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CORDIA CORP  
Form 10QSB  
November 14, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities exchange Act of 1934

For the quarterly period ended September 30, 2003

Transition report under Section 13 or 15(d) of the Exchange Act

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

Commission File Number: 33-23473

CORDIA CORPORATION

-----  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada

2917728

-----  
(State or Other Jurisdiction of

-----  
(I.R.S. Employer Identification No.)  
Incorporation or Organization)

2500 Silverstar Road, Suite 500, Orlando, Florida 32804

-----  
(Address of Principal Executive Offices)

866-777-7777

-----  
(Issuer's Telephone Number, Including Area Code)

APPLICABLE ONLY TO ISSUERS INVOLVED IN  
BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of Nov 10, 2003, there were 5,821,211 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes  No

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Item 1. Financial Statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	September 30, 2003 -----
ASSETS	
Current Assets	
Cash	\$ 27,713
Accounts receivable, less allowance for doubtful accounts of \$81,259 (2003) and \$65,000 (2002)	573,920
Investments	-
Prepaid expenses and other current assets	150,028
Other loans receivable	-
	-----

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TOTAL CURRENT ASSETS	751,661 -----
Property and equipment	
Cost of property and equipment	27,404
Less: Accumulated depreciation	7,901 -----
NET PROPERTY AND EQUIPMENT	19,503 -----
Other Assets	
Notes receivable, less reserve for impairment of \$165,000 (2003)	585,000
Security deposits	77,055 -----
TOTAL OTHER ASSETS	662,055 -----
TOTAL ASSETS	\$ 1,433,219 =====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
Current Liabilities	
Book overdraft	\$ -
Accounts payable and accrued expenses	1,102,973
Obligation under capital lease, current portion	-
Unearned income	179,407
Loans payable to affiliates	32,174
Loans payable-other	57,000 -----
TOTAL CURRENT LIABILITIES	1,371,554 -----
Noncurrent Liabilities	
Obligation under capital lease, less current portion	- -----
TOTAL NONCURRENT LIABILITIES	- -----
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, 5,821,211 (2003) and 5,701,211 (2002) shares issued	5,821
Additional paid-in capital	4,171,457
Common stock subscribed	-
Accumulated deficit	(4,090,613) -----
Less Treasury stock, 10,000 common shares at cost	86,665 (25,000) -----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	61,665 -----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,433,219 =====

Note: The balance sheet at December 31, 2002 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 consolidated financial statements.

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

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	For the Nine Months Ended September 30,		For the Three Months September 30,	
	2003	2002*	2003	2002
Revenues				
Telecommunications Revenue	\$ 2,457,475	\$ 196,373	\$ 1,076,658	\$ 1,076,658
Other	142,055	172,367	83,462	83,462
	-----	-----	-----	-----
	2,599,530	368,740	1,160,120	1,160,120
	-----	-----	-----	-----
Operating Expenses				
Resale and wholesale line charges	1,134,614	106,022	470,473	470,473
Payroll and payroll taxes	648,553	320,472	302,044	302,044
Advertising and promotion	554,498	110,624	243,991	243,991
Professional and consulting fees	196,541	480,348	13,480	13,480
Depreciation	5,267	1,633	2,488	2,488
Insurance	58,429	12,730	24,099	24,099
Office expense	30,742	10,083	10,314	10,314
Telephone	46,292	21,597	16,458	16,458
Rent and building maintenance	38,877	22,616	10,995	10,995
Other selling, general and administrative	360,643	77,071	147,438	147,438
	-----	-----	-----	-----
	3,074,456	1,163,196	1,241,780	1,241,780
	-----	-----	-----	-----
Operating Loss	(474,926)	(794,456)	(81,660)	(81,660)
	-----	-----	-----	-----
Other Income (Expenses)				
Impairment loss on note receivable	(165,000)	-	(165,000)	(165,000)
Income (loss) on investments	3,750	(32,943)	-	-
Other income	-	-	-	-
Interest income (expense)	5,762	(1,556)	(1,005)	(1,005)
	-----	-----	-----	-----
	(155,488)	(34,499)	(166,005)	(166,005)
	-----	-----	-----	-----
Loss From Continuing Operations	(630,414)	(828,955)	(247,665)	(247,665)
	-----	-----	-----	-----
Income (Loss) from Discontinued Operations				
Gain on disposal of subsidiary	1,554,306	337,793	-	-
Loss from operations of discontinued segments	(140,726)	(278,101)	-	-
	-----	-----	-----	-----
	1,413,580	59,692	-	-
	-----	-----	-----	-----
Net Income (Loss)	\$ 783,166	\$ (769,263)	\$ (247,665)	\$ (247,665)
	=====	=====	=====	=====
Income (Loss) per Share	\$ 0.14	\$ (0.14)	\$ (0.04)	\$ (0.04)
	=====	=====	=====	=====
Weighted Average Shares Outstanding	5,785,600	5,571,455	5,821,211	5,821,211
	=====	=====	=====	=====

\*Reclassified, see notes 1 and 3.

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See notes to condensed consolidated financial statements.

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## CORDIA CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months September 30, 2003	
	-----	-----
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 783,166	\$ (
Adjustments to reconcile net loss to net cash used by operations		
(Gain) on disposal of subsidiaries	(1,554,308)	(
(Gain)loss on investments	(3,750)	
Consulting expense	116,338	
Depreciation expense	5,267	
Impairment loss -note receivable	165,000	
Noncash expenses of discontinued business segments	13,920	
(Increase) decrease in assets		
Accounts receivable	(233,606)	(
Prepaid expenses and other current assets	(141,939)	
Security deposits	(43,290)	
Increase (decrease) in liabilities		
Book overdraft	182,236	
Accounts payable and accrued expenses	430,840	1,
Unearned income	252,836	(
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(27,290)	
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	6,550	
Purchase of investments	--	
(Increase) in loans receivable from affiliates	--	(
Decrease in loans receivable from affiliates	--	
(Increase)in other loans receivable	(9,104)	
Decrease in other loans receivable	1,750	
Decrease in cash of sold subsidiaries	(241,055)	
Purchase of property and equipment	(19,595)	(
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES	(261,454)	(
<b>Cash Flows From Financing Activities</b>		
Net proceeds from issuance and subscription of common stock	38,500	
Payments of notes payable	--	
Payments of obligations under capital lease	(9,884)	
Proceeds from loans payable to affiliates	43,000	
Payment of loans payable to affiliates	(10,826)	
Proceeds from loans payable-other	42,000	
Payments of loans payable-other	(21,103)	
	-----	-----

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NET CASH PROVIDED BY FINANCING ACTIVITIES	81,687	
	-----	-----
Increase (Decrease) in Cash	(207,057)	
Cash, Beginning	234,770	
	-----	-----
Cash, Ending	\$ 27,713	\$
	=====	=====

\*Reclassified, see notes 1 and 3.

See notes to condensed consolidated financial statements.

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### CORDIA CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED FINANCIAL STATEMENTS September 30, 2003

#### 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 nine-month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include the accounts of Cordia Corporation ("Cordia"), and Cordia Communications Corp. ("CCC") for the nine months and three months ended September 30, 2003 and 2002. The consolidated financial statements also include the accounts of Cordia's discontinued business ISG Group, Inc ("ISG") and its subsidiaries (Universal Recoveries, Inc. and U.L.A.E., Inc., both wholly-owned) for the period January 1, 2003 through March 3, 2003 (date of disposal) and for the nine and three months ended September 30, 2002. The consolidated financial statements also include the accounts of Cordia's discontinued business segment RiderPoint and subsidiary, for the nine months and three months ended September 30, 2002. 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

##### Trading Securities

At December 31, 2002, investments included common shares of eLEC Communications Corp. ("eLEC"). 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. All remaining shares of eLEC were sold during the second quarter of 2003.

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. As discussed below, the gain was

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principally the result of the assumption of debt by the buyer. The results of operations of RiderPoint Inc, RP Insurance Agency Inc, and Webquill are presented as losses from operations of discontinued segments in the accompanying condensed consolidated statements of operations.

On March 3, 2003, Cordia sold its equity interests in ISG to West Lane Group Inc., a company owned by the then-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 under the note is payable on or before March 3, 2005, and is secured by 700,000 shares of Cordia's common stock owned by WestLane Group, Inc. During the third quarter of 2003, we re-evaluated the collectibility of the principal and interest related to the note and recorded a reserve in the amount of \$165,000. We believe this reserve to be adequate at this time.

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### CORDIA CORPORATION AND SUBSIDIARIES NOTES TO CONDENSED FINANCIAL STATEMENTS September 30, 2003

#### NOTE 3 - SALE OF BUSINESS SEGMENTS

Sale of RiderPoint, Inc., and its subsidiary, and Webquill Internet Services, LLC:

On June 27, 2002, the Company sold for \$1,000 in cash, (a) its common stock equity interests in RiderPoint, Inc. 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, and subsidiary	Webquill	Total
	-----	-----	-----
Assets sold	\$(25,189)	\$(2,763)	\$(27,952)
Liabilities assumed by buyer	412,917	15,701	428,618
Cash payment received	500	500	1,000
Write-off of inter-company receivables and payables	(63,873)	-0-	(63,873)
	-----	-----	-----
Gain on sale	\$324,355	\$13,438	\$337,793
	=====	=====	=====

The loss from operations of this discontinued business segment was \$13,815 for the nine months ended September 30, 2002.

#### Sale of ISG:

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

Assets sold	\$ (778,529)
Liabilities assumed by buyer	1,658,917

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Note received	750,000
Write-off of inter-company receivables and payables	(76,082)
	-----
Gain on sale, before income taxes	\$1,554,306
	=====

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

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.

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CORDIA CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
September 30, 2003

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

The accompanying consolidated balance sheet at December 31, 2002 include the following assets and liabilities of the discontinued business segments ISG:

Current Assets	
Cash	\$ 164,527
Accounts receivable, net	377,568
Investments	886
Prepaid expenses and other current assets	17,512
Loans receivable from affiliates	31,899
	-----
Total current assets	592,392
	-----
Property and equipment	
Office equipment	218,015
Equipment - capital leases	58,567
Vehicles	16,743
Furniture and fixtures	98,376
	-----
	391,701
Less: Accumulated depreciation	138,506
	-----
	253,195
	-----
Other assets	
Security deposits	27,139
	-----
Total assets	\$ 872,726
	=====
Current Liabilities	
Book overdraft	\$ 90,946
Accounts payable and accrued expenses	1,319,207
Obligation under capital lease, current portion	25,672



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Unearned income	83,333
Loans payable to affiliates	9,744
Loans payable to parent and subsidiaries*	76,082*
	-----
Total current liabilities	1,604,984
	-----
Obligation under capital lease, less current portion	7,404
	-----
Accumulated deficit	(739,662)
	-----
Total liabilities and accumulated deficit	\$ 872,726
	=====

\*Eliminated in consolidation.

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CORDIA CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
September 30, 2003

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

Loss from operations of discontinued business segments includes the following:

	Nine months ended September 30,	
	2003	2002
	-----	-----
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$2,055,242
Claims Administration income	197,667	1,982,224
Other	-	1,254
	-----	-----
Total Revenues:	\$ 829,028	\$4,038,720
Loss before income taxes	\$ 140,726	\$ (264,286)

The 2002 statement of operations was reclassified to show the results of operations for the RiderPoint and ISG business segments as discontinued.

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.

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CORDIA CORPORATION AND SUBSIDIARIES  
 NOTES TO CONDENSED FINANCIAL STATEMENTS  
 September 30, 2003

Note 4: Stockholders' Equity

During June 2002, we approved a 5-for-1 reverse split of our 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, we issued warrants to purchase 22,400 shares of our common stock. The warrants had an exercise price of \$12.50 per share and expired during the period from July through September 2002. No warrants were exercised prior to expiration.

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 1,000,000, 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 giving retroactive effect to the reverse stock split:

	Stock Options	Exercise Price
Balance, December 31, 2002	146,000	\$ 7.50 to 11.25
Granted:	615,000	\$ .60
Exercised	-	\$
Expired	(83,000)	\$ 7.50
Balance, September 30, 2003	678,000	\$ .60 to 11.25

Note 5: Commitments

Description of Property.

As of November 10, 2003, we leased property at the following two locations: (1) approximately 2,840 square feet of office space for our offices in White Plains, New York at a rental price of \$4,970.00 per month and (2) approximately 4,000 square feet at our executive offices in Orlando, Florida at a rental price of \$3,301.50 per month plus utilities. The lease for the property in White Plains is a five-year lease with rent increases in years three and four. The lease will commence when the landlord delivers possession of the premises to Cordia. The anticipated delivery date is December 1, 2003, however if landlord fails to deliver possession by December 16, 2003 Cordia may cancel the lease agreement and be released from all of its obligations. The lease for the property in Orlando is on a month-to-month basis. We believe our existing facilities are sufficient for our current operations.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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; changes in government regulations; 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

Cordia Corporation is a business services holding company that provides Internet-enabled software systems, 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. However, during 2001, we began developing proprietary software systems and related outsourced solutions for the telecommunications industry. In addition, during the second quarter of 2002, we began providing telecommunications services through our wholly-owned subsidiary, Cordia Communications Corp.

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. Due to the 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.

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 software 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 can allow us to leverage the expertise of our employees and to deliver a superior service to our customers, which should

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give us a competitive advantage over expert organizations that seek to provide their services through traditional means.

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. and began the development of an integrated software system designed to support providers of telecommunications services. We refer to these software systems as "Telecom Workspaces" or "Workspaces". During 2002, we began to develop a Telecom Account Management System (TAMS) which is a suite of services including Data Interconnection, Rate Plan Administration, Rating and Invoicing, and Ticketing and Transaction Posting that utilize Workspaces to provide outsourced solutions to telecommunications providers. In addition, during 2002, Cordia Communications Corp. became a licensed provider of local and long distance telephone services in multiple states.

We believe recent wholesale price reductions for telephone services have created significant opportunities to develop a profitable Competitive Local Exchange Carrier (CLEC) business utilizing a network platform commonly referred to as unbundled network elements-platform, or UNE-P. With UNE-P, we are able to lease all of the network elements required to provide local telecommunications services from the Incumbent Local Exchange Carrier (ILEC) on a month-to-month basis. UNE-P allows us to avoid the large capital expenditures required to build an independent network, closely match our network capacity to utilization and earn significant gross margins.

In order to provide our telecommunications services, we have entered into interconnection agreements with facilities-based local (ILECs) and long distance providers. We utilize our Workspaces system as a middleware layer that connects our employees, agents, wholesale and retail customers through Web interfaces to the provisioning, repair, billing and enhanced services functions of our underlying carriers. Through the constant development and improvement of our Workspaces system, we continually focus on the most efficient and effective underlying processes in the performance of each core function of the services we provide and adapt our systems to those processes. We believe this development strategy is far more favorable than the alternative methodology, in which the limitations of the software system lead to an adaptation of the process that is less than optimal in order to work within the confines of the software system.

We have identified the following three strategies that we intend to utilize, through our Workspaces system in order to profit from these developments in the domestic telecommunications market.

Retail Telecommunication Services. As of November 10, 2003, Cordia Communications Corp. was approved to provide local and long distance telecommunications services in Florida, New York, New Jersey, Illinois, Michigan, Ohio and Pennsylvania. Of these states, Cordia Communications Corp. has been actively marketing retail services to end users primarily in New York, New Jersey and Pennsylvania. We expect to expand our retail service offerings into Illinois, Michigan, and Pennsylvania during the remainder of 2003. We have focused on these states because management believes they offer the most attractive opportunities due to the relative size of their telecommunications markets and relatively low wholesale prices as compared to anticipated average retail revenue, which management believes will provide significant retail gross margins.

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Wholesale Telecommunications Services. During November 2002, Cordia Communications Corp. began to offer wholesale telecommunications services to other telecommunications providers. Taking advantage of our Workspaces software system, Cordia Communications Corp. is able to provide wholesale customers with internet access to our systems and data. We believe our systems and our focus on process engineering have created outsourced solutions and services that will greatly facilitate the entry of our wholesale customers into the CLEC business. We believe our wholesale customers will be able to provide telecommunications services with less investment and greater efficiency and expertise than may be possible for most CLECs who lack our systems capabilities and the knowledge of our employees.

Professional Outsourced Telecommunications Systems (POTS) and Solutions. During the first quarter of 2003, we began to market a suite of outsourced services to telecommunications providers. These professional outsourced telecommunications services (POTS) are designed around our Workspaces systems. The services we offer include Billing, New Order Provisioning, Repair, Level I Customer Service, Secondary Provisioning, Collections and Regulatory services. Customers for these services are required to subscribe to Workspaces systems, usually hosted within our facilities. Once a customer is using Workspaces, we are able to provide all or some of these specialized functions on an outsourced basis. We believe customers will be attracted to these services and adopt and utilize those functions that they believe are deficient within their own organizations. In addition to long term outsourcing service, we will also be offering emergency backup and transitional services that will allow our customers to outsource these functions during times of unplanned facilities outages, loss of key personnel or rapid growth.

### Insurance Solutions Group

We operated our insurance services business primarily through ISG Group, Inc., our wholly-owned subsidiary that conducted business under the name Insurance Solutions Group ("ISG"). As discussed below, we sold all of our equity interests in ISG in March 2003. ISG provided 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.

Subrogation Partners. Subrogation Partners provided subrogation services for property and casualty and healthcare insurance providers. Subrogation services included 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 the insurance provider to recover accident-related claims directly from the responsible party or the responsible party's insurance carrier. Subrogation Partners actively served over 40 insurance carriers.

Claim Partners. Claim Partners was a claims administrator that provided claim management solutions to insurance companies. ISG launched Claim Partners business during 2001 and has experienced a rapid growth rate, due to the cross-selling opportunities for claims services into the existing customer base of Subrogation Partners. Claim Partners focused on large-scale claim outsourcing opportunities.

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During the first quarter of 2003, we undertook an evaluation of the relative potential opportunities of our communications and insurance businesses. As part of this evaluation, we took into consideration the limited capital resources available to our company and the continued losses of ISG despite its rapid growth over the last two years, as well as ISG's negative equity and working capital position. As a result of this evaluation, we determined that it was in the best interest of our shareholders to exit the operating portions of our insurance-related subsidiaries and to reduce the significant infrastructure and operating costs associated with those businesses. On March 3, 2003, we sold our equity interest in ISG to West Lane Group Inc. ("West Lane Group") for a selling price of \$750,000. . The selling price was represented by a promissory note for \$750,000. The principal on the note is due on March 2005 with interest due quarterly beginning March 31, 2003. As of September 30, 2003, West Lane Group had not made any payments toward the principal balance. West Lane Group was owned by the management of ISG at the time of sale. In addition, we entered into a licensing and services agreement for our SubroAGS software with West Lane Group that is expected to generate a minimum of \$250,000 in revenue for us over the next two years. During the third quarter of 2003, we re-evaluated the collectibility of the principal and interest related to the note and recorded a reserve in the amount of \$165,000. The reserve was based on the financial situations of the debtor as well as the current marketability of the collateral involved. The collateral for the note is shares of Cordia's common stock. We believe this reserve to be adequate at this time. The transaction is discussed in Note 3 to our financial statements for the three- and nine month period ended September 30, 2003.

### Results of Operations

Three and Nine Months Ended September 30, 2003 vs. September 30, 2002

#### Operating Revenues

	For the Nine Months Ended September 30,		For the Three Months September 30	
	2003	2002	2003	
Revenues				
Telecommunications Revenue	\$ 2,457,475	\$ 196,373	\$ 1,076,658	\$
Other	142,055	172,367	83,462	
	2,599,530	368,740	1,160,120	

Revenues for the three and nine months ended September 30, 2003, increased by approximately \$966,000 and \$2,231,000 to approximately \$1,160,000 and \$2,600,000 as compared to approximately \$194,000 and \$369,000 reported during the three and nine months ended September 30, 2002.

#### Change in Telecommunications Revenue

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=====
2003-2002 3mths.   $ 886,000  -N/A% change
2003-2002 9mths.   $2,261,000 -N/A% change
=====

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Telecommunications revenue is earned from the provisioning of services to business, residential and wholesale customers for basic telephone service, including local and long distance service, as well as ancillary services, such as voice messaging and call waiting. Of the revenues reported for the three and nine months ended September 30, 2003, approximately \$916,000 and \$1,916,000 was generated from retail telecommunications services respectively, approximately \$76,000 and \$279,000 was generated from wholesale services and approximately \$85,000 and \$262,000 was generated from Carrier Access Billing (CABS) services, respectively. As we reported minimal telecommunications revenue for the three and nine months ended September 30, 2002, the majority of our 2003 revenue was derived from our efforts to grow our customer base. We anticipate a steady and continued growth rate in the customer base of our telecommunications operations. Although revenue is increasing with the development of our telecom operations, revenue did not keep up with the initial cost of developing the telecom business resulting in a net loss \$247,665 for the three months ended September 30, 2003.

### Change in Other Revenue

=====		
2003-2002 3mths.	\$ 80,000	-N/A increase
2003-2002 9mths.	(\$30,000)	17% decrease
=====		

Other revenue consists primarily of revenue earned through our outsourcing services of data and website technology and our revenue earned as a result of our licensing agreement. The increase during the three month period is primarily due to expanding our Professional Outsourced Telecom Services ("POTS") to other licensed telecom carriers and expanding on our Telecom Account Management Systems ("TAMS"), we expect that this revenue will remain consistent through 2003 and 2004. The nine month decrease is primarily due to the shift in our concentration of time and resources during the first half of the 2003, toward the growth of our telecommunications business. In addition we recognized management fee revenue for the 2002 period, previously eliminated through consolidation, from our former ISG subsidiary. We intend to continue to offer and expand our technology outsourcing to current and potential customers.

### Operating Expenses

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,
	2003	2002	2003
	-----	-----	-----
Operating Expenses			
Resale and wholesale line charges	1,134,614	106,022	470,473
Payroll and payroll taxes	648,553	320,472	302,044
Advertising and promotion	554,498	110,624	243,991
Professional and consulting fees	196,541	480,348	13,480
Depreciation	5,267	1,633	2,488
Insurance	58,429	12,730	24,099
Office expense	30,742	10,083	10,314
Telephone	46,292	21,597	16,458
Rent and building maintenance	38,877	22,616	10,995
Other selling, general and administrative	360,643	77,071	147,438
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3,074,456	1,163,196	1,241,780
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Consolidated operating expenses increased by approximately \$689,000 and \$1,911,000 or approximately 124% and 164%, to approximately \$1,242,000 and \$3,074,000 during the three and nine months ended September 30, 2003 respectively, as compared to approximately \$552,000 and \$1,163,000 during the comparable period ended 2002.

Change in Resale and Wholesale Line Charges

=====

2003-2002 3mths.	\$367,000	- N/A % increase
2003-2002 9mths.	\$1,029,000	- N/A % increase

=====

Resale and wholesale line charges are direct costs associated with our telecommunications subsidiary, Cordia Communications Corp., and represent our network access fees paid in order to provide local and long distance telephone service to our customers. These expenses will rise or fall in direct correlation to the size of our telecommunications customer base. We reported minimal resale and wholesale line charges for the three and nine months ended September 30, 2002.

Change in Payroll and Payroll Taxes

=====

2003-2002 3mths.	\$ 182,000	152% increase
2003-2002 9mths.	\$ 328,000	102% increase

=====

This increase was directly related to the growth of our telecommunications services. We expect that our payroll costs will continue to increase, although not as significantly, over the next 9 to 12 months as we continue to expand and grow our customer base.

Change in Advertising and Promotion

=====

2003-2002 3mths.	\$162,000	-197% increase
2003-2002 9mths.	\$444,000	-N/A% increase

=====

Advertising and promotion costs, which consist of advertising, marketing, travel and telemarketing expenses, increased considerably for the three and nine months ended September 30, 2003 as compared to the comparable period ended September 30, 2002, due primarily to our use of telemarketers to grow our customer base. We only had an insignificant amount of telemarketing expenses for the three and nine months ended September 30, 2002, and it is expected that this trend will continue, although not as dramatically, as our telecommunications business will require the services of telemarketers to continue to grow our customer base.

Change in Professional and Consulting

=====

2003-2002 3mths.	(\$162,000)	92% decrease
2003-2002 9mths.	(\$284,000)	59% decrease

=====

This decrease was principally the result of us using less, non-cash expense related options, granted to non-employees for consulting services.

Change in Depreciation

=====

2003-2002 3mths.	\$2,000	-N/A% increase
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2003-2002 9mths. \$4,000 -N/A% increase  
=====

The increase was primarily due to additions of depreciable office equipment, which were necessary to facilitate the growth of Cordia Communications Corp.

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### Change in Insurance =====

2003-2002 3mths. \$21,000 -N/A% increase

2003-2002 9mths. \$46,000 -N/A% increase  
=====

This increase was primarily due to our increased staff and equipment for Cordia Communications Corp., as well as the impact of industry-wide increases in insurance costs.

### Change in: Office Expense

Telephone

Rent and Building Maintenance  
=====

2003-2002 3mths. \$ 4,000 12% increase

2003-2002 9mths. \$62,000 113% increase  
=====

The consolidated increases of office expense, telephone expenses and rent and building maintenance were due primarily to our efforts to grow our telecommunications business, as well as the added expense of operating and expanding our facility in Orlando, Florida.

### Change in Other Selling, General and Administrative =====

2003-2002 3mths. \$113,000 -N/A% increase

2003-2002 9mths. \$283,000 -N/A% increase  
=====

Other selling, general and administrative expenses consist of expenses such as bad debt, dues and subscriptions, equipment rental, bank and credit card processing fees, license expense and registration fees, among others. The increase in these expenses was directly related to the growth and operations of Cordia Communications Corp., as we reported only nominal expenses for Cordia Communications Corp. during the three and nine months ended September 30, 2002. We expect these expenses to increase during the remainder of 2003 as we intend to expand and grow our telecommunications business.

### Liquidity and Capital Resources

At September 30, 2003, we had cash and cash equivalents available of approximately \$28,000, a decrease of approximately \$207,000 from amounts reported at December 31, 2002. At September 30, 2003, we had a working capital deficit of approximately (\$620,000), which represented a decrease in our working capital deficit of approximately \$573,000 from the amount reported at December 31, 2002 (approximately \$1,193,000). The decrease in cash and decrease in working capital deficit is directly related to the sale of ISG and subsidiaries.

Net cash used in operating activities aggregated approximately \$27,000 for the nine month period ended September 30, 2003 as compared to net cash provided by operating activities of approximately \$418,000 for the nine month period ended September 30, 2002. The principal source of cash provided during the nine months ended September 30, 2003 was the net profit reported of approximately \$783,000, which was offset by the one time gain on the sale of ISG of approximately \$1,554,000.

Net cash used in investing activities aggregated approximately \$261,000 and \$304,400 during the nine month periods ended September 30, 2003 and 2002,

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respectively. Cash applied to investing activities consisted primarily of the decrease in cash from our former subsidiary of approximately \$241,000 due to the sale of ISG, for the nine months ended September 30, 2003 and from the purchase of equipment of approximately \$113,000 during the comparable period ended for 2002.

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Net cash provided by financing activities aggregated approximately \$82,000 and \$575,000 during the nine month periods ended September 30, 2003 and 2002, respectively. The principle sources of net cash provided by financing activities in the nine month periods ended September 30, 2003 and 2002 were the proceeds from the issuance of common stock of approximately \$39,000 (2003) and \$558,000 (2002), and proceeds from loans payable of approximately \$53,000 (2003) and \$31,000 (2002).

We believe our cash and cash equivalent assets at November 10, 2003 may not provide us with sufficient liquidity to grow our business and carry out many of our expansion plans. Despite our current working capital deficit, we believe that continuing our current customer base growth rate of approximately 10% per quarter, will ultimately place us in a profitable position. However, 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.

### Item 3. Controls and Procedures.

(a) Based upon an evaluation performed within 90 days of this Report, our Chief Executive Officer ("CEO") and Chief Accounting Officer ("CAO") have each concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective to ensure that material information relating to our company is made known to management, including the CEO and CAO, particularly during the period

when our periodic reports are being prepared, and that our internal controls are effective to provide reasonable assurances that our financial condition, result of operations and cash flows are fairly presented in all material respects

(b) The CEO and CAO each note that, since the date of his/her evaluation until the date of this Report, there have been no significant changes in

internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

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## PART II OTHER INFORMATION

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

We held our annual meeting of shareholders on May 23, 2003.

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

Director	For	Against	Abstained
Patrick Freeman	4,034,145	0	41,510
Wesly Minella	4,034,145	0	41,510
John Scagnelli	4,034,145	0	41,510

The shareholder approved an amendment to the Company's 2001 Equity Incentive Plan by authorizing an additional 1,000,000 shares of Common Stock for issuance thereunder

For	4,031,311
Against	44,344
Abstained	0
	-----
Total	4,075,655

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are filed herewith.

Exhibit No.	Description
31.1	Certification of Cordia Corporation's Principal Executive Officer, Patrick Freeman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Cordia Corporation's Principal Financial Officer, Lorie M. Guerrero, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Cordia Corporation's Principal Executive Officer, Patrick Freeman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Cordia Corporation's Principal Financial Officer, Lorie M. Guerrero, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORDIA CORPORATION

Date: November 14, 2003

By: /s/ Patrick Freeman

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Patrick Freeman  
President and Chief Executive

Officer

Date: November 14, 2003

By: /s/ Lorie M. Guerrero

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Lorie M. Guerrero  
Chief Accounting Officer