorporated herein by reference from the referenced filings previously made by Nexia.

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Exhibit 31(i)

I, Richard Surber, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB for Nexia Holdings, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2004.

/s/ Richard Surber

Richard Surber the President,
CEO & CFO of Nexia Holdings, Inc.

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Exhibit 32(i)

CERTIFICATION

I, Richard Surber, Chief Executive and Financial Officer of Nexia Holdings, Inc. (the ARegistrant@), do hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) the Quarterly Report of Form 10-QSB of the Registrant, to which this certification is attached as an exhibit (the AReport@) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

/s/ Richard Surber
Richard Surber
Chief Executive and Financial Officer
November 22, 2004

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Exhibit 99(x)

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Stock Option Agreement") is granted effective this 4th day of August 2004 by Nexia Holdings, Inc. (the "Company") to Tim Hall, an individual providing services to the Company ("Optionee") and a Utah resident.

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PREMISES

A. The Company has received valuable services from Optionee in the past and desires to compensate Optionee for these services by issuing Optionee an option (the "Option") to purchase a total of One Hundred Fifty Million (150,000,000), shares of the Company's common stock, par value \$0.001, the options will have a floating option price set at 75% of the market price at the time of exercise, the options and shares issued subject to the options shall be issued pursuant to a registration statement on Form S-8 under the Securities Act of 1933 as amended ("Form S-8").

B. Optionee hereby agrees that in exchange for the grant of the options set forth herein that he will provide services required under a contract that provides for the renovation of approximately 3,700 square feet of commercial space located on the second floor of the Wallace Building, located on 100 South in Salt Lake City, these renovations will include new plumbing, windows, heating, venting, air conditioning, electrical work, painting, new flooring, roof repair, installation of fire escapes, and other items as shall be specified in the contract.

GRANT

1. Grant of Options. The Company hereby grants Optionee the right and option ("Option") to purchase the above described One Hundred Fifty Million (150,000,000) shares of Common Stock, on the terms and conditions set forth herein and subject to the provisions of the Form S-8 registration statement in exchange for services provided by Employee to the Company, 50,000,000 options shall vest immediately upon the exercise hereof and thereafter 50,000,000 additional options shall vest on the 15th of each subsequent month until all option rights have vested in the Optionee, however Optionee shall not be allowed to exercise any option rights that would result in Optionee holding more than 4.9% of the total issued and outstanding shares of the Company.

2. Term of Option. This Option may be exercised, in whole or in part, at any time but before one (1) Year has elapsed from the date of this Option, except as limited above by vesting rights. All rights to exercise this option end with the termination of services with the Company, for any reason and by any party.

3. Method of Exercising. This Option may be exercised in accordance with all the terms and conditions set forth in this Option, by delivery of a notice of exercise a form of which is attached hereto as Exhibit "A" and incorporated herein by this reference, setting forth the number of Options along with a signed letter of instruction to the stock broker Optionee will employ in selling the shares indicating that the specified exercise price shall be paid within 10 days of the sale or as otherwise specified at the time of exercise.

4. Optionee Not an Affiliate. Optionee hereby represents, warrants and covenants that he is not an affiliate of the Company as that term is defined in Rule 144(a)(1) under the Securities Act of 1933.

5. Availability of Shares. During the term of this Option, the Company shall reserve for issuance the number of shares of Common Stock required to satisfy this Option.

6. Adjustments to Number of Shares. The number of shares of Common Stock subject to this Option shall be adjusted to take into account any stock splits, stock dividends, recapitalization of the Common Stock as provided in the Stock Option Plan.

7. Limitation on Exercise. If the board of directors of the Company, in its sole discretion, shall determine that it is necessary or desirable to list,

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register, or qualify the Common Stock under any state or federal law, this Option may not be exercised, in whole or part, until such listing, registration or qualification shall have been obtained free of any conditions not acceptable to the board of directors.

8. Restrictions on Transfer. The Option has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities statutes. The shares of Common Stock issuable on exercise of the Option will be qualified for registration under a Form S-8 Registration Statement filed with the Securities and Exchange Commission.

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9. Record Owner. The Company may deem the Optionee as the absolute owner of this Option for all purposes. This Option is exercisable only by the Optionee, or by the Optionee's duly designated appointed representative. This Option is not assignable.

10. Shareholder's Rights. The Optionee shall have shareholder rights with respect to the Option shares only when Optionee has exercised this Option to purchase those shares and provided the Company with the letter of instruction specified in Section 4 of this Option.

11. Validity and Construction. The validity and construction of this Agreement shall be governed by the laws of the State of Utah.

IN WITNESS WHEREOF, the below signatures evidence the execution of this Option by the parties on the date first appearing herein. OPTIONEE Nexia Holdings, Inc.

_/s/ Tim Hall
Tim Hall, Optionee

/s/ Richard Surber
Richard Surber, President

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Exhibit 99(xi)

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Stock Option Agreement") is granted effective this 30th day of August, 2004 by Nexia Holdings, Inc. (the "Company") to Edward T. Wells, an attorney who has agreed to provide legal services to the Company and a Utah resident, ("Optionee").

PREMISES

A. The Company has received valuable services from Optionee in the past, desires to retain his services for the future and desires to compensate and provide an incentive to the Optionee by issuing Optionee an option (the "Option") to purchase a total of Two Hundred Million (200,000,000), shares of the Company's common stock, par value \$0.001, the options will have a floating option price set at 75% of the market price at the time of exercise, the options and shares issued subject to the options shall be issued pursuant to a registration statement on Form S-8 under the Securities Act of 1933 as amended ("Form S-8").

GRANT

1. Grant of Options. The Company hereby grants Optionee the right and option ("Option") to purchase the above described Two Hundred Million (200,000,000) shares of Common Stock, on the terms and conditions set forth

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herein and subject to the provisions of the Form S-8 registration statement in exchange for services provided by Optionee to the Company, 100,000,000 options shall vest immediately upon the exercise hereof and thereafter 25,000,000 additional options shall vest on the 30th day of each following month, beginning September 30, 2004, until all option rights have vested in the Optionee, however Optionee shall not be allowed to exercise any option rights that would result in Optionee holding more than 4.9% of the total issued and outstanding shares of the Company.

2. Term of Option. This Option may be exercised, in whole or in part, at any time but before one (1) Year has elapsed from the date of this Option. All rights to exercise this option end with the termination of engagement with the Company, for any reason and by any party.

3. Method of Exercising. This Option may be exercised in accordance with all the terms and conditions set forth in this Option and the Stock Option Plan: by delivery of a notice of exercise form (of which is attached hereto as Exhibit "A" and incorporated herein by this reference) setting forth that the specified exercise price shall be paid within 10 days of the sale or as otherwise specified at the time of exercise, the number of Options, and a signed letter of instruction to the stock broker Optionee will employ in selling the shares.

4. Optionee Not an Affiliate. Optionee hereby represents, warrants and covenants that he is not an affiliate of the Company as that term is defined in Rule 144(a)(1) under the Securities Act of 1933.

5. Availability of Shares. During the term of this Option, the Company shall reserve for issuance the number of shares of Common Stock required to satisfy this Option.

6. Adjustments to Number of Shares. The number of shares of Common Stock subject to this Option shall be adjusted to take into account any stock splits, stock dividends, recapitalization of the Common Stock as provided in the Stock Option Plan.

7. Limitation on Exercise. If the board of directors of the Company, in its sole discretion, shall determine that it is necessary or desirable to list, register, or qualify the Common Stock under any state or federal law, this Option may not be exercised, in whole or part, until such listing, registration, or qualification shall have been obtained free of any conditions not acceptable to the board of directors.

8. Restrictions on Transfer. The Option has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities statutes. The shares of Common Stock issuable on exercise of the Option will be qualified for registration under a Form S-8 Registration Statement filed with the Securities and Exchange Commission.

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9. Record Owner. The Company may deem the Optionee as the absolute owner of this Option for all purposes. This Option is exercisable only by the Optionee, or by the Optionee's duly designated appointed representative. This Option is not assignable.

10. Shareholder's Rights. The Optionee shall have shareholder rights with respect to the Option shares only when Optionee has exercised this Option to purchase those shares and provided the Company with the letter of instruction specified in Section 3 of this Option.

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11. Validity and Construction. The validity and construction of this Agreement shall be governed by the laws of the State of Utah.

IN WITNESS WHEREOF, the below signatures evidence the execution of this Option by the parties on the date first appearing herein.

OPTIONEE

Nexia Holdings, Inc.

/s/ Edward T. Wells
Edward T. Wells, Optionee

/s/ Richard Surber
Richard Surber, President

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Exhibit 99(xii)

STOCK OPTION AGREEMENT

This Stock Option Agreement ("Stock Option Agreement") is granted effective this 31st day of August 2004 by Nexia Holdings, Inc. (the "Company") to Hamlin K. Elrod, an individual providing services to the Company ("Optionee") and a Utah resident.

PREMISES

A. The Company has received valuable services from Optionee in the past and desires to compensate Optionee for these services by issuing Optionee an option (the "Option") to purchase a total of Two Hundred Million (200,000,000), shares of the Company's common stock, par value \$0.001, the options will have a floating option price set at 75% of the market price at the time of exercise, the options and shares issued subject to the options shall be issued pursuant to a registration statement on Form S-8 under the Securities Act of 1933 as amended ("Form S-8").

GRANT

1. Grant of Options. The Company hereby grants Optionee the right and option ("Option") to purchase the above described Two Hundred Million (200,000,000) shares of Common Stock, on the terms and conditions set forth herein and subject to the provisions of the Form S-8 registration statement in exchange for services provided by Optionee to the Company, 100,000,000 of the options shall vest immediately upon the execution hereof and 25,000,000 shall vest on the 30th day of each hereafter beginning on September 30, 2004, until all option rights have vested in the Optionee, however Optionee shall not be allowed to exercise any option rights that would result in Optionee holding more than 4.9% of the total issued and outstanding shares of the Company.

2. Term of Option. This Option may be exercised, in whole or in part, at any time but before one (1) Year has elapsed from the date of this Option, except as limited above by vesting rights. All rights to exercise this option end with the termination of services with the Company, for any reason and by any party.

3. Method of Exercising. This Option may be exercised in accordance with all the terms and conditions set forth in this Option, by delivery of a notice of exercise a form of which is attached hereto as Exhibit "A" and incorporated herein by this reference, setting forth the number of Options along with a signed letter of instruction to the stock broker Optionee will employ in selling the shares indicating that the specified exercise price shall be paid within 10 days of the sale or as otherwise specified at the time of exercise.

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4. Optionee Not an Affiliate. Optionee hereby represents, warrants and covenants that he is not an affiliate of the Company as that term is defined in Rule 144(a)(1) under the Securities Act of 1933.

5. Availability of Shares. During the term of this Option, th