



Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.....2  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS.....3  
ITEM 3. CONTROLS AND PROCEDURES.....6

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.....7  
ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.....7  
ITEM 5. OTHER INFORMATION.....7  
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.....8  
SIGNATURES.....8  
INDEX TO EXHIBITS.....9

[THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK]

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. Unaudited, consolidated condensed interim financial statements including a balance sheet for the Nexia for the period ended March 31, 2003, and statements of operations, and statements of cash flows for the interim period up to the date of such balance sheet and the comparable period of the preceding year are attached hereto as Pages F-1 through F-6 and are incorporated herein by this reference.

[THIS SPACE HAS BEEN LEFT BLANK INTENTIONALLY.]

2

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

|   | PAGE |
|---|------|
| Consolidated Balance Sheets.....                | F-2  |
| Consolidated Statements of Operations.....      | F-4  |
| Consolidated Statements of Cash Flows.....      | F-5  |
| Notes to Consolidated Financial Statements..... | F-6  |

F-1

NEXIA HOLDINGS, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

|   | March 31,<br>2003 |             |
|---|-------------------|-------------|
|   | -----             |             |
|   |                   | (Unaudited) |
| ASSETS  |                   |             |
| Current Assets  |                   |             |
| Cash  | \$                | 46,282      |
| Accounts receivable - trade, net of allowance of \$40,031 |                   | 9,974       |
| Accounts receivable - related parties                     |                   | 24,173      |
| Prepaid expenses  |                   | 10,949      |
| Notes receivable - current                                |                   | 279,056     |
| Securities available for sale                             |                   | 128,188     |
|   | ----              |             |
| Total Current Assets                                      |                   | 498,622     |
|   | -----             |             |
| Fixed Assets  |                   |             |
| Property and equipment, net                               |                   | 4,260,588   |
| Land  |                   | 1,084,529   |
|   | -----             |             |
| Total Fixed Assets  |                   | 5,345,117   |
|   | -----             |             |
| Other Assets  |                   |             |
| Loan Costs, net   |                   | 86,899      |
| Total Other Assets  |                   | 86,899      |
|   | -----             |             |
| TOTAL ASSETS  | \$                | 5,930,638   |
|   | =====             |             |

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

F-2

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

|                                      | March 31,<br>2003 |             |
|--------------------------------------|-------------------|-------------|
|                                      | -----             |             |
|                                      |                   | (Unaudited) |
| LIABILITIES AND STOCKHOLDERS' EQUITY |                   |             |
| LIABILITIES                          |                   |             |
| Current Liabilities                  |                   |             |
| Accounts payable                     | \$                | 155,305     |
| Accrued liabilities                  |                   | 139,219     |
| Unearned rent                        |                   | 33,949      |
| WVDEP liability                      |                   | 20,000      |

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

|   |              |       |
|---|--------------|-------|
| Deferred revenue  | 44,757       |       |
| Refundable deposit  | 19,550       |       |
| Deferred gain on sale of subsidiary   | 121,770      |       |
| Related party payable - Axia  | 408,333      |       |
| Current portion long-term debt  | 2,835,936    |       |
| Total Current Liabilities   | 3,778,819    |       |
|   | -----        |       |
| Long-Term Liabilities   |              |       |
| Notes and mortgages payable   | 1,407,214    |       |
| Total Long-Term Liabilities   | 1,407,214    |       |
|   | -----        |       |
| TOTAL LIABILITIES   | 5,186,033    |       |
|   | -----        |       |
| MINORITY INTEREST   | 355,766      |       |
| STOCKHOLDERS' EQUITY  |              |       |
| Preferred stock - 20,000,000 shares authorized at \$0.001 par, no shares issued   | -            |       |
| Common stock - 1,000,000,000 shares authorized at \$0.001 par 315,352,760 and 310,352,760 shares issued and outstanding; respectively | 315,353      |       |
| Paid-in capital   | 9,692,273    |       |
| Treasury stock - 22,198,540 and 7,685,340 shares at cost, respectively  | (107,741)    |       |
| Subscriptions to stock offering of subsidiary   | (107,800)    |       |
| Unrealized loss on securities available for sale  | 10,459       |       |
| Accumulated deficit   | (9,413,705)  |       |
| TOTAL STOCKHOLDERS' EQUITY  | 388,839      |       |
|   | -----        |       |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$ 5,930,638 | \$    |
|   | =====        | ===== |

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

F-3

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

|                    |    | Three Months<br>March 31<br>2003 |    |
|--------------------|----|----------------------------------|----|
|                    |    | -----                            |    |
| Revenue            |    |                                  |    |
| Consulting revenue | \$ | 58,203                           | \$ |
| Rental revenue     |    | 179,241                          |    |
|                    |    | -----                            |    |
| Total Revenue      |    | 237,444                          |    |

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

|  |  |    |             |
|--|--|----|-------------|
| Costs of Revenue                                       |  |    |             |
| Costs associated with consulting revenue               |  |    | 57,091      |
| Costs associated with rental revenue                   |  |    | 141,230     |
| Interest associated with rental revenue                |  |    | 114,123     |
|  |  |    | -----       |
| Total Costs of Revenue                                 |  |    | 312,444     |
| Gross Profit   |  |    |             |
| Gross profit from consulting operations                |  |    | 1,112       |
| Gross profit from real estate operations               |  |    | (76,112)    |
|  |  |    | -----       |
| Gross Profit   |  |    | (75,000)    |
| Expenses   |  |    |             |
| General & administrative expense                       |  |    | 18,500      |
| Impairment of marketable securities                    |  |    | 5,022       |
|  |  |    | -----       |
| Total Expenses   |  |    | 23,522      |
| Operating Loss   |  |    | (98,522)    |
|  |  |    | -----       |
| Other Income   |  |    |             |
| Interest and dividend income                           |  |    | 2,498       |
| Interest expense                                       |  |    | -           |
| Gain (loss) on sale of property and equipment          |  |    | -           |
| Gain (loss) on sale of marketable securities           |  |    | -           |
| Other income   |  |    | -           |
|  |  |    | -----       |
| Total Other Income (Expense)                           |  |    | 2,498       |
| Loss Before Minority Interest                          |  |    | (96,024)    |
| Minority Interest in (gain) loss                       |  |    | 4,961       |
|  |  |    | -----       |
| Net Loss   |  | \$ | (91,063)    |
|  |  |    | -----       |
| Other Comprehensive Income                             |  |    |             |
| Change in Marketable Securities                        |  |    | 9,586       |
|  |  |    | -----       |
| Total Comprehensive Loss                               |  | \$ | (81,477)    |
|  |  |    | =====       |
| Net Loss Per Common Share, basic and diluted           |  |    |             |
| Loss before minority interest                          |  | \$ | (0.00)      |
| Minority interest in loss                              |  |    | (0.00)      |
|  |  |    | -----       |
| Net loss per weighted average common share outstanding |  | \$ | (0.00)      |
|  |  |    | =====       |
| Weighted average shares outstanding - basic & diluted  |  |    | 289,098,664 |
|  |  |    | =====       |

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

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

F-4

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

|   | Three Mo<br>Mar |
|---|-----------------|
|   | 2003            |
|   | -----           |
| Cash Flows From Operating Activities  |                 |
| Net Loss  | \$ (91,063)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |                 |
| Loss from sale of investments   | -               |
| Loss from sale of property and equipment                                    |                 |
| Impairment of marketable securities   | 5,022           |
| Change in minority interest   | (106,335)       |
| Depreciation  | 48,343          |
| Issued common stock for services  | -               |
| Changes in operating assets and liabilities:                                |                 |
| Accounts and notes receivable   | (22,535)        |
| Related party receivables   | -               |
| Prepaid expenses  | 12,551          |
| Other assets  | 8,304           |
| Accounts & notes payable  | (47,830)        |
| Deferred revenue  | 3,223           |
| Refundable deposit  | 1,900           |
| Accrued liabilities   | (535)           |
|   | -----           |
| Net Cash Used by Operating Activities                                       | (188,955)       |
| Cash Flows From Investing Activities  |                 |
| Proceeds on sale of securities  | 3,089           |
| Purchase of property and equipment  | (5,850)         |
| Proceeds from sale of property and equipment                                | -               |
| Net cash received in acquisition transaction                                | -               |
| Issuance of notes receivable  | -               |
| Purchase of marketable securities   | -               |
|   | -----           |
| Net Cash Used by Investing Activities                                       | (2,761)         |
| Cash Flows from Financing Activities  |                 |
| Proceeds from long term debt  | 690,000         |
| Principal payments on notes and mortgages payable                           | (560,823)       |
| Increase (reduction) in long-term debt                                      | -               |
|   | -----           |
| Net Cash Provided (Used) by Financing Activities                            | 129,177         |
|   | -----           |
| Increase (Decrease) in Cash   | (62,539)        |
| Cash at Beginning of Period   | 108,821         |
|   | -----           |
| Cash at End of Period   | \$ 46,282       |
|   | =====           |

Supplemental Disclosures

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

|  |    |        |
|--|----|--------|
| Interest paid in cash  | \$ | 84,656 |
| Income taxes paid in cash  | \$ | -      |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities |    |        |
| Common stock issued for loan costs                                     | \$ | 50,000 |
| Office equipment acquired through capital lease                        | \$ | 19,815 |

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

F-5

### NEXIA HOLDINGS, INC. AND SUBSIDIARIES Notes to the Consolidated Financial Statements March 31, 2003 and December 31, 2002

#### NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements 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 financial statements prepared in accordance with generally accepted accounting principles 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 include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such 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, 2002 Annual Report on Form 10-KSB. Operating results for the three months ended March 31, 2003 are not indicative of the results that may be expected for the year ending December 31, 2003.

#### 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 March 31, 2003 of \$9,413,705 and has a working capital deficit of \$3,280,197 at March 31, 2003 all of which raise substantial doubt about the Company's ability to continue as a going concern.

Primarily, 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



## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

- o 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
- 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.

F-6

NEXIA HOLDINGS, INC. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
March 31, 2003 and December 31, 2002

NOTE 3 - MATERIAL EVENTS

On January 9, 2003, Kearns Development Corporation refinanced the underlying debt associated with certain land and real property. The new debt obligation is for \$660,000 with an interest rate of 7.16%, is due on demand with monthly installment payments of \$5,223 through January 9, 2013 at which time the remaining unpaid balance is due and payable in full. This debt obligation is secured by a first trust deed on the land and building and is personally guaranteed by the president of the Company. Proceeds from this refinancing were used to retire the previous debt associated with the land and real property having an outstanding balance of \$615,012 at December 31, 2002.

On January 30, 2003, West Jordan Real Estate Holdings, Inc. entered into a capital lease for a photocopy machine. The lease has a term of 5 years, calls for a \$1,056 advance payment with monthly payments of \$352 and an option to purchase the photocopy machine for fair market value at the end of the lease. The lease has an outstanding balance of \$19,036 at March 31, 2003.

On March 14, 2003, West Jordan Real Estate Holdings, Inc. executed a promissory note with an unrelated individual to borrow \$30,000

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

to be repaid on or before March 14, 2004. The obligation bears interest at a rate of 4% and is unsecured. In connection with this debt transaction, the Company issued to this individual 5,000,000 shares of the Company's common stock as additional consideration for making the loan. The shares have been valued at fair market value on the date of the transaction, \$0.01 per share or \$50,000 in total. This amount has been recognized as loan costs and is being amortized over the 12 month life of the loan.

### NOTE 4 - SUBSEQUENT EVENTS

On May 21, 2003, suit was filed in the District Court of Sedgwick County, Kansas seeking foreclosure on the mortgage of the office building held by Wichita Development. The suit alleges that mortgage payments are delinquent from February 1, 2003 and that the sum of \$270,471 is sought to satisfy the mortgage on the building.

F-7

### NOTE 5 - RESTATEMENT OF PRIOR PERIOD RESULTS

The amounts reflected in the statement of operations and statement of cash flows for the period ended March 31, 2002 have been restated to account for the merger transaction between Nexia and Axia that occurred on February 28, 2002, as a reverse acquisition. The transaction was previously accounted for as a merger between entities under common control. As such, the operations and cash flows previously included those of Nexia for the three months ended March 31, 2002 and those of the acquired entities (Diversified Holdings I, Wichita Development Corporation, Wasatch Capital Corporation, Downtown Development Corporation, Golden Opportunity Development Corporation, and Canton Tire Recycling of West Virginia, Inc.) from the date of the acquisition, February 28, 2002, through March 31, 2002. The restated amounts, accounting

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

for the transaction as a reverse merger, reflect the operations and cash flows of the accounting acquirer (Diversified Holdings I, Wichita Development Corporation, Wasatch Capital Corporation, Downtown Development Corporation, Golden Opportunity Development Corporation, and Canton Tire Recycling of West Virginia, Inc.) for the three months ended March 31, 2002 and those of Nexia from the date of acquisition, February 28, 2002, through March 31, 2002. The table below reflects the change in revenues, net loss, and net loss per share due to this restatement.

|                    | Three Months Ended March 31, 2002<br>(Restated) | (Originally Reported) |
|--------------------|---|-----------------------|
| Revenues           | \$ 397,583                                      | \$ 119,099            |
| Net loss           | \$ (323,826)                                    | \$ (305,222)          |
| Net loss per share | \$ (.00)  | \$ (.00)              |

F-8

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

#### General

Nexia had no substantial operations from January 2, 2001 until February 15, 2002. On February 15, 2002, Nexia entered into a Stock Purchase Agreement ("Agreement") with Axia Group, Inc. ("Axia"), pursuant to which Nexia issued to Axia 255,100,000 restricted shares of Nexia's common stock in exchange for essentially all of the assets and liabilities of Axia including a portfolio of securities, real estate holdings and publicly reporting shell- companies. Nexia intends to manage the interests acquired from Axia as a result of this transaction in a manner similar to that previously followed by Axia. For more information on this transaction, see the Company's Form 10- KSB filed May 30, 2003.

Nexia operates in two primary areas of business: Nexia acquires, leases and sells real estate; and, Nexia provides financial consulting services. The following discussion examines Nexia's financial condition as a result of operations for the first quarter, March 31, 2003, and compares those results with the comparable period from last year.

The amounts reflected in the statement of operations and statement of cash flows for the period ended March 31, 2002 have been restated to account for the merger transaction between Nexia and Axia that occurred on February 28, 2002, as a reverse acquisition, see footnote 5 to the consolidated financial statements.

#### 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,

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

properties can be sold at a profit within a relatively short period of time.

Three properties of Nexia's subsidiaries are currently delinquent in their mortgage payments. Salt Lake Development Corporation, owner of a building located at 268 West 400 South, Salt Lake City, Utah 84101 is four months behind on that property's mortgage, the mortgage payment due for the month of June has not yet been made. The amount currently due on the building is \$21,542. The mortgage on the New Brigham Buildings located in Ogden, Utah is one month behind on its mortgage and has also not yet made its mortgage payment for the month of June, 2003. The amount currently due on this building is \$8,056. Wichita Development Corporation is behind on its mortgage payments for its office building location in Wichita, Kansas, having failed to make the last four monthly payments and has failed as of the date of filing of this report to have made its June mortgage payments. The amount currently due to bring the payments current is \$23,495. Wichita has discussed a forbearance agreement with the mortgage holder on its building and hopes to reach an agreement in the near future to resolve the past due balance. The lender as of May 21, 2003 has filed suit to seek foreclosure on the Wichita property, see Legal Proceedings for more information. Each of these properties has suffered a significant decrease in tenant occupancy since the first of this year.

Nexia recorded rental revenues of \$179,241 for the quarter ended March 31, 2003, as compared to \$317,858 for the same quarter, 2002. The decrease in rental revenues was due to a significant decrease in occupancy rates in the West Jordan and Wichita buildings, as well as the absence of revenue from the occupancy of part of the Wasatch building during the 2002 Winter Olympics.

Nexia had a loss from real estate operations of \$76,112 for the quarter ended March 31, 2003, compared to a loss of \$1,812 for the same quarter, 2002. This is attributable primarily to the decrease in occupancy.

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

3

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.

### 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, advises with respect to general corporate problem solving and provides shareholder relations services designed to expose its clients to the investment community.

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 the equity securities of clients. When payment is made in the form of equity, the number of shares to be

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

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 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. This portfolio currently consists of shares of common stock in over 25 different companies whose operations range from that of high-tech to oil and gas 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 quarter ended March 31, 2003, as compared to the same quarter in 2002. Nexia recorded \$58,203 in revenues for the quarter ended March 31, 2003, from its financial consulting operations as compared to \$79,725 for the same period of 2002. This decrease in financial operations revenues was due to a lack of demand for the Company's consulting services due to the prolonged downturn of the economy. Notwithstanding the decrease in revenues, Nexia experienced a gain from consulting operations of \$1,112 for the quarter ended March 31, 2003 as compared to a loss of \$88,255 for the quarter ended March 31, 2002 due to efforts to reduce costs. Nexia is further reducing costs and stepping up its efforts to attract more clients by further utilizing its current resources.

### Company Operations as a Whole

#### Revenues

Gross revenues for the three month period ended March 31, 2003, were \$237,444 as compared to \$397,583 for the same period in 2002. The decrease in revenues of \$160,139 is due to the issues stated above and specifically includes a \$21,522 decrease in consulting revenues, and a \$138,617 decrease from rental revenues.

#### Losses

Nexia recorded an operating loss of \$98,522 for the three months ended March 31, 2003, compared to a loss of \$192,423 for the comparable period in the year 2002. Nexia's decrease in operating loss for the three month period ended March 31, 2003, as compared to the same period in 2002, was due to cost cutting efforts enacted throughout

the past several months.

Nexia recorded a net loss of \$91,063 for the three months ended March 31, 2003, as compared to a net loss of \$323,826 for the same period in the previous year.

Nexia does not expect to operate at a profit through fiscal 2003. Since Nexia's

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

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 market place. There can be no guarantee that profitability or revenue growth can be realized in the future.

### Expenses

General and administrative expenses for the three months ended March 31, 2003, were \$18,500 compared to \$102,356 for the same period in 2002.

Depreciation and amortization expenses for the three months ended March 31, 2003, and March 31, 2002, were \$48,343 and \$56,875, respectively. The decrease was due primarily to the permanent impairment of one of the company's properties for the year ended December 31, 2002, which therefore caused a significant decrease in its depreciable base.

### Capital Resources and Liquidity

On March 31, 2003, Nexia had current assets of \$498,622 and \$5,930,638 in total assets compared to \$567,973 of current assets and \$5,980,971 in total assets at the year ended December 31, 2002. Nexia has a net working capital deficit of \$3,280,197 at March 31, 2003 compared to a working capital deficit of \$1,831,572 at year end December 31, 2002. The working capital deficit is due primarily to mortgages which will or may come due in the next twelve months due to call provisions present in mortgages which have recently been refinanced.

Total stockholders' equity in Nexia was \$388,839 as of March 31, 2003, compared to \$420,316 at year end December 31, 2002.

Net cash used in operating activities was \$188,955 for the three months ended March 31, 2003, compared to cash flow used in operating activities of \$157,790 for the three months ended March 31, 2002.

Cash used in investing activities was \$2,761 for the three months ended March 31, 2003, compared to cash flow provided by investing activities of \$182,168 for the same period in 2002. The decrease is mainly due to the net cash received from the sale of the General Lafayette Inn in Baton Rouge, Louisiana, in January, 2002.

Cash provided by financing activities was \$129,177 for the three months ended March 31, 2003, compared to cash flows used in financing activities of \$20,818 for the three months ended March 31, 2002.

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 the private placement of Nexia common stock.

### 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 on this property 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.

Forward Looking Statements

The information herein contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward looking statements involve risks and uncertainty, including, without limitation, the ability of Nexia to continue its expansion strategy, changes in the real estate markets, labor and employee benefits, as well as general market conditions, competition, and pricing. Although Nexia believes that the assumptions underlying the forward looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward looking statements included in the Form 10QSB/A will prove to be accurate. In view of the significant uncertainties inherent in the forward looking statements included herein, the inclusion of such information should not be regarded as a representation by Nexia or any other person that the objectives and plans of Nexia will be achieved.

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-14(c) under the Securities Exchange Act of 1934) are effective. No significant changes were made in Nexia's internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation,

## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

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.

### PART II-OTHER INFORMATION

6

#### ITEM 1. LEGAL PROCEEDINGS

Since the filing of Nexia's 10-KSB for the period ended December 31, 2002 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, 2002, filed May 30, 2003.

Hudson Consulting Group, Inc. v. Ohana Enterprises, Inc., Isaac P. Simmons, Kathryn A. Christmann, Gerard Nolan, David Cronshaw, Interactive Ideas, Jonathan Thomas and Phillip Crawford. Suit was filed on March 17, 2003 in the Third Judicial District Court in and for Salt Lake County, State of Utah, Case No. 030905949. Suit was filed by Hudson to seek payment under an August 27, 2002 Stock Purchase Agreement, wherein the named defendants purchased a controlling interest in a Delaware corporation known as Torchmail Communications, Inc. which changed its name subsequent to the transfer to Ohana Enterprises, Inc. The total sales price was \$300,000 of which only the first \$100,000 has been paid. The defendants have claimed that Hudson misrepresented the status of Ohana prior to the transfer and are denying any further obligation to make payments. Suit has been filed and attempts are ongoing to resolve the dispute through either the return of control of the corporation or through payment of the outstanding obligation. Six of the defendants have made an appearance in case filing a counterclaim and naming Axia Group, Inc., Richard Surber, Ed Haidenthaler and Rurairidh Campbell as third party defendants. Hudson denies any misrepresentation with regard to the corporation and its status and believes that the claims of the defendants are an attempt to alter the terms of the written agreement.

Subsequent to end of the quarter being reported herein the following matter was filed.

Interbay Funding, LLC v. Wichita Development Corporation and Richard D. Surber. Suit was filed on May 21, 2003 in the District Court of Sedgwick County, Kansas, Case No. 03CV2074. Suit has been filed seeking to foreclose on the mortgage held by Interbay Funding on the office building operated by Wichita Development in Wichita Kansas. The suit alleges that mortgage payments are delinquent as of and from February 1, 2002 and that the sum of \$270,470.57 is sought to satisfy the outstanding mortgage on the building. The complaint was served on Mr. Surber on June 4, 2003 and management has not determined the responses that will be filed to the claim nor retained counsel in Kansas to represent Wichita's interests in the matter.

#### ITEM 2. RECENT SALES OF UNREGISTERED SECURITIES



## Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

In March of 2003, a Stock Purchase Agreement was entered into between Nexia Holdings, Inc. and Chen Li, an individual resident of San Diego, California, where by Nexia sold to Ms. Li Five Million (5,000,000) shares of restricted common stock of Nexia as consideration for Ms. Li making a loan in the sum of \$30,000 to Nexia's subsidiary corporation, West Jordan Real Estate Holdings, Inc. The Company issued the shares pursuant to section 4(2) of the Securities Act of 1933 in an isolated private transaction by the Company which did not involve a public offering. The Company made this offering based on the following factors: (1) The issuance was an isolated private transaction by the Company which did not involve a public offering, being made to a single entity; (2) there was only one offeree who was issued stock; (3) the offeree acquired the stock with investment intent; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations for the issuance of the stock took place directly between the offeree and the Company.

### ITEM 5. OTHER INFORMATION

This filing is an amendment of the form 10-QSB filed on June 20, 2003 the review of which had not been completed as required by Rule 10-01(d) of Regulation S-X by our independent public accountants.

7

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 8 of this Form 10-QSB/A, and are incorporated herein by this reference.

(b) Reports on Form 8-K During the period covered by this report, Nexia filed 1 Form 8-K r  
-----

- 1) On March 28, 2003, the Company filed a Form 8-K disclosing the dismissal of Tanner+Co. and disclosing the retention of HJ & Associates, LLC. as the new independent auditors for the Company.

Subsequent to the end of the period covered by this report Nexia filed 1 Form 8-K report.

- (2) On April 4, 2003, the Company filed a Form 8-K announcing that it had abandoned its efforts to acquire Industrial Maintenance and Machine Inc., the subject of a March 5, 2003 press release.

### 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 14th day of July, 2003.

Nexia Holdings, Inc.

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

/s/ Richard Surber  
Richard Surber, President and Director

8

INDEX TO EXHIBITS

| EXHIBIT<br>NO. | PAGE<br>NO. | DESCRIPTION   |
|----------------|-------------|---|
| 3(i)           | *           | Articles of Incorporation of Nexia (incorporated herein by reference from Exhibit No. 3(i) to Nexia's Form S-18 as filed with the Securities and Exchange Commission on September 16, 1988 ).         |
| 3(ii)          |             | * Bylaws of Nexia, as amended (incorporated herein by reference from Exhibit 3(ii) of Nexia's Form S-18 as filed with the Securities and Exchange Commission on September 16, 1988).                  |
| 3(iii)         |             | * Articles of Incorporation of Nexia (incorporated herein by reference from Appendix B of Nexia's Form 14-A as filed with the Securities and Exchange Commission on August 17, 2000 .)                |
| 4(a)           |             | * Form of certificate evidencing shares of "Common Stock" in Nexia (incorporated from Exhibit 4(a) to Nexia's Form S-18 as filed with the Securities and Exchange Commission on September 16, 1988 ). |

Material Contracts

|      |    |   |
|------|----|---|
| 99.1 | 11 | CERTIFICATION PURSUANT TO 18 U.S.C.ss.1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 |
|------|----|---|

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

9

Edgar Filing: NEXIA HOLDINGS INC - Form 10QSB/A

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Surber, certify that:

1. I have reviewed this quarterly Report on Form 10-QSB/A of Nexia Holdings, Inc.;
2. Based on my knowledge, this aquarterly 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: July 14, 2003 /s/ Richard Surber

-----  
Richard Surber, Chief Executive and Financial Officer (principal financial and accounting officer

Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. ss.1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nexia Holdings, Inc. on Form 10-QSB/A for the period ending March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof, I Richard Surber, Chief Executive and Financial Officer of Nexia Holdings, Inc. Certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Form 10-QSB/A fully complies with the requirements of Section 13(a) or 15(d) Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-QSB/A fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Richard Surber  
Richard Surber  
Chief Executive and Financial Officer  
July 14, 2003