CORDIA CORP
Form 10-K/A
May 20, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(AMENDMENT NO.1)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURUTIES EXCHANGE ACT OF 1934

For the transition period from _____to ______

Commission File No. 000-51202

CORDIA CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**11-2917728**
(State of Incorporation)	(I.R.S. Employment Identification No.)

13275 W. Colonial Drive

Winter Garden, Florida **34787**

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (407) 313-7000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

[ ] YES [X] NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

[ ] YES [X] NO

Indicate by check mark whether the registrant (1) has 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.

[X] YES [ ] NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. . See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [ ] Smaller Reporting Company [X] Non-Accelerated Filer [ ]

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

[ ] YES [X] NO

At June 29, 2007, the aggregate market value of the issuer s common stock held by non-affiliates was $2,146,524 (based upon the price at which the common stock was sold on such date)

At March 21, 2008, 6,327,388 shares of the registrant s Common Stock were outstanding.

Documents incorporated by reference:

1.

Portions of the registrant s Proxy Statement prepared in connection with the 2008 Annual Meeting of Shareholders (Part III, Items 10 - 14)

Explanatory Note

Cordia Corporation (the Company) is amending its Annual Report on Form 10-K for the year ended December 31, 2007 (the Original 10-K) to restate its consolidated financial statements as of and for the year ended December 31, 2007. This Annual Report on Form 10-K/A also includes the restatement of selected financial data, as of and for the year ended December 31, 2007, as well as the restatement of quarterly results of operations for that year. As to the selected financial data as of and for the year ended December 31, 2007 such amounts are derived from audited financial statements included elsewhere in this Form 10-K/A. The restated quarterly results of operations data are unaudited and, in the opinion of management, have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and reflect all adjustments that are necessary for the fair presentation of the Company s financial position and results of operations for these periods.

As previously disclosed in the Current Report on Form 8-K dated May 15, 2007, the Audit Committee of the Board of Directors of the Company (the Audit Committee) concluded that certain of the Company s previously issued consolidated financial statements should no longer be relied upon primarily due to errors related to overstatement of revenues and understatement of expenses. The Company also restated its financial statements to correct an additional error identified related to the valuation of goodwill for a business acquired. A description of the restatement errors and the related impact on the Company s consolidated financial statements follows.

Overstatement of Revenues and Understatement of Expenses

The Company did not properly record and eliminate intercompany transactions between its incumbent operations and that of Midwest Marketing Group (Midwest) and its subsidiary Northstar Telecom, Inc. (NST) acquired in August 2007. Due to these errors, revenues were overstated by $420,000 and expenses were understated by $156,000.

In addition, due to inadequate communication between operational and accounting departments, expenses were understated by an additional $137,000.

The Company has instituted additional policies and procedures to ensure the correct and prompt recording of all intercompany transactions and to improve the communication between the accounting and operational departments of the Company.

Valuation of Goodwill

On August 15, 2007 the Company acquired all of the capital stock of Midwest. Included in the preliminary estimated fair values of assets acquired and liabilities assumed at the date of acquisition was an overstatement of accounts receivable due to an inclusion of an intercompany account of $105,000 in the balance. This overstated accounts receivable and understated goodwill by $105,000.

Impact of Restatements

The effects of these restatements on the Company s consolidated financial statements as of and for the year ended December 31, 2007 are described in Note 2 to the Consolidated Financial Statements included in this Annual Report on Form 10-K/A.

In conjunction with the errors in accounting noted above, the Company identified material weaknesses in its internal control over financial reporting at December 31, 2007, and reported those to its Audit Committee. Please see Part II, Item 9A, Disclosure Controls and Procedures, which has been restated, for a description of these matters, and of certain remediation measures that the Company has implemented or plans to implement in order to strengthen its internal control over financial reporting.

The Company has not modified or updated the disclosures in the Original 10-K, filed on March 31, 2008, other than as required to reflect the effects of the restatement. As such, this Annual Report on Form 10-K/A does not reflect all events that have occurred since the Company filed the Original 10-K and does not modify or update those disclosures affected by subsequent events, except as specifically referenced herein. The Company has made no changes to the Items in the Original 10-K other than those described below.

The Company has not amended, and does not anticipate amending, any of its Form 10-Ks for any of the years prior to the year ended December 31, 2007, nor does it anticipate amending any of the Quarterly Reports on Form 10-Q that it originally filed for any of the quarterly periods.

References to this Annual Report on Form 10-K/A shall, unless the context clearly indicates otherwise, refer to the Original 10-K, as amended by this Annual Report on Form 10-K/A. The following items have been amended as a result of the restatement and related matters:

Part II Item 6 Selected Financial Data
Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations
Part II Item 8 Consolidated Financial Statements and Supplementary Data
Part II Item 9A Controls and Procedures
Part IV Item 15 Exhibits and Financial Statement Schedules

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Special Note Regarding Forward-Looking Statements

Certain statements in this Report and in the documents incorporated by reference herein 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 which 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; governmental regulations; 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 those of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words believe, expect, anticipate, intend, 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.

PART I

Item 1. Business

General

Cordia Corporation (Cordia) is a global telecommunications services firm generating revenue from the telecommunications products and services it offers its customers domestically and internationally. An additional but lesser source of revenue comes from Carrier Access Billing Services (CABS), which is compensation we receive from other telecommunications carriers who utilize a portion of our leased 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 business process outsourcing services (BPO Services), 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.

Our core business is our traditional bundled wireline service offerings which represents a majority of our revenue, followed by revenue derived from our VoIP service offerings and our business process outsourcing. We believe this revenue trend will continue. However, we expect our international revenues to grow more rapidly, on a percentage basis, than our traditional CLEC business. We believe the purchase of Midwest Marketing Group, Inc. (Midwest), a Nebraska based telemarketing firm, and its wholly-owned subsidiary Northstar Telecom, Inc., (NST), a competitive local exchange carrier, will contribute to the wireline revenue trend as the transaction resulted in the acquisition of approximately 18,000 customers and increased our market penetration in the Qwest Communications International, Inc. (Qwest) and Verizon Communications, Inc. (Verizon) territories. Furthermore, we believe the acquisition of a domestic based telemarketing firm complements our recently launched call center in Cebu, Philippines. By bringing our telemarketing efforts in-house and conducting customer service and additional outbound sales offshore we have

the ability to lower our customer acquisition costs and our general and administrative expenses.

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 without incurring the capital expenditures associated with building our own network. We have executed amendments to these agreements securing long-term extensions and continued access to their networks. We also recently entered into a commercial services agreement with McLeodUSA, Inc., which will allow for the expansion of our geographic footprint as well broaden our underlying service provider portfolio and diminish our reliance on larger telecommunications carriers.

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, Nebraska, New Jersey, New Mexico, New York, North Dakota, Oregon, Pennsylvania, Virginia, Washington, and Wisconsin through Cordia Communications Corp. (CCC), My Tel Co, Inc. (MTC), and NST. We are also licensed to provide local and/or long distance telecommunications services, but are not actively marketing or providing services, in Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Michigan, Missouri, North Carolina, Ohio, Oklahoma, Texas and Utah. Applications on behalf of CCC and MTC for authorization to operate as a local and long distance telecommunications carrier are pending in the State of Arizona.

MTC distinguishes itself from CCC and NST by targeting consumers in the secondary consumer credit market. Sales associated with MTC have been positive, however due to our serving consumers who would otherwise have difficulty in obtaining telecommunications services because of their credit history our bad debt results were higher than anticipated. As a result, during the fourth quarter of 2007 we ceased marketing under this brand.

VoIP Services

We launched the commercial roll-out of our VoIP service offering, a voice over broadband solution enabling delivery of voice services over any broadband Internet Protocol (IP) connection through our wholly-owned subsidiary CordiaIP Corp. (CordiaIP) in January 2006. We believe VoIP is the logical extension of our traditional wireline telecommunications service offerings. To this end we have 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 strive to be the world s local phone company ® and give our customers the option of choosing their desired area code, offering telephone numbers from more than forty (40) countries and hundreds of cities worldwide. This will allow consumers to make international calls at local rates, a feature not available with traditional wireline service. In addition, recognizing that a large percentage of the United States population speaks Spanish as a primary language, we launched a fully integrated Spanish language VoIP service. This service, which is identical in quality and functionality to its English counterpart, 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 the target market for our VoIP service is small business and consumers, we also offer our service on both a wholesale and resale basis.

International Services

We have focused on creating a niche in the international VoIP marketplace as the world s local phone company ® by providing value added services worldwide and creating partnerships and/or acquiring international VoIP providers on a global scale. In 2005, we formed Cordia International Corp. (CIC) to serve as a holding and management company

for our overseas assets, which include our foreign based subsidiaries and affiliates in Brazil, Hong Kong, India, and the Philippines. We have made significant investments in our international services and have not yet reached a point of profitability relative to these efforts. To date we have incurred losses in executing our plan, and these investments have detracted from the true value of our wireline business, which on a stand alone basis would report a profit that is not apparent when reporting on a consolidated basis. In spite of our current costs and losses, we believe that our international services, which had revenue growth of approximately 300% for the period ended December 31, 2007 as compared to the same period in 2006, have long term value and we will continue our efforts to develop these businesses so that they become self-sustaining.

As previously stated, we currently have operations in South America and the Asia Pacific (APAC) region. In Brazil, we are laying the foundation for the commercial launch of our VoIP product by test marketing resold VoIP services of another licensed Brazilian entity. The Agéncia Nacional de Telecomunicações (ANATEL) has recently completed its review of our VoIP application and has indicated that it will be issuing our Brazilian subsidiary a Serviçe Comunicação Multimídia (SCM) license. We anticipate receipt of the license during the second quarter of 2008 followed by the full commercial launch of our own VoIP service.

In Hong Kong, the Office of Telecommunications Authority (OFTA), has granted us the authority to offer telecommunications services under a Public Non-Exclusive Telecommunications Services (PNETS) License and VoIP service under a separate Services-Based Operator license We are in the process of interconnecting with incumbent carriers in Hong Kong for the roll out of our services and anticipate the commencement of services during 2008. We believe that Hong Kong serves as the gateway to Asia and represents the opportunity to serve the more than 40% of the world s internet and broadband subscribers located in that region.

In India, subsequent to the balance sheet date on February 27, 2008, our joint venture, Cordia LT Communication Private Limited launched VoIP service offerings on a nationwide basis pursuant to the license granted by the Ministry of Communications. This license also allows us to serve as an Internet Service Provider in India, although to date we are only providing VoIP to our customers.

In the Philippines, we launched our offshore call center during 2007. The center provides the Company with various services including outbound telemarketing, customer service, welcome calls, and collections. The launch of this location has allowed us to serve our customers better at a reduced cost with increased savings.

In addition to our overseas holdings we continue to foster bilateral relationships with international VoIP carriers. We recently announced our network interconnection with Bayan Telecommunications, Inc. (Bayan), the second largest Philippine landline provider. This will allow unlimited calling from Cordia s international network to Bayan s wire-line and wireless customers sold by Cordia. Our goal in seeking out these global partnerships is to gain low cost access to their networks, allowing us to deliver high quality, low cost global communications 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; network points of presence in Hong Kong, India, Brazil and the United States; and peering agreements with approximately ten (10) carriers. We believe that by blending our marketing capabilities, proprietary billing and operation support systems (OSS), IP communications technology and international bilateral agreements we can take advantage of the large disparity between wholesale costs in some markets and retail rates in other markets to create a competitive advantage in the international communications market. We believe that by offering a wide range of international numbers integrated with broadband, wireline, wireless and VoIP services bundled from our network and those of our peering partners we can create bundled service offerings that present an attractive value proposition to our customers.

Business Process Outsourcing Service (BPO 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 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 . We bill these services on a predominantly per line basis and have experienced a decrease in BPO Services revenues as a result of the decreased line count experienced by our wholesale customer s operations. Accordingly, revenue derived from our BPO Services has become a less material part of our total revenue.

Employees

As of March 3, 2008, subsequent to the balance sheet date, we had four hundred sixty-three employees (463), three hundred seventy-eight (378) of whom were employed on a full-time basis. At said date, one hundred thirty-eight (138) were located at our offices in Fremont, Nebraska, eighty-six (86) were located at our principal office in Winter Garden, Florida, twenty-five (25) of our employees were located at our offices in White Plains, New York, one hundred eighty one (181) were located in our office in Cebu, Philippines, twenty-eight (28) were located in our office in Brazil, and five (5) were located in our Hong Kong office. None of our employees are represented under a collective bargaining agreement. We believe our relations with our employees to be good.

Information on Our Internet Website

We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). Our website address is www.cordiacorp.com. This information is included in the Investor Relations section on our website.

Item 1A. Risk Factors

We face widespread competition that may reduce our market share and harm our financial performance.

We face significant competition from a number of different types of communications services providers, including wireless telephone service providers, internet service providers, cable companies, incumbent local exchange carriers, and other competitive local exchange carriers.

In particular, we face increasing competition from wireless telephone service providers. As wireless carriers continue to improve their network coverage while lowering their prices, some customers choose to eschew traditional wireline service completely and rely solely on wireless service. We anticipate that this trend will continue, particularly if wireless service rates continue to decline and the quality of wireless service improves.

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities as well as financial, personnel and other resources more abundant than ours. Mergers or other combinations involving our competitors may increase this risk factor. In addition, some of our competitors can conduct operations or raise capital at a lower cost than we can and are subject to less regulation, taxes or fees. Consequently, some competitors are able to charge lower prices for their products and services, to develop and expand their communications and

network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements and to devote greater resources to the marketing and sale of their products and services.

Competition may adversely impact our revenues and profits in several ways, including:

- The loss of customers and market share;
- The possibility of customers shifting to less profitable services;
- Forcing us to lower prices or increase capital or marketing expenses to remain competitive; and
- Increasing our need to incur additional costs in order to diversify by offering new products or services.

We also anticipate increased domestic competition in the VoIP market, 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.

Our reliance on our underlying carriers to offer telecommunications services may affect our ability to attract customers and our reputation in the telecommunications industry.

The services we wish to offer our customers are not always made readily available to us on a resale basis while the Incumbent Local Exchange Carrier (ILEC) that leases its underlying network to us is able to offer them directly to the customer making the ILEC a more attractive service provider. These unavailable services, include but are not limited to, point to point service, local data circuit service, trademarked service such as Identacall, dedicated primary rate interface service, high density local circuit service, and services that utilize the underlying carrier s fiber network. A further element of risk is that we depend on the ILEC to process our orders, address repair issues and install new lines. In the past, we have experienced difficulty with regard to the underlying carrier s timeliness in processing new orders, addressing repair issues, and installing new lines. The difficulty we encounter with the ILEC in its response to these issues can adversely effect our reputation and good will in the telecommunications industry and in essence affect our ability to attract customers and reach a level of profitability.

New technologies may be developed that could displace our service offerings.

We expect competition to intensify as new technologies, products and services are developed. Changes in technology may permit new entrants into the communications services marketplace, and as a result the future prospects of the wireline industry and the success of our services remain uncertain. We cannot predict which of many possible future technologies, products or services will be important for us to develop in order to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. To the extent we do not keep pace with technological advances or fail to timely respond to technology-driven changes in our industry, we could lose market share or experience a decline in revenue and net income.

Our industry is highly regulated and continues to undergo various regulatory and legislative changes, which could adversely affect our prospects and results of operations.

As a Competitive Local Exchange Carrier (CLEC) we have traditionally been subject to significant regulation from federal, state, and local authorities. This regulation imposes considerable compliance costs on us, restricts our ability to adjust rates to reflect market conditions and impacts our abilities to compete and respond to changing industry conditions. Similarly, rule changes that permit customers to retain their wireline or wireless numbers when switching to another service provider could increase the number of our customers who choose to disconnect their wireline service and rely exclusively on their wireless service for their communications needs.

Due to the competitive, technological and regulatory changes described above, the local communications industry has recently experienced a decline in access lines, interstate and intrastate access traffic and long distance traffic. The recent decline in access lines and usage, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely affect our core business and future prospects.

At present the Federal Communications Commission (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 are fully compliant with all FCC requirements. We recognize however, 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.

Expanding globally exposes us to additional regulatory requirements. Currently, we provide services to customers in more than 70 countries. 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.

We are a small company that relies on a few significant employees to ensure that our business operates efficiently. If we were to lose one of these employees it would effect our business operations and we would experience difficulty in replacing one of these employees.

Other larger companies have greater capital resources and therefore greater recruitment capability than Cordia. This may limit our ability to hire new talent and retain current significant employees. We have a very small staff of executives and significant employees. We rely on our executive officers, senior management and significant employees to ensure that our telecommunications business operates efficiently. The loss of such an employee could harm our business, and it should be noted that our employees are at-will. We believe that our success in this business depends on our ability to continue to attract and retain highly skilled and knowledgeable telecommunications staff.

Failure of customers to pay bills in a timely manner adversely affects our ability to pay our underlying network provider.

We are responsible for timely payment to our underlying carriers for use of their networks to provide telecommunications service to our customers. We depend on our customer s payment of their bills so that we can pay our underlying carrier for network access. Delinquency or non-payment of our customers stresses our liquidity and in some instances may affect our ability to timely pay our suppliers. If we are unable to pay or are late in paying our underlying network provider we may experience a suspension of service, resulting in an interruption of our customer s telecommunications service.

The Company may be unable to obtain the capital necessary to fund its operations.

The Company may need to raise additional capital through debt or equity financing to fund operations. As of December 31, 2007, we have negative working capital of approximately **<R>**$9,781,000**</R>**and have reported losses from operations for the past two years. The Company had approximately $1,173,000 in cash and cash equivalents (including restricted cash) to fund its operations. If operations do not become sufficiently profitable we will need to raise additional capital in order to have sufficient working capital to fund our operations beyond 2008. We may not get funding when it is needed or on favorable terms. In addition, the amount of capital that a company such as Cordia is able to raise often depends on variables that are beyond its control, such as the share price of its stock and its trading volume. As a result, the Company may not be able to secure financing on terms attractive to it, or at all. If the

Company is able to consummate a financing arrangement, the amount raised may not be sufficient to meet its future needs and may be highly dilutive. If the Company cannot raise adequate funds to satisfy its capital requirements, it may have to scale-back or sell operations.

Acquisitions and joint ventures may have an adverse effect on the Company s business.

Cordia may make acquisitions or enter into joint ventures as part of its long-term business strategy. Any such transaction involves significant challenges and risks. The transaction may not advance Cordia's business strategy; the company may not realize a satisfactory return on the investment it makes; management s attention may be diverted from its other business activities; or the Company may experience difficulty in the integration of new employees, business systems, and technology. These factors could adversely affect the Cordia's operating results or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2007, we leased property in White Plains, New York; Winter Garden, Florida; Fremont, Nebraska; Central, Hong Kong; Florianopolis, Brazil; and Cebu, Philippines.

In White Plains, New York we lease (1) approximately 2,840 square feet of office space at a rental price of approximately $5,206 per month plus utilities with incremental annual increases in rent in years four and five of the lease term and (2) approximately 4,725 square feet at a rental price of $8,663 per month plus utilities with incremental annual increases in rent commencing in year three of the lease term. Both leases are for a term of five years and expire on December 31, 2008 and July 31, 2010, respectively.

In Winter Garden, Florida, we lease approximately 32,000 square feet of office space at a rental price of approximately $19,226 per month plus utilities with incremental annual increases. The seven and ½ year lease term commenced on April 1, 2005.

In Fremont, Nebraska, we lease approximately 20,000 square feet of office space at a rental price of $4,000 per month plus utilities and maintenance. The five year lease commenced on April 1, 2003 and provides for lessee s option to renew for an additional five (5) year term. We plan on renewing this lease agreement for the additional five (5) year term with a monthly rental payment of $4,280 per month during the renewal period.

In Central, Hong Kong, we lease approximately 1,400 square feet of office space at a rental price of HK $26,258 or approximately US $3,373 per month plus management fees and air conditioning charges totaling HK $4,146 or approximately US $534 per month. The two (2) year lease expires March 2008, however subsequent to the balance sheet date we renewed our lease agreement for an additional two (2) years at a rental price of HK$41,460 or approximately $5,327 per month plus management fees and air conditioning charges. The management fees and air conditioning charges remain the same.

In Florianopolis, Brazil, we rent office space on a month-to-month basis at a rate of R$1,500 or approximately US$900 per month plus common charges. Subsequent to the balance sheet date, we began leasing additional office space subject to a five (5) year lease term, with an expiration date of February 1, 2013, at a rate of R$8,200 or approximately US$5,000 per month.

In Cebu, Philippines, we lease office space under a five (5) year lease at a rental price of P$184,675 or approximately US$3,820 per month plus common charges with incremental annual increases of seven percent (7%) commencing in year two (2) of the lease. The expiration date of the lease is March 2012.

The above properties are in good condition and suitable for Cordia s operations.

Item 3. 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. In the ordinary course of business we are sometimes named as the respondent in various slamming/billing/service disputes with our customers, which are brought before the Federal Communications Commission, the Better Business Bureau or the state Public Utility Commission where our service is being offered. None of these actions are, in our opinion, likely to have a material adverse effect on our business or financial results.

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

None for the period ended December 2007, however our Annual Meeting of Shareholders is scheduled for May 21, 2008. Agenda items requiring shareholder vote are the election of directors, ratification of the selection of our independent registered public accounting firm, and director compensation.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Since June 7, 2002, our common stock has been listed under the symbol CORG on the OTC Bulletin Board. Prior to that time, we were listed on the OTC Bulletin Board under the symbol CORC from June 5, 2001 to June 6, 2002 and under the symbol CYOL from May 8, 2000 to June 4, 2001. The following table represents the high and low per share bid information for our common stock for each quarterly period in fiscal 2007 and 2006. Such high and low bid information reflects inter-dealer quotes, without retail mark-up, mark-down or commissions and may not represent actual transactions.

	Year Ended 2007		**Year Ended 2006**	
	High	Low	High	Low
Quarter ended March 31	$ 1.00	$ 0.41	$ 2.83	$ 2.30
Quarter ended June 30	$ 0.84	$ 0.31	$ 2.10	$ .10
Quarter ended September 30	$ 0.93	$ 0.65	$ 1.15	$ .75
Quarter ended December 31	$ 0.85	$ 0.35	$ 1.08	$ 80

As of March 21, 2008, there were 6,327,388 shares of our common stock outstanding held by approximately 143 shareholders of record.

We do not currently pay dividends on our common stock. We do not intend to declare or pay dividends on our common stock, but to retain earnings, if any, for the operation and expansion of the business.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the twelve-month periods ended December 31, 2007 and 2006, respectively.

On March 7, 2005, we consummated a private placement with Barron Partners, L.P., (Barron) a Delaware limited partnership in which we issued 1,500,000 shares of Series A Convertible Preferred Stock, and issued warrants to purchase 750,000 shares of our common stock at $2.00 per share and warrants to purchase 750,000 shares of our

common stock at $4.00 per share. Barron paid $1,500,000 in cash for the Series A Convertible Preferred Stock and warrants.

The fair value of the warrants issued was estimated on the date of grant at $122,415, using the Black-Scholes option pricing model including expected volatility of 75% and average risk free rate of 3.825% and an expected life of three to four years.

Use of Proceeds from Registered Securities

The 3,000,000 shares of common stock underlying the Series A Convertible Preferred Stock and warrants were registered on Form SB-2, registration number 333-124996, effective August 31, 2005.

During 2005, Barron purchased 330,000 shares of common stock by exercising 330,000 warrant shares at $2.00 per share. We used the proceeds received from the exercise of the warrant shares for working capital and general corporate purposes. During the second quarter of 2006, we purchased the remaining 1,170,000 outstanding warrants, comprised of 420,000 warrants to purchase common stock at $2.00 per share and 750,000 warrants to purchase common stock at $4.00 per share for a purchase price of $309,000. As of December 31, 2006, there were no outstanding warrants.

As of December 31, 2007, there were no shares of Series A Convertible Preferred Stock outstanding. Barron converted a total of 1,262,200 shares of Series A Convertible Preferred Stock, converting 702,200 shares during 2005, 90,000 shares during 2006, and 470,000 shares during 2007. On December 28, 2007, Barron sold its remaining 237,800 shares of Series A Convertible Preferred Stock to Cordia for a purchase price of $118,900 or $0.50 per share. Upon completion of the transaction, Cordia converted the shares into common stock.

Issuer Purchase of Equity Securities

On May 30, 2007, the Board of Directors of Cordia unanimously authorized Cordia s management to spend an aggregate of $500,000, until such time that the authorized amount is exhausted, to re-purchase Cordia s common and preferred stock so long as the market price did not exceed $1 per share. The repurchase plan was announced in Cordia s Form 8-K filed with the Securities and Exchange Commission on May 31, 2007. The following table represents the shares purchased in fiscal 2007.

Period	Total # Shares Purchased (1)	Average Price Per Share (2)	Total # of Shares Purchased as Part of Publicly Announced Plans or Programs*	Approximate Dollar Value of Shares That May Yet Be Purchased Under Plans or Programs(3)
6/1/07 6/30/07	18,500	$0.85	All	$ 484,000
11/1/07 11/30/07	2,500	$0.74	All	$ 482,000
12/01/07 12/31/07	380,592	$0.52	All	$ 285,000

*All purchases were made in open-market transactions pursuant to the Board s action taken on May 30, 2007.

(1)

These shares consist of a total of 163,792 shares of Cordia Common Stock with an aggregate cost of approximately $96,100 and a total of 237,800 shares of Preferred Stock with an aggregate cost of approximately $118,900 for a total of $215,000.

(2)

Price per share includes brokerage and commission fees.

(3)

The last purchase made under this plan was in January 2008.

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with, and qualified by reference to, the consolidated financial statements and notes thereto in Item 8 of this report and Managements Discussion and Analysis of Financial Condition and Result of Operations in Item 7 of this report. The comparability of the following selected financial data is significantly impacted by various changes in accounting principles.

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Years Ended December 31,

	2007 As Restated	2006	2005	2004	2003
Operating Revenues	$ 43,369,000	$ 37,505,000	$ 41,951,000	$ 13,229,000	$ 4,036,000
Net (Loss) Income	$ (3,806,000)	$ (3,095,000)	$ 1,265,000	$ (170,000)	$ 584,000
Net (Loss) Income Per Share:					
Basic (loss) Income Per Share	$ (0.67)	$ (0.55)	$ 0.23	$ (0.04)	$ 0.10
Diluted (loss) Income Per Share	$ (0.67)	$ (0.55)	$ 0.20	$ (0.04)	$ 0.10
Total Assets	$ 12,081,000	$ 9,291,000	$ 10,971,000	$ 5,547,000	$ 1,637,000
Long-term Liabilities	$ 1,168,000	$ 113,000	$ 105,000	$ 3,000	$ -

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation

Certain statements set forth below under this caption constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to the first page of this Report for additional factors relating to such statements, and see Risk Factors in Item 1A of this report for discussion of certain risk factors applicable to our business, financial condition and results of operations.

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand Cordia Corporation, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto contained in Item 15 of this report.

Overview

We are a global telecommunications firm generating our revenue from the provision of telecommunications services domestically and internationally to business, residential, and wholesale customers. We provide both local and long distance services utilizing traditional wireline and VoIP technologies. Historically, our traditional bundled wireline service offerings have represented a majority of our revenue, followed by revenue derived from our VoIP service offerings and business process outsourced services. We believe that this trend will continue in 2008, as we continue our expansion domestically into new states and internationally into new markets. We believe the acquisition of a telemarketing firm and competitive local exchange carrier, along with the launch of our call center in the Philippines will encourage this trend as it resulted in an increased line count and gave us the ability to lower our customer acquisition costs.

Our traditional wireline service offerings include 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 consumers in various states throughout the country, primarily in the Qwest and Verizon territories. We recently reached a commercial agreement with another non-incumbent local exchange carrier in an effort to expand our footprint, keep costs low, and reduce our reliance on the incumbent carriers.

Our VoIP service offerings include 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. Customers also have the option of choosing their desired area code with this service, being able to choose from more than forty (40) countries and cities worldwide for their telephone number regardless of their physical location making any long distance or international call local. As a complement to our mainstream VoIP service offering we also provide a fully integrated Spanish language VoIP service through our wholly owned subsidiary VOszIP, Corp. (VOszIP). In addition, our service portfolio includes our Magellan service which is supported by our internally

developed VoIP network. Magellan customers get their own personal international telephone number or extension that is routed through our IP platform to the customers landline or mobile phone allowing customers to be reached anywhere in the world at local rates. We believe this service offering will be attractive to executives traveling abroad and ex-patriates who need to stay in touch with their colleagues, friends and family. We use this product internally to keep in touch with our offices and employees located abroad and/or on field assignment. As a result, we are constantly testing the integrity of the service and making improvements on functionality based on our experience with the service.

We also 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 full suite of services available is described in its entirety in Item 1.

Liquidity and Capital Resources

At December 31, 2007, we had cash and cash equivalents, including restricted cash, of approximately $1,173,000, a decrease of approximately $202,000 from amounts reported at December 31, 2006, and negative working capital of approximately **<R>**$9,781,000,**</R>** 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 overseas subsidiaries in Hong Kong, Brazil and the Philippines, the acquisition of the minority interest in Cordia Comunicações S/A f/k/a Canal West S/A (CC Brazil) thus resulting in it becoming a wholly-owned subsidiary, the funding of our new call center in the Philippines, our costs associated with the expansion of our domestic and international VoIP service offerings, and the launch of our advertising campaign during the second quarter of 2007 to promote our Magellan service offerings.

At December 31, 2006, we had cash and cash equivalents, including restricted cash, of approximately $1,375,000, a decrease of approximately $971,000 from amounts reported at December 31, 2005, and negative working capital of approximately $2,749,000, as compared to working capital of approximately $1,156,000 reported at December 31, 2005. The decrease in working capital is primarily related to our repurchase of all our outstanding warrants, totaling 1,170,000 for $309,000, our costs associated with acquiring and funding our Hong Kong subsidiary, the acquisition of a majority interest in Canal West, and our costs associated with the expansion of our domestic and international VoIP service offerings.

Net cash provided by operating activities for the year ended December 31, 2007, aggregated approximately $3,338,000 an increase of approximately $2,030,000, from the amount provided during the year ended December 31, 2006 of approximately $1,308,000. The principal source of net cash provided by operating activities for the year ended December 31, 2007 was primarily the increase in taxes payable, the provision for bad debts and depreciation aggregating approximately $7,766,000. The use of cash **<R>**$776,000**</R>** and the net loss for the period amounting to approximately **<R>**$3,806,000.**</R>**

Net cash provided by operating activities for the year ended December 31, 2006, aggregated approximately $1,308,000 an increase of approximately $1,391,000, from the amount used during the year ended December 31, 2005 of approximately $83,000. The principal source of net cash for the year ended December 31, 2006 was primarily the increase in accounts payable and accrued expenses aggregating approximately $1,443,000. The use of cash reported for year ended December 31, 2005 was the increase in accounts receivable of approximately $6,900,000 and the use of cash necessary to post the required LOC s, (offset against accrued interest), with Verizon, which totaled approximately $1,400,000. These amounts were offset against the increase in accrued expenses of approximately $2,105,000.

Net cash used by investing activities for the year ended December 31, 2007, aggregated approximately $2,304,000 compared to net cash used of approximately $1,491,000 as of December 31, 2006. Net cash used by investing activities consisted primarily of expenditures for internally developed software for our VoIP platform, and the purchase of computer equipment amounting to approximately $1,406,000 (an increase of $276,000 from 2006) in addition to the cash paid for acquiring Midwest amounting to approximately $342,000 and our investment in unconsolidated affiliates of approximately $339,000.

Net cash used by investing activities for the year ended December 31, 2006, aggregated approximately $1,491,000 compared to net cash used of approximately $1,344,000 as of December 31, 2005. For the year ended December 31, 2006, net cash used by investing activities consisted primarily of expenditures for internally developed software for our VoIP platform of approximately $752,000, the purchase of computer equipment of approximately $379,000, leasehold improvements of approximately $115,000 and for the acquisition of a majority interest in Canal West and the acquisition of Triamis totaling an aggregate of approximately $246,000. For the period ended December 31, 2005, net cash used by investing activities consisted of the purchases of computer equipment of approximately $487,000, leasehold improvements of approximately $255,000 and expenditures relating to internally developed software of approximately $602,000.

Net cash used in financing activities aggregated approximately $361,000 for the year ended December 31, 2007, compared to net cash used by financing activities of approximately $387,000 for the year ended December 31, 2006. The principal use of cash by financing activities during fiscal year 2007 was the purchase of our stock and for payments on capital lease obligations and the payment of long term notes payable aggregating approximately $349,000. The principal use of cash by financing activities during fiscal year 2006 was the repurchase of our stock warrants amounting to $309,000 and the repayment of a loan in the amount of $57,000.

Net cash used in financing activities aggregated approximately $387,000 for the year ended December 31, 2006, compared to net cash provided by financing activities of approximately $2,072,000 for the year ended December 31, 2005. The principal use of cash by financing activities during fiscal year 2006 was the repurchase of our stock warrants amounting to $309,000 and the repayment of a loan in the amount of $57,000. The principal source of cash provided by financing activities in the 2005 period was $1,455,000, attributed to our private placement of Series A Convertible Preferred Stock and Warrants as discussed in Note 3 of the consolidated financial statements, offset against our purchase of treasury stock aggregating $40,000. An additional $660,000 of proceeds was the result of the exercise of 330,000 warrants associated with the private placement.

At December 31, 2007, our balance sheet showed approximately $174,000 in restricted cash in the form of a Letter of Credits (LOC s) of which $144,000 is for the benefit of Qwest secured by funds deposited into a restricted money market account. The LOC is effective for a term of one (1) year from June 25, 2007. The LOC was due to expanding our wireline service offerings into additional states covered by our commercial services agreement with Qwest. The remaining $30,000 is a LOC that our newly purchased subsidiary NST, had to obtain for the benefit of Verizon.

At December 31, 2006, a significant portion of our cash was restricted in the form of certificates of deposit totaling $950,000 plus accrued interest of approximately $53,700. The certificates of deposits matured in March 2007, and secured two (2) separate LOC s for New York and New Jersey, which we were required to post with Verizon in conjunction with our long-term wholesale agreement. In addition to the LOC's, our agreement with Verizon required payment within 20 days of our receipt of Verizon s bills. We do not expect the agreement s terms to have a material impact on our ongoing uses of cash other than a strict requirement to maintain current payments.

The Company has incurred losses and also has a negative working capital and a deficiency in stockholders' equity as of December 31, 2007 and December 31, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company recognized the need to strengthen its financial position, maintain growth, and continue to carry out its plans for its international expansion of VoIP and related value added services and entered into a Factoring and Security Agreement (Factoring Agreement) with Thermo Credit, LLC (Thermo), a Colorado limited liability company, on September 21, 2007, as amended December 20, 2007.

Management believes that with the increase in sales from NST and the cost savings generated from our lower customer acquisition costs, the Company will generate sufficient cash flows from operations to meet its obligations as they come due during the next twelve month period.   We do, however, recognize the limiting effect that our liquidity has on our growth rate and management may seek additional sources of capital in the future, including but not limited to a private placement of the Company   s common stock, to neutralize this limitation in the future.

Off   balance sheet arrangements

At December 31, 2007 and 2006, 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.

Critical Accounting Policies and Estimates

The Company s accounting policies are more fully described in Note 1 of the consolidated financial statements. As discussed in Note 1, 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 about the future events that affect the amounts reported in the consolidated financial statements and the accompanying notes. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. Actual differences could differ from these estimates under different assumptions or conditions. The Company believes that the following addresses the Company s most critical accounting policies.

We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition (SAB 104). Under SAB 104, revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. We recognize revenue as services are provided. Revenues are reflected net of coupon discounts.

Our allowance for doubtful accounts is maintained to provide for losses arising from our customers inability to make required payments. If there is deterioration of our customers credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required.

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS No. 109). Under SFAS No. 109, deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. At December 31, 2007, a valuation allowance aggregating approximately $1,754,000 was recorded to reflect the Company s net deferred tax asset as $0. Due to current losses the Company could not determine that it was more likely than not that the deferred tax asset originally resulting from net operating loss carryforwards would be realized.

In addition, the calculation of our tax liabilities involves the inherent uncertainty associated with the application of complex tax laws. We are subject to examination by various taxing authorities. We will adequately provided in our financial statements for additional taxes that we estimate under FIN 48, *Accounting for Uncertainty in Income Taxes*, may be required to be paid as a result of any such examinations. If a payment ultimately proves to be unnecessary, the reversal of the tax liabilities would result in tax benefits being recognized in the period we determine the liabilities are no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to expense will result. As of December 31, 2007 the Company has determined that it has no uncertain tax positions requiring recognition under FIN 48.

Recoverability of Long-Lived Assets, Including Goodwill

Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. Goodwill is tested at least annually for impairment and is reviewed for impairment more frequently if events and circumstances indicate that the asset might be impaired. SFAS No. 142, *Goodwill and Other Intangible Assets,* requires the use of a valuation model to determine the existence of a potential impairment of goodwill. We estimate future cash flows using a discounted cash flow methodology by assessing earnings that will be recognized in future periods. The valuation of goodwill could be affected if actual results differ substantially from our estimates.

Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. We assess the useful lives of other intangible assets to determine whether events or circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset is amortized prospectively over the revised remaining useful life. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or circumstances indicate that the carrying value of such assets may not be recoverable. As of December 31, 2007 and 2006, respectively, we had approximately $3,399,000 and $383,000 of goodwill and $557,000 and $9,000 of intangible assets with estimable useful lives on our consolidated balance sheet. We do not have any intangible assets with indefinite useful lives.

The following tables summarize the results of our operations for the twelve (12) month periods ended December 31, 2007 and December 31, 2006.

OPERATING REVENUES

The following table compares our operating revenue for the years ended December 31, 2007 and 2006:

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	Year Ended December 31, 2007	Year Ended December 31, 2006	Increase/ (Decrease) 2007 v 2006	% Change 2007 v 2006
	As Restated			
Wireline Service	$ 42,061,000	$ 36,349,000	$ 5,712,000	15.71%
VoIP Service	921,000	517,000	404,000	78.14%
Business Process Outsourced Services	387,000	639,000	(252,000)	(39.44%)
Total	$ 43,369,000	$ 37,505,000	$ 5,864,000	15.64%

Total operating revenues for the year ended December 31, 2007, increased by approximately $5,864,000 or approximately 16%, to approximately $43,369,000 as compared to approximately $37,505,000 reported for the year ended December 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 calls from CABS

billing. For the twelve month period ended 2007, our wireline services revenue was $42,061,000 an increase of approximately $5,712,000 from the amount reported during 2006. The increase in revenue attributed to the acquisition of NST in 2007 was approximately $5,303,000. This includes a one time back billing of CABS Revenue increase of approximately $750,000. **</R>**

For the twelve month period ended 2007, our VoIP service revenue was approximately $921,000 an increase of approximately $404,000 as compared to amounts reported during the same period in 2006. Approximately $250,000 of the increase was related to the expansion of our international services and the remainder due to increased penetration in the domestic market.

For the twelve month period ended 2007, Business Process Outsourced services (BPO service) revenue, which is income earned through our outsourcing of billing services, data, and website technology to wholesale telecommunications providers, decreased by approximately $252,000 or 39.44% as compared to approximately $639,000 reported for the year ended December 31, 2006. This change occurred as a result of our wholesale customers decreased line counts. We expect this revenue source to be insignificant over the next couple of quarters due to decreasing line counts experienced by our BPO customers.

The following table compares our operating revenue for the years ended December 31, 2006 and 2005:

	Year Ended December 31, 2006	Year Ended December 31, 2005	Increase/ (Decrease) 2006 v 2005	% Change 2006 v 2005
Wireline Service	$ 36,349,000	$ 41,202,000	$ (4,853,000)	(11.78%)
VoIP Service	517,000	36,000	481,000	N/A
Business Process Outsourced Services	639,000	713,000	(74,000)	(10.38%)
Total	$ 37,505,000	$ 41,951,000	$ (4,446,000)	(10.60%)

Total operating revenues for the year ended December 31, 2006, decreased by approximately $4,446,000 or approximately 10.6%, to approximately $37,505,000 as compared to approximately $41,951,000 reported for the year ended December 31, 2005.

Our primary source of revenue for these periods was our wireline service, and was earned through the provisioning of services to business, residential and wholesale customers