LUXOTTICA GROUP SPA
Form 6-K
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarter ended March 31, 2011
COMMISSION FILE NO. 1 - 10421**

LUXOTTICA GROUP S.p.A.

VIA C. CANTÙ 2, MILAN, 20123 ITALY
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F ý Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____________

F O R M 6-K

for the quarter
ended March 31 of
Fiscal Year 2011

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Luxottica Group S.p.A.

Headquarters and registered office Via C. Cantù 2, 20123 Milan, Italy

Capital Stock € 28,001,896.98

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS
AS OF MARCH 31, 2011
(UNAUDITED)

The following discussion should be read in conjunction with the disclosure contained in the consolidated financial statements as of December 31, 2010, which includes a study about risks and uncertainties that can influence our operational results or our financial position.

1. OPERATING PERFORMANCE FOR THE THREE MONTHS ENDED MARCH 31, 2011

The results of the first three months of 2011 have confirmed the encouraging indications seen during the first two months of the year and, more generally, the positive growth trends of both of Luxottica's operating segments across the geographic areas where the Group operates.

The growth drivers identified by Luxottica for 2011 include the further development in emerging markets, the global expansion of Sunglass Hut, growth in the United States and the potential continued expansion of Oakley, posted extremely positive performances, proving to be particularly effective.

Net sales of the wholesale distribution segment in emerging markets increased by approximately 28 percent, with excellent results in India, in the Middle East and in Brazil. Furthermore, and for the fifth consecutive quarter, the results recorded in North America, a key market for Luxottica, were very positive: Group first quarter net sales in U.S. dollars increased by more than 10 percent, mainly thanks to the excellent performance of the wholesale distribution segment (+28.1 percent) and of LensCrafters and Sunglass Hut, whose comparable store sales[1] increased by 7.1 percent and 10.5 percent, respectively.

[1] Comparable store sales reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

All brands in the Luxottica portfolio posted positive results: in particular, certain premium and luxury brands like Burberry, Prada, Ralph Lauren and Tiffany recorded outstanding performances. Oakley sales increased by 11 percent during the quarter reconfirming its status as a truly extraordinary worldwide brand.

Net sales for the first three months of 2011 were Euro 1,556.1 million, increasing 11.8 percent over the same period of 2010 (or 9.2 percent at constant exchange rates[2]).

[2] We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the three-month period ended March 31, 2010. Please refer to Attachment 1 for further details on exchange rates.

Operating performance in the first three months of 2011 confirmed the increasing profitability trend, with a more than proportional growth as compared with net sales. More specifically, EBITDA[3] in the first three months of 2011 increased by 16.6 percent over the same period of 2010, reaching Euro 283.0 million. EBITDA margin (defined as EBITDA/Net sales)[4] increased therefore from the 17.4 percent recorded for the first quarter of 2010 to 18.2 percent for the first quarter of 2011.

[3] For a further discussion of EBITDA, see page 10 "Non-IAS/IFRS Measures."

[4] For a further discussion of EBITDA margin, see page 10 "Non-IAS/IFRS Measures."

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Operating income for the first quarter of 2011 amounted to Euro 207.4 million, increasing by 21.1 percent as compared with the same period of 2010, which also included an extraordinary gain in Australia. The Group operating margin therefore increased to 13.3 percent from 12.3 percent posted for the first quarter of 2010 (+150bps net of the above mentioned gain[5]).

[5] Data as of March 31, 2010 is also calculated to exclude the effect of an extraordinary gain in Australia of approximately Euro 7 million related to the sale of a stake in Eyebiz. Such data is not prepared in accordance with IAS/IFRS. For additional disclosure regarding non-IAS/IFRS measures and a reconciliation to IAS/IFRS measures, see page 10 "Non-IAS/IFRS Measures."

Net income for the period increased to Euro 114.7 million, or 20.6 percent over the Euro 95.1 million recorded for the first quarter of 2010, corresponding to an Earnings Per Share (EPS) of Euro 0.25.

Thanks to exchange rates, net debt as of March 31, 2011 further decreased to Euro 2,071 million (Euro 2,111 million at December 31, 2010), and the ratio of net debt to EBITDA[6] was 1.9x, as compared with 2.0x at the end of 2010.

[6] For a further discussion of net debt to EBITDA ratio, see page 10 "Non-IAS/IFRS Measures."

2. SIGNIFICANT EVENTS DURING THE THREE MONTHS ENDED MARCH 31, 2011

January

On January 20, 2011 the Company terminated the revolving credit line with Banca Nazionale del Lavoro totaling Euro 150 million. The original maturity date of the credit line was July 13, 2011. As of December 31, 2010, the credit line was undrawn.

February

On February 17, 2011 the Company announced that it had entered into agreements pursuant to which it will acquire two sunglass specialty retail chains totaling more than 70 stores in Mexico for a total amount of Euro 17 million. This transaction marks the Company's entry into the sun retail business in Mexico where the Group already has a solid presence through its wholesale division. Over time, the stores will be rebranded under the Sunglass Hut brand.

March

During the first three months of 2011, we purchased on the Mercato Telematico Azionario ("MTA") 466,204 of our ordinary shares at an average price of Euro 22.45 per share, for a total amount of Euro 10,467,359, pursuant to the stock purchase program approved at the Stockholders' Meeting on October 29, 2009 and launched on November 16, 2009. This stock purchase program expired on April 28, 2011.

3. FINANCIAL RESULTS

We are a global leader in the design, manufacture and distribution of fashion, luxury and sport eyewear, with net sales reaching Euro 5.8 billion in 2010, over 60,000 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 4 to the Condensed Consolidated Quarterly Financial Report as of March 31, 2011 (unaudited) for additional disclosures about our operating segments. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of house and designer lines of mid- to premium-priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, Pearle Vision, ILORI, The Optical Shop of Aspen, OPSM, Laubman & Pank, Budget Eyewear, Bright Eyes, Oakley "O" Stores and Vaults, David Clulow and our Licensed Brands (Sears Optical and Target Optical).

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As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated from an average exchange rate of Euro 1.00 = U.S. $1.3829 in the first three months of 2010 to Euro 1.00 = U.S. $1.3680 in the same period of 2011. With the acquisition of OPSM and Bright Eyes (acquired through Oakley), our results of operations have also been rendered susceptible to currency fluctuations between the Euro and the Australian dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan relative to other currencies in which we receive revenues could impact the demand of our products or the profitability in consolidation. However, in the first three months of 2011, the fluctuation of the Chinese Yuan did not significantly affect demand for our products or decrease our profitability in consolidation. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. This discussion should be read in conjunction with Note 10 of the Management Report of the 2010 Consolidated Financial Statements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (UNAUDITED)

In accordance with IAS/IFRS

	Three months ended March 31,			
Values in thousands of Euro	**2011**	**% of net sales**	**2010**	**% of net sales**
Net sales	**1,556,102**	**100.0%**	**1,391,687**	**100.0%**
Cost of sales	554,453	35.6%	499,789	35.9%
Gross profit	**1,001,648**	**64.4%**	**891,898**	**64.1%**
Selling	492,264	31.6%	452,766	32.5%
Royalties	28,543	1.8%	24,868	1.8%
Advertising	90,412	5.8%	81,143	5.8%
General and administrative	162,644	10.5%	141,765	10.2%
Intangibles amortization	20,368	1.3%	20,110	1.4%
Total operating expenses	**794,232**	**51.0%**	**720,652**	**51.8%**
Income from operations	**207,416**	**13.3%**	**171,246**	**12.3%**
Other income/(expense)				
Interest income	2,087	0.1%	2,037	0.1%
Interest expense	(29,262)	1.9%	(24,638)	1.8%
Other net	(1,745)	0.1%	(818)	0.1%
Income before provision for income taxes	**178,497**	**11.5%**	**147,827**	**10.6%**
Provision for income taxes	(61,399)	3.9%	(50,161)	3.6%
Net income	**117,098**	**7.5%**	**97,666**	**7.0%**
Attributable to				
Luxottica Group stockholders	**114,694**	**7.4%**	**95,091**	**6.8%**
non-controlling interests	2,403	0.2%	2,575	0.2%
NET INCOME	**117,098**	**7.5%**	**97,666**	**7.0%**

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Net Sales. Net sales increased by Euro 164.4 million, or 11.8 percent, to Euro 1,556.1 million in the first three months of 2011 from Euro 1,391.7 million in the same period of 2010. Euro 87.6 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment in the first three months of 2011 as compared to the same period in 2010 and to increased sales in the retail distribution segment of Euro 76.8 million for the same period.

Net sales for the retail distribution segment increased by Euro 76.8 million, or 9.2 percent, to Euro 915.0 million in the first three months of 2011 from Euro 838.2 million in the same period in 2010. The increase in net sales for the period was partially attributable to a 5.8 percent improvement in comparable store sales[7]. In particular, we saw a 6.5 percent increase in comparable store sales for the North American retail operations, which was partially offset by almost flat comparable store sales of (0.1) percent for the Australian/New Zealand retail operations. The positive effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 23.5 million.

[7] Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 87.6 million, or 15.8 percent, to Euro 641.1 million in the first three months of 2011 from Euro 553.5 million in the same period in 2010. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban and Oakley, and of some designer brands such as Prada, Burberry and Tiffany. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular a strengthening of the U.S. dollar and Australian dollar and other minor currencies, including but not limited to the Brazilian Real, the Canadian dollar and the Japanese Yen, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 13.1 million.

In the first three months of 2011, net sales in the retail distribution segment accounted for approximately 58.8 percent of total net sales, as compared to approximately 60.2 percent of total net sales for the same period in 2010. This decrease in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 15.8 percent increase in net sales to third parties in our manufacturing and wholesale distribution segment for the first three months of 2011 as compared to the same period of 2010, which exceeded a 9.2 percent increase in net sales in the retail distribution segment for the first three months of 2011 as compared to the same period of 2010.

In the first three months of 2011, net sales in our retail distribution segment in the United States and Canada comprised 81.9 percent of our total net sales in this segment as compared to 82.6 percent of our total net sales in the same period of 2010. In U.S. dollars, retail net sales in the United States and Canada increased by 7.1 percent to U.S. $1,025.1 million in the first three months of 2011 from U.S. $957.1 million for the same period in 2010, due to sales volume increases. During the first three months of 2011, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 18.1 percent of our total net sales in the retail distribution segment and increased by 13.4 percent to Euro 165.6 million in the first three months of 2011 from Euro 146.1 million, or 17.4 percent of our total net sales in the retail distribution segment for the same period in 2010, mainly due to positive currency fluctuation effects.

In the first three months of 2011, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 311.9 million, comprising 48.6 percent of our total net sales in this segment, compared to Euro 295.3 million, or 53.4 percent of total net sales in the segment, for the same period in 2010. The increase in net sales in Europe of Euro 16.6 million in the first three months of

2011 as compared to the same period of 2010 constituted a 5.6 percent increase in net sales to third parties, due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $209.7 million and comprised 23.9 percent of our total net sales in this segment for the first three months of 2011, compared to U.S. $158.9 million, or 21.2 percent of total net sales in the segment, for the same period of 2010. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the first three months of 2011, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 176.0 million, comprising 27.5 percent of our total net sales in this segment, compared to Euro 140.6 million, or 25.4 percent of our net sales in this segment, in the same period of 2010. The increase of Euro 35.4 million, or 25.1 percent, in the first three months of 2011 as compared to the same period of 2010, was due to the positive effect of currency fluctuations as well as an increase in consumer demand.

Cost of Sales. Cost of sales increased by Euro 54.7 million, or 10.9 percent, to Euro 554.5 million in the first three months of 2011 from Euro 499.8 million in the same period of 2010, essentially in line with the increase of net sales in the period. As a percentage of net sales, cost of sales decreased to 35.6 percent in the first three months of 2011 as compared to 35.9 percent in the same period of 2010. In the first three months of 2011, the average number of frames produced daily in our facilities increased to approximately 250,600 as compared to approximately 228,200 in the same period of 2010, which was attributable to increased production in all manufacturing facilities in response to an overall increase in demand.

Gross Profit. Our gross profit increased by Euro 109.8 million, or 12.3 percent, to Euro 1,001.6 million in the first three months of 2011 from Euro 891.9 million for the same period of 2010. As a percentage of net sales, gross profit increased to 64.4 percent in the first three months of 2011 as compared to 64.1 percent for the same period of 2010, due to the factors noted above.

Operating Expenses. Total operating expenses increased by Euro 73.6 million, or 10.2 percent, to Euro 794.2 million in the first three months of 2011 from Euro 720.7 million in the same period of 2010. As a percentage of net sales, operating expenses decreased to 51.0 percent in the first three months of 2011, from 51.8 percent in the same period of 2010.

Selling and advertising expenses (including royalty expenses) increased by Euro 52.4 million, or 9.4 percent, to Euro 611.2 million in the first three months of 2011 from Euro 558.8 million in the same period of 2010. Selling expenses increased by Euro 39.5 million, or 8.7 percent. Advertising expenses increased by Euro 9.3 million, or 11.4 percent. Royalties increased by Euro 3.7 million, or 14.8 percent. As a percentage of net sales, selling and advertising expenses decreased to 39.3 percent in the first three months of 2011, compared to 40.2 percent for the same period of 2010, mainly due to efficiencies reached in managing the sales force.

General and administrative expenses, including intangible asset amortization increased by Euro 21.1 million, or 13.1 percent, to Euro 183.0 million in the first three months of 2011 as compared to Euro 161.9 million in the same period of 2010, mainly due to currency fluctuation effects. As a percentage of net sales general and administrative expenses were 11.8 percent in the first three months of 2011 as compared to 11.6 percent in the same period of 2010.

Income from Operations. For the reasons described above, income from operations increased by Euro 36.2 million, or 21.1 percent, to Euro 207.4 million in the first three months of 2011 from Euro 171.2 million in the same period of 2010. As a percentage of net sales, income from operations increased to 13.3 percent in the first three months of 2011 from 12.3 percent in the same period of 2010.

Other Income (Expense) Net. Other income (expense) net was Euro (28.9) million in the first three months of 2011 as compared to Euro (23.4) million in the same period of 2010. Net interest expense was Euro 27.2 million in the first three months of 2011 as compared to Euro 22.6 million in the

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same period of 2010. The increase in net interest expense is attributable to an increase in the cost of debt, mainly due to the arrangement of new long-term debt, which has extended the average maturity of the Group's debt, as well as a higher debt exposure in certain emerging markets where the Group operates, whose cost of indebtedness is significantly higher as compared to the cost of indebtedness of the markets where the Group routinely obtains financing.

Net Income. Income before taxes increased by Euro 30.7 million, or 20.7 percent, to Euro 178.5 million in the first three months of 2011 from Euro 147.8 million in the same period of 2010, for the reasons described above. As a percentage of net sales, income before taxes increased to 11.5 percent in the first three months of 2011 from 10.6 percent in the same period of 2010. Net income attributable to non-controlling interests decreased to Euro 2.4 million in the first three months of 2011 as compared to Euro 2.6 million in the same period of 2010. Our effective tax rate was 34.4 percent in the first three months of 2011 as compared to 33.9 percent for the same period of 2010.

Net income attributable to Luxottica Group stockholders increased by Euro 19.6 million, or 20.6 percent, to Euro 114.7 million in the first three months of 2011 from Euro 95.1 million in the same period of 2010. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 7.4 percent in the first three months of 2011 from 6.8 percent in the same period of 2010.

Basic and diluted earnings per share were Euro 0.25 in the first three months of 2011 as compared to Euro 0.21 in the same period of 2010.

OUR CASH FLOWS

The following table sets forth for the periods indicated certain items included in our statements of consolidated cash flows included in Item 2 of this report.

		As of March 31, 2011	**As of March 31, 2010**
		(unaudited)	
		(thousands of Euro)	
A)	Cash and cash equivalents at the beginning of the period	679,852	380,081
B)	Cash provided by operating activities	33,906	42,525
C)	Cash used in investing activities	(69,291)	(52,353)
D)	Cash used in financing activities	(65,281)	(39,245)
	Change in bank overdrafts	24,770	(12,742)
	Effect of exchange rate changes on cash and cash equivalents	(16,049)	17,894
E)	Net change in cash and cash equivalents	(91,945)	43,921
F)	**Cash and cash equivalents at the end of the period**	**587,907**	**336,160**

Operating activities. Our cash provided by operating activities was Euro 33.9 million and Euro 42.5 million for the first three months of 2011 and 2010, respectively.

Depreciation and amortization were Euro 75.6 million in the first three months of 2011 as compared to Euro 71.4 million in the same period of 2010.

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Cash used in accounts receivable was Euro (99.5) million in the first three months of 2011, compared to Euro (80.8) million in the same period of 2010. This change was primarily due to an increase in sales volume in the first three months of 2011 as compared to the same period of 2010. Cash (used in)/generated by inventory was Euro (6.5) million in the first three months of 2011 as compared to Euro 0.3 million in the same period of 2010. The slight increase in inventory as compared to the significant increase in net sales that occurred in the first three months of 2011 as compared to the same period of 2010 was due to certain efficiencies gained in the production process, which determined an alignment of inventory to the sales volumes. Cash used in accounts payable was Euro (93.3) million in the first three months of 2011 compared to Euro (37.2) million in the same period of 2010. This change is mainly due to increased purchases at our manufacturing facilities in the first three months of 2011. Cash generated by/(used in) income taxes payable was Euro 23.5 million in the first three months of 2011 as compared to Euro (6.4) million in the same period of 2010. This change was mainly due to higher taxable incomes in the first three months of 2011 as compared to 2010, which corresponds to an increase in income taxes payable.

Investing activities. Our cash used in investing activities was Euro (69.3) million for the first three months of 2011 as compared to Euro (52.4) million for the same period in 2010. The cash used in investing activities primarily consisted of (i) Euro (57.9) million in capital expenditures in the first three months of 2011 as compared to Euro (31.7) million in the same period of 2010 and, (ii) Euro (20.7) million for the payment of the second installment of the purchase price for the acquisition of a 40 percent investment in Multiopticas Internacional S.L., which occurred in the first three months of 2010.

Financing activities. Our cash used in financing activities for the first three months of 2011 and 2010 was Euro (65.3) million and Euro (39.2) million, respectively. Cash used in financing activities for the first three months of 2011 consisted primarily of Euro (60.6) million used to repay long-term debt expiring during the first three months of 2011. Cash (used in)/provided by financing activities for the first three months of 2010 consisted primarily of the proceeds of Euro 126.5 million from long-term debt borrowings and Euro (162.0) million in cash used to repay long-term debt expiring during the first three months of 2010.

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OUR CONSOLIDATED BALANCE SHEET

In accordance with IAS/IFRS

ASSETS	**March 31, 2011 (unaudited)**	**December 31, 2010 (audited)**
	(thousands of Euro)	
CURRENT ASSETS:		
Cash and cash equivalents	587,907	679,852
Accounts receivable net	736,355	655,892
Inventories net	582,088	590,036
Other assets	215,506	226,759
Total current assets	**2,121,856**	**2,152,539**
NON CURRENT ASSETS:		
Property, plant and equipment net	1,181,066	1,229,130
Goodwill	2,757,745	2,890,397
Intangible assets net	1,079,367	1,155,007
Investments	52,149	54,083
Other assets	153,624	148,125
Deferred tax assets	365,657	364,299
Total non-current assets	**5,589,607**	**5,841,040**
TOTAL ASSETS	**7,711,463**	**7,993,579**

LIABILITIES AND STOCKHOLDERS' EQUITY	**March 31, 2011 (unaudited)**	**December 31, 2010 (audited)**
CURRENT LIABILITIES:		
Bank overdrafts	172,819	158,648
Current portion of long-term debt	201,911	197,566
Accounts payable	430,361	537,742
Income taxes payable	82,638	60,067
Other liabilities	539,993	549,280
Total current liabilities	**1,427,722**	**1,503,303**
NON-CURRENT LIABILITIES:		
Long-term debt	2,284,014	2,435,071
Liability for termination indemnity	45,456	45,363
Deferred tax liabilities	426,072	429,848
Other liabilities	280,941	310,590
Total non-current liabilities	**3,036,483**	**3,220,872**
STOCKHOLDERS' EQUITY:		
Luxottica Group stockholders' equity	3,233,758	3,256,375
Non-controlling interests	13,501	13,029
Total stockholders' equity	**3,247,258**	**3,269,404**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**7,711,463**	**7,993,579**

As of March 31, 2011, total assets decreased by Euro 282.1 million to Euro 7,711.5 million, compared to Euro 7,993.6 million as of December 31, 2010.

In the first three months of 2011, non-current assets decreased by Euro 251.4 million, due to decreases in net intangible assets (including goodwill) of Euro 208.3 million, property, plant and

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equipment net of Euro 48.1 million and investments of Euro 1.9 million, partially offset by increases of other assets of Euro 5.5 million and deferred tax assets of Euro 1.4 million.

The decrease in net intangible assets was primarily due to the negative effects of foreign currency fluctuations of Euro 195.4 million and to the amortization for the period of Euro 21.3 million.

The decrease in property, plant and equipment was primarily due to negative currency fluctuation effects of Euro 49.2 million.

As of March 31, 2011, as compared to December 31, 2010:

Accounts receivable increased by Euro 80.5 million mainly due to the increase in net sales during the first three months of 2011;

Other non-current liabilities decreased by Euro 29.6 million due to the decrease in the liabilities for certain pension plans and for interest rate derivatives as a result of a decrease in interest rates, compared to December 31, 2010.

Our net financial position as of March 31, 2011 and December 31, 2010 was as follows:

(thousands of Euro)	**March 31, 2011 (unaudited)**	**December 31, 2010 (audited)**
Cash and cash equivalents	587,907	679,852
Bank overdrafts	(172,819)	(158,648)
Current portion of long-term debt	(201,911)	(197,566)
Long-term debt	(2,284,014)	(2,435,071)
Total	**(2,070,837)**	**(2,111,433)**

Bank overdrafts consist of the utilized portion of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group.

As of March 31, 2011, we, together with our wholly-owned Italian subsidiary Luxottica S.r.l., had credit lines aggregating Euro 326.8 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 0.45 percent. As of March 31, 2011, we had utilized Euro 13.1 million of these credit lines.

As of March 31, 2011, Luxottica U.S. Holdings maintained unsecured lines of credit with an aggregate maximum availability of Euro 94.4 million (U.S. $134.1 million). The interest rate is a floating rate and is approximately USD LIBOR plus 80 basis points. At March 31, 2011, these lines were not used.

4. RELATED PARTY TRANSACTIONS

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Company. For further details regarding the related party transactions, please refer to Note 27 to the Condensed Consolidated Quarterly Financial Report as of March 31, 2011 (unaudited).

5. SUBSEQUENT EVENTS

At the Stockholders' Meeting on April 28, 2011, the stockholders approved the distribution of a cash dividend of Euro 0.44 per ordinary share and ADR.

6. 2011 OUTLOOK

The results obtained in the first three months of 2011 are an excellent starting point for 2011: management looks to the year optimistically, relying on the one hand on the strength of our brands, and aware on the other hand of the need to continue to impeccably execute our plans.

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NON-IAS/IFRS MEASURES

Adjusted measures

We use in this Management Report certain performance measures that are not in accordance with IAS/IFRS. Such non-IAS/IFRS measures are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding our operational performance.

Such measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors. Such non-IAS/IFRS measures are explained in detail and reconciled to their most comparable IAS/IFRS measures below.

In order to provide a supplemental comparison of current period results of operations to prior periods, we have adjusted for certain non-recurring transactions or events.

We have made such adjustments to the following measures: operating income and operating margin. For comparative purposes, management has adjusted each of the foregoing measures by excluding the following:

a non-recurring gain in the first quarter of 2010 from the sale of a stake in Eyebiz in Australia for approximately Euro 7 million at March 31, 2010.

In addition, we have also made such adjustments to the following measures: EBITDA and net income by excluding the following:

(a) a non-recurring gain in 2010 from the release of a provision for taxes of approximately U.S. $27 million (approximately Euro 20 million at December 31, 2010) related to the sale of the Things Remembered retail chain in 2006; and

(b) a non-recurring loss in the fourth quarter of 2010 from the impairment charge recorded of approximately Euro 20 million related to certain of the Company's assets in the Australian region.

The Company believes that these adjusted measures are useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry because they exclude the impact of non-recurring items that are not relevant to the Company's operating performance.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS). We include these adjusted comparisons in this presentation in order to provide a supplemental view of operations that excludes items that are unusual, infrequent or unrelated to our ongoing core operations. See the tables below for a reconciliation of the adjusted measures discussed above to their most directly comparable IAS/IFRS financial measure or, in the case of adjusted EBITDA,

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to EBITDA, which is also a non-IAS/IFRS measure. For reconciliation of EBITDA to its most directly comparable IAS/IFRS measure, see the pages following the tables below:

Non-IAS/IFRS Measure: Reconciliation between reported and adjusted P&L items

	Group Operating Income			
	1Q11	1Q10	% change	
	Millions of Euro			
Reported	**207.4**	**171.2**	**21.1%**	
> Adjustment for non-recurring gain in Australia		(6.9)		
Adjusted	**207.4**	**164.4**	**26.2%**	
Net sales	1,556.1	1,391.7	11.8%	
Operating margin Reported	**13.3%**	**12.3%**	**8.3%**	**+100bps**
Operating margin Adjusted	**13.3%**	**11.8%**	**12.9%**	**+150bps**

Non-IAS/IFRS Measures: Reconciliation between reported and adjusted P&L items

	FY10	
	EBITDA	Net Income
	Millions of Euro	
Reported	**1,013.8**	**402.2**
> Adjustment for goodwill impairment charge	20.4	20.4
> Adjustment for discontinued operations		(19.9)
Adjusted	**1,034.2**	**402.7**

EBITDA and EBITDA margin

EBITDA represents net income attributable to Luxottica Group stockholders, before non-controlling interest, provision for income taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. We believe that EBITDA is useful to both management and investors in evaluating our operating performance compared with that of other companies in our industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business.

EBITDA and EBITDA margin are not measures of performance under IAS/IFRS. We include them in this Management Report in order to:

- improve transparency for investors;
- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Company's cost of debt;

ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;

properly define the metrics used and confirm their calculation; and

share these measures with all investors at the same time.

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EBITDA and EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that these measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that our method of calculating EBITDA may differ from methods used by other companies. We recognize that the usefulness of EBITDA has certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;

- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;

- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

- EBITDA does not reflect changes in, or cash requirements for, working capital needs;

- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss.

We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

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The following table provides a reconciliation of EBITDA to net income, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of EBITDA margin on net sales:

Non-IAS/IFRS Measure: EBITDA and EBITDA margin

	1Q 2010	1Q 2011	FY10[1]	LTM March 31, 2011
	Millions of Euro			
Net income/(loss) (+)	95.1	114.7	402.7	422.3
Net income attributable to non-controlling interest (+)	2.6	2.4	5.1	4.9
Provision for income taxes (+)	50.2	61.4	218.2	229.5
Other (income)/expense (+)	23.4	28.9	106.6	112.1
Depreciation & amortization (+)	71.4	75.6	301.6	305.8
EBITDA (=)	242.6	283.0	1,034.2	1,074.6
Net sales (/)	1,391.7	1,556.1	5,798.0	5,962.4
EBITDA margin (=)	17.4%	18.2%	17.8%	18.0%

(1) Net income as of Dec. 31, 2010 excluding impairment and discontinued operations. EBITDA as of Dec. 31, 2010 excluding impairment.

Net debt to EBITDA ratio

Net debt means the sum of bank overdrafts, current portion of long-term debt and long-term debt, less cash. EBITDA represents net income before non-controlling interest, taxes, other income/expense, depreciation and amortization. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. The ratio of net debt to EBITDA is a measure used by management to assess the Company's level of leverage, which affects our ability to refinance our debt as it matures and incur additional indebtedness to invest in new business opportunities. The ratio also allows management to assess the cost of existing debt since it affects the interest rates charged by the Company's lenders.

EBITDA and ratio of net debt to EBITDA are not measures of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS).

We include them in this Management Report in order to:

- improve transparency for investors;

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- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Company's cost of debt;
- ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

EBITDA and ratio of net debt to EBITDA are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that these measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that Luxottica Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from methods used by other companies.

The Company recognizes that the usefulness of EBITDA and the ratio of net debt to EBITDA as evaluative tools may have certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;
- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;
- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss; and

The ratio of net debt to EBITDA is net of cash and cash equivalents, restricted cash and short-term investments, thereby reducing our debt position.

Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, this measure may have material limitations. We compensate for the foregoing limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

See the table below for a reconciliation of net debt to long-term debt, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA. For a reconciliation of EBITDA to its most directly comparable IAS/IFRS measure, see the table on the earlier page.

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Non-IAS/IFRS Measure: Net debt and Net debt/EBITDA

	March 31, 2011	Dec. 31, 2010[1]
	Millions of Euro	
Long-term debt (+)	2,284.0	2,435.1
Current portion of long-term debt (+)	201.9	197.6
Bank overdrafts (+)	172.8	158.6
Cash ( )	(587.9)	(679.9)
Net debt (=)	2,070.8	2,111.4
LTM EBITDA	1,074.6	1,034.2
Net debt/LTM EBITDA	1.9x	2.0x
Net debt @ avg. exchange rates[2]	2,163.9	2,116.2
Net debt @ avg. exchange rates[2] /LTM EBITDA	2.0x	2.0x

(1) EBITDA as of December 31, 2010 excluding impairment.

(2) Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures.

FORWARD-LOOKING INFORMATION

Throughout this report, management has made certain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 which are considered prospective. These statements are made based on management's current expectations and beliefs and are identified by the use of forward-looking words and phrases such as "plans," "estimates," "believes" or "belief," "expects" or other similar words or phrases.

Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. Such risks and uncertainties include, but are not limited to, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to achieve and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission. These forward-looking statements are made as of the date hereof, and we do not assume any obligation to update them.

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ITEM 2. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IAS/IFRS

	Note reference	March 31, 2011 (unaudited)	December 31, 2010 (audited)
		(Thousands of Euro)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	587,907	679,852
Accounts receivable net	6	736,355	655,892
Inventories net	7	582,088	590,036
Other assets	8	215,506	226,759
Total current assets		**2,121,856**	**2,152,539**
NON-CURRENT ASSETS:			
Property, plant and equipment net	9	1,181,066	1,229,130
Goodwill	10	2,757,745	2,890,397
Intangible assets net	10	1,079,367	1,155,007
Investments	11	52,149	54,083
Other assets	12	153,624	148,125
Deferred tax assets	13	365,657	364,299
Total non-current assets		**5,589,607**	**5,841,040**
TOTAL ASSETS		**7,711,463**	**7,993,579**

LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Bank overdrafts	14	172,819	158,648
Current portion of long-term debt	15	201,911	197,566
Accounts payable	16	430,361	537,742
Income taxes payable	17	82,638	60,067
Other liabilities	18	539,993	549,280
Total current liabilities		**1,427,722**	**1,503,303**
NON-CURRENT LIABILITIES:			
Long-term debt	19	2,284,014	2,435,071
Liability for termination indemnities	20	45,456	45,363
Deferred tax liabilities	21	426,072	429,848
Other liabilities	22	280,941	310,590
Total non-current liabilities		**3,036,483**	**3,220,872**
STOCKHOLDERS' EQUITY			
Luxottica Group stockholders' equity	23	3,233,758	3,256,375
Non-controlling interests	24	13,501	13,029

Total stockholders' equity	**3,247,258**	**3,269,404**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**7,711,463**	**7,993,579**

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CONSOLIDATED STATEMENT OF INCOME IAS/IFRS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 IAS/IFRS (UNAUDITED)

	Note reference	2011	2010
		(Thousands of Euro)[1]	
Net sales	25	**1,556,102**	**1,391,687**
Cost of sales	25	554,453	499,789
Gross profit		**1,001,648**	**891,898**
Selling	25	492,264	452,766
Royalties	25	28,543	24,868
Advertising	25	90,412	81,143
General and administrative	25	162,644	141,765
Intangibles amortization	25	20,368	20,110
Total operating expenses		**794,232**	**720,652**
Income from operations		**207,416**	**171,246**
Other income/(expense)			
Interest income	25	2,087	2,037
Interest expense	25	(29,262)	(24,638)
Other net	25	(1,745)	(818)
Income before provision for income taxes		**178,497**	**147,827**
Provision for income taxes	25	(61,399)	(50,161)
Net income		**117,098**	**97,666**
Of which attributable to:			
Luxottica Group stockholders	25	**114,694**	**95,091**
Non-controlling interests	25	2,403	2,575
NET INCOME		**117,098**	**97,666**
Weighted average number of shares outstanding:			
Basic		459,932,593	458,404,423
Diluted		462,150,235	459,966,975
Earnings per share:			
Basic		0.25	0.21
Diluted		0.25	0.21

(1) Amounts in thousands except per share data

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 IAS/IFRS (UNAUDITED)

	March 31, 2011 (unaudited)	March 31, 2010 (unaudited)
	(Thousands of Euro)	
Net income	**117,098**	**97,666**
Other comprehensive income:		
Cash flow hedge net of tax	8,153	(7,433)
Currency translation differences	(152,088)	155,930
Actuarial gain/(loss) on postemployment benefit obligations	(25)	(14)
Total other comprehensive income net of tax	(143,960)	148,485
Total comprehensive income for the period	(26,862)	246,151
Attributable to:		
Luxottica Group stockholders' equity	(29,584)	243,198
Non-controlling interests	2,722	2,953
Total comprehensive income for the period	(26,862)	246,151

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY IAS/IFRS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (UNAUDITED)

Capital stock Number of shares	Capital stock Amount	Legal reserve	Additional paid-in capital	Retained earnings	Stock-Options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
				(Thousands of Euro)					
464,386,383	27,863	5,561	166,912	2,900,213	124,563	(405,160)	(82,713)	2,737,239	16,376

			54,374
394,500	40	205,810	(102,925)
5,750	1	4,099	
2,100	-	10,500	
3,750	-	18,750	

-			
			3,750
(228)			
20,000	2	3,998	
20,600	2	4,118	

	3,501	
	(3,048)	
55,683		
(145,828)	145,828	
		828,111

													(2,044,803
10,000,000	$	10,000	596,246	$	60	$	18,447,131	$ -	$	(67,183)	$	8,555	$ (26,226,714

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 Three Months Ended March 31, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (2,044,803)	$ (1,243,212)
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Minority interest in income	(11,578)	(2,622)
Depreciation and amortization expense	50,625	65,031
Abandonment of leasehold improvements	217,419	35,000
Preferred and common stock issued for services and		
contractual agreements	113,281	-
Stock options issued	110,775	157,692
Derivative loss	3,750	-
Write down investment in marketable securities	785,285	-
Loss on sale of securities	44,179	-
Bad debt expense	50,000	-
Fixed assets impaired	62,348	-
Write down goodwill	32,732	-
Expense receivables from stockholders for sales		
at values lower than values when stock was issued	-	434,410
Allowance for doubtful accounts receivable	-	(4,500)
Accretion of convertible debenture	-	11,712
Unrealized (gain) loss related to adjustment of derivative		
to fair value of underlying security	-	41,766
Changes in operating assets and liabilities:		
Receivables	(1,252)	7,578
Accounts receivable - related parties	(1,786)	9,000
Inventory	82,176	57,527
Prepaid expense	251,709	144,723
Accounts payable	134,698	(4,932)
Accounts payable - related parties	(9,556)	63,522
Accrued liabilities	134,234	122,938
Accrued liabilities - related parties	(74,645)	
Net cash used in operating activities	(70,409)	(104,367)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of marketable securities	21,200	19,345
Purchase of marketable securities	(57,654)	(32,942)
Purchase of capital assets	(3,474)	(46,548)

Net cash provided by (used in) investing activities	(39,928)	(60,145)

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 (Continued)
(Unaudited)

	For the Three Months Ended March 31, 2008		2007	
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on long-term debt and capital lease obligations	$	(28,699)	$	(15,920)
Proceeds from note payable		547	$	-
Pay off loan for land purchase		-		(57,000)
Principal payments on short-term debt		-		(25,000)
Principal payments on short-term debt - related party		-		(45,000)
Proceeds from issuing note payable - related party		-		30,000
Stock subscriptions receivable		101,480		321,741
New loan costs		-		(1,800)
Net cash provided by financing activities		73,328		207,021
NET DECREASE IN CASH AND CASH EQUIVALENTS		(37,009)		42,509
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		95,760		124,158
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	58,751	$	166,667
SUPPLEMENTAL DISCLOSURE OF INFORMATION				
CASH PAID FOR:				
Interest	$	33,500	$	53,282
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Common stock issued for subscriptions receivable	$	95,675	$	656,830
Common stock issued to vendors applied on accounts payable	$	-	$	126,250

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
March 31, 2008
(Unaudited)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements for Nexia Holdings, Inc. and Subsidiaries (the Company) 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 includes 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 condensed consolidated financial statements be read in conjunction with the Company's most recent annual consolidated financial statements and notes thereto included in its December 31, 2007 Annual Report on Form 10-K. Operating results for the three months ended March 31, 2008 are not indicative of the results that may be expected for the year ending December 31, 2008 or for any other period.

Restatement

During the second quarter of 2008, the Company realized that the March 31, 2008 financial statements needed to be revised to correct amounts in all of the financial statements. Total assets declined $424,791. The major changes were declines in investment in marketable securities, inventory, and prepaid expenses totaling $329,711. Total stockholders' deficit increased by $424,791. The major cause of the deficit increase was an increase in loss on marketable securities of $785,285 and a decrease in comprehensive loss of $589,376. The net loss increased by $924,023. The primary contributor to the loss increase was the increase in loss on marketable securities of $785,285. The corrected balance sheet, statement of operations, and statement of cash flows are included in these financial statements. The effects of the restatement were as follows:

	As Originally Reported	Restatment and Reclassification	As Restated
Condensed Balance Sheet as of March 31, 2008			
Investment in marketable securities	$ 426,509	$ (195,909)	$ 230,600
Inventory	334,271	(75,000)	259,271
Prepaid expenses	194,933	(58,802)	136,131
Total Current Assets	$ 1,040,881	$ (329,711)	$ 711,170
Property and equipment, net of accumulated depr'n.	$ 1,733,706	$ (62,348)	$ 1,671,358
Total Net Property and Equipment	$ 3,278,600	$ (62,348)	$ 3,216,252
Goodwill	$ 227,681	$ (32,732)	$ 194,949
Total Other Assets	273,289	(32,732)	240,557
TOTAL ASSETS	$ 4,592,770	$ (424,791)	$ 4,167,979
Common stock	$ 59,647	$ (59,587)	$ 60
Additional paid-in capital	18,477,688	(30,557)	18,447,131

Accumulated comprehensive loss	(580,821)	589,376	8,555
Accumulated deficit	(25,302,691)	(924,023)	(26,226,714)
Total Stockholders' Deficit	(7,403,360)	(424,791)	(7,828,151)
Total Liabilities and Stockholders' Deficit	$ 4,592,770	$ (424,791)	$ 4,167,979
Condensed Statement of Operations			
For the three months ended March 31, 2008			
Cost of revenue	$ 367,230	$ 64,692	$ 431,922
Gross Income	448,118	(64,692)	383,426
General and administrative expense	1,040,211	(91,173)	949,038
Consulting fees	172,149	65,667	237,816
Loss on impairment of assets	-	95,079	95,079
Total Expenses	1,277,393	69,573	1,346,966
Operating Loss	(829,275)	(134,265)	(963,540)
Gain/(loss) on marketable securities	(44,179)	(785,285)	(829,464)
Loss on disposal of assets	(213,975)	(3,444)	(217,419)
Total Other Loss	(304,112)	(788,729)	(1,092,841)
Minority interest in income	12,607	(1,029)	11,578
Net Loss	(1,120,780)	(924,023)	(2,044,803)
Basic and Diluted Loss Per Common Share	$ -	$ (6.45)	$ (6.45)
Statement of Cash Flows			
For the three months ended March 31, 2008			
Net loss	$ (1,120,780)	$ (924,023)	$ (2,044,803)
Abandonment of leasehold improvements	213,975	3,444	217,419
Preferred and common stock issued for			
services and contractual agreements	68,349	44,932	113,281
Stock options issued	110,175	600	110,775
Derivative loss	-	3,750	3,750
Expense receivables from stockholders for sales at			
values lower than values when stock was issued	145,828	(145,828)	-
Write down investment in marketable securities	-	785,285	785,285
Loss on sale of securities	-	44,179	44,179
Bad debt expense	-	50,000	50,000
Fixed assets impaired	-	62,348	62,348
Write down goodwill	-	32,732	32,732
Receivables	(1,313)	61	(1,252)
Inventory	7,177	74,999	82,176
Prepaid expense	240,101	11,608	251,709
Accounts payable	131,650	3,048	134,698
Net Cash Used in Operating Activities	$ (117,544)	$ 47,135	$ (70,409)
Sale of marketable securities	$ 89,200	$ (68,000)	$ 21,200
Purchase of marketable securities	(81,475)	23,821	(57,654)
Purchase of capital assets	(15,326)	11,852	(3,474)
Net Cash Used in Investing Activities	$ (7,601)	$ (32,327)	$ (39,928)
Proceeds from issuing note payable	$ 62,460	$ (61,913)	$ 547
Stock subscriptions receivable	54,375	47,105	101,480
Net Cash Provided by Financing Activities	88,136	(14,808)	73,328
Net Decrease in Cash and Cash Equivalents	$ (37,009)	$ -	$ (37,009)

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (FAS 159) - In February 2007, the FASB issued Statement No. 159. FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of FAS 159 become effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact that FAS 159 will have on our future financial statements if we elect to adopt it.

FASB Statement No. 160 amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, and requires all entities to report noncontrolling (minority) interests in subsidiaries within equity in the consolidated financial statements, but separate from the parent shareholders' equity. Statement No. 160 also requires any acquisitions or dispositions of noncontrolling interests that do not result in a change of control to be accounted for as equity transactions. Further, the Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. FAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of adopting FAS 160 on our results of operations and financial condition.

FASB Statement No. 161, “Disclosures about Derivatives Instruments and Hedging Activities”, is an amendment of FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“FAS 161”). In March 2008, the FASB issued SFAS No. 161, which changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures stating how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. FAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. FAS 161 also encourages but does not require comparative disclosures for earlier periods at initial adoption. The Company is currently evaluating whether the adoption of FAS 161 will have an impact on our financial statements.

NOTE 3 - BUSINESS CONDITIONS

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 losses from operations through March 31, 2008 of $26,226,714, has a working capital deficit of $2,206,242 and a stockholders' deficit of $7,828,151 at March 31, 2008. In addition, the Company has defaulted on several of its liabilities, has closed two retail clothing stores, and has entered into agreements to sell two of its commercial real estate properties. These matters 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:

- Increase retail sales of Landis Salons, Inc. and Style Perfect
- Closing underperforming retail locations
- Using stock and option-based compensation to cover payroll and other permissible labor costs
- Raise capital through the Company's equity line of credit upon the effectiveness of a pending S-1 Registration Statement
- Increasing revenues from rental properties by implementing new marketing programs

- Making certain improvements to certain rental properties in order to make them more marketable
- Reduce expenses through consolidating or disposing of certain subsidiary companies
- Convert certain debt into shares of the Company's common stock
- Purchasing revenue producing real estate

There can be no assurance that the Company can or will be successful in implementing any of its plans or that it 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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NOTE 4 - COMMON STOCK

Nexia Holdings, Inc. issued a board resolution dated July 2, 2008 authorizing a one post reverse share for one thousand pre-reverse shares in a stock split to be effective on July 25, 2008. The Company's Common Stock with a par value of $0.0001 will retain the number of authorized shares of Common Stock at 5,500,000,000. There were 2,362,995,732 shares of common stock outstanding on the date of the reverse stock split. The financial statements have been restated on a retro-active basis for the effect of the reverse stock split for all periods presented.

The Company has issued options to purchase Common Stock and straight shares to employees and outside contractors for services during the years 2008 and 2007. The majority of stock issued is from the exercise of stock options. Options are issued with either a "floating" exercise price, usually set at 75% of the market price on the sale date, or the options are granted with a fixed price set by the Board of Directors when the option is granted to the recipient. The floating exercise price is determined when the employee or service provider finalizes the exercise of the option by a sale of the shares underlying the option or pays the exercise price. In accordance with SFAS No. 123 (R), the value of shares issued, based upon the options, is equal to the fair value (market price) on the date of issuance.

During the three months ended March 31, 2008, the Company issued 402,350 shares (All shares are reflecting the post reverse split on 7-25-08) of common stock, valued at $220,450. Included are 339,500 of the above shares that were issued as option shares to employees with a value of $148,900 in exchange for services rendered. The Company had a decrease in its receivable from stockholders of $101,480 for the exercise price due to the Company from outstanding option shares. Nexia received $61,625 in cash for its receivable from stockholders. The Company recorded an expense of $145,828 from decreases in the receivable from stockholders in the first quarter of 2008. Nexia also recorded an adjustment of $3,048 to the receivable from stockholders for overpayments of the stock option price. The ending balance of stock subscriptions receivable at March 31, 2008 was $67,183.

NOTE 5 - RELATED PARTY TRANSACTIONS

In 2007, the President of the Company loaned $112,908 as a short-term, interest-free advance for the purchase of inventory and operational expenses which remains outstanding and is reported in accounts payable – related parties on the March 31, 2008 balance sheet. In addition, $111,661 of accrued interest was owed to the President of the Company as of March 31, 2008 for interest earned on past related party loans and $295,458 on unpaid salaries included on the balance sheet under accrued interest – related parties and accrued liabilities.

NOTE 6 - INVESTMENT IN MARKETABLE EQUITY SECURITIES

The following is a summary of the Company's investment in available-for-sale secrities as of March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
Equity securities, free trading:		
Gross unrealized gains	$ 8,665	$ 2,227
Gross unrealized losses	(110)	(821,783)
Net unrealized loss	$ 8,555	$ (819,556)
Fair market value	$ 23,600	$ 195,499

Change in the unrealized loss on available-for-sale securities during the three months ended March 31, 2008 is as follows:

Beginning balance	$	(819,556)
Decrease in unrealized holding loss		828,111
Ending balance	$	8,555

Change in the unrealized loss on available-for-sale securities during the three months ended March 31, 2008 is as follows:

The Company recognized an other-than-temporary loss on its investments during the three months ended March 31, 2007 and 2008 in the amount of $0 and $785,285, respectively. Gross realized losses of $44,179 from the sale of marketable securities during the three months ended March 31, 2008 that were based on the specific identification of the securities sold. Proceeds from the sale were $21,200.

NOTE 7 - INVENTORY

The Company calculates its inventory on a first-in, first-out basis. Below shows the inventory broken out by class:

	March 31, 2008	December 31, 2007
Raw Materials	$ -	$ 20,529
Work in Process	21,454	41,454
Finished Goods	237,817	271,698
Total Inventory	$ 259,271	$ 333,681

The Company determined that $75,000 worth of its inventory does not have a full realizable value when it will be sold and has reclassified that amount as cost of goods sold for the three months ended March 31, 2008.

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NOTE 8 - SEGMENT INFORMATION

Nexia Holdings, Inc has three reportable segments in which it operates using the guidelines set forth in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The reportable segments are as follows: Salon businesses; the Black Chandelier clothing manufacturing and retail sales operations and Real Estate and General including the purchase, sale and rental of commercial real estate.

Summarized financial information concerning reportable segments is shown in the following table:

	Period Ended March 31,	Salon	Retail	Real Estate & General	Total
Revenues	2008	$ 577,511	$ 177,909	$ 59,928	$ 815,348
	2007	424,863	267,978	45,933	738,774
Net income (loss) applicable to	2008	67,168	(580,186)	(1,531,785)	(2,044,803)
segment	2007	(20,350)	(252,061)	(929,214)	(1,201,625)
Total assets	March 31, 2008	548,191	(934,869)	4,554,657	4,167,979
(net of intercompany accounts)	December 31, 2007	465,608	(632,609)	5,012,486	4,845,485

NOTE 9 - LOSS ON DISPOSAL OF ASSETS

During the quarter ended March 31, 2008, two Black Chandelier stores, operated by Gold Fusion Laboratories, Inc., a wholly-owned subsidiary, were closed. The leasehold improvements at both store locations were expensed when abandoned. The schedule below shows the amounts that were expensed:

	Fashion Place, Salt Lake City	Riverwods, Provo	Total
Cost of leasehold improvements	$ 191,746	$ 71,568	$ 263,314
Deposits Forfeited	549	2,895	3,444
Accumulated depreciation	(33,655)	(15,684)	(49,339)
Loss on abandonment	$ 158,640	$ 58,779	$ 217,419

NOTE 10 – IMPAIRMENT OF ASSETS

The Company performed an evaluation of its assets for impairment as of December 31, 2007 and March 31, 2008. The Company determined that goodwill was impaired by $254,396 and $32,731, respectively, and leasehold improvements and equipment was impaired by $0 and $62,348, respectively.

NOTE 11 - NOTE PAYABLE – MARSHALL HOLDINGS INTERNATIONAL

The Company's subsidiary, Diversified Holdings 1, Inc. ("DH1"), gave to Marshall Holdings International a $50,000 promissory note payable dated March 4, 2008. The note carries an interest rate of 10%. The monthly payment is $5,000 for 10 months to December 5, 2008. One payment was made by March 31, 2008. The note is unsecured and has not been written off.

In exchange for the promissory note payable, DH1 received from Marshall a convertible debenture for $50,000 dated March 5, 2008. The debenture carries an interest rate of 24%, and it is due in full by March 5, 2009. The debenture can be converted into common stock any time 360 days following execution of the agreement. As of March 31, 2008, the debenture was considered uncollectible, and was written off to bad debt expense

NOTE 12 - SUBSEQUENT EVENTS

In April of 2008, the Company cancelled 30,000 shares of Series C convertible preferred stock that were issued during 2007. The shares were issued to an individual for compensation of future services. Upon termination of employment the unvested shares were voluntarily returned for which no compensation was given.

Subsequent to March 31, 2008, the Company issued 925,150 shares (post reverse stock split 7-28-08) of common stock under its 2008 benefit plan as follows:

Issuance of 105,000, common shares for options exercised - issued to four contractors for services. Issuance of 730,150 common shares for options exercised shares - issued to ten employees for past services. Issuance of 50,000 common shares for options exercised - issued to two consultants for past services. Issuance of 40,000 straight common shares – issued to a contractor for past services rendered.

The Company has also issued an additional 959,750 shares of common stock from conversions of Series C Preferred stock from March 31, 2008 through August 4, 2008. There was an additional 888 shares added for fractional shares rounded up as a result of the reverse stock split.

Nexia Holdings, Inc. issued a board resolution dated July 2, 2008 authorizing a one post reverse share for one thousand pre-reverse shares in a stock split to be effective on July 25, 2008. The Company's Common Stock with a par value of $0.0001 will retain the number of authorized shares of Common Stock at 5,500,000,000. There were 2,362,995,732 shares of common stock outstanding on the date of the reverse stock split. The financial statements have been restated on a retro-active basis for the effect of the reverse stock split for all periods presented.

On August 14, 2008 the board of directors authorized the issuance of 38,600,000 shares to Diversified Holdings X, Inc., a related party for payment in full for a note and accrued interest in the amount of $385,728 owed by Gold Fusion.

On August 14, 2008 the board of directors authorized the issuance of 333,400 shares of restricted common stock for consulting services.

Fashion Place, L.L.C., a Delaware limited liability company vs. Gold Fusion Laboratories, Inc., a Nevada corporation and Nexia Holdings, Inc., a Nevada corporation. This action was filed on March 31, 2008 in the Third Judicial District Court of Salt Lake County, State of Utah, Civil case No. 080905398. The suit seeks recovery from Nexia as a Guarentor of the lease obligations of Gold Fusion Laboratories for space lease in the Fashion Place Mall. The suit alleges damages of $25,676, plus late fees, interest, attorney’s fees and costs. Additional claims for unpaid rent are asserted until the space can be leased to a replacement tenant. Plaintiff filed a Motion for Summary Judgment that has been granted by the trial court, final damages to be awarded in the Judgment have not yet been determined but are expected to be in the amount of not less than $76,000.

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

Cautionary Statement Regarding 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 business 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 10-Q 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.

General

Nexia's current operations consist of three principal areas: (1) operation of the design and retail operations of Black Chandelier fashion lines through the Company's subsidiary Gold Fusion Laboratories, Inc. (GFL); (2) the operation of the Landis Lifestyle Salon through Nexia's ownership interest in Landis, LLC and Newby Salons, LLC and (3) the acquisition, leasing and selling of real estate. The following discussion examines Nexia's financial condition as a result of operations for the three month period ended March 31, 2008 and compares those results with the comparable periods in 2007.

Gold Fusion Laboratories Retail Operations

In August of 2006, Gold Fusion Laboratories, Inc., a 100% owned subsidiary of the Company signed an asset purchase agreement with Diversified Holdings X, Inc. (DHX) to acquire the rights, assets, inventories and receivables of the Black Chandelier retail design and manufacturing operations. This acquisition closed on September 20, 2006.

Black Chandelier operations as of March 31, 2008 include two retail outlets operated under the Black Chandelier label, Trolley Square (Salt Lake City, Utah) and the Gateway shopping center (Salt Lake City, Utah) as well as the online shopping site, www.blackchandelier.com.

Gold Fusion had sales of $177,909 during the three months ended March 31, 2008 compared to $267,978 for the same period in 2007. The decrease in revenue of $90,069, or 34% was created from the two stores that were closed in the first quarter of 2008.

Net losses for Gold Fusion operations were $580,186 for the three month period ended March 31, 2008 compared to $252,061 for the same period in 2007. The increase in losses for the first quarter of 2008 compared with 2007 was $328,125 or 130%, and was due to a large decrease in sales at all locations. The Company felt that they needed to close two of the stores to reduce further losses.

Black Chandelier is a lifestyle company that produces clothing, candles and active wear. The mission of Black Chandelier is to offer products designed with deliberateness and wild inspiration that indulge an individual's innate drive to be unique. The overarching concept is to provide the consumer with an affordable alternative to "mass-market" offerings by extending a product that conveys a sense of eccentricity that stands apart in quality, style and price, from most of the homogenous fare being offered consumers by the mainstream apparel market. The clothing items are produced in small runs keeping merchandise offered in the stores fresh.

Landis, LLC Salon Operations

Nexia currently owns 85% of Landis, LLC ("Landis"). In November 2005, the Company acquired a 20% equity interest in Landis for a $100,000 cash payment. Landis operates an AvedaTM lifestyle salon that features AvedaTM products for retail sale. Landis is controlled by Nexia's Chief Executive Officer. Nexia has consolidated Landis for accounting purposes, because of its ownership interest and common control with our president. Nexia signed an agreement to acquire Mr. Surber's 60% ownership interest in Landis in the third quarter of 2006. As consideration for that acquisition, Nexia and Diversified Holdings I, Inc. delivered to Mr. Surber (1) a promissory note in the amount of $250,000, bearing interest at the rate of 24% per annum, due in five annual payments, (2) issuance of 75,000 shares of Nexia's Series A Preferred Stock and (3) issuance of 2,000,000 shares of Nexia's Series B Preferred stock. A 5% interest was acquired from Seth Bullough in exchange for the issuance by Nexia of 5,000 shares of Series A Preferred Stock.

Landis Salon has two locations in Salt Lake City, Utah and Bountiful, Utah. They reported revenue of $577,511 during the three months ended March 31, 2008 compared to $424,863 for the same period in 2007. The increase in revenue of $152,648, or 36% came from the growth in customer base at the Salt Lake City location and the addition of a new store in Bountiful that was not yet purchased during the first quarter of 2007.

Net income for Landis operations was $67,168 for the three month period ended March 31, 2008 compared to a loss of $20,350 for the same period in 2007. The increase in income for the first quarter of 2008 compared with 2007 was $87,518 or 430%, due to increased sales at the Salt Lake location and better control over operating expenses.

Additional information on the Landis Salon can be found on its website at www.landissalon.com.

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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 currently operates three real estate subsidiaries: Wasatch Capital Corporation, Salt Lake Development Corporation and Kearns Development Corporation.

Nexia recorded rental revenues of $59,928 for the three months ended March 31, 2008 as compared to $45,933 for the comparable period in 2007. The increase in the three month rental revenue of $13,995, or 30%, was due to increases in most of the rental properties and an additional tenant in the Downtown building.

Nexia had a net loss from real estate operations of $8,985 for the three months ended March 31, 2008, compared to a loss of $33,269 for the comparable period in 2007. The decrease in the three month losses of $24,284, or 73%, is attributable to the additional income that was generated by increased rents, a new tenant in the Downtown building, and reduction in depreciation for the properties held for sale.

Nexia will continue efforts to improve profitability and cash flow by working to increase occupancy and rental income from those properties currently held and to seek new investment opportunities as they can be located and evaluated. 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.

Company Operations as a Whole:

Revenue

Gross revenue for the three month period ended March 31, 2008, was $815,348 as compared to $738,774 for the same period in 2007. The increase in the three month revenue of $76,574, or 10%, is due to an additional salon location and a new tenant at one of the buildings.

Operating Losses

Nexia recorded operating losses of $1,180,959 for the three month period ended March 31, 2008, compared to losses of $1,431,795 for the comparable period in the year 2007. The decrease in three month operating losses of $250,836, or 18%, was the result of reducing the amount of outside services being paid for with stock, reduction in Company stock promotion, reduced payroll expenses and property rental from closing two locations of the Black Chandelier operations.

Net Loss

Nexia recorded net losses of $2,044,803 for the three month period ended March 31, 2008, as compared to net losses of $1,201,625 for the comparable period in 2007. The increase in the three month net losses of $843,178, or 70%, compared to the same period in 2007, reported above. The three main reasons for the increased losses were from losses on marketable securities and losses from impairment and disposal of assets.

Nexia may not operate at a profit through fiscal 2008. Since Nexia's activities are tied to its ability to operate its retail and salon operations and real estate properties at a profit, future profitability or its revenue growth tends to follow changes in the markets for these activities. There can be no guarantee that profitability or revenue growth can be realized in the future.

Expenses

General and administrative expenses for the three month period ended March 31, 2008, were $949,038 compared to $1,470,964 for the same period in 2007. The decrease in three month expenses of $521,926, or 35%, was due primarily from reducing the amount of outside services being paid for with stock, reduction in Company stock promotion, reduced payroll expenses and property rental from closing two locations of the Black Chandelier operations.

Depreciation and amortization expenses for the three months ended March 31, 2008, were $50,625 compared to $51,902 for same period in 2007. The decrease in the three month expense of $1,277, or 2%, was attributable two properties are being held for sales and did not receive any depreciation in the first quarter of 2008.

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Capital Resources and Liquidity

On March 31, 2008, Nexia had current assets of $711,170 and $4,167,979 in total assets compared to current assets of $1,036,555 and total assets of $4,845,485 as of December 31, 2007. Nexia had net working capital deficit of $2,206,242 at March 31, 2008, as compared to a net working capital deficit of $1,694,448 at December 31, 2007. The increase in working capital deficit of $511,794 is due primarily from increases in accounts payable, accrued interest, and a reduction in prepaid expenses.

Cash used by operating activities was $70,409 for the three months ended March 31, 2008, compared to cash used by operating activities of $104,367 for the comparable three month period in 2007. The decrease in cash used of $33,958 was attributable mostly to the increases in accrued liabilities, accounts payable, and prepaid expenses for March 31, 2008 compared to the same period for 2007. There was also a large write-down of marketable securities during the first three months of 2008.

Net cash used by investing in activities was $39,928 for the three months ended March 31, 2008, compared to net cash used by investing activities of $60,145 for the three months ended March 31, 2007. The decrease of cash used in the sum of $20,217 was attributable primarily to less capital assets being purchased during the first quarter of 2008.

Cash provided by financing activities was $73,328 for the three months ended March 31, 2008, compared to cash provided of $207,021 for the three months ended March 31, 2007. The decrease of $133,693 was due primarily to a larger receipt of stock subscriptions receivable during the first quarter of 2007.

Nexia may experience occasional cash flow shortages due to debt service on real estate holdings and willingness to acquire properties with negative cash flow. To cover these shortages, Nexia may need to issue shares of its common stock in payment for services rendered. The Company is currently experiencing challenges with regard to cash flows. We are looking at several options to improve this situation, including having signed for an equity line of credit with Dutchess Private Equities Fund. The agreement with Dutchess provides that, following notice to Dutchess, Nexia may put to Dutchess up to $10 million in shares of our common stock for a purchase price equal to 95% of the lowest closing best bid price on the Over-the-Counter ("OTC") Bulletin Board of our common stock during the five day period following that notice. The number of shares that we will be permitted to put pursuant to the agreement will be either: (a) 200% of the average daily volume of our common stock for the ten trading days prior to the applicable put notice, multiplied by the average of the three daily closing "best bid" prices immediately preceding the day we issue the put, or (b) $100,000; provided that in no event will the put amount be more than $1,000,000 with respect to any single put. (Best Bid is a defined term in the agreement as the highest posted bid price for the common stock.) In turn, Dutchess has indicated that it will resell the shares of common stock in the open market, resell our shares to other investors through negotiated transactions or hold our shares in its portfolio. These shares are made the subject of an S-1 Registration Statement that has not yet been declared effective and for which the Company is currently drafting an S1-1 amendment.

Stock and Options To Employees and Contractors

Nexia's subsidiary, Diversified Holdings I, Inc. relied on the issuance of Nexia stock under Nexia's S-8 Registration Statement and 2008 Employee Benefit Plan for a large portion of employee salary payments during the first quarter of 2008. During the three month period ended March 31, 2008, the Company issued, pursuant to S-8 Registration Statements, 339,500 shares (post reverse stock split 7-25-08) as compensation to ten persons in exchange for services provided to the Company. These services/shares were valued at $148,900 and have been expensed in the current period. If the Company's stock is sold for less than when it was issued, there will be an additional expense. If the stock is sold for more than when it was issued, there will not be an additional expense. The differences in values of the services/shares in future periods may be higher or lower than the $145,828 due to the shares being sold at a lower or higher price.

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.

Off Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements.

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-14(c) under the Securities Exchange Act of 1934) are not effective and adequate in areas disclosed below.

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the Company's internal control, disclosure controls, and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the 1934 Act. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that there were a number of adjusting entries initiated by the Company after the auditors' field work was completed. This is evidence of material deficiencies in the Company's disclosure controls and procedures. The Company also performed procedures in completing these financial statements for the period ended March 31, 2008 to ensure that the amounts and disclosures included were fairly presented in all material respects in accordance with GAAP.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Nexia is currently designing procedures to test and validate the quality of our internal controls. Management will take measures at the end of each quarter in 2008 to review the numbers carefully for errors and adjustments, if needed. We perform inventory counts at each quarter and adjust inventory accordingly. Accounting personnel look for discrepancies from our pre-count inventory numbers and our post-count numbers and fix weaknesses in the control process. We balance our bank statements to our daily sales and deposits made to verify sales are being recorded correctly, and cash and inventory are secured from most kinds of fraud. All checks are signed and approved by Richard Surber, the President and CEO of the Company. He is the only signer on all bank accounts. All use of credit cards is approved by Richard Surber, and they are usually used for payment of bills. Someone in accounting, other than those authorized to use the credit cards, reconciles the balances.

We review each account balance for all subsidiaries in the consolidation, after we have completed recording all transactions and adjusting balances. This is done to verify that the accounts reflect the correct balance and that required adjustments have been made. We are working to improve our procedures in this area.

We plan to hire another Sr. Accountant in 2008. This will give the controller the ability to spend significantly more time reviewing accounting records and financial statements before a quarterly review and year-end audit. This should enable us to reduce errors in accounting and, ultimately, it should eliminate material mistakes within our financial statements. It will also enable us to review more frequently accounting procedures and controls and make improvements. The additional Sr. Accountant should enable us to timely file our reports with the SEC.

In conclusion management has found a material weakness in its internal controls and procedures. On July 23, 2008 Hansen, Barnett & Maxwell has advised management that the internal controls necessary for the Company to develop reliable financial statements do not exist. Management's goals are to make the changes stated above, along with others that management may find necessary, and to complete a written, comprehensive document on our internal control and management procedures.

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PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Since the filing of Nexia's 10-K for the year ended December 31, 2007, no material changes have occurred to the legal proceedings reported therein. For more information, please see Nexia's Form 10-K for the year ended December 31, 2007 filed May 15, 2008.

ITEM 2. UNREGISERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered shares sold during the period.

ITEM 3 DEFAULTS UPON SERIOR SECURITTIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. Exhibits required to be attached by Item 601 are listed in the Index to Exhibits on page 27 of this Form 10-Q, 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 report.

1. On February 12, 2008, the Company filed a form 8-K reporting on the closing of two retail stores by the fashion subsidiary of the Company.

Subsequent to the end of the quarter ended June 30, 2007, Nexia has filed 1 Form 8-K reports

1. On May 1, 2008, the Company filed a form 8-K reporting on the reorganization of its salon business and the transfer of ownerships in Landis Salons, Inc. and Newby Salons, LLC to Green Endeavors, Ltd.

Table of Contest

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 4st day of August, 2008.

Date: August 4, 2008

Nexia Holdings, Inc.

By:

/s/ Richard Surber
Richard Surber
President and Director

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Table of Contest

INDEX OF EXHIBITS

Exhibit No.	Exhibit Page No.	Description
3(i)(a)	*	Articles of Incorporation of the Company in Colorado, 1987. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(i)(b)	*	Articles of Amendment to change the name of the Company. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(i)(c)	*	Articles of Incorporation of Kelly’s Coffee Group, Inc. filed with the Secretary of State of Nevada on August 3, 2000. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(i)(d)	*	Articles of Merger merging Kelly’s Coffee Group, Inc., a Colorado Corporation into Kelly’s Coffee Group, Inc., a Nevada Corporation, filed with the Secretary of State of Colorado on September 22, 2000, and with the Secretary of State of Nevada on October 5, 2000. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(i)(e)	*	Restated Articles of Incorporation of the Company. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(i)(f)	*	Amendment to the Articles of Incorporation changing the Company’s name from Kelly’s Coffee Group, Inc. to Nexia Holdings, Inc. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
3(ii)	*	Bylaws of Nexia Holdings, Inc. (Incorporated by reference to the Company’s Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
4	*	Form of certificate evidencing shares of "Common Stock” in the Company. (Incorporated by reference to the Company's Form SB-2 as filed with the Securities and Exchange Commission on January 12, 2006).
10(i)	*	February 1, 2007 Consulting Agreement with Target IR of Bigfork, Montana to provide services including marketing, strategic planning and financial matters for a period of one month in exchange for a cash payment in the sum of $50,000. (Incorporated by reference from the 10-KSB for the year ended December 31, 2006 filed by the Company on April 19, 2007.)
10(ii)	*	April 10, 2007 Consulting Agreement with Target IR of Bigfork, Montana to provide services including marketing, strategic planning and financial matters for a period of two months in exchange for a cash payment in the sum of $50,000. (Incorporated by reference from the 10-KSB for the year ended December 31, 2006 filed by the Company on April 19, 2007.)
31.1		CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
31.2		CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
31.2		CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Other

99(i)	*	January 2, 2008, a Stock Option Agreement between the Company and Andrew Dunham granting 2,100,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(ii)	*	January 11, 2008, a Stock Option Agreement between the Company and Shauna Postma granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(iii)	*	January 11, 2008, a Stock Option Agreement between the Company and Fredrick Hunzeker granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(iv)	*	January 11, 2008, a Stock Option Agreement between the Company and Pamela Kushlan granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(v)	*	January 11, 2008, a Stock Option Agreement between the Company and Morgen Swenson granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(vi)	*	January 11, 2008, a Stock Option Agreement between the Company and John Mortensen granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(vii)	*	January 11, 2008, a Stock Option Agreement between the Company and Guy Cook granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(viii)	*	January 11, 2008, a Stock Option Agreement between the Company and Michael Golightly granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(ix)	*	January 25, 2008, a Stock Option Agreement between the Company and Jared Gold granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(x)	*	January 25, 2008, a Stock Option Agreement between the Company and Jaime Catmull granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)

99(xi)	*	January 25, 2008, a Stock Option Agreement between the Company and Morgen Swenson granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xii)	*	January 25, 2008, a Stock Option Agreement between the Company and Megan M. Jesse granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xiii)	*	January 25, 2008, a Stock Option Agreement between the Company and Michael Golightly granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately.
99(xiv)	*	February 4, 2008, a Stock Option Agreement between the Company and Andrew Dunham granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xv)	*	February 6, 2008, a Stock Option Agreement between the Company and Jared Gold granting 5,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xvi)	*	February 6, 2008, a Stock Option Agreement between the Company and Pamela Kushlan granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xvii)	*	February 6, 2008, a Stock Option Agreement between the Company and Fredrick Hunzeker granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xviii)	*	February 6, 2008, a Stock Option Agreement between the Company and Shauna Postma granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xix)	*	February 6, 2008, a Stock Option Agreement between the Company and John Mortensen granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xx)	*	February 14, 2008, a Stock Option Agreement between the Company and Richard N. Smith granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxi)	*	

		February 14, 2008, a Stock Option Agreement between the Company and Michael Golightly granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxii)	*	February 22 2008, a Stock Option Agreement between the Company and Jared Gold granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxiii)	*	February 22 2008, a Stock Option Agreement between the Company and Shauna Postma granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxiv)	*	February 22 2008, a Stock Option Agreement between the Company and Fredrick Hunzeker granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxv)	*	February 22 2008, a Stock Option Agreement between the Company and Pamela Kushlan granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxvi)	*	February 22 2008, a Stock Option Agreement between the Company and John Mortensen granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxvii)	*	February 22 2008, a Stock Option Agreement between the Company and Guy Cook granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxviii)	*	February 22 2008, a Stock Option Agreement between the Company and Michael Golightly granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxix)	*	February 22 2008, a Stock Option Agreement between the Company and Jaime Catmull granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxx)	*	February 22 2008, a Stock Option Agreement between the Company and Anthony Newby granting 19,500,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxi)	*	

		March 20 2008, a Stock Option Agreement between the Company and Shauna Postma granting 20,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxii)	*	March 20 2008, a Stock Option Agreement between the Company and Fredrick Hunzeker 25,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxiii)	*	March 20 2008, a Stock Option Agreement between the Company and Pamela Kushlan granting 20,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxiv)	*	March 20 2008, a Stock Option Agreement between the Company and John Mortensen granting 25,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxv)	*	March 20 2008, a Stock Option Agreement between the Company and Guy Cook granting 25,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxvi)	*	March 20 2008, a Stock Option Agreement between the Company and Michael Golightly granting 25,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxvii)	*	March 20 2008, a Stock Option Agreement between the Company and Andrew Dunham granting 20,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
Subsequent Events		
99(xxxviii)	*	April 4 2008, a Stock Option Agreement between the Company and Bradley F. Edwards granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xxxix)	*	April 4 2008, a Stock Option Agreement between the Company and Kristian Bankston granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xl)	*	April 4 2008, a Stock Option Agreement between the Company and Jared Gold granting 10,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)

99(xli)	*	April 14 2008, a Stock Option Agreement between the Company and Shauna Postma granting 20,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xlii)	*	April 14 2008, a Stock Option Agreement between the Company and Fredrick Hunzeker granting 35,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xliii)	*	April 14 2008, a Stock Option Agreement between the Company and Pamela Kushlan granting 25,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xliv)	*	April 14 2008, a Stock Option Agreement between the Company and John Mortensen granting 40,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xlv)	*	April 14 2008, a Stock Option Agreement between the Company and Guy Cook granting 30,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xlvi)	*	April 14 2008, a Stock Option Agreement between the Company and Michael Golightly granting 30,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xlvii)	*	April 14 2008, a Stock Option Agreement between the Company and Jaime Catmull granting 30,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)
99(xlviii)	*	April 14 2008, a Stock Option Agreement between the Company and Anthony Newby granting 20,000,000 options with an option set at 50% of the market price at the time of exercise, all of the options vested immediately. (Incorporated by reference from the 10-KSB for the period ended December 31, 2007 filed by the Company)