

CORDIA CORP  
Form 10-Q  
May 15, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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

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

Commission File Number: \_\_\_\_\_

CORDIA CORPORATION

-----  
(Exact Name of Registrant as Specified in Its Charter)

Nevada

11-2917728

-----  
(State or Other Jurisdiction of

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

Incorporation or Organization)

13275 W. Colonial Drive, Winter Garden, Florida 34787

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

866-777-7777

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

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

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Check whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer: in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**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 Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of May 7, 2007, there were 5,808,774 shares of the issuer's common stock outstanding.

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**CORDIA CORPORATION**  
**FORM 10-Q**  
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**PART I**  
**FINANCIAL INFORMATION**

## ITEM 1. FINANCIAL STATEMENTS.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
Current Assets		
		\$
Cash and cash equivalents	\$ 185,672	370,832
Cash restricted	950,907	1,003,707
Accounts receivable, less allowance for doubtful accounts of \$1,150,433 (2007) and \$931,050 (2006)	4,360,862	4,538,342
Prepaid expenses	815,128	620,338
Accrued usage receivable	440,912	340,498
<b>TOTAL CURRENT ASSETS</b>	<b>6,753,481</b>	<b>6,873,717</b>
Property and equipment, at cost		
Office and computer equipment	1,221,520	1,166,522
Computer software	1,534,794	1,353,670
Leasehold improvements	373,054	370,236
	3,129,368	2,890,428
Less: Accumulated depreciation/amortization	1,351,838	1,110,326
<b>NET PROPERTY AND EQUIPMENT</b>	<b>1,777,530</b>	<b>1,780,102</b>
Other Assets		
Goodwill	99,200	383,317
Security deposits and other assets	337,343	253,417

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TOTAL OTHER ASSETS	436,543	636,734
		\$
TOTAL ASSETS	\$ 8,967,554	9,290,553
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
		\$
Current portion, capital lease obligations	\$ 12,224	11,990
Accounts payable	3,173,291	3,445,144
Accrued expenses	5,476,924	4,967,177
Unearned income	1,206,349	1,198,727
TOTAL CURRENT LIABILITIES	9,868,788	9,623,038
Noncurrent Liabilities		
Deferred rent	70,596	72,037
Capital lease obligation, net of current	35,029	38,175
TOTAL NONCURRENT LIABILITIES	105,625	110,212
MINORITY INTEREST IN SUBSIDIARY	-	2,745
COMMITMENTS AND CONTINGENCIES		
Stockholders' Equity (Deficit)		
Preferred stock, \$.001 par value; 5,000,000 shares authorized,		
707,800 shares issued and outstanding	708	708
Common stock, \$.001 par value; 100,000,000 shares authorized,		
5,808,774 shares issued and outstanding	5,809	5,809
Additional paid-in capital	6,234,233	6,159,395
Comprehensive income (loss)	1,109	(3,540)
Accumulated deficit	(7,142,924)	(6,502,020)
	(901,065)	(339,648)
Less: Treasury stock, at cost, 187,850 common shares for 2007 and 2006	(105,794)	(105,794)
TOTAL STOCKHOLDERS' (DEFICIT)	(1,006,859)	(445,442)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$	8,967,554	\$	9,290,553
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Note: See notes to condensed consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(UNAUDITED)

	For the Three Months Ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
Revenues		
	\$	\$
Wireline services	9,952,700	9,819,435
VoIP services	166,994	78,905
Billing services	117,041	167,978
	10,236,735	10,066,319
Cost of Revenues		
Resale and wholesale line charges	5,529,678	5,317,941
Gross Profit	4,707,057	4,748,378
Operating Expenses		
Sales and marketing	1,114,941	717,878
Bad debts	595,123	820,612
General and administrative	3,130,216	2,779,194
Impairment of goodwill	284,117	-
Depreciation	250,098	187,976
	5,374,495	4,505,660
Operating (Loss) Income	(667,438)	242,718
Other Income (Expenses)		
Interest income	24,742	4,915
Interest expense	(953)	(2,621)



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	23,789	2,294
(Loss) Income Before Income Taxes and Minority Interest	(643,649)	245,012
Income tax provision	-	142,003
(Loss) Income Before Minority Interest	(643,649)	103,009
Minority Interest in Loss of Subsidiary	2,745	-
Net (Loss) Income	\$ (640,904)	\$ 103,009
Basic (Loss) Income per share	\$ (0.11)	\$ 0.02
Weighted Average Common Shares Outstanding	5,620,924	5,529,841
Diluted (Loss) Income per share	\$ (0.11)	\$ 0.01
Weighted Average Common and Common Equivalent Shares Outstanding	5,620,924	7,004,879

Note: See notes to condensed consolidated financial statements.

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

	For the Three Months Ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
	\$	\$
Net (Loss) Income from continuing operations	(640,904)	103,009
Adjustments to reconcile net (loss) income to net cash provided by operations, net of acquisition		
Compensatory stock expense	74,838	23,722
Bad debts	595,123	820,612
Impairment of goodwill	284,117	-
Depreciation expense	250,098	187,976
Deferred income taxes	-	(106,997)
Minority Interest	(2,745)	-
(Increase) decrease in assets:		
Restricted cash	52,800	(4,915)
Accounts receivable	(417,643)	251,010
Prepaid expenses and other current assets	(194,790)	(32,205)
Accrued usage receivable	(100,414)	(17,195)
Security deposits	(83,926)	(66,559)
Other long term assets	-	(23,088)
Increase (decrease) in liabilities:		
Accounts payable	(271,853)	(516,273)
Accrued expenses	509,747	(82,745)
Income taxes payable	-	170,685
Unearned income	7,622	(57,488)
Deferred rent	(1,441)	1,213
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>60,629</b>	<b>650,762</b>
 Cash Flows from Investing Activities		
Capitalized software costs	(181,124)	(188,096)
Leasehold improvements	(2,818)	(27,280)
Purchase of property and equipment	(63,584)	(140,569)

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Payment for acquisition of Triamis, net of cash acquired	-	(201,410)
NET CASH USED BY INVESTING ACTIVITIES	(247,526)	(557,355)
Cash Flows From Financing Activities		
Principal payments on capital leases	(2,912)	(2,695)
Payments of loans payable to affiliates	-	(57,000)
NET CASH USED BY FINANCING ACTIVITIES	(2,912)	(59,695)
Effect of exchange rate changes on cash	4,649	2,027
(Decrease) Increase in Cash	(185,160)	35,739
Cash, beginning	370,832	944,840
	\$	\$
Cash, ending	185,672	980,579
Supplemental Disclosures of Cash Flow Information: Cash paid during the quarter for:		
	\$	\$
Interest	953	2,621
	\$	\$
Income tax	880	78,315
Non-cash activities:		
	\$	\$
Stock issued in Triamis acquisition	-	200,000
	\$	\$
Conversion of preferred stock into common	-	90,000
	\$	\$
Purchase accounting adjustment for goodwill	-	52,001

Note: See notes to condensed consolidated financial statements.

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**CORDIA CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 1: Basis of Presentation/Going Concern**

Our interim unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. 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 year ended December 31, 2006. 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-month period ended March 31, 2007, are not necessarily indicative of the results to be expected for the full year.

The interim condensed consolidated financial statements include the accounts of Cordia Corporation ( Cordia ) and the accounts of our wholly owned subsidiaries Cordia Communications Corp. ( CCC ), My Tel Co, Inc ( My Tel ), Cordia International Corp. ( CIC ), and its subsidiaries, and CordiaIP Corp. ( CordiaIP ) as of March 31, 2007 and December 31, 2006, and for the three months ended March 31, 2007 and March 31, 2006. Cordia and its subsidiaries are collectively referred to herein as the Company. All material intercompany balances and transactions have been eliminated.

**Going Concern**

These condensed consolidated financial statements have been prepared assuming that Cordia and its subsidiaries (the Company ) will continue as a going concern. The Company has incurred a net loss of approximately \$641,000 for the three month period ended March 31, 2007 and also has a negative working capital of approximately \$3,115,000 and a deficiency in stockholders' equity of approximately \$1,007,000 as of March 31, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management believes that the Company will be able to generate sufficient cash flows to meet its obligations as they come due during 2007. In its efforts to strengthen its financial position the Company may also have to raise cash from additional sources such as short-term funding, which may include receivables financing, to cover short-term cash deficiencies that may arise.

**Note 2: Recent Accounting Pronouncements**

Recent Accounting Pronouncements Affecting the Company

Financial Accounting Standards Board (FASB) Interpretation No. 48: Accounting for Uncertainty in Income Taxes ( FIN48 )

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which provides clarification related to the process associated with accounting for uncertain tax positions recognized in consolidated financial statements. FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance related to, among other things, classification, accounting for interest and penalties associated with tax positions, and disclosure requirements. We are required to adopt FIN 48 on November 1, 2007, although early adoption is permitted. We are currently evaluating the impact of adopting FIN 48 on our consolidated financial statements.

SEC Staff Accounting Bulletin 108 ( SAB 108 ): Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

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**CORDIA CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 2: Recent Accounting Pronouncements (Cont d)**

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the roll-over method and the iron curtain method. The roll-over method focuses primarily on the impact of a misstatement on the income statement, including the reversing effect of prior year misstatements, but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and the roll-over methods.

SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the "dual approach" had always been used or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings.

We have adopted the provisions of SAB 108 in connection with the preparation of our annual financial statements for the year ended December 31, 2006, but it has had no effect on our financial statements.

Statement of Financial Accounting Standard 157 ( SFAS 157 ); Fair Value Measurements

On September 15, 2006, the Financial Accounting Standard Board issued a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The adoption of this pronouncement did not have a material impact on the financial statements.

FSP FAS 123(R)-5, Amendment of FASB Staff Position FAS 123(R)-1

FSP FAS 123(R)-5 was issued on October 10, 2006. The FSP provides that instruments that were originally issued as employee compensation and then modified, and that modification is made to the terms of the instrument solely to reflect an equity restructuring that occurs when the holders are no longer employees, no change in the recognition or the measurement (due to a change in classification) of those instruments will result if both of the following conditions are met: (a). There is no increase in fair value of the award (or the ratio of intrinsic value to the exercise price of the award is preserved, that is, the holder is made whole), or the antidilution provision is not added to the terms of the award in contemplation of an equity restructuring; and (b). All holders of the same class of equity instruments (for example, stock options) are treated in the same manner. The provisions in this FSP shall be applied in the first reporting period beginning after the date the FSP is posted to the FASB website. The adoption of this pronouncement did not have a material impact on the financial statements.



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**CORDIA CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 2: Recent Accounting Pronouncements (Cont d)**

Statement of Financial Accounting Standard 159 ( SFAS 159 ): The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). SFAS No. 159 permits entities to choose to measure, on an item-by-item basis, specified financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are required to be reported in earnings at each reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, the provisions of which are required to be applied prospectively. The Company expects to adopt SFAS No. 159 in the first quarter of 2008.

**Note 3: Restricted Cash**

At March 31, 2007, the Company held no Certificates of Deposit ( CD s ). The CD s previously held by the Company secured Letters of Credit ( LOC s ), which were required as a result of its contract with Verizon Communications, Inc. ( Verizon ). On March 16, 2007, the Company s two (2) CD s, totaling \$950,000 plus accrued interest of approximately \$76,300, matured. The interest on the funds was released to the Company but the principal of \$950,000 plus accrued interest of approximately \$900 continued to be designated as restricted cash on the Company s balance sheet until April 11, 2007, when the LOC s expired. The LOC s were not renewed upon their expiration.

**Note 4: Acquisition**

On July 31, 2006, the Company acquired a 51% interest in Canal West Soluções em Informática, S/A ( Canal West ), a Brazilian corporation originally formed as a limited liability partnership for a cash price of \$45,000. Goodwill of approximately \$17,000 was recorded based on the residual purchase price after allocating the purchase price to the fair market value of tangible and intangible assets acquired of approximately \$32,000 less liabilities assumed of approximately \$23,000. In accordance with FAS 142 Goodwill and Other Intangible Assets ( SFAS 142 ) goodwill will not be amortized but will be tested at least annually for impairment. The unaudited pro forma financial information for the quarter ended March 31, 2006 was deemed immaterial and has not been provided. At December 31, 2006, the Company determined that the goodwill associated with the purchase of this company should be written down to \$0. The minority interest of approximately \$2,745 at December 31, 2006 represents the liability related to the 49% minority ownership interest in Canal West.

Management believes that Canal West has shown growth potential since July 2006 and on February 1, 2007, the Company increased its interest in Canal West by 26.75% to 77.75%. In return for the issuance of an additional 149,137 shares of Canal West, the Company invested an additional \$50,000 as working capital. The minority interest liability of \$2,745 has been reduced to \$0 at March 31, 2007 representing the cumulative losses attributable to the 22.25% minority ownership in Canal West.

On February 15, 2006, the Company completed the acquisition of Triamis Group Limited ( Triamis ), a privately held Hong Kong corporation. We acquired a 100% interest in Triamis by purchasing its outstanding stock, which totaled 10,000 shares, for a cash purchase price of \$200,000 and the equivalent of \$200,000 in shares of Cordia's common stock, or 79,364 shares of common stock, which at the time had a cash value of \$2.52 per share. Triamis is a provider of WiFi and VoIP services in the Asian Pacific region. The results of operations of Triamis have been included in our consolidated results of operations subsequent to its acquisition on February 15, 2006.

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March 31, 2007

Unaudited

**Note 4: Acquisition (Cont d)**

The values of assets acquired were estimated at fair market value. The following table presents an allocation of the purchase price based on the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition:

Total consideration	\$417,162
Less: cash balance acquired	5,751
	\$411,411
<u>Allocated to:</u>	
Other current assets	\$ 457
Property, plant and equipment, net	40,610
Current liabilities assumed	(12,973)
Goodwill	383,317
	\$411,411

The unaudited pro forma financial information for the three months ended March 31, 2006, was not provided as Triamis had minimal operations during the period from January 1, 2006 through February 15, 2006, the date of acquisition.

**Note 5: Impairment of Goodwill**

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. During the quarter ended March 31, 2007, the Company determined that the carrying amount of the goodwill associated with the purchase of Triamis exceeded its fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of \$ 284,117 was recognized.

#### **Note 6: Foreign Currency Transactions**

The functional currency of Triamis and Cordia HK Limited ( Cordia HK ), is the local currency, the Hong Kong dollar ( HK\$ ) and the functional currency of Canal West, is the local currency, the Brazilian Real ( R\$ ). For these foreign operations, the assets and liabilities have been translated into US dollars using period-end exchange rates in effect as of the balance sheet date and revenue and expenses have been translated using average daily exchange rates for the period. The resulting cumulative translation adjustment of approximately \$1,109 is included in comprehensive income as a separate component of stockholders' equity in the consolidated balance sheet.

#### **Note 7: Employee Stock Compensation**

On May 23, 2003, Cordia's shareholders voted to amend the 2001 Equity Incentive Plan (the "Plan") by authorizing an additional 1,000,000 shares. The total number of shares of Cordia's common stock authorized for issuance under the Plan is 6,000,000, subject to adjustment for events such as stock dividends and stock splits.

Effective January 1, 2006, the Plan was accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123(R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between FAS 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

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**CORDIA CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 7: Employee Stock Compensation (Cont d)**

Prior to January 1, 2006, the Company accounted for similar transactions in accordance with APB No. 25, which employed the intrinsic value method of measuring compensation cost. Accordingly, compensation expense was not recognized for fixed stock options if the exercise price of the option equaled or exceeded the fair value of the underlying stock at the grant date.

While FAS No. 123 encouraged recognition of the fair value of all stock-based awards on the date of grant as expensed over the vesting period, companies were permitted to continue to apply the intrinsic value-based method of accounting prescribed by APB No. 25 and disclose certain pro-forma amounts as if the fair value approach of FAS 123 had been applied. In December 2002, FAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FAS 123, was issued, which, in addition to providing alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, required more prominent pro-forma disclosures in both the annual and interim financial statements. The Company complied with these disclosure requirements for all applicable periods prior to January 1, 2006.

In adopting FAS 123(R), the Company applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of FAS 123(R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards shall be based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under FAS 123.

As a result of the adoption of FAS 123(R), the Company's results of operations for the three-month periods ended March 31, 2007 and 2006, include share-based compensation expense totaling \$74,838 and \$23,722, respectively. This expense is reflected in the Condensed Consolidated Statements of Operations within general and administrative

expense. No deferred tax asset has been recognized in the income statement for share-based compensation arrangements.

Stock option compensation expense is the estimated fair value of options granted using the Black-Scholes option pricing model, amortized on a straight-line basis over the vesting period for the entire portion of the award. The Company has not adjusted the expense by estimated forfeitures, as required by FAS 123(R) for employee options, since the forfeiture rate based upon historical data was determined to be immaterial. The following are the weighted average assumptions used: issuances averaged an expected volatility of 122%; an average risk free rate of 4.06% and an expected life of three to 4 years.

As of March 31, 2007, there was approximately \$243,183 of total unrecognized compensation cost arising from non-vested compensation related to stock option awards. This cost is expected to be recognized over a weighted-average period of 2.25 years.

Table of Contents**CORDIA CORPORATION AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 7: Employee Stock Compensation (cont d)**

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:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Balance, December 31, 2006	1,448,500	\$1.39
Granted with 5 year vesting	-	-
Exercised	-	-
Expired	(11,000)	-
Balance, March 31, 2007	1,437,500	\$1.36

As of March 31, 2007, there were 1,103,417 options outstanding that were exercisable.

Additional information as of March 31, 2007, with respect to all outstanding options is as follows:

Range of Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.40 - \$0.60	864,000	1.00	\$0.60	864,000	\$0.60
\$1.80 - \$2.36	516,500	1.16	\$1.84	182,417	\$1.89
\$5.00 - \$11.25	57,000	4.11	\$8.60	57,000	\$8.60
\$0.40 - \$11.25	1,437,500	1.54	\$1.36	1,103,417	\$1.22

There were no options granted during the three month periods ended March 31, 2007 and 2006.

#### **Note 8: Commitments**

##### Employee Benefit Plan

In 2004, the Company began the Cordia Corporation 401(k) Profit Sharing Plan covering all eligible employees. Under the plan, the Company matches on an elective basis, 50% of the first 6% contributed by the employee, for an aggregate maximum of 3%. Participating employees shall become vested in employer contributions after three (3) years of service. If a participating employee is terminated or resigns before the three (3) year vesting period employer contributions shall be forfeited. The plan became effective January 1, 2004, and employee and employer contributions commenced April 16, 2004.





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**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

Unaudited

**Note 8: Commitments (Cont d)**

For the plan year beginning on January 1, 2007, the Company implemented a fully-vested safe harbor matching contribution to all eligible participants. Under the safe harbor matching contribution, the Company matches 100% of employee deferrals up to 3% of compensation, plus 50% of cash deferrals in excess of 3% of compensation not to exceed 5% of compensation. For the three months ended March 31, 2007, employee contributions totaled \$30,351 and employer contributions totaled \$18,223 as compared to \$25,010 and \$14,240, respectively, for the same period in 2006. Total contract assets at March 31, 2007 were \$435,517 as compared to \$268,812 for the same period in 2006.

**Note 9: Subsequent Events**

Subsequent to the balance sheet date, on April 2, 2007, the minority shareholders of Canal West sold their 22.25% interest to CIC. On or about April 5, 2007, CIC transferred its 100% interest in Canal West to its affiliate company Cordia do Brasil Participações Ltda.





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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN 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; 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," "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.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited interim Condensed Consolidated Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. The Company believes there have been no significant changes during the three month period ended March 31, 2007, to the items disclosed as significant accounting policies in management's Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

Overview

Cordia is a global telecommunications services firm generating revenue from the telecommunications products and services it offers its customers domestically and internationally and from Carrier Access Billing Services ( CABS ), which is compensation we receive from other telecommunications carriers who utilize a portion of our loop to complete long distance calls to our customers. We provide business, residential, and wholesale customers with local and long distance voice services utilizing traditional wireline and Voice over Internet Protocol ( VoIP ) technologies. We also derive revenue from our web-based service offerings, primarily billing services, which are offered on an outsourced basis to other telecommunications service providers on a contractual and on a month-to-month basis.

Historically, our traditional bundled wireline service offerings represented a majority of our revenue, followed by revenue derived from our outsourced services, and VoIP service offerings, respectively. We believe this trend will continue with respect to our wireline services during 2007, as we continue our expansion into the Qwest Communications International, Inc. ( Qwest ) territory in the Western United States, commence operations in new Verizon territories, and begin operating strictly as a long distance carrier in various regions throughout the United States. We believe that revenue derived from our VoIP service offerings will surpass that of our billing services as we continue to focus on our VoIP services, in particular our international VoIP initiatives and Magellan™ service offering.

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*Business Services*

Wireline Services

We offer small business and residential consumers wireline service by leasing a portion of the network owned by other larger telecommunications carriers, namely Verizon and Qwest. These leasing arrangements are controlled by multi-state, multi-year interconnection and commercial services agreements that allow us to offer telecommunications services to consumers in the Northeastern and Western regions of the United States without incurring the capital expenditures associated with building our own network.

We offer local exchange, local access, domestic and international long distance telephone services, and a full suite of local features and calling plans to small business and residential consumers in Colorado, Iowa, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Virginia and Washington through our wholly-owned subsidiary CCC. We are also licensed to provide local and/or long distance telecommunications services, but are not actively marketing or providing services, in Florida, Idaho, Illinois, Michigan, North Carolina, Ohio, Tennessee, Texas, Utah and Wisconsin. An application for authorization to operate as a local and long distance telecommunications carrier is pending in the State of Arizona and applications for authority to operate as a long distance carrier are pending in Georgia, Indiana, and Louisiana.

During the second quarter of 2006, we commenced services as a competitive local exchange carrier in New York through our formerly inactive wholly-owned subsidiary, My Tel. Shortly thereafter, My Tel commenced offering services in Iowa, New Jersey, Oregon, Pennsylvania and Washington. My Tel distinguishes itself from CCC by targeting consumers in the secondary consumer credit market. By reducing the invoice due date, accelerating service suspension for non-payment, blocking excessive international calling, and charging a monthly per line service premium we believe we can increase sales with minimum credit exposure. These tighter controls allow us to offer services to customers in a sub-prime market who would otherwise have difficulty in obtaining telecommunications service. Applications for authorization to operate as a telecommunications carrier are pending before regulatory agencies in Arizona, Idaho, and Virginia and we are preparing to commence service in Maryland and Minnesota.

VoIP Services

We offer, through our wholly-owned subsidiary CordiaIP, a voice over broadband solution enabling delivery of voice services over any broadband Internet Protocol ( IP ) connection. We believe VoIP is the logical extension of our

traditional wireline telecommunications service offerings and after achieving compliance with the Federal Communication Commission's (FCC) E911 order, requiring that customers have the ability to make 911 calls over our VoIP network, we launched our full commercial roll-out in January 2006. To support this service offering, and the marketing efforts related to this service, we hired additional personnel and built our own proprietary VoIP network including our own network software and operating support systems.

We offer a wide range of service plans including a flat rate plan starting as low as \$14.95 per month, combined with a full suite of enhanced features which make our service an attractive value proposition to existing and potential customers. We also give customers the option of choosing their desired area code, offering a number from over forty (40) countries and hundreds of cities worldwide for their telephone number regardless of their physical location creating the ability to make long distance calls local, a feature not available with traditional wireline service. In addition, through our wholly-owned subsidiary VOzsIP Corp. (VOzsIP), we offer a fully integrated Spanish language VoIP service. Our Spanish language VoIP service is identical in quality and functionality except its target market is Spanish-speaking customers. The service was designed to be a purely Spanish language experience and includes all Spanish user interfaces, voice prompts, invoices, customer service and targeted country calling plans.

While our service is offered primarily to small business and residential consumers, we also, offer our service on both a wholesale and resale basis.



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At present the FCC does not regulate VoIP to the same extent as it does traditional wireline services, although it has commenced a proceeding to examine its role in the new Internet based environment for voice services. The FCC has however taken a proactive approach with respect to emergency services dialing and accommodating law enforcement wiretaps and we believe we will be fully compliant by the May 14, 2007 compliance deadline. The current position of the FCC has allowed for rapid entrance into this newly emerging marketplace. We do however, recognize the uncertainty that exists with respect to the future direction of the FCC and any future regulations it may impose on VoIP providers and the potential impact these regulations may have on our business operations, in particular an increase in our costs associated with providing VoIP thus lowering our profit margin.

International Services

We anticipate increased domestic competition as VoIP becomes more widely accepted among consumers. We believe this consumer driven market will result in lowered prices and it will become difficult for a company our size to effectively compete in the domestic marketplace for this service. Therefore our goal is to focus on creating a niche in the international VoIP marketplace by providing value added services and creating partnerships and/or acquiring international VoIP providers allowing us to compete more effectively. Through our wholly-owned subsidiary, CIC, we acquire and operate traditional wireline and VoIP telecom assets outside the United States. To date, we have focused our efforts on the Asia Pacific ( APAC ) region and South America.

In the APAC region we offer Wi-Fi services through our wholly-owned subsidiary Triamis. In addition, through our wholly-owned subsidiary Cordia HK we have the ability to offer services under the Public Non-Exclusive Telecommunications Services ( PNETS ) License and local access codes granted by the Office of Telecommunications Authority ( OFTA ) in Hong Kong. OFTA has approved our application to operate as a VoIP provider subject to payment of a license fee and completion of commercial negotiations for interconnection in Hong Kong. We are currently negotiating with several providers and will submit the license fee once we reach mutually agreeable terms with one of these carriers. We believe the acquisition of Triamis, together with Cordia HK 's PNETS service offerings and future VoIP offerings provide us with the opportunity to offer our products and services to several key markets in Asia, which include more than 40% of the world 's Internet and broadband subscribers.

Our South American efforts include a 77.75% majority interest (51% at December 31, 2006) in Canal West, a Brazilian corporation. Canal West provides VoIP services in Brazil over its own proprietary VoIP network. We believe this investment is beneficial for our international expansion into the South American VoIP market. Subsequent to the balance sheet date, on April 2, 2007, the minority shareholders of Canal West sold their 22.25% interest to CIC.

In addition to our overseas holdings, we continue to foster bilateral relationships with international VoIP carriers in an effort to gain low cost access to their networks, allowing us to deliver high quality, low cost global voice services to

our domestic and international customers. To date, our VoIP network includes international Direct Inward Dial ( DID ) telephone numbers from more than forty (40) countries. We believe blending VoIP technology and DID access in an effort to address the large disparity between wholesale costs and retail rates, strengthens our ability to actively participate in the international communications market. We believe that by offering a wide range of international numbers coupled with value added services we present an attractive value proposition to customers. Therefore, we will continue to utilize revenue derived from our wireline businesses toward the development of our international VoIP services.

Expanding globally exposes us to additional regulatory requirements. The stance taken by various countries on the provision of VoIP ranges from total prohibition, to limitation and control of the service by requiring licensing or other registration, to no regulation at all. It is our goal to expand our service offerings into regions that treat VoIP as an unregulated service. In addition to compliance with the local regulatory framework in various countries, we must also take into consideration any economic and trade sanctions based on United States foreign policy and national security goals strictly prohibiting us from conducting business or exporting telephone adapters to certain regions.

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### Billing Services

We offer an extensive outsourced service product line, which includes as its primary offering outsourced billing on a wholesale basis to telecommunications service providers. Our wholesale customers have access to our secure Internet enabled software systems in which user-friendly web client front-ends called Workspaces® serve as an interface for integration with our software systems. The suite of services available to wholesale providers through our Workspaces® include all the tasks incident to operating as a full service telecommunications carrier such as Data Interconnection, which provides call detail and cost data for line level margin analysis, revenue integrity and wholesale bill auditing; Rate Plan Administration, which includes all the tools necessary to create, edit and enable rate plans; Rating and Invoicing, which allows for rating on a near real time basis with resulting data being passed to revenue integrity and invoicing system; and Ticketing and Transaction Posting, which provides for real time transaction posting and an integrated ticketing and a messaging system. Additional services include Billing, New Order Provisioning, and Repair, in which customer service representatives can run tests from within the workspace to determine if a technician needs to be sent to the customer's location, Level I Customer Service, which includes all inbound calls from end-users, Secondary Provisioning, Collections, which involves management of the collection process and real time collection status and Regulatory services.

The services available to wholesalers through our Workspaces® are the same services utilized internally for the provision of our own traditional wireline and VoIP services to our customers. As such, we are continuously updating and improving these processes to ensure optimal functionality. We believe our outsourced solutions are an attractive offering because it is not a pre-packaged all or nothing product; the wholesale customer has the power to assess their organization and then adopt and utilize only the functions they believe will increase their own profitability. Our goal is to tailor our services to our client's needs and create a mutually beneficial and profitable relationship. We believe this is achieved by offering process driven software whereby client required modifications to our systems are made at the server level and then instantly passed onto the client's end users, promoting our commitment to the continuous development and improvement of our Workspaces®.

As we bill our outsourced telecommunications customers on a predominantly per line basis, we have experienced a decrease in outsourced billing services revenues as a result of the decreased line count experienced by our wholesale customer's operations. As a result we believe revenue derived from outsourced billing services will become less material as we focus on the growth and development of our own business.

### Plan of Operation

During April 2007, we announced the long-term extension and restructuring of our commercial wholesale agreement with Verizon. The extension secures our long term growth plans for our bundled service offerings and provides us with the opportunity to increase our margins as we grow our customer base in the Verizon footprint. As a result, we

will continue to promote our traditional wireline services as we expand into new service territories, begin targeting small business customers, and begin offering stand alone long distance services to customers in over ten (10) new territories. In addition, we will continue to focus on our international VoIP initiative, which includes our recently launched Magellan service offerings. With Magellan, customers get their own personal international phone number that is routed, utilizing our IP network, to their mobile or landline phone allowing the customer to be contacted anywhere in the world at local rates. We also anticipate the continued investment in our VoIP network to support the services we offer domestically and in Brazil and Hong Kong. We will however, continue to scale back our marketing efforts for our domestic VoIP product as it is our intention to leverage our VoIP network to support our Magellan and international services and expand our global footprint.

During the first quarter of 2007, we leased office space in the Philippines for the purpose of opening, operating and staffing our own call center and anticipate commencing operations using this facility during the second quarter of 2007. We made this decision after successfully transitioning a portion of our sales and marketing efforts offshore reducing our customer acquisition costs during the latter half of 2006. We believe that our management team has the expertise and experience necessary to run an offshore call center and anticipate saving approximately 50% on our costs associated with acquiring new customers. As a result, once the call center is fully operational, we anticipate increased growth of our wireline, VoIP, and Magellan customer base. We believe that the anticipated increase in revenue coupled with lower acquisition costs and improved operating efficiency will have a positive effect on our 2007 results of operations.

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The detailed results of operations for the three-month period ended March 31, 2007, as compared to the same period during 2006 follow. Any dramatic increase or decrease in percentages should not be relied upon as a forecast of future revenues and costs.

## Results of Operations

Three Months Ended March 31, 2007 vs. March 31, 2006

## OPERATING REVENUES

	Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Wireline services	\$ 9,953,000	\$ 9,819,000
VoIP services	167,000	79,000
Billing services	117,000	168,000
	\$10,237,000	\$10,066,000

Total operating revenues for the three months ended March 31, 2007 increased by approximately \$171,000, or approximately 2%, to approximately \$10,237,000, as compared to approximately \$10,066,000 reported during the three months ended March 31, 2006.

Our primary source of revenue is through our wireline services and is earned primarily through 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 mail and call waiting and to a lesser extent from CABS billing. For the three month period ended March 31, 2007, our wireline services revenue increased by approximately \$134,000 or 1% to approximately \$9,953,000 from approximately \$9,819,000 reported in the same period last year.

For the three month period ended March 31, 2007, our VoIP services revenue increased by approximately \$88,000 or 111% to approximately \$167,000 as compared to approximately \$79,000 reported in the same period in 2006. Approximately \$34,000 of the increase in VoIP revenue was related to our international services and approximately

\$54,000 was related to our domestic services.

Billing services revenue, consisting primarily of income earned through our outsourcing of billing services, data, and website technology to wholesale telecommunications providers, decreased by approximately \$51,000 or 31% to \$117,000 for the three month period ended March 31, 2007, as compared to \$168,000 during the same period in 2006 as a result of decreased line count experienced by our wholesale customers.

COST OF REVENUE

	Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Resale and Wholesale Line Charges	\$5,530,000	\$5,318,000

Table of Contents*Resale and Wholesale Line Charges*

Resale and wholesale line charges are direct costs associated with all of our telecommunications subsidiaries, and represent our network access fees paid in order to provide local and long distance telephone service to our customers. These expenses vary in direct correlation to the size of our telecommunications customer base. We have experienced an increase of approximately \$212,000 for the three months ended March 31, 2007 as compared to the same period in 2006. The majority of this increase is due in part to increases in both our VoIP customer base and our costs associated with providing VoIP services during the three months ended March 31, 2007 as compared to the same period in 2006.

*Gross Profit Margin*

For the three months ended March 31, 2007, our gross profit margin decreased to approximately 46.0% from approximately 47.2% reported for the same period in 2006. The decrease in gross margin is due to an increase in our costs associated with providing our VoIP services during the three months ended March 31, 2007 as compared to the same period in 2006.

## OPERATING EXPENSES

	Three Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
Sales and Marketing	\$1,115,000	\$ 718,000
Bad Debts	595,000	821,000
General and Administrative	3,130,000	2,779,000
Impairment of Goodwill	284,000	-
Depreciation and Amortization	250,000	188,000
	\$5,374,000	\$4,506,000

Consolidated operating expenses increased by approximately \$868,000 or approximately 19.3%, to approximately \$5,374,000 during the three month period ended March 31, 2007 as compared to approximately \$4,506,000 during the

same comparable period in 2006. Approximately \$556,000 of the increase is related to our VoIP operations and \$312,000 is related to our wireline operations.

*Sales and Marketing*

For the three months ended March 31, 2007, sales and marketing expenses increased by approximately \$397,000 to approximately \$1,115,000 as compared to approximately \$718,000 reported in the same period in 2006. These increases are primarily due to the increase in telemarketing costs associated with our growth in My Tel as we are aggressively growing our retail wireline customer base. Although we will increase our efforts to add additional retail wireline customers and market our VoIP and Magellan services on an international scale we expect our sales and marketing expenses as a percentage of sales to decrease in 2007 with the opening of our call center in the Philippines.

*Bad Debts*

For the three months ended March 31, 2007, our bad debt expense decreased by approximately \$226,000 or approximately 27% to approximately \$595,000 from approximately \$821,000 reported during the same period in 2006. The decrease is primarily due to our efforts to qualify our new customers through credit scoring and to our mature customer base in CCC. This decrease was offset by the bad debt expense for My Tel, which was not operational during the same period in 2006. We expect that our increased efforts and close monitoring of our receivables will enable us to effectively manage our bad debt exposure throughout 2007.



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*General and Administrative*

General and administrative ( G&A ) expenses include, but are not limited to salaries, rent, office expenses, insurance, commissions, telephone, bank and credit card processing fees, license expense and registration fees. G&A expenses increased by approximately \$351,000, for the three month period ended March 31, 2007, compared to the same period in 2006. This was due primarily to an increase in costs associated with both our domestic and international VoIP initiatives and development of Magellan. Approximately \$291,000 of the increase is related to our VoIP operations and \$60,000 is related to our wireline operations.

*Impairment of Goodwill*

At March 31, 2007, the Company evaluated the goodwill associated with the purchase of Triamis and deemed the carrying value of the goodwill to be impaired. In accordance with FASB 142 the Company wrote down the goodwill to \$99,200, or an impairment charge of \$284,117.

*Depreciation*

Depreciation expense increased approximately \$62,000 during the three month period ended March 31, 2007, compared to the same period in 2006, due to additions of depreciable office equipment, time associated with our rollout of VoIP, which was capitalized and depreciated in accordance with Statement of Position ( SOP ) 98-1, and our expenditures relating to leasehold improvements which were made during the build-out of our Florida office.

Depreciation on equipment and capitalized software costs are calculated using the straight line method and a modified accelerated cost recovery system (MACRS) over a three (3) year period. Amortization of leasehold improvements and other assets is computed using the straight-line method over the estimated useful lives of the asset or the remaining lease term.

*Liquidity and Capital Resources*

At March 31, 2007, we had cash and cash equivalents, including restricted cash, of approximately \$1,137,000, a decrease of approximately \$238,000 from amounts reported at December 31, 2006, and negative working capital of

approximately \$3,115,000, as compared to negative working capital of approximately \$2,749,000 reported at December 31, 2006. The decrease in working capital is primarily related to our costs associated with funding our Hong Kong subsidiary, the acquisition of a majority interest in Canal West, our funding of our new call center in the Philippines and our costs associated with the expansion of our domestic and international VoIP service offerings.

Net cash provided by operating activities for the three month period ended March 31, 2007, aggregated approximately \$61,000 a decrease of approximately \$590,000, from approximately \$651,000 provided during the same period during 2006. The principal source of net cash for the three month period ended March 31, 2007 was primarily the increase in accrued expenses and the provision for bad debts aggregating approximately \$1,105,000. The use of cash reported for the three-month period ended March 31, 2007 was primarily the decrease in accounts payable of approximately \$272,000 and the increase in accounts receivable of approximately \$418,000.

Net cash used by investing activities for the three month period ended March 31, 2007, aggregated approximately \$248,000 compared to net cash used of approximately \$557,000 during the same period in 2006. For the three months ended March 31, 2007, net cash used by investing activities consisted primarily of expenditures for internally developed software for our VoIP platform of approximately \$181,000 and the purchase of computer equipment of approximately \$64,000. For the period ending March 31, 2006, cash used by investing activities consisted primarily of expenditures relating to the development of our VoIP platform, which amounted to approximately \$188,000, purchases of computer equipment amounting to approximately \$141,000 and net payments made for the acquisition of Triamis of approximately \$201,000. The remaining expenditures of approximately \$27,000 were the result of the build-out of our new office in Florida.

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Net cash used in financing activities aggregated approximately \$3,000 for capital lease obligations during the three months ended March 31, 2007, compared to net cash used by financing activities of approximately \$60,000 for the same period during 2006. The principal use of cash by financing activities during the 2006 period was the repayment of a loan in the amount of \$57,000.

We expect to continue to invest capital in our VoIP softswitch development and related equipment during 2007. We expect to spend approximately \$150,000 in leasehold improvements costs and approximately \$50,000 in equipment costs for our Philippines call center in the first half of 2007.

Long-term debt and operating lease obligations as of March 31, 2007, mature as follows:

Obligations	Total	Less than 1 year	2-3 years	4-5 years	More Than 5 years
Telephone Capital Lease	\$ 54,103	\$ 15,458	\$ 30,916	\$ 7,729	\$ -
Rental (Office)	1,805,442	426,818	734,737	537,747	106,140
<b>TOTAL OBLIGATIONS</b>	<b>\$1,859,545</b>	<b>\$442,276</b>	<b>\$765,653</b>	<b>\$545,476</b>	<b>\$106,140</b>

During the three months ended March 31, 2007, we had sales and marketing expenses of approximately \$1,115,000, or approximately 10.9% of revenues. Starting in second half of 2006, we transitioned a portion of our sales and marketing efforts offshore resulting in lower customer acquisition costs. In addition, we are in the process of opening our own call center in the Philippines where we expect to see significant savings in our customer acquisition costs.

At March 31, 2007, our balance sheet showed \$950,907 in restricted cash which was in the form of two Certificates of Deposit ( CD s ) securing two Letters of Credit ( LOC ) with Verizon totaling \$950,000 and current interest of \$907. On March 16, 2007, the (2) CD s plus accrued interest as of that date of approximately \$76,300 matured and the interest on the funds was thereby released to the Company. The underlying LOC s expired on April 11, 2007, subsequent to the balance sheet date, and at that time the principal amount of \$950,000 plus accrued interest was released to the Company. The LOC s were not renewed upon their expiration.

The Company has incurred losses and also has a negative working capital and a deficiency in stockholders' equity as of March 31, 2007 and December 31, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management, however, believes that the Company will be able to generate sufficient cash flows from operations to meet its obligations as they come due during the next twelve month period. In our efforts to strengthen our financial position, to maintain our growth and carry out our plans for our international expansion of VoIP and related value added services, we may have to raise cash from additional sources such as short term funding, which may include receivables financing, or equity financing.

Off balance sheet arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, or other contingent arrangements that exposes us to material continuing risks, contingent liabilities or any other obligations that provide financing, liquidity, market risk or credit risk support to the Company.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We earn a majority of our revenue in U.S. dollars where our primary operating activities are located. We also maintain offices and operate in Brazil, Hong Kong and the Philippines which creates an exposure to loss if any of those currencies appreciate against the dollar. We believe however, than any risk due to currency rate exchange fluctuations are immaterial as our operations overseas do not represent a majority of our business.

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ITEM 4. CONTROLS AND PROCEDURES.

(a) Based upon an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report, our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have each concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms. In addition, the evaluation is to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to the Company's management, including Company's principal executive and principal financial officer to allow timely decisions regarding required disclosure and that our internal controls are effective to provide reasonable assurances that our financial condition, results of operations and cash flows are fairly presented in all material respects.

(b) The CEO and CFO each note that, since the date of his/her evaluation that occurred during the last fiscal quarter there have been no changes in internal controls or in other factors that could materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II  
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any legal proceedings that we believe will have a material adverse effect on our financial condition or results of operations.

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

We have no unregistered sales of equity securities and use of proceeds to report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We have no defaults upon senior securities to report.

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

Our annual meeting of shareholders is scheduled for May 23, 2007 in Winter Garden, Florida. The purpose of the meeting is to elect each of the five (5) nominees to the Board of Directors for a one-year term and to ratify the selection of Lazar, Levine & Felix, LLP as Independent Public Accountants for fiscal year 2007.

ITEM 5. OTHER INFORMATION

We have no additional information to report that would require disclosure in a report on Form 8-K during the period ended March 31, 2007 for which we did not file a Form 8-K report.



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ITEM 6. EXHIBITS

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

- 10.14 Amendment No. 4 to Wholesale Advantage Services Agreement (certain portions were omitted based upon a request for confidential treatment; Non public information has been filed with the Commission)
- 11.1 Computation of per share earnings
- 31.1 Certification of Cordia Corporation's Principal Executive Officer, Joel Dupré, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Cordia Corporation's Principal Financial Officer, Gandolfo Verra, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certificate of Cordia Corporation's Principal Executive Officer, Joel Dupré, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Cordia Corporation's Principal Financial Officer, Gandolfo Verra, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**



In accordance Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CORDIA CORPORATION**

Date: May 15, 2007

By: /s/ Joel Dupré  
Joel Dupré  
Chief Executive Officer

Date: May 15, 2007

By: /s/ Gandolfo Verra  
Gandolfo Verra  
Chief Financial Officer