

Edgar Filing: CORDIA CORP - Form 10QSB

CORDIA CORP
Form 10QSB
August 14, 2002

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

Form 10-QSB

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2002
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____.

Commission File Number 33-23473

CORDIA CORPORATION

(Name of small business issuer as specified in its charter)

Nevada

2917728

(State or other jurisdiction of
incorporation or organization)

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

54 Danbury Rd. #370, Ridgefield, CT. 06877

(Address of principal executive offices)

866-777-7777

(Issuer's telephone number)

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

As of August 10, 2002, there were 5,691,804 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one); Yes No

Edgar Filing: CORDIA CORP - Form 10QSB

CORDIA CORPORATION

FORM 10-QSB

INDEX

PART I. Financial Information

Item 1. Financial Statements:

Condensed Consolidated Balance Sheets - June 30, 2002 and June 30, 2001.....

Condensed Consolidated Statements of Operations - Six and three months ended
June 30, 2002 and 2001.....

Condensed Consolidated Statements of Cash Flows - Six months ended June 30, 2002
2001.....

Notes to Financial Statements.....

Item 2. Management's Discussion and Analysis or Plan of Operation.....

PART II. Other Information:

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

Item 6. Exhibits and Reports on Form 8-K.....

Signatures.....

ITEM 1. FINANCIAL INFORMATION

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

June 30,	Decemb
2002	200
-----	-----

Edgar Filing: CORDIA CORP - Form 10QSB

ASSETS	(Unaudited)	(See
Current Assets		
Cash	\$ 327,285	\$ 18
Accounts receivable, less allowance for doubtful accounts of \$45,192 (2002) and \$45,000 (2001)	275,972	21
Investments	46,576	11
Prepaid expenses and other current assets	77,750	1
Loans receivable from affiliates	--	1
Other loans receivable	100,250	
	-----	-----
TOTAL CURRENT ASSETS	827,833	53
	-----	-----
Property and equipment, at cost		
Office equipment	184,868	14
Equipment-capital leases	58,567	5
Vehicles	16,743	1
Furniture and fixtures	97,935	15
	-----	-----
	358,113	36
Less: Accumulated depreciation	99,255	13
	-----	-----
NET PROPERTY AND EQUIPMENT	258,858	23
	-----	-----
Other Assets		
Contracts	15,000	
Security deposits	27,139	2
	-----	-----
TOTAL OTHER ASSETS	42,139	2
	-----	-----
TOTAL ASSETS	\$ 1,128,830	\$ 80
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,469,418	\$ 88
Securities sold but not yet purchased	--	5
Obligation under capital lease, current portion	19,297	1
Current portion long-term debt	--	
Unearned income	395,525	35
Loans payable to affiliates	10,947	4
Other loans payable	159,054	24
	-----	-----
TOTAL CURRENT LIABILITIES	2,054,241	1,60
	-----	-----
Noncurrent Liabilities		
Obligation under capital lease, less current portion	20,108	2
	-----	-----
TOTAL NONCURRENT LIABILITIES	20,108	2
	-----	-----

Edgar Filing: CORDIA CORP - Form 10QSB

Stockholders' Equity (Deficit)			
Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued and outstanding		--	
Common stock, \$.001 par value; 20,000,000 shares authorized, 5,641,804 (2002) and 5,437,802 (2001) shares issued and outstanding		5,642	2,88
Additional paid-in capital		3,505,842	(3,71
Accumulated deficit		(4,372,003)	(83
		-----	-----
		(860,519)	(83
Less: Treasury Stock, 50,000 common shares at cost		(25,000)	
Less: Subscriptions Receivable		(60,000)	
		-----	-----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		(945,519)	(83
		-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		\$ 1,128,830	\$ 80
		=====	=====

Note: The balance sheet at December 31, 2001 has been derived from audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles in the United States.

See notes to condensed consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Six Months Ended June 30,		For the Three Months June 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Revenues	\$ 3,150,075	\$ 1,471,693	\$ 1,567,086	\$ 1,471,693
	-----	-----	-----	-----
Operating Expenses				
Payroll and payroll taxes	1,908,173	1,299,370	977,159	777,159
Advertising and promotion	202,769	144,900	77,035	77,035
Professional and consulting fees	393,543	338,881	189,921	189,921
Depreciation	43,784	27,802	18,843	18,843
Other selling, general and administrative	1,515,048	772,649	666,739	666,739
	-----	-----	-----	-----

Edgar Filing: CORDIA CORP - Form 10QSB

	4,063,317	2,583,602	1,929,697	1
	-----	-----	-----	-----
Operating Loss	(913,242)	(1,111,909)	(362,611)	-----
	-----	-----	-----	-----
Other Income (Expenses)				
Gain on disposal of subsidiaries	322,796	--	322,796	
Loss on investments	(54,455)	(66,110)	(2,106)	
Other income	862	85	314	
Interest income	--	1,334	--	
Interest expense	(11,569)	(27,101)	(6,479)	
	-----	-----	-----	-----
	257,634	(91,792)	314,525	
	-----	-----	-----	-----
Loss Before Income Taxes	(655,608)	(1,203,701)	(48,086)	-----
	-----	-----	-----	-----
Income Tax Expense (Credit)				
Current	--	(6,404)	--	
Deferred	--	(73,669)	--	
	-----	-----	-----	-----
		(80,073)	--	
	-----	-----	-----	-----
Net Loss	\$ (655,608)	\$ (1,123,628)	\$ (48,086)	\$ -----
	=====	=====	=====	=====
Loss per Share	\$ (0.12)	\$ (0.21)	\$ (0.01)	\$ -----
	=====	=====	=====	=====
Weighted Average Shares Outstanding	5,516,261	5,382,662	5,566,033	5 -----
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: CORDIA CORP - Form 10QSB

Cash Flows From Operating Activities		
Net loss	\$ (655,608)	\$ (1,
(Gain) on disposal of subsidiaries	(322,796)	
Adjustments to reconcile net loss to net cash used by operations		
Loss on investments	54,456	
Consulting expense	142,600	
Depreciation expense	43,784	
Deferred income tax (credit)	--	
(Increase) decrease in assets		
Accounts receivable	(64,211)	
Prepaid expenses and other current assets	(78,000)	
Prepaid income taxes	--	
Contracts	(15,000)	
Security deposits	--	
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	680,394	
Unearned commission income	39,649	
	-----	-----
NET CASH (USED) BY OPERATING ACTIVITIES	(174,732)	(
	-----	-----
Cash Flows From Investing Activities		
Decrease in loans receivable from affiliates	15,070	
Increase in other loans receivable	(100,250)	
Proceeds from sale of investments	26,547	
Purchase of investments	(66,790)	
Purchase of property and equipment	(89,299)	
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES	(214,722)	(
	-----	-----
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	387,500	
Payment of capital lease obligation	(7,615)	
Payment of notes payable	(1,650)	
Loans payable to affiliates	14,446	
Decrease in loans payable to affiliates	(8,296)	
Increase in other loans payable	277,006	
Decrease in other loans payable	(130,000)	
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	531,391	
	-----	-----
Increase in Cash	141,937	
Cash, Beginning	185,348	
	-----	-----
Cash, Ending	\$ 327,285	\$
	=====	=====
Non-Cash Investing and Financing Activities		
Issuance of 1,400,000 shares of common stock:		
Increase in investments in eLEC and Skyclub	\$ ---	\$
Liabilities assumed in connection with WebQuill	---	
Increase in Common Stock and Paid-In-Capital and		

Edgar Filing: CORDIA CORP - Form 10QSB

Increase in Prepaid Expenses	---
Exercise of stock options paid by decrease in loans payable to affiliate	10,500

See notes to condensed consolidated financial statements.

3

CORDIA CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED FINANCIAL STATEMENTS June 30, 2002

Note 1: Basis of Presentation

Our unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three- and six-month periods ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements as of June 30, 2002 and December 31, 2001, and for the six months and three months ended June 30, 2002 and 2001, include the accounts of (a) ISG Group, Inc. and its subsidiaries (Universal Recoveries, Inc. and U.L.A.E., Inc., both wholly-owned), (b) U.S. Direct Agency, Inc. ("USD") and its affiliate, RiderPoint and subsidiary (which USD effectively controls), (c) Cordia Corporation and (d) WebQuill Internet Services, LLC ("WebQuill") and (e) Cordia Communications Corp. Cordia Corporation and its subsidiaries are collectively referred to herein as the Company. All material intercompany balances and transactions have been eliminated.

Note 2: Investments

During February 2001, we exchanged 1,400,000 shares of our common stock, issued under Section 4(2) of the Securities Act of 1933, to eLEC Communications Corp. for (a) approximately 37% of the common stock of RiderPoint not owned by USD, (b) 600,000 shares (approximately 19%) of the common stock of Skyclub Communications Holding Corp. ("Skyclub"), (c) all of the outstanding membership interests in WebQuill, and (d) 200,000 shares of common stock of eLEC Communications Corp.

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 us. Accordingly, these transactions have been recorded at cost.

During June 2002, we sold all of our common shares of RiderPoint Inc. and its subsidiary, RP Insurance Agency Inc., and our entire membership interest in Webquill Internet Services, LLC for \$1,000. We recognized a gain of \$322,796 in

Edgar Filing: CORDIA CORP - Form 10QSB

connection with such sale.

Note 3: Related Party Transactions

We periodically borrow funds from shareholders and affiliates of shareholders. The loans bear interest at the rate of 12% per annum and are payable on demand. At June 30, 2002, outstanding principle on affiliated loans was \$10,947. For the three and six months ended June 30, 2002, interest expense incurred on affiliated loans was approximately \$587 and \$1,324, respectively.

4

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED FINANCIAL STATEMENTS
June 30, 2002

Note 4: Long-Term Debt

Long-term debt consisted of the following at June 30, 2002 and December 31, 2001:

	2002 -----	2001 -----
We financed the purchase of a vehicle with a note that bears interest at the rate of 9% per annum, final payment due in 2002	\$ -0-	\$ 1,650
During 2001, we leased office equipment (\$58,567, less accumulated depreciation of \$15,293 at June 30, 2002) 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	39,405 -----	47,021 -----
	39,405	48,671
Less: Current portion	19,297 -----	20,473 -----
	\$20,108 =====	\$28,198 =====

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

Edgar Filing: CORDIA CORP - Form 10QSB

Years ending December 31, -----		
2002 (six months)	\$11,339	
2003	22,677	
2004	7,559	-----
Total	41,575	
Less: Deferred interest	2,170	-----
	\$39,405	=====

5

CORDIA CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED FINANCIAL STATEMENTS
 June 30, 2002

Note 5: Stockholders' Equity

During September 2000, we issued warrants to purchase 22,400 shares of our common stock. The warrants have an exercise price of \$12.50 per share and expire during the period from July through September 2002. No warrants were exercised during 2001 or 2002; all 22,400 warrants were outstanding at December 31, 2001 and June 30, 2002.

Effective January 5, 2001, we established our 2001 Equity Incentive Plan (the "Plan"). The total number of shares of our 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 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.

On May 28, 2002, at our Annual Meeting of Stockholders, our stockholders approved an amendment to our Articles of Incorporation to effect a five-for-one reverse stock split. The effective date of the reverse stock split was June 7, 2002.

Transactions under the Plan are summarized as follows giving retroactive effect to the reverse stock split:

	Stock Options -----	Exercise Price -----
Balance, January 1, 2002	379,000	\$ 2.50 to 15.00
Granted:	100,000	\$ 2.00 to 2.50
Exercised	(195,000)	\$ 2.00 to 2.50
Expired	(12,000)	\$15.00
	-----	-----
Balance, June 30, 2002	272,000	\$ 2.50 to 11.00

Edgar Filing: CORDIA CORP - Form 10QSB

Note 6: Commitments

We are committed for annual rentals under noncancelable operating leases for our office space, office equipment and a vehicle that expire at various times through February 2005. Future minimum rental commitments under these leases for years subsequent to December 31, 2002 are as follows:

Year Ending December 31 -----	
2002 (six months)	\$ 108,411
2003	216,208
2004	91,773
2005	1,022

Total	\$ 417,414 =====

6

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED FINANCIAL STATEMENTS
June 30, 2002

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

Certain statements in this Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for our products and services; uncertainties relating to customer plans and commitments and the timing of orders received from customers; announcements or changes in our pricing policies or that of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Overview

Edgar Filing: CORDIA CORP - Form 10QSB

Cordia Corporation is a business services holding company that provides Internet-enabled outsourcing solutions and services to businesses and organizations. We have historically focused substantially all of our efforts and resources on providing outsourced solutions for the insurance industry. During 2001, we began developing outsourced solutions for the telecommunications industry and began providing telecommunications services during the second quarter of 2002, through our subsidiary Cordia Communications Corporation.

We believe the growing use by businesses and other organizations of strategic outsourcing to expert organizations and the rapid global development and acceptance of Internet-based applications and technology have created opportunities for us to address the business services needs of certain industries. Because of specialized expertise often developed by business services companies and the significant economies of scale that can be achieved by providing specialized services for a number of customers, we believe companies that provide outsourced services are often able to deliver such services at lower costs and with higher quality than their customers can produce internally. In addition, we believe the rapid growth and acceptance of the Internet as a global medium for communication, information and commerce has created a tremendous opportunity to perform business functions more efficiently and effectively through the utilization of standardized Internet technologies, databases and applications.

7

Our strategy is to accelerate our growth and increase our profitability through the acquisition and internal development of businesses that provide either industry-specific expert services or specialized business functions. We plan to utilize internally developed proprietary systems that take advantage of standardized Internet technologies to enhance both the quality and efficiency of our services. We believe that properly designed and developed systems and applications will allow us to leverage the expertise of our employees and to deliver a superior service to our customers, which should give us a competitive advantage over expert organizations that seek to provide their services through traditional means.

Insurance Solutions Group

We operate our insurance services business primarily through ISG Group, Inc., our wholly-owned subsidiary that conducts business under the name Insurance Solutions Group ("ISG"). ISG provides comprehensive insurance solutions to insurance companies, state insurance departments and self-insured entities in conjunction with Universal Recoveries, Inc., a wholly-owned subsidiary of ISG doing business as Subrogation Partners ("Subrogation Partners"); U.L.A.E., Inc., a wholly-owned subsidiary of ISG doing business as Claim Partners ("Claim Partners"); and US Direct Agency, Inc., doing business as Premium Partners ("Premium Partners").

Subrogation Partners. Subrogation Partners provides subrogation services for property and casualty and healthcare insurance providers. Subrogation services include the identification, investigation and recovery of accident-related payments made by insurance providers on behalf of other insureds, but for which other persons or entities are primarily responsible. By contract and state law, insurance providers are generally entitled to certain rights with respect to paid claims that may be the primary obligation of other insurance carriers or parties. These recovery rights include the right of subrogation, which allows

Edgar Filing: CORDIA CORP - Form 10QSB

the insurance provider to recover accident-related claims directly from the responsible party or the responsible party's insurance carrier.

Subrogation Partners has historically derived the majority of its revenues from the property and casualty sector of the insurance industry, primarily from personal and commercial automobile insurance providers. During 2000, Subrogation Partners expanded its services into healthcare-related claims and entered into an agreement with a large health maintenance organization, or HMO, to run a pilot program to determine the economic viability of subrogating accident-related medical payments. During 2001, Subrogation Partners identified over \$1 million of potential recoveries during the pilot program. Based on those results, Subrogation Partners intends to expand its healthcare-related recoveries business during 2002. We continue to believe the long-term opportunities in healthcare-related claims is at least as great as the opportunities in serving the property and casualty sector. Subrogation Partners actively serves over thirty insurance carriers.

Claim Partners. Claim Partners is a claims administrator that provides claim management solutions to insurance companies. ISG launched Claim Partners business during 2001 believing that the claims handling expertise developed by Subrogation Partners personnel can be utilized in the development of a suite of outsourced claims administration services. Claims Partners intends to build upon the systems, expertise and industry reputation of Subrogation Partners to build its business.

8

Premium Partners. Premium Partners has been focusing primarily on the development of proprietary technological systems, solutions and processes to provide outsourced premium generation and administration services through the integration of call center services, hosted applications and Internet-based solutions. To date, Premium Partners has focused primarily on the development of front-end insurance industry applications, such as comparative rating, online policy application, underwriting and issuance systems. Premium Partners also is developing outsourced services to assist insurance carriers in the management of both their agent and direct distribution channels utilizing proprietary hosted applications that take advantage of universal client technology. Universal client technology allows ubiquitous access to applications with the use of industry-standard Internet browsers.

Cordia Communications Corp.

During 2001, we began to focus some of our resources on the development of telecommunications services. In July 2001, we formed Cordia Communications Corp. to develop integrated systems designed to support providers of telecommunications services and to utilize these systems to provide outsourced services to telecommunications providers. In addition, Cordia Communication Corp. has begun the process of becoming a licensed provider of local and long distance services in multiple states. As of August 5, 2002, Cordia Communications Corp. was approved to provide local and long distance telecommunications services in Florida, New York, New Jersey and Pennsylvania. We believe recent wholesale price reductions, particularly in New York, have created significant opportunities to quickly develop a profitable Competitive Local Exchange Carrier (CLEC) business utilizing a network platform commonly referred to as unbundled network elements - platform, or UNE-P. We intend to profit from these developments by providing consulting and outsourced technical services to CLECs wishing to utilize UNE-P and by developing our own CLEC

Edgar Filing: CORDIA CORP - Form 10QSB

business in geographic areas with the potential for high margins.

Three and Six Months Ended June 30, 2002 vs. June 30, 2001

Results of operations

Our net revenues for the three- and six-month periods ended June 30, 2002 increased by approximately \$535,000 and \$1,678,000, respectively, or approximately 52% and 114%, to approximately \$1,567,000 and \$3,150,000, respectively, as compared to approximately \$1,032,000 and \$1,472,000 reported for the same periods ended June 30, 2001. These increases were primarily attributable to increased revenues reported by ISG Group, Inc. of approximately \$541,000 and \$1,689,000 for the three- and six-month periods ended June 30, 2002, respectively, or approximately 53% and 117%, respectively, to approximately \$1,554,000 and \$3,124,000 for the three- and six-month periods ended June 30, 2002, respectively, from approximately \$1,013,000 and \$1,435,000 for the three- and six-month periods ended June 30, 2001, respectively. An additional increase in revenue of approximately \$19,000 was attributable to our outsourcing of IT services during the three- and six-months ended June 30, 2002. We reported no IT outsourcing revenue for the three- and six-month periods ended June 30, 2001. This increase was partially offset by a decrease in revenue from our former RiderPoint, Inc. subsidiary of approximately \$15,000 and \$29,000 for the three- and six-months ended June 30, 2002, respectively.

9

Operating expenses increased by approximately \$330,000 and \$1,480,000 for the three- and six-month periods ended June 30, 2002, respectively, or approximately 21% and 57%, respectively, to approximately \$1,930,000 and \$4,061,000 for the three- and six-month periods ended June 30, 2002, respectively, from approximately \$1,599,000 and \$2,584,000 reported for the comparable prior year periods ended June 30, 2001. These increases were in expenses were primarily related to the operations of Subrogation Partners and Claims Partners, which collectively reported increased operating expenses of approximately \$584,000 and \$1,708,000 for the three- and six-month periods ended June 30, 2002, respectively, as compared to the comparable periods ended June 30, 2001. Those increases were partially offset by a decrease in expenses related to Riderpoint and Webquill of approximately \$151,000 and \$310,000 for the three- and six-month periods ended June 30, 2002, respectively, as compared to the comparable prior year periods.

Interest expense for the three- and six-month periods ended June 30, 2002 decreased by approximately \$15,000 and \$16,000, respectively, from the amounts reported in the three- and six-month periods ended June 30, 2001, primarily due to decreased average borrowings.

Liquidity and Capital Resources

At June 30, 2002, we had cash and cash equivalents available of approximately \$327,000, an increase of approximately \$142,000 from amounts reported at December 31, 2001. At June 30, 2002, we had a working capital deficit of approximately (\$1,226,000), a deficit increase of approximately \$160,000 from amounts reported at December 31, 2001.

Net cash used in operating activities aggregated approximately \$175,000 and \$199,000 in the six-month periods ended June 30, 2002 and June 30, 2001, respectively. The principal use of cash during the six-month periods ended June 30, 2002 and June 30, 2001 was approximately \$656,000 and \$1,124,000,

Edgar Filing: CORDIA CORP - Form 10QSB

respectively, relating to net losses for those periods. Unearned income of approximately \$40,000 and \$613,000 during the six-month periods ended June 30, 2002 and 2001, respectively, offset such net losses. In addition, accounts payable and accrued expenses increased by approximately \$680,000 and \$222,000 during the six months ended June 30, 2002 and 2001, respectively.

Net cash used in investing activities aggregated approximately \$215,000 and \$216,000 during the six-month periods ended June 30, 2002 and 2001, respectively. Cash applied to investing activities consisted primarily of purchases of investments of approximately \$67,000 (2002) and \$336,000 (2001), purchases of property and equipment of approximately \$89,000 (2002) and \$68,000(2001), increases in other loans receivable of approximately \$100,000 (2002) and proceeds from the sale of investments of approximately \$27,000 (2002) and \$186,000 (2001).

10

Net cash provided by financing activities aggregated approximately \$531,000 and \$422,000 during the six-month periods ended June 30, 2002 and 2001, respectively. The principle sources of net cash provided by financing activities in the six-month periods ended June 30, 2002 and 2001 were the proceeds from the issuance of common stock of approximately \$388,000 (2002), borrowings from affiliates of approximately \$14,000 (2002) and \$424,000 (2001) and increase in other loan payable of approximately \$277,000 (2002).

We believe the working capital and cash flow from operations of our Subrogation Partners division will be sufficient to meet the cash and capital requirements of our Subrogation Partners and Claims Partners divisions for the next 12 months. We will, however, need to expend cash and incur additional losses while we are growing our Cordia Communications division to a profitable level. We believe our cash and cash equivalent assets at August 5, 2002 may not provide us with sufficient liquidity to grow our business and carry out many of our expansion plans. In recognition of the potential need for additional working capital, management intends to seek additional sources of capital, which sources may include public and private sales of our securities and additional borrowings from both affiliates and non-affiliates. Our inability to obtain sufficient working capital may restrict our ability to carry out our operating plans, which would result in the continuance of unprofitable operations and would adversely affect our financial condition and results of operations.

11

PART II. OTHER INFORMATION:

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

We held our annual meeting of shareholders on May 28, 2002.

Edgar Filing: CORDIA CORP - Form 10QSB

- (1) The shareholders elected each of the three nominees to the Board of Directors for a one-year term:

Director -----	For ---	Against -----	Abstained -----
Craig Gironda	29,923,363	15,326	650
Wesly Minella	29,923,363	15,326	650
John Scagnelli	29,923,363	15,326	650

- (2) The shareholder approved an amendment to our Articles of Incorporation to effect a reverse stock split, pursuant to which every five shares of our outstanding common stock would be exchanged for one new share of common stock.

For.....	29,923,363
Against.....	15,326
Abstained.....	650

Total.....	29,939,339

ITEM 6. EXHIBITS AND REPORTS OF FORM 8-K

- (a) Exhibits

Exhibit No. -----	Description -----
3.1	Certificate of Amendment to the Articles of Incorporation of the Company.

- (b) Reports on Form 8-K

None

12

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Ridgefield, Connecticut on August 14, 2002.

CORDIA CORPORATION

By: /s/ Craig C. Gironda

Craig C. Gironda
President and Chief Executive Officer

Edgar Filing: CORDIA CORP - Form 10QSB

By: /s/ Lorie M. Guerrero

Lorie M. Guerrero
Chief Accounting Officer