

CORDIA CORP  
Form 10KSB/A  
March 11, 2005

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-KSB/A**

**AMENDMENT NO. 1**

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2002**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

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**Commission File Number 33-23473**  
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**CORDIA CORPORATION**

-----  
**(Name of small business issuer in its charter)**

**Nevada 2917728**

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**(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)**

**2500 Silverstar Road, Suite 500, Orlando, Florida 32804**

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**(Address of principal executive offices) (Zip Code)**

**Issuer's telephone number: (866) 777-7777**

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**Securities registered under Section 12(b) of the Act: None**

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

**Common Stock, \$.001 par value**

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**(Title of Class)**

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Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

State issuer's revenues for its most recent fiscal year. \$6,005,260

As of April 1, 2003, the issuer had outstanding 5,821,211 shares of its common stock (including 60,000 subscribed shares).

As of April 1, 2003, the aggregate market value of the issuer's common stock held by non-affiliates was \$927,043 (based upon the price at which the common stock was sold on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Part            Item

1. Proxy Statement for the 2003 Annual Meeting of Stockholders    III            9, 10, 11, 12, 15

Transitional Small Business Disclosure Format (check one)    Yes  No

**CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

December 31,

|  |      |      |
|--|------|------|
|  | 2002 | 2001 |
|--|------|------|

## ASSETS

## Current Assets

|   |            |            |         |
|---|------------|------------|---------|
| Cash  | \$ 234,770 | \$ 185,348 |         |
| Accounts receivable, less allowance for doubtful accounts of<br>\$65,000 (2002) and \$45,000 (2001) |            | 507,920    | 211,761 |
| Investments   | 3,685      | 111,019    |         |
| Prepaid expenses and other current assets   |            | 64,817     | 13,457  |
| Loans receivable from affiliates  |            | -          | 15,070  |
| Other loans receivable  | 33,649     | -          |         |

|                             |  |         |         |
|-----------------------------|--|---------|---------|
| <b>TOTAL CURRENT ASSETS</b> |  | 844,841 | 536,655 |
|-----------------------------|--|---------|---------|

## Property and equipment, at cost

|                            |         |         |  |
|----------------------------|---------|---------|--|
| Office equipment           | 230,660 | 141,001 |  |
| Equipment - capital leases | 58,567  | 58,567  |  |
| Vehicles                   | 16,743  | 16,743  |  |
| Furniture and fixtures     | 98,376  | 153,134 |  |

|                                |         |         |         |
|--------------------------------|---------|---------|---------|
|                                | 404,346 | 369,445 |         |
| Less: Accumulated depreciation |         | 141,140 | 132,661 |

|                                   |  |         |         |
|-----------------------------------|--|---------|---------|
| <b>NET PROPERTY AND EQUIPMENT</b> |  | 263,206 | 236,784 |
|-----------------------------------|--|---------|---------|

## Other Assets

|                   |        |        |  |
|-------------------|--------|--------|--|
| Security Deposits | 60,904 | 27,139 |  |
|-------------------|--------|--------|--|

|                     |              |            |  |
|---------------------|--------------|------------|--|
| <b>TOTAL ASSETS</b> | \$ 1,168,951 | \$ 800,578 |  |
|---------------------|--------------|------------|--|

## LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

## Current Liabilities

|   |           |           |         |
|---|-----------|-----------|---------|
| Book Overdraft                                  | \$ 90,946 | \$ -      |         |
| Accounts payable and accrued expenses           |           | 1,782,184 | 887,886 |
| Securities sold but not purchased               |           | -         | 50,229  |
| Obligation under capital lease, current portion |           | 25,672    | 18,822  |
| Current portion of long-term debt               |           | -         | 1,650   |

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|  |             |                     |                   |
|--|-------------|---------------------|-------------------|
| Unearned income  | 93,237      | 355,876             |                   |
| Loans payable to affiliates  | 9,744       | 46,297              |                   |
| Loans payable-other  | 36,103      | 242,131             |                   |
|  | -----       | -----               |                   |
| <b>TOTAL CURRENT LIABILITIES</b>   |             | <b>2,037,886</b>    | <b>1,602,891</b>  |
|  | -----       | -----               |                   |
| <b>Noncurrent Liabilities</b>  |             |                     |                   |
| Obligation under capital lease, less current portion   |             | 7,404               | 28,198            |
|  | -----       | -----               |                   |
| <b>TOTAL NONCURRENT LIABILITIES</b>  |             | <b>7,404</b>        | <b>28,198</b>     |
|  | -----       | -----               |                   |
| <b>Stockholders' Equity (Deficit)</b>  |             |                     |                   |
| Preferred stock, \$.001 par value; 5,000,000 shares authorized,<br>no shares issued and outstanding  |             | -                   | -                 |
| Common stock, \$.001 par value; <R>100,000,000</R> shares authorized,<br>5,701,211 (2002) and 5,437,811 (2001) shares issued and outstanding |             | 5,701               | 5,438             |
| Additional paid-in capital   | 3,956,739   | 2,880,446           |                   |
| Common stock subscribed  | 60,000      | -                   |                   |
| Accumulated deficit  | (4,873,779) | (3,716,395)         |                   |
|  | -----       | -----               |                   |
|  | (851,339)   | (830,511)           |                   |
| Less Treasury stock, 10,000 common shares at cost  |             | (25,000)            | -                 |
|  | -----       | -----               |                   |
| <b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>  |             | <b>(876,339)</b>    | <b>(830,511)</b>  |
|  | -----       | -----               |                   |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |             | <b>\$ 1,168,951</b> | <b>\$ 800,578</b> |
|  | =====       | =====               |                   |

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

|   | For the Year Ended<br>December 31, |              |
|---|------------------------------------|--------------|
|   | 2002                               | 2001         |
|   | -----                              | -----        |
| Revenues                                  |                                    |              |
| Subrogation Service revenue, net          | \$ 2,837,346                       | \$ 1,834,779 |
| Claims Administration income              | 2,597,467                          | 1,948,903    |
| Telecommunications revenue                | 547,780                            | -            |
| Other                                     | 22,667                             | 33,750       |
|   | -----                              | -----        |
|   | 6,005,260                          | 3,817,432    |
|   | -----                              | -----        |
| Operating Expenses                        |                                    |              |
| Resale and wholesale line charges         | 306,124                            | -            |
| Payroll and payroll taxes                 | 3,808,555                          | 2,812,976    |
| Advertising and promotion                 | 417,222                            | 435,033      |
| Professional and consulting fees          | 884,919                            | 502,772      |
| Depreciation                              | 74,595                             | 41,601       |
| Insurance                                 | 171,734                            | 121,881      |
| Office expense                            | 203,811                            | 277,892      |
| Telephone                                 | 225,235                            | 92,177       |
| Rent and building maintenance             | 342,897                            | 152,915      |
| Outside Services                          | 620,589                            | 296,039      |
| Other selling, general and administrative | 316,190                            | 331,435      |
|   | -----                              | -----        |
|   | 7,371,871                          | 5,064,721    |
|   | -----                              | -----        |
| Operating Loss                            | (1,366,611)                        | (1,247,289)  |
|   | -----                              | -----        |
| Other Income (Expenses)                   |                                    |              |
| (Loss) on investments                     | (97,347)                           | (187,848)    |
| Other income and expenses                 | (4,207)                            | 267          |
| Interest expense                          | (13,197)                           | (33,166)     |
|   | -----                              | -----        |
|   | (114,751)                          | (220,747)    |

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|   |               |               |             |
|---|---------------|---------------|-------------|
|   | -----         | -----         |             |
| Loss Before Income Taxes                      |               | (1,481,362)   | (1,468,036) |
|   | -----         | -----         |             |
| Deferred Income Tax (Credit)                  |               | -             | (73,669)    |
|   | -----         | -----         |             |
| Loss From Continuing Operations               |               | (1,481,362)   | (1,394,367) |
|   | -----         | -----         |             |
| Income (Loss) from Discontinued Operations    |               |               |             |
| Loss from operations of discontinued segments |               | (13,815)      | (284,417)   |
| Gain on disposal                              | 337,793       | -             |             |
|   | -----         | -----         |             |
|   | 323,978       | (284,417)     |             |
|   | -----         | -----         |             |
| Net Loss                                      | \$(1,157,384) | \$(1,678,784) |             |
|   | =====         | =====         |             |
| Loss per Share                                | \$ (0.21)     | \$ (0.31)     |             |
|   | =====         | =====         |             |
| Weighted Average Shares Outstanding           |               | 5,603,952     | 5,403,494   |
|   | =====         | =====         |             |

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
YEARS ENDED DECEMBER 31, 2002 AND 2001

|  | Common Stock        |                    | Treasury Stock                              |                     |                     |             | Accumulated<br>Deficit | Total        |
|--|---------------------|--------------------|---|---------------------|---------------------|-------------|------------------------|--------------|
|  | Number of<br>Shares | Paid-In<br>Capital | Additional<br>Common<br>Stock<br>Subscribed | Number of<br>Shares | Number of<br>Shares | Amount      |                        |              |
| Balance, January 1, 2001                     | 5,152,811           | \$5,153            | \$2,146,674                                 | -                   | -                   | -           | \$(2,037,611)          | \$ 114,216   |
| Capital Contributions                        |                     |                    |   |                     |                     |             |                        |              |
| Increase in investments                      | 280,000             | 280                | 242,085                                     | -                   | -                   | -           | -                      | 242,365      |
| Related party debt forgiveness               | -                   | -                  | 236,800                                     | -                   | -                   | -           | -                      | 236,800      |
| Common stock issued for consulting services  | 5,000               | 5                  | 102,495                                     | -                   | -                   | -           | -                      | 102,500      |
| Stock options issued for consulting services | -                   | -                  | 102,392                                     | -                   | -                   | -           | -                      | 102,392      |
| Exercise of stock options                    | 8,000               | 8                  | 49,992                                      | -                   | -                   | -           | -                      | 50,000       |
| Net (loss)                                   | -                   | -                  | -   | -                   | -                   | (1,678,784) | (1,678,784)            |              |
| Balance, December 31, 2001                   | 5,445,811           | 5,446              | \$2,880,438                                 | -                   | -                   | \$ -        | \$(3,716,395)          | (830,511)    |
| Options granted and consulting expense       |                     |                    |   |                     |                     |             |                        |              |
| Employees                                    | -                   | -                  | 30,000                                      | -                   | -                   | -           | -                      | 30,000       |
| Nonemployees                                 | -                   | -                  | 420,156                                     | -                   | -                   | -           | -                      | 420,156      |
| Options exercised                            |                     |                    |   |                     |                     |             |                        |              |
| Employees                                    | 55,000              | 55                 | 137,445                                     | -                   | -                   | -           | -                      | 137,500      |
| Nonemployees                                 | 190,000             | 190                | 444,810                                     | -                   | 10,000              | (25,000)    | -                      | 420,000      |
| Common stock subscribed by nonaffiliates     |                     |                    |   |                     |                     |             |                        |              |
|  | -                   | -                  | 60,000                                      | -                   | -                   | -           | 60,000                 |              |
| Common stock issued to nonemployees          |                     |                    |   |                     |                     |             |                        |              |
| For professional fees                        | 10,400              | 10                 | 43,890                                      | -                   | -                   | -           | -                      | 43,900       |
| Net Loss                                     | -                   | -                  | -   | -                   | -                   | (1,157,384) | (1,157,384)            |              |
| Balance, December 31, 2002                   | 5,701,211           | \$5,701            | \$3,956,739                                 | \$60,000            | 10,000              | \$(25,000)  | \$(4,873,779)          | \$ (876,339) |



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See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | For the Year Ended<br>December 31, |               |           |
|--|------------------------------------|---------------|-----------|
|  | 2002                               | 2001          |           |
|  | -----                              | -----         |           |
| <b>Cash Flows From Operating Activities</b>                      |                                    |               |           |
| Net loss   | \$(1,157,384)                      | \$(1,678,784) |           |
| (Gain) on disposal of subsidiaries                               |                                    | (337,793)     | -         |
| Adjustments to reconcile net loss to net cash used by operations |                                    |               |           |
| (Gain) loss on investments                                       | 97,347                             | 187,848       |           |
| Consulting expense   | 450,156                            | 204,892       |           |
| Professional fees  | 43,900                             | -             |           |
| Depreciation expense   | 85,670                             | 85,144        |           |
| Deferred income tax (credit)                                     | -                                  | (73,669)      |           |
| (Increase) decrease in assets                                    |                                    |               |           |
| Accounts receivable  | (296,159)                          | (25,787)      |           |
| Prepaid expenses and other current assets                        |                                    | (51,610)      | (11,430)  |
| Security deposits  | (33,765)                           | (27,139)      |           |
| Increase (decrease) in liabilities                               |                                    |               |           |
| Book overdraft   | 90,946                             | -             |           |
| Accounts payable and accrued expenses                            |                                    | 993,156       | 627,694   |
| Unearned income  | (262,639)                          | 325,088       |           |
| Other current liabilities  | -                                  | (2,277)       |           |
|  | -----                              | -----         |           |
| <b>NET CASH (USED) BY OPERATING ACTIVITIES</b>                   |                                    | (378,175)     | (388,420) |
|  | -----                              | -----         |           |
| <b>Cash Flows From Investing Activities</b>                      |                                    |               |           |
| Decrease in loans receivable from affiliates                     | 15,070                             | 86,651        |           |
| Increase in loans receivable from affiliates                     | -                                  | (100,000)     |           |
| Increase in other loans receivable                               | (139,735)                          | -             |           |
| Decrease in other loans receivable                               | 106,086                            | -             |           |
| Proceeds from sale of investments                                | 26,548                             | 465,347       |           |
| Proceeds from increase in investments sold but not purchased     |                                    | -             | 45,648    |
| Purchase of investments  | (66,791)                           | (383,708)     |           |
| Purchase of property and equipment                               | (135,533)                          | (94,285)      |           |
|  | -----                              | -----         |           |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                 |                                    | (194,355)     | 19,653    |

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Cash Flows From Financing Activities

|   |           |          |
|---|-----------|----------|
| Proceeds from issuance of common stock      | 607,000   | 50,000   |
| Payments of notes payable                   | (1,650)   | (3,935)  |
| Payments of obligations under capital lease | (13,944)  | (11,547) |
| Proceeds from loans payable to affiliates   | 459,744   | 326,399  |
| Payment of loans payable to affiliates      | (454,797) | -        |
| Proceeds from loans payable - other         | 41,823    | 138,563  |
| Payments of loans payable - other           | (16,224)  | -        |

|   |         |         |
|---|---------|---------|
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 621,952 | 499,480 |
|---|---------|---------|

|                  |        |         |
|------------------|--------|---------|
| Increase in Cash | 49,422 | 130,713 |
|------------------|--------|---------|

|                 |         |        |
|-----------------|---------|--------|
| Cash, Beginning | 185,348 | 54,635 |
|-----------------|---------|--------|

|              |            |            |
|--------------|------------|------------|
| Cash, Ending | \$ 234,770 | \$ 185,348 |
|--------------|------------|------------|

Supplemental Disclosures of Cash Flow Information Cash paid during the year for:

|          |           |           |
|----------|-----------|-----------|
| Interest | \$ 13,197 | \$ 37,908 |
|----------|-----------|-----------|

Non Cash Investing and Financing Activities Issuance of 1,400,000 shares of common stock:

|  |      |            |
|--|------|------------|
| Increase in Investments In eLEC and Skyclub  | \$ - | \$ 242,365 |
| eLEC securities exchanged in satisfaction of:  |      |            |
| Loans payable to affiliates  | -    | 74,302     |
| Interest payable on loans payable to affiliates  | -    | 26,498     |
| Related party debt forgiveness   | -    | 236,800    |
| Capital lease obligations incurred to finance the purchase of equipment                    | -    | 58,567     |
| During 2001, a loan payable to affiliate was transferred by the creditor to a third party. | -    | 103,568    |

See notes to consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES**

The Company

Cordia Corporation (formerly CyberOpticLabs, Inc.) ("Cordia") was organized on June 22, 1988 and consummated an Initial Public Offering of its common stock on March 15, 1989. On February 26, 1992, Cordia filed a current report on Form 8-K reporting that it had ceased operations and was liquidating its assets to pay off existing liabilities due to a lack of working capital.

On November 30, 2000, Cordia acquired all of the outstanding common stock of ISG Group, Inc. ("ISG") and U.S. Direct Agency, Inc. ("USD") in exchange for 4,330,200 shares of Cordia's common stock (approximately 84 percent of Cordia's common shares issued and outstanding). For accounting purposes, the transaction has been treated as the acquisition of Cordia by ISG and USD, with ISG and USD as the acquirer (reverse acquisition).

The acquisition of Cordia has been accounted for as a series of capital stock transactions by ISG and USD. Accordingly, no goodwill has been recorded and no pro-forma information has been provided.

During February 2001, Cordia increased its ownership interest in RiderPoint, Inc., to approximately 80% and acquired 100% of the membership interests in Webquill Internet Services, LLC ("Webquill") and approximately 19% of the outstanding common stock of Skylub Communications Holding Corp. During 2002, Cordia sold its interest in Webquill and USD (and its subsidiaries RiderPoint Inc., and RP Insurance Agency, Inc.). The accompanying financial statements reflect the results of operations of Webquill and USD and subsidiaries as discontinued business segments (see note 3).

Operations

Cordia conducts its continuing operations through its subsidiaries ISG (and its wholly-owned subsidiaries Universal Recoveries, Inc. and U.L.A.E., Inc.) and Cordia Communications Corp.

Universal Recoveries, Inc., doing business as Subrogation Partners, provides insurance recovery and collections services, including subrogation, salvage and deductible collections.

U.L.A.E., Inc., doing business as Claims Partners, is a third-party claims administrator that provides claim management solutions to insurance companies.

Cordia Communications Corp. ("CCC"), a wholly-owned subsidiary, is a competitive local exchange carrier that provides local and long distance telecommunications services to businesses and individuals. The telecommunications services provided by CCC are subject to significant regulation at the federal, state and local levels. Delays in receiving required regulatory approvals or the enactment of new adverse regulation or regulatory requirements may have a material adverse effect upon the CCC. CCC was formed during 2001 and commenced operations during 2002.

Principles of Consolidation

The consolidated financial statements include the accounts of Cordia, CCC and ISG and its subsidiaries for the years ended December 31, 2002 and 2001. The consolidated financial statements also include the accounts of its discontinued business segment for the year ended December 31, 2001 and the period January 1, 2002 through June 27, 2002 (date of disposal). All material intercompany

balances and transactions have been eliminated.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)

**Basis of Presentation**

These consolidated financial statements have been prepared assuming that Cordia and its subsidiaries ("the Company") will continue as a going concern. The Company has incurred substantial losses since its inception and also has a deficiency in stockholders' equity as of December 31, 2002. These conditions raise substantial doubt about the Company's ability to continue as a going concern. As discussed in Note 12, during 2003, the Company sold its interests in ISG and subsidiaries. As a result of this transaction, the Company's stockholders' equity increased by approximately \$1,556,000 (unaudited), the Company disposed of business segments that have historically generated net losses and working capital deficiencies, and the Company received a \$750,000 note secured by 700,000 shares of the Company's common stock. In addition, the Company's remaining business segment, CCC, was profitable in 2002. Accordingly, management believes that the Company will be able to generate sufficient cash flows to meet its obligations as they come due during 2003. Management of the Company also intends to seek additional sources of capital, which sources may include public and private sales of the Company's securities and additional borrowings from affiliates and non-affiliates. Given current market conditions, there is no guarantee that the Company will be able to obtain such funding when needed, or that such funding, if available, will be obtainable on acceptable terms. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Cash and Cash Equivalents**

The Company classifies as cash and cash equivalents amounts on deposit in banks and cash invested temporarily in various instruments with maturities of three months or less at time of purchase.

**Investments**

The Company's investments in marketable equity securities have been recorded at fair value, and are classified as trading securities.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. For financial reporting purposes, depreciation is provided using straight-line and accelerated methods over useful lives ranging from three to seven years. Expenditures that significantly increase value or extend useful asset lives are capitalized. Expenditures for maintenance, repairs and renewals of a minor nature are charged against operations as incurred.

**Revenue Recognition**

Subrogation Service revenues consist of service fee income that is recognized when funds are collected from third parties and the respective insurance files are closed. Subrogation Service revenues are reported net of related service fee

expenses. For comparability purposes, 2001 revenues are presented on a net, rather than a gross, basis. Other service income consists of claims administration revenues that are recognized as earned over the lives of the respective policies. Telecommunication income is recognized as services are provided.

Amounts invoiced and collected in advance of being earned are recorded as unearned income.

#### Advertising and Promotion

Advertising and promotion costs are expensed as incurred.

#### Bad Debt Expense

The Company provides for estimated losses on accounts receivable, using the allowance method, based on prior bad debt experience and a review of existing receivables.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." During 2001, the Company did not recognize any compensation expense related to employee stock options in accordance with APB 25 because no options were granted at a price below the market price on the day of grant. During 2002, the Company recognized \$30,000 of compensation expense related to employee stock options.

In 1996, FAS No. 123, "Accounting for Stock-Based Compensation," prescribed that the recognition of compensation be based on the fair value of options on the grant date, and allowed companies to continue applying APB 25 if certain pro forma disclosures are made assuming hypothetical fair value method application. See Note 6 for pro forma disclosures required by FAS No. 123 plus additional information on the Company's stock options.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse.

Reclassifications

Certain amounts in the 2001 consolidated financial statements have been reclassified to conform with the current period presentation (see Note 3).

Loss Per Share

Loss per share is computed based on the weighted average number of shares outstanding during each year (5,603,952 during 2002 and 5,403,494 during 2001). No changes in the computations of diluted earnings per share amounts are presented because there were no capital stock transactions that would serve to dilute common shares.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 revises the guidance for business combinations, eliminates the pooling method and is effective for business combinations occurring after June 15, 2001. SFAS No. 142 eliminates the amortization requirement for goodwill and certain other intangible assets and requires that such assets be reviewed periodically for impairment. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Neither of these standards is anticipated to have a material impact on the Company's financial position or results of operations.



In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and their associated retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. This standard is effective for fiscal years beginning after June 15, 2002. This standard is not anticipated to have a material impact on the Company's financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement also extends the reporting requirements to report separately, as discontinued operations, components of an entity that have either been disposed of or are classified as held-for-sale.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)**

SFAS No. 144 is effective for fiscal years beginning after December 15, 2001.

The Company adopted SFAS 144 for the year ended December 31, 2002, see Note 3.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS 146 requires that the initial measurement of a liability be at fair value. The Company adopted SFAS 146 effective October 1, 2002 and does not believe that SFAS 146 has a material impact on its consolidated results of operation and financial position.

In January 2003, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation- Transition and Disclosure, which amends FASB Statement No. 123, Accounting for Stock-Based Compensation. In response to a growing number of companies announcing plans to record expenses for the fair value of stock options, Statement 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The Company does not expect that adoption of SFAS 148 will have a material impact on its consolidated results of operations and financial position.

**NOTE 2 - INVESTMENTS****Trading Securities**

At December 31, 2002 and 2001, investments included common shares of eLEC Communications Corp. ("eLEC"). At December 31, 2001, the Company held a short position in the equity securities of McData Corp. of \$50,229. All investments are classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the accompanying statements of operations.

The cost of securities sold is based on the specific identification method. The following is a reconciliation of loss on investments from continuing operations during the years ended December 31, 2002 and 2001.

|                                   | <b>2002</b> | <b>2001</b> |
|-----------------------------------|-------------|-------------|
|                                   | -----       |             |
| Net change in unrealized (losses) | \$ (21,129) | \$ (23,154) |
| Realized (losses)                 | (76,218)    | (164,694)   |
|                                   | -----       | -----       |
| Total                             | \$ (97,347) | \$(187,848) |
|                                   | =====       | =====       |

During the years ended December 31, 2002 and 2001, the Company realized proceeds of \$9,457 and \$611,895

(\$511,095 cash and \$100,800 non-cash), respectively, from the sale of investments.

Other Investments

During February 2001, Cordia exchanged 1,400,000 shares of its common stock, issued under Section 4(2) of the Securities Act of 1933, for:

- (a) Approximately 37% of the common stock of RiderPoint Inc. ("RiderPoint") not owned by USD;
- (b) 600,000 shares (approximately 19%) of the common stock of Skyclub, ("Skyclub");
- (c) 100% of the outstanding membership interests in Webquill; and

**CORDIA CORPORATION AND SUBSIDIARIES**  
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**NOTE 2 - INVESTMENTS (cont'd)**

(d) 200,000 restricted common shares of eLEC.

The February 2001 purchase of RiderPoint's common stock has been accounted for as a recapitalization of the Company's stockholders' equity.

Skyclub and Webquill are entities under common control with the Company. Accordingly, these transactions have been recorded by the Company at Skyclub's and Webquill's historical cost. During 2002, the Company wrote-off its \$42,365 investment in Skyclub.

**NOTE 3 - SALE OF BUSINESS SEGMENTS**

On June 27, 2002, the Company sold for \$1,000 in cash, (a) its common stock equity interests in RiderPoint, and its subsidiary, RP Insurance Agency, Inc., and (b) its entire membership interest in Webquill. RiderPoint had focused on the development of technological systems, solutions and processes that would allow it to become a nationwide distributor of insurance products through the internet and traditional insurance agents. RP Insurance Agency, Inc. acted as an insurance broker for individuals, purchasing property and liability insurance for power sports vehicles. Webquill provided internet hosting services to businesses and individuals. The Company recognized a gain of \$337,793 on the sale of these interests. As a result of the sale of these business segments, the Company's net operating loss for Federal income tax reporting purposes decreased by approximately \$1,940,000.

The following is a summary of the sale transaction:

|  | RiderPoint,<br>and subsidiary | Webquill  | Total      |
|--|-------------------------------|-----------|------------|
|  | -----                         | -----     | -----      |
| Assets sold  | \$(25,189)                    | \$(2,763) | \$(27,952) |
| Liabilities sold                                       | 412,917                       | 15,701    | 428,618    |
| Cash payment received                                  | 500                           | 500       | 1,000      |
| Write-off of inter-company<br>receivables and payables | (63,873)                      | -0-       | (63,873)   |
|  | -----                         | -----     | -----      |
| Gain on sale   | \$324,355                     | \$13,438  | \$337,793  |
|  | =====                         | =====     | =====      |

The accompanying consolidated balance sheet at December 31, 2001 includes the following assets and liabilities of discontinued business segments RiderPoint, RP Insurance Agency, Inc. and Webquill:

|   |          |
|---|----------|
| Current assets                            |          |
| Cash                                      | \$ 1,257 |
| Accounts receivable                       | 2,364    |
| Loan payable to affiliate                 | 1,979*   |
| Prepaid expenses and other current assets | 250      |

|                                |                |
|--------------------------------|----------------|
|                                | -----          |
|                                | <b>5,850</b>   |
|                                | -----          |
| Property and equipment         |                |
| Office equipment               | 45,434         |
| Furniture & fixtures           | 55,198         |
|                                | -----          |
|                                | <b>100,632</b> |
| Less: Accumulated depreciation | (66,295)       |
|                                | -----          |
|                                | <b>34,337</b>  |
|                                | -----          |
| Total assets                   | \$ 40,187      |
|                                | =====          |

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2001**

## NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

|  |                |
|--|----------------|
| Current liabilities                        |                |
| Accounts payable and accrued expenses      | \$ 98,419      |
| Loans payable to parent and subsidiaries   | 84,724*        |
| Loans payable to affiliates                | 31,000         |
| Other loans payable                        | 212,892        |
|  | -----          |
|  | <b>427,035</b> |
| Accumulated deficit                        | (386,848)      |
|  | -----          |
| Total liabilities and stockholders' equity | \$ 40,187      |
|  | =====          |

\* Eliminated in consolidation.

Loss from operations of discontinued business segments includes the following:

|                          | Year Ended December 31, |             |
|--------------------------|-------------------------|-------------|
|                          | -----                   | -----       |
|                          | <b>2002</b>             | <b>2001</b> |
|                          | ----                    | ----        |
| Revenues                 | \$ 3,568                | \$ 81,810   |
| Loss before income taxes | \$17,383                | \$284,417   |

The 2001 statement of operations was reclassified to give retroactive effect to the sale of the business segment.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During 2002 and 2001, the Company paid \$21,000 and \$24,000, respectively, to eLEC for office rent.

The Company periodically borrows funds from shareholders and affiliates of shareholders. The loans bear interest at the rate of 12% per annum and are payable on demand. Interest expense resulting from related party loans totaled approximately \$10,000 and \$33,000 during the years ended December 31, 2002 and 2001, respectively.

During 2001, the Company repaid \$311,102 of loans payable to an affiliate of one of its officer/shareholders and related accrued interest of \$26,498 in exchange for shares of eLEC common stock having a fair market value of

\$100,800. The excess of the obligations extinguished over the value of the eLEC common stock has been accounted for as a \$236,800 contribution of capital.

**CORDIA CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2002 and 2001:

|   | 2002     | 2001     |
|---|----------|----------|
|   | ----     | ----     |
| During 2001, the Company leased office equipment (\$58,567, less accumulated depreciation of \$23,101 and \$11,388 at December 31, 2002 and 2001, respectively) under a non- cancelable capital lease. The lease expires during 2004, bears interest at the rate of 10% per annum and provides for aggregate monthly payments of \$1,890. The lease is secured by the acquired asset. | \$33,076 | \$47,020 |
| The Company financed the purchase of a vehicle with a note that bears interest at the rate of 9% per annum, final payment due in 2002.  | -----    | -----    |
|   | 33,076   | 48,670   |
| Less: Current portion   | -----    | -----    |
|   | 25,672   | 20,472   |
|   | =====    | =====    |
|   | \$ 7,404 | \$28,198 |

Annual payments under the capital lease obligation are due as follows:

|                                       |          |
|---------------------------------------|----------|
| Years ending<br>December 31,<br>----- |          |
| 2003 (including three months arrears) | \$28,347 |



|                         |          |
|-------------------------|----------|
| 2004                    | 7,559    |
| ----                    | -----    |
| Total                   | 35,906   |
| Less: Deferred interest | 2,830    |
|                         | -----    |
|                         | \$33,076 |
|                         | =====    |

**NOTE 6 - STOCKHOLDERS' EQUITY**

During June 2002, Cordia approved a 5-for-1 reverse split of its common stock with no change in its par value of \$.001. All references in the consolidated financial statements and in the notes to consolidated financial statements with respect to the number of common shares and per share amounts have been restated to reflect the stock split.

During September 2000, prior to the reverse acquisition transaction described in Note 1, Cordia issued warrants to purchase 112,000 shares of its common stock. The warrants have an exercise price of \$2.50 per share and expire during the period from July through September 2002. All 112,000 warrants were never exercised and expired during 2002.

Effective January 5, 2001, the Company established the 2001 Equity Incentive Plan (the "Plan"). The total number of shares of Cordia's common stock issuable under the Plan is 5,000,000, subject to adjustment for events such as stock dividends and stock splits.

The Plan is administered by a committee of the board of directors having full and final authority and discretion to determine when and to whom awards should be granted. The committee will also determine the terms, conditions and restrictions applicable to each award. Transactions under the Plan are summarized as follows:

**CORDIA CORPORATION AND SUBSIDIARIES**  
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## NOTE 6 - STOCKHOLDERS' EQUITY (cont'd)

|                                 | Stock Options<br>----- | Exercise Price<br>----- |
|---------------------------------|------------------------|-------------------------|
| Balance, January 1, 2001        | -0-                    | \$ -0-                  |
| Granted: With 3-year vesting    | 221,000                | 7.50                    |
| With immediate vesting          | 166,000                | 2.50 to 15.00           |
| Exercised and forfeited:        | (8,000)                | 6.25                    |
|                                 | -----                  |                         |
| Balance, December 31, 2001      | 379,000                |                         |
| Granted: With immediate vesting | 150,000                | 2.00 to 2.50            |
| Exercised and forfeited         | (383,000)              | 2.00 to 15.00           |
|                                 | -----                  |                         |
| Balance, December 31, 2002      | 146,000                | 2.50 to 11.25           |
|                                 | =====                  |                         |

In electing to follow APB 25 for expense recognition purposes, the Company is obliged to provide the expanded disclosures required under FAS No. 123 for stock-based compensation granted in 1996 and thereafter. The fair value of the employee stock options granted during 2002 and 2001 was estimated to be \$102,000 and \$1,613,550, respectively, based on the Black-Scholes option valuation model. For purposes of pro forma disclosures, stock-based compensation is amortized to expense on a straight-line basis over the vesting period.

The following table compares 2002 and 2001 results as reported to the results had the Company adopted the expense recognition provisions of FAS No. 123:

|                | As reported<br>----- | Pro Forma<br>----- |
|----------------|----------------------|--------------------|
| 2002           |                      |                    |
| ----           |                      |                    |
| Net loss       | \$1,157,384          | \$1,141,934        |
| Loss per share | .21                  | .20                |
| 2001           |                      |                    |
| ----           |                      |                    |

|                |             |             |
|----------------|-------------|-------------|
| Net loss       | \$1,678,784 | \$2,312,567 |
| Loss per share | .31         | .43         |

The Company also issued 25,000 shares of its common stock under a separate consulting agreement during 2001. The Company recognized a consulting expense of \$102,500 during 2001 based on the fair market value of the shares on the date of grant.

**NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, accounts receivable and trading securities. Concentrations with regard to accounts receivable are limited due to the Company's large customer base.

The carrying amounts of cash, accounts receivable, trading securities, accounts payable and accrued expenses approximate fair value due to the short-term nature of these items. The carrying amount of debt also approximates fair value since the interest rates on these instruments approximate market interest rates.

**NOTE 8 - INCOME TAXES**

The tax effect of the temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2002 and 2001 was as follows:

|   | 2002        | 2001        |
|---|-------------|-------------|
|   | ----        | ----        |
| Deferred income tax assets:               |             |             |
| Accounts payable and accrued expenses     | \$ 527,683  | \$ 355,155  |
| Unearned income                           | 33,333      | 142,350     |
| Investments                               | 26,365      | 31,006      |
| Net operating loss carryover              | 1,119,082   | 1,247,502   |
| Less: Valuation allowance                 | (1,506,430) | (1,671,997) |
|   | -----       | -----       |
|   | 200,033     | 104,016     |
|   | -----       | -----       |
| Deferred income tax liabilities:          |             |             |
| Accounts receivable                       | 151,026     | 83,704      |
| Prepaid expenses and other current assets | 33,202      | 3,412       |
| Accumulated depreciation                  | 15,805      | 16,900      |
|   | -----       | -----       |
|   | 200,033     | 104,016     |
|   | -----       | -----       |
| Net deferred income tax liability         | \$ -        | \$ -        |
|   | =====       | =====       |

The consolidated financial statements have been presented on the accrual method of accounting. For income tax reporting purposes, the Company is on the cash method. Accordingly, for income tax purposes, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Cordia and its subsidiaries have incurred losses since inception that have generated net operating loss carryforwards aggregating approximately \$2,800,000 at December 31, 2002 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire at various dates through 2022 for income tax purposes. These losses are subject to limitation on future years' utilization. The Company experienced a decrease in its net operating loss carryforward during 2002 due to the sale of RiderPoint (approximately \$1,940,000), offsetting the net operating loss carryforward increase during 2002 as a result of current year net operating losses.

In consideration of the uncertainty about the Company's ability to realize the benefit of their deferred tax assets, the accompanying financial statements reflect a valuation allowance of \$1,506,430 and \$1,671,997 at December 31, 2002 and 2001, respectively, to fully offset the deferred tax benefit amount.

The components of income tax expense (benefit) were as follows:

|           | <b>2002</b> | <b>2001</b>       |
|-----------|-------------|-------------------|
|           | ----        | ----              |
| Deferred: |             |                   |
| Federal   | \$ -        | \$(62,619)        |
| State     | -           | (11,050)          |
|           | -----       | -----             |
|           | <b>\$ -</b> | <b>\$(73,669)</b> |
|           | =====       | =====             |

**CORDIA CORPORATION AND SUBSIDIARIES**  
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## NOTE 8 - INCOME TAXES (cont'd)

A reconciliation of the difference between the expected income tax rate using the statutory federal tax rate and the Company's effective tax rate was as follows:

|  | 2002   | 2001   |        |
|--|--------|--------|--------|
|  | ----   | ----   |        |
| U.S. Federal income tax statutory rate     |        | 34.0%  | 34.0%  |
| Investments                                | (7.2)  | 11.4   |        |
| NOL of discontinued business segments      |        | (44.6) | -      |
| Consulting fees expense                    | 30.4   | 11.7   |        |
| Change in valuation allowance, net         |        | 9.5    | (74.6) |
| State income taxes, net of federal benefit |        | -      | 6.0    |
| Other, net                                 | (22.1) | 15.7   |        |
|  | -----  |        |        |
| Effective tax rate                         | - %    | 4.2%   |        |
|  | =====  | =====  |        |

**NOTE 9 - EMPLOYEE BENEFIT PLAN**

Universal Recoveries, Inc. has a defined contribution (SIMPLE SRA) plan covering all eligible employees. Universal Recoveries, Inc. matches up to 3% of eligible employee compensation, up to a maximum of the respective employee's elective deferral. During the years ended December 31, 2002 and 2001, employer contributions to the plan amounted to \$8,090 and \$9,066, respectively.

**NOTE 10 - COMMITMENTS**

## Operating Leases

The Company is committed for annual rentals under non-cancelable operating leases for its office space, as well as office and transportation equipment that expire at various times through 2005. Future minimum rental commitments under these leases for years subsequent to December 31, 2002 are as follows:

| Year Ending  |                  |
|--------------|------------------|
| December 31: |                  |
| -----        |                  |
| <b>2003</b>  | <b>\$221,736</b> |
| <b>2004</b>  | <b>77,472</b>    |

|             |              |
|-------------|--------------|
| <b>2005</b> | <b>4,417</b> |
|             | -----        |
| Total       | \$303,625    |
|             | =====        |

Rent expense from continuing operations was approximately \$280,000 and \$141,000 for the years ended December 31, 2002 and 2001, respectively.

#### Cash

The Company maintains its cash in various banks. Accounts at each bank are guaranteed up to certain insurance limitations. Uninsured cash bank balances at December 31, 2002 approximated \$460,000, which exceeded book balances principally due to outstanding checks.

**CORDIA CORPORATION AND SUBSIDIARIES**  
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**NOTE 11 - SEGMENT INFORMATION AND CONCENTRATIONS**

As discussed in Note 1, the Company conducts its operations through different business segments. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker(s) in deciding how to allocate resources and in assessing performance. A summary of financial information by business segment follows:

|                                | Segment Operating |               |               |
|--------------------------------|-------------------|---------------|---------------|
|                                | Revenues          | Profit/(Loss) | Total Assets* |
|                                | -----             | -----         | -----         |
| 2002                           |                   |               |               |
| Subrogation services           | \$2,837,346       | \$(1,071,631) | \$607,596     |
| Claims administration          | 2,597,468         | 781,780       | 265,130       |
| Telecommunications             | 547,780           | (65,985)      | 276,814       |
| Outsourcing and other          | 22,667            | (1,010,775)   | 19,411        |
|                                | -----             | -----         | -----         |
| Total per financial statements | \$6,005,261       | \$(1,366,611) | \$1,168,951   |
|                                | =====             | =====         | =====         |
| 2001                           |                   |               |               |
| Subrogation services           | \$1,834,779       | \$ (899,861)  | \$ 392,255    |
| Claims administration          | 1,948,903         | 288,861       | 269,376       |
| Telecommunications             | -                 | (1,446)       | -             |
| Outsourcing and other          | 33,750            | (634,843)     | 100,739       |
|                                | -----             | -----         | -----         |
|                                | \$3,817,432       | \$(1,247,289) | 762,370       |
|                                | =====             | =====         |               |
| Discontinued segments          |                   |               | 38,208        |
|                                |                   | -----         |               |
| Total per financial statements |                   |               | \$ 800,578    |
|                                |                   | =====         |               |

\*After elimination of inter-company balances.

One and two insurance companies accounted for approximately 28% and 48% of total subrogation service and fee revenues during the years ended December 31, 2002 and 2001, respectively. One insurance company accounted for



approximately 88% and 100% of claims management services during 2002 and 2001, respectively.

**NOTE 12 - SUBSEQUENT EVENTS**

Sale of ISG

On March 3, 2003, Cordia sold its equity interests in ISG to West Lane Group Inc., a company owned by the current management of ISG. The \$750,000 selling price of ISG is evidenced by a promissory note bearing interest at the rate of 6% per annum. The principal obligation of \$750,000 is payable on or before March 3, 2005, and is secured by 700,000 shares of Cordia's common stock owned by West Lane Group, Inc.

The following is a summary of the sale transaction (unaudited):

|   |              |             |
|---|--------------|-------------|
| Assets sold   | \$ (777,913) |             |
| Liabilities sold                                    | 1,659,634    |             |
| Note received                                       | 750,000      |             |
| Write-off of inter-company receivables and payables |              | (76,082)    |
|   | -----        |             |
| Gain on sale, before income taxes                   |              | \$1,555,639 |
|   | =====        |             |

The Company's net operating losses are expected to offset the gain on sale of **ISG**.

**CORDIA CORPORATION AND SUBSIDIARIES**  
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## NOTE 12 - SUBSEQUENT EVENTS (cont'd)

As a result of the sale of ISG, (a) employee stock options to purchase 83,000 common shares of the Company at \$7.50 per share expired, and (b) the Company's net operating loss carry-forward for federal income tax reporting purposes, on a pro-forma basis giving retroactive effect to the sale of ISG as of December 31, 2002, would have been approximately \$2,220,000.

The accompanying consolidated balance sheets at December 31, 2002 and 2001 include the following assets and liabilities of ISG:

|  | 2002       | 2001       |
|--|------------|------------|
|  | ----       | ----       |
| Current Assets                                 |            |            |
| Cash   | \$ 164,527 | \$ 182,065 |
| Accounts receivable, net                       | 377,568    | 206,897    |
| Investments                                    | 886        | 23,054     |
| Prepaid expenses and other current assets      | 17,512     | 9,137      |
| Loans receivable from affiliates               | 31,899     | 15,071     |
| Loans receivable from parent and subsidiaries* | -          | 5,446      |
|  | -----      | -----      |
| Total current assets                           | 592,392    | 441,670    |
|  | -----      | -----      |
| Property and equipment                         |            |            |
| Office equipment                               | 218,015    | 91,028     |
| Equipment - capital leases                     | 58,567     | 58,567     |
| Vehicles                                       | 16,743     | 16,743     |
| Furniture and fixtures                         | 98,376     | 97,936     |
|  | -----      | -----      |
|  | 391,701    | 264,274    |
| Less: Accumulated depreciation                 | 138,506    | 66,006     |
|  | -----      | -----      |
|  | 253,195    | 198,268    |
|  | -----      | -----      |
| Other assets                                   |            |            |
| Security deposits                              | 27,139     | 27,139     |
|  | -----      | -----      |
| Total assets                                   | \$ 872,726 | \$ 667,077 |
|  | =====      | =====      |

Current Liabilities

|  |            |            |
|--|------------|------------|
| Book overdraft                                       | \$ 90,946  | \$ -       |
| Accounts payable and accrued expenses                | 1,319,207  | 624,210    |
| Securities sold but not purchased                    | -          | 50,229     |
| Obligation under capital lease, current portion      | 25,672     | 18,822     |
| Current portion of long-term debt                    | -          | 1,650      |
| Unearned income                                      | 83,333     | 355,876    |
| Loans payable to affiliates                          | 9,744      | -          |
| Loans payable to parent and subsidiaries*            | 76,082     | 1,082      |
|  | -----      | -----      |
| Total current liabilities                            | 1,604,984  | 1,051,869  |
|  | -----      | -----      |
| Obligation under capital lease, less current portion | 7,404      | 28,198     |
|  | -----      | -----      |
| Accumulated deficit                                  | (739,662)  | (412,990)  |
|  | -----      | -----      |
| Total liabilities and accumulated deficit            | \$ 872,726 | \$ 667,077 |
|  | =====      | =====      |

NOTE 12 - SUBSEQUENT EVENTS (cont'd)

\*Eliminated in consolidation.

See Note 11 for revenue and operating profit segment information of ISG (subrogation services and claims management) for the years ended December 31, 2002 and 2001.

License Agreement

On March 3, 2003, Cordia entered into a licensing agreement with ISG whereby ISG purchased an unlimited license to certain software owned by Cordia. The license agreement provides for ISG to pay Cordia \$100,000 on execution of license agreement, plus \$6,000 per month (including interest) for a period of twenty-five months. Cordia shall provide software updates and maintenance as necessary, during this twenty-five month period.

Sale of Common Stock

Pursuant to a private offering of its common stock, the Company collected \$60,000 during 2002 and issued 60,000 common shares in 2003. The Company also collected \$44,500 during February 2003 for which no common shares have as yet been issued.