

CORDIA CORP  
Form 10KSB/A  
March 11, 2005

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

**Form 10-KSB/A**

**AMENDMENT NO. 1**

**(Mark One)**

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

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

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

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

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

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

**Nevada 2917728**

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

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

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

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

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

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

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

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**(Title of Class)**

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Part            Item

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

Transitional Small Business Disclosure Format (check one)    Yes  No

**CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

December 31,

	2002	2001
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## ASSETS

## Current Assets

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

<b>TOTAL CURRENT ASSETS</b>		<b>844,841 536,655</b>
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## Property and equipment, at cost

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

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

<b>NET PROPERTY AND EQUIPMENT</b>		<b>263,206 236,784</b>
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## Other Assets

Security Deposits	60,904	27,139
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<b>TOTAL ASSETS</b>	<b>\$ 1,168,951</b>	<b>\$ 800,578</b>
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## LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

## Current Liabilities

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

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

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

See notes to consolidated financial statements.

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

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



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See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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Cash Flows From Financing Activities

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

NET CASH PROVIDED BY FINANCING ACTIVITIES	621,952	499,480
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Increase in Cash	49,422	130,713
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Cash, Beginning	185,348	54,635
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Cash, Ending	\$ 234,770	\$ 185,348
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Supplemental Disclosures of Cash Flow Information Cash paid during the year for:

Interest	\$ 13,197	\$ 37,908
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Non Cash Investing and Financing Activities Issuance of 1,400,000 shares of common stock:

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

See notes to consolidated financial statements.

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

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

**The Company**

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

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

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

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

**Operations**

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

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

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

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

**Principles of Consolidation**

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

balances and transactions have been eliminated.

#### Use of Estimates

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

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

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

**Basis of Presentation**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. For financial reporting purposes, depreciation is provided using straight-line and accelerated methods over useful lives ranging from three to seven years.

Expenditures that significantly increase value or extend useful asset lives are capitalized. Expenditures for maintenance, repairs and renewals of a minor nature are charged against operations as incurred.

**Revenue Recognition**

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

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

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

#### Advertising and Promotion

Advertising and promotion costs are expensed as incurred.

#### Bad Debt Expense

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

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

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

Stock-Based Compensation

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

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

Income Taxes

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

Reclassifications

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

Loss Per Share

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

Recent Accounting Pronouncements

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



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

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

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

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

SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS 144 for the year ended December 31, 2002, see Note 3.

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

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

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

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

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

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

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

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

Other Investments

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

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

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

**NOTE 2 - INVESTMENTS (cont'd)**

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

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

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

**NOTE 3 - SALE OF BUSINESS SEGMENTS**

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

The following is a summary of the sale transaction:

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

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

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

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

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

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

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

\* Eliminated in consolidation.

Loss from operations of discontinued business segments includes the following:

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

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

**NOTE 4 - RELATED PARTY TRANSACTIONS**

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

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

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

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

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

**NOTE 5 - LONG-TERM DEBT**

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

	2002	2001
	----	----
During 2001, the Company leased office equipment (\$58,567, less accumulated depreciation of \$23,101 and \$11,388 at December 31, 2002 and 2001, respectively) under a non- cancelable capital lease. The lease expires during 2004, bears interest at the rate of 10% per annum and provides for aggregate monthly payments of \$1,890. The lease is secured by the acquired asset.	\$33,076	\$47,020
The Company financed the purchase of a vehicle with a note that bears interest at the rate of 9% per annum, final payment due in 2002.	-----	-      1,650 -----
	33,076	48,670
Less: Current portion	-----	25,672      20,472 -----
	\$ 7,404	\$28,198 =====

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

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



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

**NOTE 6 - STOCKHOLDERS' EQUITY**

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

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

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

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

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

## NOTE 6 - STOCKHOLDERS' EQUITY (cont'd)

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

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

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

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

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

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

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

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

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

**NOTE 8 - INCOME TAXES**

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

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

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

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

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

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

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

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

## NOTE 8 - INCOME TAXES (cont'd)

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

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

## NOTE 9 - EMPLOYEE BENEFIT PLAN

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

## NOTE 10 - COMMITMENTS

## Operating Leases

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

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

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

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

#### Cash

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

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

**NOTE 11 - SEGMENT INFORMATION AND CONCENTRATIONS**

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

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

\*After elimination of inter-company balances.

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



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

**NOTE 12 - SUBSEQUENT EVENTS**

Sale of ISG

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

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

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

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

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

## NOTE 12 - SUBSEQUENT EVENTS (cont'd)

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

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

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

Current Liabilities

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

NOTE 12 - SUBSEQUENT EVENTS (cont'd)

\*Eliminated in consolidation.

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

License Agreement

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

Sale of Common Stock

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

----- Total other income (deductions) - - - 1 (1) ----- Fixed  
Charges Interest on long-term debt - - - - - Other interest - - - 2 (1) 1 Capitalized interest - - - - -  
----- Net fixed charges - - - 2 (1) 1 ----- Income (Loss) from Continuing  
Operations before Income Taxes and Minority Interests 4 - - 5 (10) (5) Income Taxes (Benefits) - - - 1 (3) (2) Minority  
Interests - - 4 4 (4) - ----- Income (Loss) from Continuing Operations 4 - (4) - (3) (3)  
Discontinued Operations - - - - (112) (112) ----- Net Income (Loss) \$ 4 \$ - \$ (4) \$ - \$  
(115) \$ (115) =====  
===== (12) Represents CMS Field Services, Inc., CMS  
Laverne Gas Processing LLC and CMS Hydrocarbons LLC consolidated. A-18 CMS INTERNATIONAL  
VENTURES LLC Consolidating Statement of Income For the Year Ended December 31, 2002 (In Millions) CMS  
CMS Oper. CMSG CMS Western CMSG Int'l Ventures SRL Invest. E&G Australia Invest. LLC (13) Consol. Co. III  
LLC GT Co. I Co. V Operating Revenue Independent power production \$ - \$ 43 \$ 8 \$ - \$ - \$ 1 Natural gas  
transmission - (2) - - 3 - Other - - - - - Total operating revenue - 41 8 - 3 1 -----  
----- Operating Expenses Fuel for electric generation - 21 - - - - Purchased and interchange  
power - 8 - - - - Cost of gas sold - - - - 1 - Other operation expense - 8 - - 1 - Maintenance - 6 - - - - Depreciation and  
amortization - 11 1 - - General taxes - - - - - Total operating expenses - 54 1 - 2 -  
----- Operating Income (Loss) - (13) 7 - 1 1 ----- Other  
Income (Deductions) Dividends and interest from affiliates - 3 - - - - Gain (loss) on asset sales - - (11) - - - Other, net  
(32) 9 - - - - Total other income (deductions) (32) 12 (11) - - - -  
----- Fixed Charges Interest on long-term debt - 2 - - - - Other interest - - - - - Capitalized interest - - - - -  
----- Net fixed charges - 2 - - - - - Income (Loss) from  
Continuing Operations before Income Taxes and Minority Interests (32) (3) (4) - 1 1 Income Taxes (Benefits) - 13 - - -  
- Minority Interests - (1) - - - - - Income (Loss) from Continuing Operations (32) (15)  
(4) - 1 1 Discontinued Operations - - - (6) - - - - - Net Income (Loss) \$ (32) \$ (15) \$ (4) \$  
(6) \$ 1 \$ 1 =====  
===== (Continued on Following Page) A-19 CMS  
INTERNATIONAL VENTURES LLC Consolidating Statement of Income For the Year Ended December 31, 2002  
(In Millions) (Continued from Previous Page) CMS Int'l Inter- Ventures Company LLC Eliminations Consol.  
Operating Revenue Independent power production \$ - \$ 52 Natural gas transmission - 1 Other - - - - - Total  
operating revenue - 53 - - - - - Operating Expenses Fuel for electric generation - 21 Purchased and interchange power  
- 8 Cost of gas sold - 1 Other operation expense - 9 Maintenance - 6 Depreciation and amortization - 12 General taxes  
- - - - - Total operating expenses - 57 - - - - - Operating Income (Loss) - (4) - - - - - Other Income (Deductions)  
Dividends and interest from affiliates - 3 Gain (loss) on asset sales - (11) Other, net 23 - - - - - Total other income  
(deductions) 23 (8) - - - - - Fixed Charges Interest on long-term debt - 2 Other interest - - Capitalized interest - - - - -  
----- Net fixed charges - 2 - - - - - Income (Loss) from Continuing Operations before Income Taxes and Minority  
Interests 23 (14) Income Taxes (Benefits) - 13 Minority Interests - (1) - - - - - Income (Loss) from Continuing  
Operations 23 (26) Discontinued Operations - (6) - - - - - Net Income (Loss) \$ 23 \$ (32) =====  
===== (13) Represents  
CMS International Ventures LLC and CMS Generation SRL consolidated. A-20 CMS OPERATING SRL  
Consolidating Statement of Income For the Year Ended December 31, 2002 (In Millions) CMS Centrales CMS Inter-  
CMS Operating Termicas Ensenada Company Operating SRL (14) Mendoza SA SA Eliminations SRL Consol.  
Operating Revenue Independent power production \$ - \$ 26 \$ 17 \$ - \$ 43 Natural gas transmission (2) - - - (2) Other - -  
- - - - - Total operating revenue (2) 26 17 - 41 - - - - - Operating Expenses Fuel for  
electric generation - 12 9 - 21 Purchased and interchange power - 6 2 - 8 Other operation expense 1 5 2 - 8  
Maintenance - 4 2 - 6 Depreciation and amortization 1 8 2 - 11 General taxes - - - - - Total  
operating expenses 2 35 17 - 54 - - - - - Operating Income (Loss) (4) (9) - - (13) - - - - - Other  
Income (Deductions) Dividends and interest from affiliates 2 1 - - 3 Other, net (11) (2) (2) 24 9 - - - - -  
Total other income (deductions) (9) (1) (2) 24 12 - - - - - Fixed Charges Interest on long-term debt - - 2 - 2  
Other interest - - - - - Capitalized Interest - - - - - Net fixed charges - - 2 - 2 - - - - -  
Income (Loss) before Income Taxes and Minority Interests (13) (10) (4) 24 (3) Income Taxes (Benefits) 2 7 4 - 13  
Minority Interests - (1) - - (1) - - - - - Net Income (Loss) \$(15) \$(16) \$ (8) \$ 24 \$(15) =====  
===== (14) Represents CMS Operating SRL and Cuyana S.A. de Inversiones consolidated. A-21 CMS

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ENERGY CORPORATION Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) CMS Consumers  
 CMS CMS Energy Energy Enterprises Inter- Energy Corporation Company Company Company Corporation (1)  
 Consol. Consol. Eliminations Consol. Plant and Property (At Cost) Electric \$ - \$ 7,523 \$ - \$ 7,523 Gas - 2,719 - -  
 2,719 Natural gas transmission - - 210 - 210 Independent power production - - 251 - 251 Other 22 23 47 - 92 -----  
 ----- 22 10,265 508 - 10,795 Less accumulated depreciation and amortization 10 5,900 200 -  
 6,110 ----- 12 4,365 308 - 4,685 Construction work-in-progress - 548 1 - 549 -----  
 ----- 12 4,913 309 - 5,234 ----- Investments Associated  
 companies 5,194 22 19 (5,235) - Independent power production - - 565 - 565 Natural gas transmission - - 178 - 178  
 First Midland Limited Partnership - 255 - - 255 Midland Cogeneration Venture - 388 - - 388 Other 1 2 9 - 12 -----  
 ----- 5,195 667 771 (5,235) 1,398 ----- Current Assets Cash  
 and temporary cash investments - 271 106 - 377 Accounts/notes receivable 20 236 314 - 570 Accounts/notes  
 receivable-related parties 53 13 452 (331) 187 Inventories to average cost Gas in underground storage - 486 5 - 491  
 Materials and supplies - 71 18 - 89 Generating plant fuel stock - 37 - - 37 Assets held for sale - - 646 (2) 644 Price risk  
 management assets - - 115 - 115 Prepayments and other 28 199 11 - 238 ----- 101  
 1,313 1,667 (333) 2,748 ----- Non-current Assets Securitization costs - 689 - - 689  
 Postretirement benefits - 185 - - 185 Abandoned Midland project - 11 - - 11 Nuclear decommissioning trust funds -  
 536 - - 536 Notes receivable-related parties 536 - 466 (842) 160 Notes receivable - - 126 - 126 Assets held for sale - -  
 2,081 - 2,081 Price risk management assets - - 135 - 135 Other 113 386 153 (40) 612 -----  
 ----- 649 1,807 2,961 (882) 4,535 ----- Total Assets \$ 5,957 \$ 8,700 \$ 5,708 \$

(6,450) \$ 13,915 ===== (1) Represents CMS Energy Corporation  
 with CMS Energy Trust I, CMS Energy Trust II, CMS Energy Trust III consolidated with Consumers Energy  
 Company and CMS Enterprises Company included on the equity method of accounting. A-22 CMS ENERGY  
 CORPORATION Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) CMS

Consumers CMS CMS Energy Energy Enterprises Inter- Energy Corporation Company Company Company  
 Corporation (1) Consol. Consol. Eliminations Consol. Capitalization Common Stockholders' Equity Common stock \$  
 1 \$ 841 \$ - \$ (841) \$ 1 Other paid-in-capital 3,679 682 6,158 (6,914) 3,605 Currency translation (458) - (468) 468  
 (458) Other comprehensive income (loss) (295) (179) (111) 290 (295) Retained earnings (1,747) 545 (2,286) 1,768  
 (1,720) ----- 1,180 1,889 3,293 (5,229) 1,133 Preferred stock - 44 - - 44  
 Company-obligated mandatorily redeemable preferred securities of Consumer's subsidiaries - 490 - - 490  
 Company-obligated convertible Trust Preferred Securities of subsidiaries 393 - - 393 Long-term debt 3,577 2,442  
 179 (842) 5,356 Non-current capital leases - 116 - - 116 ----- 5,150 4,981 3,472  
 (6,071) 7,532 ----- Minority Interests - - 21 - 21 -----  
 Current Liabilities Current portion of long-term debt 292 305 30 - 627 Current capital leases - 13 - - 13 Notes payable  
 215 457 1 (215) 458 Accounts payable 1 261 209 11 482 Accounts payable-related parties 15 84 34 (80) 53 Accrued  
 interest 80 55 3 (7) 131 Accrued taxes 161 214 (103) 19 291 Deferred income taxes - 25 (10) - 15 Liabilities held for  
 sale - - 467 (2) 465 Price risk management liabilities - - 103 (7) 96 Current portion of purchase power contracts - 26 -  
 - 26 Current portion of gas supply contract obligations - - 25 - 25 Other 38 145 33 - 216 -----  
 ----- 802 1,585 792 (281) 2,898 ----- Non-current Liabilities Deferred income taxes  
 (23) 949 (427) (85) 414 Postretirement benefits 31 563 131 - 725 Deferred investment tax credit - 91 - - 91 Regulatory  
 liabilities for income taxes, net - 297 - - 297 Power purchase agreement - 27 - - 27 Gas supply contract obligations - -  
 241 - 241 Liabilities held for sale - - 1,243 - 1,243 Price risk management liabilities - - 137 (2) 135 Other (3) 207 98  
 (11) 291 ----- 5 2,134 1,423 (98) 3,464 ----- Total  
 Stockholders' Equity and Liabilities \$ 5,957 \$ 8,700 \$ 5,708 \$ (6,450) \$ 13,915 =====

===== (1) Represents CMS Energy Corporation with CMS Energy Trust I, CMS Energy Trust II,  
 CMS Energy Trust III consolidated with Consumers Energy Company and CMS Enterprises Company included on  
 the equity method of accounting. A-23 CONSUMERS ENERGY COMPANY Consolidating Balance Sheet-Assets  
 December 31, 2002 (In Millions) Consumers Consumers Consumers CMS Consumers Parnall Consumers Receivables  
 Campus Midland CMS Energy Holdings Funding Funding Holdings Holdings Midland Company (2) LLC LLC LLC  
 LLC Company Inc. Plant and Property (At Cost) Electric \$ 7,523 \$ - \$ - \$ - \$ - Gas 2,719 - - - - Other 14 6 -  
 - 3 - - - - - 10,256 6 - - 3 - - Less accumulated depreciation, depletion and  
 amortization 5,900 - - - - - 4,356 6 - - 3 - - Construction

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work-in-progress 494 - - - 54 - - - - - 4,850 6 - - 57 - - - - -  
 ----- Investments Associated companies 657 - - - - First Midland Limited Partnership - - - -  
 255 - Midland Cogeneration Venture - - - - 388 Other 2 - - - - - 659 -  
 - - - 255 388 ----- Current Assets Cash and temporary cash investments 251 -  
 18 - - - 2 Accounts/notes receivable 86 - 26 163 - - - Accounts/notes receivable-related parties 2 - - 1 - - 10 Inventories  
 to average cost Gas in underground storage 486 - - - - - Materials and supplies 71 - - - - - Generating plant fuel  
 stock 37 - - - - - Prepayments and other 199 - - - - - 1,132 - 44 164 - -  
 12 ----- Non-current Assets Securitization costs 689 - - - - - Postretirement  
 benefits 185 - - - - - Abandoned Midland project 11 - - - - - Nuclear decommissioning trust funds 536 - - - - -  
 Notes receivable-related party 506 - 416 - - - - Other 386 - - - - - 2,313 -  
 416 - - - - - Total Assets \$ 8,954 \$ 6 \$ 460 \$ 164 \$ 57 \$ 255 \$ 400

===== (Continued on Next Page) A-24

CONSUMERS ENERGY COMPANY Consolidating Balance Sheet-Assets December 31, 2002 (In Millions)  
 Consumers Inter- Energy Company Company Eliminations Consol. Plant and Property (At Cost) Electric \$ - \$ 7,523  
 Gas - 2,719 Other - 23 ----- - 10,265 Less accumulated depreciation, depletion and amortization - 5,900  
 ----- - 4,365 Construction work-in-progress - 548 ----- - 4,913 ----- Investments  
 Associated companies (635) 22 First Midland Limited Partnership - 255 Midland Cogeneration Venture - 388 Other -  
 2 ----- (635) 667 ----- Current Assets Cash and temporary cash investments - 271 Accounts/notes  
 receivable (39) 236 Accounts/notes receivable-related parties - 13 Inventories to average cost Gas in underground  
 storage - 486 Materials and supplies - 71 Generating plant fuel stock - 37 Prepayments and other - 199 -----  
 (39) 1,313 ----- Non-current Assets Securitization costs - 689 Postretirement benefits - 185 Abandoned  
 Midland project - 11 Nuclear decommissioning trust funds - 536 Notes receivable-related party (922) - Other - 386  
 ----- (922) 1,807 ----- Total Assets \$ (1,596) \$ 8,700 =====

===== (2) Represents  
 Consumers Energy Company, Consumers Power Company Financing I, Consumers Energy Company Financing II,  
 Consumers Energy Company Financing III, Consumers Energy Company Financing IV, Consumers Nuclear Services  
 LLC, Michigan Gas Storage Company, Huron Hydrocarbons, Inc., ES Services Company, CMS Engineering  
 Company, Consumers EnergyGuard Services, Inc. and MEC Development Corporation consolidated with Consumers  
 Funding LLC, Consumers Parnall Holdings LLC, Consumers Receivables Funding LLC, Consumers Campus  
 Holdings LLC, CMS Midland Holdings Company and CMS Midland, Inc. included on the equity method of  
 accounting. A-25 CONSUMERS ENERGY COMPANY Consolidating Balance Sheet - Equity and Liabilities

December 31, 2002 (In Millions) Consumers Consumers Consumers CMS Consumers Parnall Consumers Receivables  
 Campus Midland CMS Energy Holdings Funding Funding Holdings Holdings Midland Company (2) LLC LLC LLC  
 LLC Company Inc. Capitalization Common Stockholders' Equity Common stock \$ 857 \$ - \$ - \$ - \$ - \$ - Other  
 paid-in-capital 684 5 2 163 3 64 168 Other comprehensive income (loss) (179) - - - - 8 Retained earnings 546 - - -  
 32 171 ----- 1,908 5 2 163 3 96 347 Preferred stock 44 - - - - - Company-obligated  
 mandatorily redeemable preferred securities of subsidiaries 490 - - - - - Long-term debt 2,938 - 426 - - -  
 Non-current capital leases 62 - - - 54 - - - - - 5,442 5 428 163 57 96 347 -----  
 ----- Current Liabilities Current portion of long-term debt 278 - 27 - - - - Current capital leases  
 13 - - - - - Notes payable 493 - - - - - Accounts payable 259 - 1 1 - - - Accounts payable-related parties 85 - - - - -  
 Accrued interest 52 - 4 - - - - Accrued taxes 217 - - - - 7 (10) Deferred income taxes 25 - - - - - Current portion of  
 purchase power contracts 26 - - - - - Other 145 - - - - - 1,593 - 32 1 - 7 (10)  
 ----- Non-current Liabilities Deferred income taxes 748 - - - - 139 62 Postretirement  
 benefits 563 - - - - - Deferred investment tax credit 77 - - - - 13 1 Regulatory liabilities for income taxes, net 297 - - -  
 - - - Power purchase agreement 27 - - - - - Other 207 1 - - - - - 1,919 1 - - -  
 152 63 ----- Total Stockholders' Equity and Liabilities \$8,954 \$ 6 \$ 460 \$ 164 \$ 57  
 \$ 255 \$ 400 =====

===== (Continued on the Next Page) A-26

CONSUMERS ENERGY COMPANY Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In  
 Millions) (Continued from Previous Page) Consumers Inter- Energy Company Company Eliminations Consol.  
 Capitalization Common Stockholders' Equity Common stock \$ (16) \$ 841 Other paid-in-capital (407) 682 Other  
 comprehensive income (loss) (8) (179) Retained earnings (204) 545 ----- (635) 1,889 Preferred stock - 44  
 Company-obligated mandatorily redeemable preferred securities of subsidiaries - 490 Long-term debt (922) 2,442

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Non-current capital leases - 116 ----- (1,557) 4,981 ----- Current Liabilities Current portion of long-term debt - 305 Current capital leases - 13 Notes payable (36) 457 Accounts payable - 261 Accounts payable-related parties (1) 84 Accrued interest (1) 55 Accrued taxes - 214 Deferred income taxes - 25 Current portion of purchase power contracts - 26 Other - 145 ----- (38) 1,585 ----- Non-current Liabilities Deferred income taxes - 949 Postretirement benefits - 563 Deferred investment tax credit - 91 Regulatory liabilities for income taxes, net - 297 Power purchase agreement - 27 Other (1) 207 ----- (1) 2,134 ----- Total Stockholders' Equity and Liabilities \$(1,596) \$ 8,700 ===== (2) Represents Consumers Energy Company, Consumers Power Company Financing I, Consumers Energy Company Financing II, Consumers Energy Company Financing III, Consumers Energy Company Financing IV, Consumers Nuclear Services LLC, Michigan Gas Storage Company, Huron Hydrocarbons, Inc. ES Services Company, CMS Engineering Company, Consumers EnergyGuard Services, Inc. and MEC Development Corporation consolidated with Consumers Funding LLC, Consumers Parnall Holdings LLC, Consumers Receivables Funding LLC, Consumers Campus Holdings LLC, CMS Midland Holdings Company and CMS Midland, Inc. included on the equity method of accounting. A-27 CMS ENTERPRISES COMPANY Consolidating Balance Sheet-Assets December 31, 2002 (In Millions) CMS CMS CMS CMS Gas Enterprises Generation Resource CMS CMS Trans. Company Company Development Land MS&T Company (3) Consol. Company Company Company Consol. Plant and Property (At Cost) Natural gas transmission \$ - \$ - \$ - \$ - \$ 166 Independent power production - 157 - - - Other 2 - - 14 25 - ----- 2 157 - 14 25 166 Less accumulated depreciation, depletion and amortization 2 70 - - 9 81 ----- - 87 - 14 16 85 Construction work-in-progress - - - - 1 ----- - 87 - 14 16 86 ----- Investments Associated companies 3,136 121 - - 215 Independent power production - 405 - - - Natural gas transmission - - - - 20 Other 1 - - 8 - ----- 3,137 526 - - 8 235 ----- Current Assets Cash and temporary cash investments (1) 14 - - (1) 1 Accounts/notes receivable 3 25 - - 248 6 Accounts/notes receivable-related parties 395 176 9 - 78 101 Gas in underground storage 1 - - - 2 2 Materials and supplies - 10 - - 1 Assets held for sale - - - - 259 347 Price risk management assets - - - - 115 - Prepayments and other 2 9 - - 7 1 ----- 400 234 9 - 708 459 ----- Non-current Assets Notes receivable - 108 - - - 18 Notes receivable-related parties 146 7 - - 306 - Assets held for sale - - - - 2,035 Price risk management assets - - - - 135 - Other 9 53 - - 3 13 ----- 155 168 - - 444 2,066 ----- Total Assets \$ 3,692 \$ 1,015 \$ 9 \$ 14 \$ 1,176 \$ 2,846 ===== (Continued on Following Page) A-28 CMS ENTERPRISES COMPANY Consolidating Balance Sheet-Assets December 31, 2002 (In Millions) (Continued from Previous Page) CMS Micro- CMS Int'l Power CMS CMS Vent. Systems/ Inter- Enterprises Capital LLC CMS Dist. Company Company LLC Consol. Power LLC Eliminations Consol. Plant and Property (At Cost) Natural gas transmission \$ - \$ 46 \$ - (\$ 2) \$ 210 Independent power production - 94 - - 251 Other 1 - 5 - 47 ----- 1 140 5 (2) 508 Less accumulated depreciation, depletion and amortization - 36 3 (1) 200 ----- 1 104 2 (1) 308 Construction work-in-progress - - - - 1 ----- 1 104 2 (1) 309 ----- Investments Associated companies - - - (3,453) 19 Independent power production - 101 - 59 565 Natural gas transmission - 217 - (59) 178 Other - - - - 9 ----- - 318 - (3,453) 771 ----- Current Assets Cash and temporary cash investments 62 31 - - 106 Accounts/notes receivable 16 16 - - 314 Accounts/notes receivable-related parties 419 80 4 (810) 452 Gas in underground storage - - - - 5 Materials and supplies - 7 - - 18 Assets held for sale - 59 - (19) 646 Price risk management assets - - - - 115 Prepayments and other - 5 - (13) 11 ----- 497 198 4 (842) 1,667 ----- Non-current Assets Notes receivable - - - - 126 Notes receivable-related parties 132 28 - (153) 466 Assets held for sale - 46 - - 2,081 Price risk management assets - - - - 135 Other 4 71 - - 153 ----- 136 145 - (153) 2,961 ----- Total Assets \$ 634 \$ 765 \$ 6 \$(4,449) \$ 5,708 ===== (3) Represents CMS Enterprises Company, CMS Capital Financial Services, Inc., CMS Comercializadora de Energia S.A., CMS Energy South America Company, CMS Energy Asia Private Ltd., CMS Texas LLC and CMS Energy UK Limited consolidated with CMS Generation Company, CMS Land Company, CMS Distributed Power LLC, CMS MicroPower Systems LLC, CMS Capital LLC, CMS Marketing, Services and Trading Company, CMS Gas Transmission Company, CMS International Ventures LLC and CMS Resource Development Company included on the equity method of accounting. A-29 CMS ENTERPRISES COMPANY Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions)



CMS CMS CMS Gas CMS Generation Resource CMS CMS Trans. Enterprises Company Development Land MS&T  
 Company Company (3) Consol. Company Company Company Consol. Capitalization Common Stockholders' Equity  
 Common stock \$ 1 \$ - \$ - \$ - \$ - Other paid-in-capital 6,241 2,383 4 22 237 2,073 Currency translation (469) (186)  
 - - - (146) Other comprehensive income (loss) (116) (49) (1) - (8) (45) Retained earnings (2,312) (1,010) (1) (20)  
 (106) (565) ----- 3,345 1,138 2 2 123 1,317 Long-term debt 132 1 - - - 3 Non-current  
 capital leases - - - - - 3,477 1,139 2 2 123 1,320 -----  
 ----- Minority Interests - 11 - - - 1 ----- Current Liabilities Current portion of  
 long-term debt - - - - 23 Current capital leases - - - - - Notes payable 215 19 1 11 155 14 Accounts payable 64 8 1  
 10 119 2 Accounts payable-related parties 22 36 1 - 54 12 Accrued interest 1 2 - - - - Accrued taxes (39) (36) 1 (11)  
 (26) (32) Deferred income taxes 3 - - - - - Liabilities held for sale - - - - 164 269 Price risk management liabilities - - -  
 - 129 - Current portion of gas supply contract obligation - - - - 25 - Other 3 14 2 - - 9 -----  
 ----- 269 43 6 10 620 297 ----- Non-current Liabilities Postretirement benefits 29  
 12 2 - 15 70 Deferred income taxes (82) (225) (1) 2 (17) (79) Gas supply contract obligations - - - - 241 - Liabilities  
 held for sale - - - - (2) 1,220 Price risk management liabilities - - - - 154 - Other (1) 35 - - 42 17 -----  
 ----- (54) (178) 1 2 433 1,228 ----- Total Stockholders' Equity and  
 Liabilities \$ 3,692 \$ 1,015 \$ 9 \$ 14 \$ 1,176 \$ 2,846 =====  
 (Continued on Following Page) A-30 CMS ENTERPRISES COMPANY Consolidating Balance Sheet - Equity and  
 Liabilities December 31, 2002 (In Millions) (Continued from Previous Page) CMS Micro- CMS Power Inter- CMS  
 Int'l Vent. CMS Systems/CMS Company Enterprises LLC Capital Dist. Power Eliminations Company Consol. LLC  
 LLC Consol. Capitalization Common Stockholders' Equity Common stock \$ - \$ - \$ - \$ (1) \$ - Other paid-in-capital  
 945 29 61 (5,837) 6,158 Currency translation (325) - - 658 (468) Other comprehensive income (loss) (1) - - 109 (111)  
 Retained earnings (38) 16 (36) 1,786 (2,286) ----- 581 45 25 (3,285) 3,293 Long-term debt  
 60 136 - (153) 179 Non-current capital leases - - - - - 641 181 25 (3,438) 3,472 -----  
 ----- Minority Interests - - - 9 21 ----- Current Liabilities Current  
 portion of long-term debt 7 - - - 30 Current capital leases - - - - - Notes payable 9 442 - (865) 1 Accounts payable 15 2  
 1 (13) 209 Accounts payable-related parties - 2 - (93) 34 Accrued interest - - - 3 Accrued taxes 27 6 (10) 17 (103)  
 Deferred income taxes - - - (13) (10) Liabilities held for sale 41 - - (7) 467 Price risk management liabilities - - - (26)  
 103 Current portion of gas supply contract obligations - - - - 25 Other 4 1 - - 33 ----- 103  
 453 (9) (1,000) 792 ----- Non-current Liabilities Postretirement benefits 3 - - - 131  
 Deferred income taxes (12) - (10) (3) (427) Gas supply contract obligations - - - - 241 Liabilities held for sale 25 - - -  
 1,243 Price risk management liabilities - - - (17) 137 Other 5 - - - 98 ----- 21 - (10) (20)  
 1,423 ----- Total Stockholders' Equity and Liabilities \$ 765 \$ 634 \$ 6 \$(4,449) \$ 5,708  
 =====  
 ===== (3) Represents CMS Enterprises Company, CMS Capital  
 Financial Services, Inc., CMS Comercializadora de Energia S.A., CMS Energy South America Company, CMS  
 Energy Asia Private Ltd., CMS Texas LLC and CMS Energy UK Limited consolidated with CMS Generation  
 Company, CMS Land Company, CMS Distributed Power LLC, CMS MicroPower Systems LLC, CMS Capital LLC,  
 CMS Marketing, Services and Trading Company, CMS Gas Transmission Company, CMS International Ventures  
 LLC and CMS Resource Development Company included on the equity method of accounting. A-31 CMS  
 GENERATION COMPANY Consolidating Balance Sheet-Assets December 31, 2002 (In Millions) CMSG Dearborn  
 CMSG CMS CMSG CMSG Grayling Generation Filer City Generation Filer City, Grayling Holdings Operating  
 Operating Company (4) Inc. Company Company LLC Company Plant and Property (At Cost) Independent power  
 production \$ 4 \$ - \$ - \$ - \$ - Less accumulated depreciation, depletion and amortization 1 - - - - -  
 - - - - 3 - - - - Construction work-in-progress - - - - - 3 - - - - -  
 Investments Associated companies 746 - - - - - Other 40 24 1 7 - - - - - 786 24 1 7 - - - - -  
 - - - - - Current Assets Cash and temporary cash investments - - - - - Accounts/notes receivable - - - - 1 -  
 Accounts/notes receivable-related parties 31 - - 1 4 1 Materials and supplies - - - - - Generating plant fuel stock - - - -  
 - - Prepayments and other 2 - - - - - 33 - - 1 5 1 ----- Non-current Assets  
 Notes receivable - - - - - Notes receivable-related parties 7 - - - - - Other 51 - - - - - 58 - - - - -  
 - - - - - Total Assets \$880 \$ 24 \$ 1 \$ 8 \$ 5 \$ 1 ===== (Continued on  
 Following Page) A-32 CMS GENERATION COMPANY Consolidating Balance Sheet-Assets December 31, 2002 (In  
 Millions) (Continued from Previous Page) Dearborn CMSG Industrial Investment CMSG HYDRA-CO CMSG

CMSG Generation Company Michigan Enterprises Holdings Genesee LLC I Consol. Power LLC Inc. Company  
 Company Plant and Property (At Cost) Independent power production \$ 86 \$ - \$ 17 \$ - \$ - \$ - Less accumulated  
 depreciation, and amortization 23 - 9 - - - - - 63 - 8 - - - - - Construction work-in-progress - - - - -  
 - - - - - 63 - 8 - - - - - Investments Associated companies - - - - - Other - 291 - 37  
 5 - - - - - 291 - 37 5 - - - - - Current Assets Cash and temporary cash investments  
 - 5 - - - - Accounts/notes receivable 3 15 - - - - Accounts/notes receivable-related parties 29 106 2 3 1 2 Materials and  
 supplies 5 5 - - - - Generating plant fuel stock - - - - - Prepayments and other 2 1 - 1 - - - - - 39  
 132 2 4 1 2 - - - - - Non-current Assets Notes receivable - 108 - - - - Notes receivable-related parties -  
 9 - - - - Other - 1 - 1 - - - - - 118 - 1 - - - - - Total Assets \$102 \$541 \$ 10 \$ 42 \$

6 \$ 2 ===== (Continued on Following Page) A-33 CMS GENERATION COMPANY  
 Consolidating Balance Sheet-Assets December 31, 2002 (In Millions) (Continued from Previous Page) Taweelah  
 Exeter CMSG A2 CMS Int'l Inter- CMSG Energy Operating Operating Operating Company Company LLC Company  
 Company Company Eliminations Consol. Plant and Property (At Cost) Independent power production \$ 50 \$ - \$ - \$ -  
 \$ - \$ 157 Less accumulated depreciation, depletion and amortization 37 - - - - 70 - - - - - 13 -  
 - - - 87 Construction work-in-progress - - - - - 13 - - - 87 - - - - -  
 - - - - - Investments Associated companies - - - (625) 121 Other - - - - 405 - - - - -  
 - (625) 526 - - - - - Current Assets Cash and temporary cash investments 5 - - 4 - 14  
 Accounts/notes receivable 1 - - 5 - 25 Accounts/notes receivable-related parties - 5 1 13 (23) 176 Materials and  
 supplies - - - - 10 Generating plant fuel stock - - - - - Prepayments and other - - - 3 - 9 - - - - -  
 - - - - 6 5 1 25 (23) 234 - - - - - Non-current Assets Notes receivable - - - - 108 Notes  
 receivable-related parties - - - (9) 7 Other - - - - 53 - - - - - (9) 168 - - - - -  
 - - - - - Total Assets \$ 19 \$ 5 \$ 1 \$ 25 \$ (657) \$1,015 =====

(4) Represents CMS Generation Company, CMS Altoona Company, CMSG Chateaugay Company, CMSG Honey  
 Lake Company, CMSG Recycling Company, CMSG Lyonsdale Company, Mid-Michigan Recycling LLC and CMS  
 Centrales Termicas S.A. consolidated with CMSG Investment Company I included on the equity method of  
 accounting. A-34 CMS GENERATION COMPANY Consolidating Balance Sheet - Equity and Liabilities December  
 31, 2002 (In Millions) CMS CMSG Dearborn CMSG Generation CMSG CMSG CMSG Grayling Generation Filer  
 City Company Honey Lake Filer City, Grayling Holdings Operating Operating (4) Company Inc. Company Company  
 LLC Company Capitalization Common Stockholders' Equity Common stock \$ - \$ - \$ - \$ - \$ - \$ - Other  
 paid-in-capital 2,427 10 6 4 7 4 1 Currency translation (186) - - - - - Other comprehensive income (loss) (49) - - - (2)  
 - - Retained earnings (1,042) (7) 13 (4) (4) 1 (1) - - - - - 1,150 3 19 - 1 5 - Long-term  
 debt - - - - - Non-current capital leases - - - - - 1,150 3 19 - 1 5 - - - - -  
 - - - - - Minority Interests - - - - - Current  
 Liabilities Current portion of long-term debt - - - - - Current capital leases - - - - - Notes payable - 1 - - - -  
 Accounts payable 4 - - - - - Accounts payable-related parties 8 - - - - - Accrued interest - - - - - Accrued taxes  
 (79) - - - - - Other 1 - - - - - (66) - 1 - - - - -  
 - - - - - Non-current Liabilities Postretirement benefits 8 - - - - 1 Deferred income taxes (213) (3) 4 1 7 - - Other 1 - - - -  
 - - - - - (204) (3) 4 1 7 - 1 - - - - - Total

Stockholders' Equity and Liabilities \$ 880 \$ - \$ 24 \$ 1 \$ 8 \$ 5 \$ 1 =====  
 ===== (Continued on Following Page) A-35 CMS GENERATION COMPANY Consolidating Balance  
 Sheet - Equity and Liabilities December 31, 2002 (In Millions) (Continued from Previous Page) Dearborn Mid-  
 CMSG Industrial CMSG CMSG Michigan Investment CMSG HYDRA-CO Generation Altoona Recycling Recycling  
 Company Michigan Enterprise LLC Company Company LLC I Consol. Power LLC Inc. Capitalization Common  
 Stockholders' Equity Common stock \$ - \$ - \$ - \$ - \$ - \$ - Other paid-in-capital 562 (6) 3 4 807 75 195 Currency  
 translation - - - - (168) - - Other comprehensive income (loss) - - - - (43) - - Retained earnings (535) 6 (2) (4) (123)  
 (66) (163) - - - - - 27 - 1 - 473 9 32 Long-term debt - - - 9 - 1 Non-current capital  
 leases - - - - - 27 - 1 - 482 9 33 - - - - -  
 Minority Interests - - - 11 - - - - - Current Liabilities Current portion of long-term  
 debt - - - - - Current capital leases - - - - - Notes payable 14 - - 13 - 1 Accounts payable 1 - - 3 - - Accounts  
 payable-related parties 24 - - 14 - - Accrued interest - - - - 2 Accrued taxes - - - 4 1 6 Other 11 - - 2 - - - -  
 - - - - - 50 - - 36 1 9 - - - - - Non-current Liabilities

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Postretirement benefits - - - - - Deferred income taxes - - (1) - 8 - (5) Other 25 - - - 4 - 5 -----  
 ----- 25 - (1) - 12 ----- Total Stockholders' Equity and Liabilities \$ 102 \$ -  
 \$ - \$ - \$ 541 \$ 10 \$ 42 ===== (Continued on Following Page)  
 A-36 CMS GENERATION COMPANY Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In  
 Millions) (Continued from Previous Page) Taweelah CMSG CMSG Exeter CMSG A2 Holdings Genesee Energy  
 Operating Operating Company Company LLC Company Company Capitalization Common Stockholders' Equity  
 Common stock \$ - \$ - \$ - \$ 1 \$ - Other paid-in-capital 16 - (13) 3 - Currency translation - - - - - Other comprehensive  
 income (loss) - - - (1) - Retained earnings (13) - 31 (1) 1 ----- 3 - 18 2 1 Long-term debt - - - -  
 Non-current capital leases - - - - - 3 - 18 2 1 ----- Minority Interests  
 - - - - - Current Liabilities Current portion of long-term debt - - - - - Current capital leases  
 - - - - - Notes payable - - - - - Accounts payable - - - - - Accounts payable-related parties - - 1 - - Accrued interest - - - -  
 - Accrued taxes - - - 1 - Other - - - - - 1 1 ----- Non-current  
 Liabilities Postretirement benefits - - - 3 - Deferred income taxes 3 2 - (1) - Other - - - - - 3  
 2 - 2 - ----- Total Stockholders' Equity and Liabilities \$ 6 \$ 2 \$ 19 \$ 5 \$ 1 =====  
 ===== (Continued on Following Page) A-37 CMS GENERATION COMPANY Consolidating  
 Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) (Continued from Previous Page) CMS Int'l  
 Inter- CMSG Operating Company Company Company Eliminations Consol. Capitalization Common Stockholders'  
 Equity Common stock \$ - \$ (1) \$ - Other paid-in-capital 3 (1,725) 2,383 Currency translation (1) 169 (186) Other  
 comprehensive income (loss) - 46 (49) Retained earnings 17 886 (1,010) ----- 19 (625) 1,138 Long-term  
 debt - (9) 1 Non-current capital leases - - - - - 19 (634) 1,139 ----- Minority Interests - - 11  
 ----- Current Liabilities Current portion of long-term debt - - - Current capital leases - - - Notes payable -  
 (10) 19 Accounts payable - - 8 Accounts payable-related parties 2 (13) 36 Accrued interest - - 2 Accrued taxes 4 27  
 (36) Other - - 14 ----- 6 4 43 ----- Non-current Liabilities Postretirement benefits - - 12  
 Deferred income taxes - (27) (225) Other - - 35 ----- (27) (178) ----- Total Stockholders'  
 Equity and Liabilities \$ 25 \$ (657) \$ 1,015 ===== (4) Represents CMS Generation Company,  
 CMSG Lyonsdale Company, CMSG Montreal Company, CMSG Chateaugay Company and CMS Centrales Termicas  
 S.A. consolidated with CMSG Investment Company I included on the equity method of accounting. A-38 CMS  
 GENERATION INVESTMENT COMPANY I Consolidating Balance Sheet - Assets December 31, 2002 (In  
 Millions) CMSG CMSG CMSG Loy Yang CMSG CMSG CMSG Inter- Investment Investment Holdings Investment  
 Investment Investment Company Company Company I Co. I (5) I & II, Ltd. Co. IV Co. VI Co. VII Eliminations Consol. Plant  
 and Property (At Cost) Independent power production \$ - \$ - \$ - \$ - \$ - \$ - \$ - Less accumulated depreciation,  
 depletion and amortization - - - - - Construction  
 work-in-progress - - - - -  
 ----- Investments Associated companies 88 - - - - (88) - Other - - 240 - 51 - 291 -----  
 ----- 88 - 240 - 51 (88) 291 ----- Current Assets Cash  
 and temporary cash investments - - 1 4 - 5 Accounts/notes receivable - - 15 - - 15 Accounts/notes receivable-related  
 parties 329 8 87 40 - (358) 106 Materials and supplies - - - 5 - - 5 Prepayments and other - - - 1 - 1 -----  
 ----- 329 8 88 65 - (358) 132 ----- Non-current  
 Assets Notes receivable - - - 108 - - 108 Notes receivable-related parties 60 - - - 9 (60) 9 Other 1 - - - - 1 -----  
 ----- 61 - - 108 9 (60) 118 ----- Total  
 Assets \$ 478 \$ 8 \$ 328 \$ 173 \$ 60 \$ (506) \$ 541 =====  
 ===== (5) Represents CMSG Investment Company I and CMSG Pinamucan LDC consolidated. A-39 CMS  
 GENERATION INVESTMENT COMPANY I Consolidating Balance Sheet - Equity and Liabilities December 31,  
 2002 (In Millions) CMSG CMSG CMSG Loy Yang CMSG CMSG CMSG Investment Cebu Holdings Pinamucan  
 Investment Investment Co. I (5) LDC I & II Ltd. LDC Co. IV Co. VI Capitalization Common Stockholders' Equity  
 Common stock \$ - \$ 3 \$ - \$ - \$ - \$ - Other paid-in-capital 807 (4) 283 3 3 99 Currency translation (168) - (168) - - -  
 Other comprehensive income (loss) (43) - - - (11) - Retained earnings (123) 1 (435) (3) 274 44 -----  
 ----- 473 - (320) - 266 143 Long-term debt - - - - 9 - Non-current capital leases - - - - -  
 ----- 473 - (320) - 275 143 ----- Minority Interests - - - - -  
 11 ----- Current Liabilities Current portion of long-term debt - - - - - Current  
 capital leases - - - - - Notes payable - - 316 - 52 - Accounts payable - - - - - 3 Accounts payable-related parties 4 - 13

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--- Accrued interest ----- Accrued taxes 1 - (1) - - 4 Other ----- 2 ----- 5 -  
 328 - 52 9 ----- Non-current Liabilities Postretirement benefits ----- Deferred  
 income taxes ----- 8 Other ----- 1 2 ----- 1 10 -----

----- Total Stockholders' Equity and Liabilities \$ 478 \$ - \$ 8 \$ - \$ 328 \$ 173 =====

===== (Continued on Following Page) A-40 CMS GENERATION

INVESTMENT COMPANY I Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions)

(Continued from Previous Page) CMSG CMSG Investment Inter- Investment Company Company Company I VII

Eliminations Consol. Capitalization Common Stockholders' Equity Common stock \$ - \$ (3) \$ - Other paid-in-capital

14 (398) 807 Currency translation - 168 (168) Other comprehensive income (loss) (32) 43 (43) Retained earnings 17

102 (123) ----- (1) (88) 473 Long-term debt 60 (60) 9 Non-current capital leases - - - - -

----- 59 (148) 482 ----- Minority Interests - - 11 ----- Current Liabilities Current

portion of long-term debt - - - Current capital leases - - - Notes payable - (355) 13 Accounts payable - - 3 Accounts

payable-related parties - (3) 14 Accrued interest - - - Accrued taxes - - 4 Other - - 2 ----- (358) 36

----- Non-current Liabilities Postretirement benefits - - - Deferred income taxes - - 8 Other 1 - 4

----- 1 - 12 ----- Total Stockholders' Equity and Liabilities \$ 60 \$ (506) \$ 541

===== (5) Represents CMSG Investment Company I consolidated. A-41 CMS GAS

TRANSMISSION COMPANY Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) CMS Bay

CMS CMS Gas CMS Area CMS Gas Jackson Transmission Antrim Pipeline Argentina Pipeline Company (6) LLC

LLC Company Company Plant and Property (At Cost) Natural gas transmission \$ - \$ 54 \$ 24 \$ - \$ 10 Other - - - - -

----- 54 24 - 10 Less accumulated depreciation, depletion and amortization - 21 3 - 3 -----

----- 33 21 - 7 Construction work-in-progress - - - - - 33 21 - 7 -----

----- Investments Associated companies 1,194 - - - Other 15 - - - - -

1,209 - - - - - Current Assets Cash and temporary cash investments - - - - 1 Accounts/notes

receivable 2 1 - - - Accounts/notes receivable-related parties 5 2 2 8 - Gas in underground storage 2 - - - - Materials

and supplies - 1 - - - Assets held for sale - - - - - Prepayments and other - - - - - 9 4 2 8 1

----- Non-current Assets Notes receivable 18 - - - - Notes receivable-related parties - - - - -

Assets held for sale - - - - - Other 3 - - - 1 ----- 21 - - - 1 ----- Total

Assets \$1,239 \$ 37 \$ 23 \$ 8 \$ 9 ===== (Continued on Following Page) A-42

CMS GAS TRANSMISSION COMPANY Consolidating Balance Sheet - Assets December 31, 2002 (In Millions)

(Continued from Previous Page) CMS Panhandle CMS Field Marysville Eastern Pipe Services CMS Inter- CMS Gas

Gas Liquids Line Co. Inc., Grand Lacs Company Trans. Co. Company Consol. Consol. LLC Eliminations Consol.

Plant and Property (At Cost) Natural gas transmission \$ 46 \$ - \$ 32 \$ - \$ 166 Other - - - - -

----- 46 - - 32 - 166 Less accumulated depreciation, depletion and amortization 43 - - 11 - 81 -----

----- 3 - - 21 - 85 Construction work-in-progress 1 - - - - 1 ----- 4 - - 21 - 86

----- Investments Associated companies - - - - (979) 215 Other 5 - - - - 20 -----

----- 5 - - - (979) 235 ----- Current Assets Cash and temporary cash

investments - - - - - 1 Accounts/notes receivable 2 - - 1 - 6 Accounts/notes receivable-related parties 2 64 22 1 (5) 101

Gas in underground storage - - - - - 2 Materials and supplies - - - - - 1 Assets held for sale - 278 69 - - 347

Prepayments and other 1 - - - - 1 ----- 5 342 91 2 (5) 459 -----

----- Non-current Assets Notes receivable - - - - - 18 Notes receivable-related parties - - - - - Assets held for sale -

1,845 190 - - 2,035 Other 4 5 - - - 13 ----- 4 1,850 190 - - 2,066 -----

----- Total Assets \$ 18 \$2,192 \$ 281 \$ 23 \$(984) \$2,846 =====

(6) Represents CMS Gas Transmission Company and CMS Saginaw Bay Lateral Company consolidated with CMS

Field Services, Inc. and Panhandle Eastern Pipe Line Company included on the equity method of accounting. A-43

CMS GAS TRANSMISSION COMPANY Consolidating Balance Sheet - Equity and Liabilities December 31, 2002

(In Millions) CMS CMS Bay Saginaw CMS CMS CMS Gas CMS Area Bay CMS Gas Jackson Marysville

Transmission Antrim Pipeline Lateral Argentina Pipeline Gas Liquids Company(6) LLC LLC Company Company

Company Company Capitalization Common Stockholders' Equity Common stock \$ - \$ - \$ - \$ 4 \$ - \$ - Other

paid-in-capital 2,073 - 23 3 164 2 32 Currency translation (146) - - - (211) - - Other comprehensive income (loss) (45)

- - - - - (1) Retained earnings (562) 3 (4) (3) 51 - (12) ----- 1,320 3 19 - 8 2 19

Long-term debt - - - - - 3 - Non-current capital leases - - - - - 1,320 3 19 - 8

5 19 ----- Minority Interests - - - - 1 - -----  
 Current Liabilities Current portion of long-term debt - 23 - - - - Current capital leases - - - - - Notes payable 6 - - -  
 - - - Accounts payable - 1 - - - 1 - Accounts payable-related parties 4 1 1 - - - 1 Accrued interest - - - - - Accrued  
 taxes (46) 1 1 - - - 1 Deferred income taxes - - - - - Liabilities held for sale - - - - - Other 8 1 - - - - -  
 ----- (28) 27 2 - - 1 2 ----- Non-current Liabilities  
 Postretirement benefits 1 - - - - 1 Deferred income taxes (70) 7 2 - - 1 (4) Liabilities held for sale - - - - - Other 16  
 - - - 1 - - - - - (53) 7 2 - - 2 (3) ----- Total  
 Stockholders' Equity and Liabilities \$1,239 \$ 37 \$ 23 \$ - \$ 8 \$ 9 \$ 18 =====  
 ===== (Continued on Following Page) A-44 CMS GAS TRANSMISSION COMPANY Consolidating  
 Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) (Continued from Previous Page) Panhandle  
 CMS Eastern Pipe CMS Field Tristate Grand Inter- CMS Gas Line Co. Services Inc. Pipeline Lacs Company Trans.  
 Co. Consol. Consol. LLC LLC Eliminations Consol. Capitalization Common Stockholders' Equity Common stock \$ 1  
 \$ - \$ - \$ - (5) \$ - Other paid-in-capital 1,124 229 6 30 (1,613) 2,073 Currency translation - - - - 211 (146) Other  
 comprehensive income (loss) (32) (4) - - 37 (45) Retained earnings (341) (72) (6) (10) 391 (565) -----  
 ----- 752 153 - 20 (979) 1,317 Long-term debt - - - - 3 Non-current capital leases - - - - -  
 ----- 752 153 - 20 (979) 1,320 ----- Minority Interests - - - - 1 -----  
 ----- Current Liabilities Current portion of long-term debt - - - - 23 Current capital leases - - -  
 - - - Notes payable - 8 - - - 14 Accounts payable - - - - 2 Accounts payable-related parties 5 4 - 1 (5) 12 Accrued  
 interest - - - - - Accrued taxes - (9) - 1 19 (32) Deferred income taxes - - - - - Liabilities held for sale 190 79 - - -  
 269 Other - - - - 9 ----- 195 82 - 2 14 297 ----- Non-current  
 Liabilities Postretirement benefits 62 6 - - 70 Deferred income taxes (40) 43 - 1 (19) (79) Liabilities held for sale  
 1,223 (3) - - 1,220 Other - - - - 17 ----- 1,245 46 - 1 (19) 1,228 -----  
 ----- Total Stockholders' Equity and Liabilities \$2,192 \$ 281 \$ - \$ 23 \$ (984) \$2,846 =====  
 ===== (6) Represents CMS Gas Transmission Company consolidated with CMS Field Services,  
 Inc. and Panhandle Eastern Pipe Line Company included on the equity method of accounting. A-45 PANHANDLE  
 EASTERN PIPE LINE COMPANY Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) CMS  
 Panhandle CMS Trunkline CMS PEPL Panhandle Eastern Pipe Trunkline LNG Pan Gas Inter- Consol. Eastern Pipe  
 Line Co. Gas Co. Holdings Storage Company (before Disc. Disc. Line Co. Consol. (7) LLC (8) Co. LLC Co.  
 Eliminations Oper.) Oper. Consol. Plant and Property (At Cost) Natural gas transmission \$ 776 \$ 751 \$ 43 \$ 195 \$ -  
 \$1,765 \$(1,765) \$ - Other - - - - - 776 751 43 195 - 1,765 (1,765) -  
 Less accumulated depreciation, depletion and amortization 72 101 3 12 - 188 (188) - -----  
 ----- 704 650 40 183 - 1,577 (1,577) - Construction work-in-progress 27 6 10 1 - 44 (44) - -----  
 ----- 731 656 50 184 - 1,621 (1,621) -----  
 Investments Associated companies 959 - - - (959) - - - Other 68 - - - 68 (68) - -----  
 ----- 1,027 - - - (959) 68 (68) ----- Current Assets Cash and  
 temporary cash investments 71 - 10 - - 81 (81) - Accounts/notes receivable 34 13 5 4 (6) 50 (50) - Accounts/notes  
 receivable-related parties 69 - 9 - (9) 69 (5) 64 Gas in underground storage - - - - - Materials and supplies 16 23 2  
 - - 41 (41) - Assets held for sale - - - - - 278 278 Prepayments and other 109 17 6 - (31) 101 (101) - -----  
 ----- 299 53 32 4 (46) 342 - 342 ----- Non-current  
 Assets Notes receivable-related parties 70 111 53 68 (302) - - - Assets held for sale - - - - - 1,845 1,845 Other 106 13  
 25 17 - 161 (156) 5 ----- 176 124 78 85 (302) 161 1,689 1,850 -----  
 ----- Total Assets \$2,233 \$ 833 \$ 160 \$ 273 (\$1,307) \$2,192 \$ - \$2,192 =====  
 ===== (7) Represents Panhandle Eastern Pipe Line  
 Company, CMS Panhandle Eastern Resources, Inc., CMS Panhandle Storage Company, CMS Trunkline Field  
 Services Company, MG Ventures Storage, Inc., CMS Panhandle Lake Charles Generation Company LLC, CMS  
 Panhandle LNG Acquisition Company, Panhandle Partner LLC and CMS Panhandle Holdings, LLC consolidated. (8)  
 Represents CMS Trunkline Gas Company LLC, CMS Trunkline Gas Resources LLC, CMS Trunkline Offshore  
 Pipeline Company LLC, CMS Trunkline Deepwater Pipeline Company LLC and Sea Robin Pipeline Company  
 consolidated. A-46 PANHANDLE EASTERN PIPE LINE COMPANY Consolidating Balance Sheet - Equity and  
 Liabilities December 31, 2002 (In Millions) CMS Panhandle CMS Trunkline CMS PEPL Panhandle Eastern Pipe  
 Trunkline LNG Pan Gas Inter- Consol. Eastern Pipe Line Co. Gas Co. Holdings Storage Company (before Disc. Disc.

Line Co. Consol. (7) LLC (8) Co. LLC Co. Eliminations Oper.) Oper. Consol. Capitalization Common Stockholders' Equity Common stock \$ 1 \$ - \$ - \$ - \$ 1 \$ - \$ 1 Other paid-in-capital 1,532 386 (162) 295 (927) 1,124 - 1,124 Other comprehensive income (loss) (32) - - - - (32) - (32) Retained earnings (326) 93 2 (35) (75) (341) - (341) ----- 1,175 479 (160) 260 (1,002) 752 - 752 Long-term debt 943 100 277 - (170) 1,150 (1,150) - Non-current capital leases - - - - - 2,118 579 117 260 (1,172) 1,902 (1,150) 752 ----- Current Liabilities Current portion of long-term debt - - - - - Current capital leases - - - - - Notes payable 30 100 12 - (100) 42 (42) - Accounts payable 5 3 1 - - 9 (9) - Accounts payable-related parties 12 1 - - (5) 8 (3) 5 Accrued interest 23 - 2 - - 25 (25) - Accrued taxes 15 (10) - 6 - 11 (11) - Liabilities held for sale - - - - - 190 190 Other 82 41 6 1 (30) 100 (100) - ----- 167 135 21 7 (135) 195 - 195 ----- Non-current Liabilities Postretirement benefits 7 - - - - 7 55 62 Deferred income taxes (95) 48 1 6 - (40) - (40) Liabilities held for sale - - - - - 1,223 1,223 Other 36 71 21 - - 128 (128) - ----- (52) 119 22 6 - 95 1,150 1,245 ----- Total Stockholders' Equity and Liabilities \$2,233 \$ 833 \$ 160 \$ 273 (\$1,307) \$2,192 \$ - \$2,192 ===== (7) Represents Panhandle Eastern Pipe Line Company, CMS Panhandle Eastern Resources, Inc., CMS Panhandle Storage Company, CMS Trunkline Field Services Company, MG Ventures Storage, Inc., CMS Panhandle Lake Charles Generation Company LLC, CMS Panhandle LNG Acquisition Company, Panhandle Partner LLC and CMS Panhandle Holdings, LLC consolidated. (8) Represents CMS Trunkline Gas Company LLC, CMS Trunkline Gas Resources LLC, CMS Trunkline Offshore Pipeline Company LLC, CMS Trunkline Deepwater Pipeline Company LLC and Sea Robin Pipeline Company consolidated. A-47 CMS FIELD SERVICES, INC. Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) CMS CMS/Okla. CMS Bighorn CMS Natural CMS Field Natural Gas Taurus Gas CMS Gas Laverne Gas Services Gathering Holdings Gathering Processing Gas Proc. Gathering Inc. (9) LLC Co. LLC LLC LLC LLC Plant and Property (At Cost) Natural gas transmission \$ 9 \$ 3 \$ 56 \$ 91 \$ 66 \$ 1 \$ 76 Other - - - - - 9 3 56 91 66 1 76 Less accumulated depreciation, depletion and amortization 5 - 11 7 12 - 15 ----- 4 3 45 84 54 1 61 Construction work-in-progress - - 1 3 - - - - - 4 3 46 87 54 1 61 ----- Investments Associated companies 251 - - - - - Other 5 - - - - - 256 - - - - - Current Assets Cash and temporary cash investments (4) - - 6 - - - Accounts/notes receivable 30 - - 2 8 - - Accounts/notes receivable-related parties 42 - - - - - (2) Gas in underground storage - - - - - Materials and supplies 4 - - - - - Assets held for sale - - - - - Prepayments and other 4 - - - - - 76 - 8 8 - (2) ----- Non-current Assets Notes receivable - - - - - Assets held for sale - - - - - Other 3 - - - - - 3 - - - - - Total Assets \$ 339 \$ 3 \$ 46 \$ 95 \$ 62 \$ 1 \$ 59 ===== (Continued on Following Page) A-48 CMS FIELD SERVICES, INC. Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) (Continued from Previous Page) CMS CMS CMS FS CMS Field Cherokee Bradshaw CMS Gulf Hydro- Inter- Consol. Services Gas Proc. Energy Coast Field carbons Company (before Disc. Disc. Inc. LLC LLC Services LLC LLC Eliminations Oper.) Oper. Consol. Plant and Property (At Cost) Natural gas transmission \$ 49 \$ 12 \$ 40 \$ 4 \$ - \$ 407 \$ (407) \$ - Other - - - - - 49 12 40 4 - 407 (407) - Less accumulated depreciation, depletion and amortization 11 2 6 - - 69 (69) - - - - - 38 10 34 4 - 338 (338) - Construction work-in-progress 1 - - - - 5 (5) - - - - - 39 10 34 4 - 343 (343) - Investments Associated companies - - - - - (251) - - - - - Other - - 3 - - 8 (8) - - - - - 3 - (251) 8 (8) - - - - - Current Assets Cash and temporary cash investments (2) 1 - - - 1 (1) Accounts/notes receivable 2 - - - - 42 (42) - Accounts/notes receivable-related parties - - - - - 40 (18) 22 Gas in underground storage - - - - - Materials and supplies - - - - - 4 (4) - Assets held for sale - - - - - 69 69 Prepayments and other - - - - 4 (4) - - - - - 1 - - - 91 - 91 ----- Non-current Assets Notes receivable - - - - - Assets held for sale - - - - - 190 190 Other - - - - 3 (3) - - - - - 3 187 190 ----- Total Assets \$ 39 \$ 11 \$ 37 \$ 4 \$ (251) \$ 445 \$ (164) \$ 281 ===== (9) Represents CMS Field Services, Inc. consolidated. A-49 CMS FIELD SERVICES, INC. Consolidating Balance Sheet - Equity and Liabilities

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December 31, 2002 (In Millions) CMS/Okla. CMS Bighorn CMS CMS CMS Field Natural Gas Taurus Gas CMS Gas Laverne Natural Gas Services Inc. Gathering Holdings Gathering Processing Gas Proc. Gathering (9) LLC Co. LLC LLC LLC LLC Capitalization Common Stockholders' Equity Common stock \$ - \$ - \$ - \$ - \$ - \$ - \$ - Other paid-in-capital 229 2 39 84 51 - 64 Other comprehensive income (loss) (4) - - - - - Retained earnings 13 1 5 9 (6) 1 (7) ----- 238 3 44 93 45 1 57 Long-term debt - - - - - Non-current capital leases - - - - - 238 3 44 93 45 1 57 ----- Minority Interests - - - - - Current Liabilities Current portion of long-term debt - - - - - - - Current capital leases 1 - - - - - Notes payable 1 - - - 6 - - Accounts payable 37 - 2 2 11 - 2 Accounts payable-related parties 8 - - - - - Accrued interest - - - - - Accrued taxes (10) - - - - - Liabilities held for sale - - - - - Other 14 - - - - - 51 - 2 2 17 - 2 ----- Non-current Liabilities Postretirement benefits 7 - - - - - Deferred income taxes 43 - - - - - Liabilities held for sale - - - - - Other - - - - - 50 -----

Total Stockholders' Equity and Liabilities \$ 339 \$ 3 \$ 46 \$ 95 \$ 62 \$ 1 \$ 59 =====  
 ===== (Continued on Following Page) A-50 CMS FIELD SERVICES, INC. Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) (Continued from Previous Page) CMS CMS Gulf CMS CMS FS CMS Field Cherokee Bradshaw Coast Field Hydro- Inter- Consol. Services Gas Proc. Energy Services carbons Company before Disc. Disc. Inc. LLC LLC LLC LLC Eliminations Oper.) Oper. Consol. Capitalization Common Stockholders' Equity Common stock \$ - \$ - \$ - \$ - \$ - \$ - \$ - Other paid-in-capital 17 8 23 4 (292) 229 - 229 Other comprehensive income (loss) - - - - - (4) - (4) Retained earnings 19 2 11 - (4) 44 (116) (72) ----- 36 10 34 4 (296) 269 (116) 153 Long-term debt - - - - - Non-current capital leases - - - - - 36 10 34 4 (296) 269 (116) 153 ----- Minority Interests - - - 45 45 (45) ----- Current Liabilities Current portion of long-term debt - - - - - Current capital leases - - - - - 1 (1) - Notes payable - - 1 - - 8 Accounts payable 2 1 1 - - 58 (58) - Accounts payable-related parties - - 1 - - 9 (5) 4 Accrued interest - - - - - Accrued taxes 1 - - - - (9) - (9) Liabilities held for sale - - - - - 79 79 Other - - - - - 14 (14) ----- 3 1 3 - - 81 1 82 ----- Non-current Liabilities Postretirement benefits - - - - - 7 (1) 6 Deferred income taxes - - - - - 43 - 43 Liabilities held for sale - - - - - (3) (3) Other - - - - - 50 (4) 46 ----- Total Stockholders' Equity and Liabilities \$ 39 \$ 11 \$ 37 \$ 4 \$ (251) \$ 445 \$ (164) \$ 281 =====

===== (9) Represents CMS Field Services, Inc. consolidated. A-51 CMS INTERNATIONAL VENTURES LLC Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) CMS CMS Operating CMSG CMS Western CMSG Int'l Ventures SRL Investment E&G Australia Investment LLC (10) Consol. Co. III LLC GT Co. I Co. V Plant and Property (At Cost) Natural gas transmission \$ - \$ - \$ - \$ - \$ 46 \$ - Independent power production - 94 - - - - Other - - - - - 94 - - 46 - Less accumulated depreciation, depletion and amortization - 26 - - 10 - - - - - 68 - - 36 - Construction work-in-progress - - - - - 68 - - 36 - Investments Associated companies 576 - - - 60 Independent power production - - 78 - - 23 Natural gas transmission - 6 - - 211 - Other - - - - - 576 6 78 - 211 83 ----- Current Assets Cash and temporary cash investments - 17 6 1 6 1 Accounts/notes receivable - 13 1 1 1 - Accounts/notes receivable-related parties 4 20 3 3 68 1 Materials and supplies - 6 - - 1 - Assets held for sale - - - 59 - - Prepayments and other - 2 3 - - - - - 4 58 13 64 76 2 ----- Non-current Assets Notes receivable-related parties - 21 7 - - - Assets held for sale - - - 46 - - Other 45 24 3 - 2 - - - - - 45 45 10 46 2 ----- Total Assets \$ 625 \$ 177 \$ 101 \$ 110 \$ 325 \$ 85 =====

===== (Continued on Following Page) A-52 CMS INTERNATIONAL VENTURES LLC Consolidating Balance Sheet - Assets December 31, 2002 (In Millions) (Continued from Previous Page) CMS Int'l Inter- Ventures Company LLC Eliminations Consol. Plant and Property (At Cost) Natural gas transmission \$ - \$ 46 Independent power production - 94 Other - - - - - 140 Less accumulated depreciation, depletion and amortization - 36 - - - - - 104 Construction work-in-progress - - - - - 104 - - - - - Investments Associated companies (636) - Independent power production - 101 Natural gas transmission - 217 Other - - - - - (636) 318 ----- Current Assets Cash and temporary cash investments - 31 Accounts/notes receivable - 16 Accounts/notes receivable-related party (19) 80 Materials and supplies - 7 Assets

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held for sale - 59 Prepayments and other - 5 ----- (19) 198 ----- Non-current Assets Notes  
 receivable-related parties - 28 Assets held for sale - 46 Other (3) 71 ----- (3) 145 ----- Total Assets \$ (658)  
 \$ 765 ===== (10) Represents CMS International Ventures LLC and CMS Generation SRL consolidated.  
 A-53 CMS INTERNATIONAL VENTURES LLC Consolidating Balance Sheet - Equity and Liabilities December  
 31, 2002 (In Millions) CMS CMS Operating CMSG CMS Western CMS CMSG Int'l Ventures SRL Investment E&G  
 Australia Generation Investment LLC (10) Consol. Co. III LLC GT Co. I SRL Co. V Capitalization Common  
 Stockholders' Equity Common stock \$ - \$ 36 \$ - \$ - \$ 235 \$ - \$ - Other paid-in-capital 989 231 81 458 5 42 84  
 Currency translation (325) (179) (5) (106) (23) (12) - Other comprehensive income (loss) (1) - - (1) - - Retained  
 earnings (38) (4) 17 (321) 23 (30) 1 ----- 625 84 93 31 239 - 85 Long-term debt - 60  
 - - - - Non-current capital leases - - - - - 625 144 93 31 239 - 85 -----  
 ----- Minority Interests - - - - 60 - - - - - Current Liabilities  
 Current portion of long-term debt - 7 - - - - Current capital leases - - - - - Notes payable - - 8 1 20 - - Accounts  
 payable - 10 - 4 2 - - Accrued interest - - - - - Accrued taxes - 8 - 19 - - - Liabilities held for sale - - - 41 - - - Other -  
 3 - - 1 - - - - - - - - - - - 28 8 65 23 - - - - - Non-current  
 Liabilities Postretirement benefits - - - 3 - - - - - Deferred income taxes - - - (15) 3 - - Liabilities held for sale - - - 25 - - -  
 Other - 5 - 1 - - - - - - - - - - - 5 - 14 3 - - - - - Total  
 Stockholders' Equity and Liabilities \$ 625 \$ 177 \$ 101 \$ 110 \$ 325 \$ - \$ 85 =====  
 ===== (Continued on Following Page) A-54 CMS INTERNATIONAL VENTURES LLC  
 Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) (Continued from Previous  
 Page) CMS Int'l Inter- Ventures Company LLC Eliminations Consol. Capitalization Common Stockholders' Equity  
 Common stock \$ (271) \$ - Other paid-in-capital (945) 945 Currency translation 325 (325) Other comprehensive  
 income (loss) 1 (1) Retained earnings 314 (38) ----- (576) 581 Long-term debt - 60 Non-current capital leases - -  
 ----- (576) 641 ----- Minority Interests (60) - - - - - Current Liabilities Current portion of long-term  
 debt - 7 Current capital leases - - Notes payable (20) 9 Accounts payable (1) 15 Accrued interest - - Accrued taxes - 27  
 Liabilities held for sale - 41 Other - 4 ----- (21) 103 ----- Non-current Liabilities Postretirement benefits -  
 3 Deferred income taxes - (12) Liabilities held for sale - 25 Other (1) 5 ----- (1) 21 ----- Total  
 Stockholders' Equity and Liabilities \$ (658) \$ 765 ===== (10) Represents CMS International Ventures LLC  
 consolidated. A-55 CMS OPERATING SRL Consolidating Balance Sheet - Assets December 31, 2002 (In Millions)  
 Centrales CMS CMS Termicas CMS Inter- Operating Operating Mendoza Ensenada Company SRL SRL (11) S.A.  
 S.A. Eliminations Consol. Plant and Property (At Cost) Independent power production \$ 1 \$ 65 \$ 28 \$ - \$ 94 Less  
 accumulated depreciation, depletion and amortization - 19 7 - 26 ----- 1 46 21 - 68  
 Construction work-in-progress - - - - - 1 46 21 - 68 -----  
 Investments Associated companies 59 - - (59) - Natural gas transmission 6 - - - 6 ----- 65 - -  
 (59) 6 ----- Current Assets Cash and temporary cash investments 3 9 5 - 17 Accounts/notes  
 receivable 1 8 4 - 13 Accounts/notes receivable-related parties - 20 - - 20 Materials and supplies - 6 - - 6 Prepayments  
 and other 1 1 - - 2 ----- 5 44 9 - 58 ----- Non-current Assets Notes  
 receivable - - - - - Notes receivable-related parties 21 - - - 21 Other 22 2 - - 24 ----- 43 2 - - 45  
 ----- Total Assets \$ 114 \$ 92 \$ 30 \$ (59) \$ 177 =====  
 (11) Represents CMS Operating SRL and Cuyana S.A. de Inversiones consolidated. A-56 CMS OPERATING SRL  
 Consolidating Balance Sheet - Equity and Liabilities December 31, 2002 (In Millions) Centrales CMS CMS Termicas  
 CMS Inter- Operating Operating Mendoza Ensenada Company SRL SRL (11) S.A. S.A. Eliminations Consol.  
 Capitalization Common Stockholders' Equity Common stock \$ 36 \$ 36 \$ - \$ (36) \$ 36 Other paid-in-capital 231 167  
 39 (206) 231 Currency translation adjustment (179) (125) (52) 177 (179) Retained earnings (4) 1 (5) 4 (4) -----  
 ----- 84 79 (18) (61) 84 Long-term debt 21 - 39 - 60 Non-current capital leases - - - - -  
 ----- 105 79 21 (61) 144 ----- Minority Interests - - - - -  
 Current Liabilities Current portion of long-term debt - - 7 - 7 Current capital leases - - - - - Notes payable - - - - -  
 Accounts payable 3 3 2 2 10 Accounts payable-related parties - - - - - Accrued interest - - - - - Accrued taxes 2 6 - - 8  
 Other - 3 - - 3 ----- 5 12 9 2 28 ----- Non-current Liabilities  
 Postretirement benefits - - - - - Deferred income taxes (1) 1 - - - Other 5 - - - 5 ----- 4 1 - - 5  
 ----- Total Stockholders' Equity and Liabilities \$ 114 \$ 92 \$ 30 \$ (59) \$ 177 =====  
 ===== (11) Represents CMS Operating SRL and Cuyana S.A. de Inversiones consolidated. A-57



CMS ENERGY CORPORATION Consolidating Statement of Retained Earnings December 31, 2002 (In Millions)  
 Consumers CMS Energy Enterprises Inter- CMS Energy CMS Energy Company Company Company Corporation  
 Corp. (1) Consol. Consol. Eliminations Consol. Balance at January 1, 2002 \$ (937) \$ 441 \$(1,215) \$ 760 \$ (951) Net  
 Income (Loss) (612) 381 (653) 352 (532) Less Dividends Paid Common Stock 149 - - - 149 Preferred Stock - 2 - - 2  
 Preferred Securities Distributions 42 44 - - 86 Associated Companies 7 231 418 (656) - - - - - - - - - - - - - - -  
 198 277 418 (656) 237 -  
 Balance at December 31, 2002 \$(1,747) \$ 545 \$(2,286) \$1,768  
 \$(1,720) ===== (1) Represents CMS Energy Corporation with CMS Energy  
 Trust I, CMS Energy Trust II, CMS Energy Trust III, Consumers Energy Company and CMS Enterprises Company  
 included on the equity method of accounting. A-58 CONSUMERS ENERGY COMPANY Consolidating Statement  
 of Retained Earnings December 31, 2002 (In Millions) Consumers Michigan Consumers Energy Gas CMS Midland  
 CMS Inter- Power Company Storage Holdings Midland Company Company (2) Company Company Inc. Eliminations  
 Consol. Balance at January 1, 2002 \$ 437 \$ (4) \$ 20 \$ 130 \$ (142) \$ 441 Net Income (Loss) 386 4 12 41 (62) 381 Less  
 Dividends Paid Common Stock - - - - - Preferred Stock 2 - - - - 2 Preferred Securities Dist. 44 - - - - 44 Associated  
 Companies 231 - - - - 231 -  
 277 - - - - 277 -  
 Balance  
 at December 31, 2002 \$ 546 \$ - \$ 32 \$ 171 \$ (204) \$ 545 ===== (2)  
 Represents Consumers Energy Company, Consumers Power Company Financing I, Consumers Energy Company  
 Financing II, Consumers Energy Company Financing III, Consumers Energy Company Financing IV, Michigan  
 Electric Transmission Company, Consumers Funding LLC, Consumers Nuclear Services LLC, Consumers Parnall  
 Holdings LLC, CMS Engineering Company, Consumers EnergyGuard Services, Inc., Huron Hydrocarbons, Inc. and  
 ES Services Company consolidated with Michigan Gas Storage Company, CMS Midland Holdings Company and  
 CMS Midland, Inc., included on the equity method of accounting. A-59 CMS ENTERPRISES COMPANY  
 Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMS CMS CMS CMS CMS CMS  
 Gas Enterprises Oil & Gas Generation Resource MS&T Trans. Co. Co. (3) Co. Consol. Co. Consol. Dev. Co. Co.  
 Consol. Balance at January 1, 2002 \$(1,222) \$ 75 \$ (573) \$ 4 \$ (37) \$ (89) Net Income (Loss) (672) 215 (374) - (63)  
 (436) Less Dividends Paid Common Stock - - - - - Preferred Stock - - - - - Associated Companies 418 290 63 5 6 40  
 -  
 418 290 63 5 6 40 -  
 Balance at December 31, 2002  
 \$(2,312) \$ - \$(1,010) \$ (1) \$(106) \$ (565) ===== (Continued on  
 Following Page) A-60 CMS ENTERPRISES COMPANY Consolidating Statement of Retained Earnings December  
 31, 2002 (In Millions) (Continued from Previous Page) CMS Micro- Power Inter- CMS CMS Int'l CMS Systems &  
 Company Enterprises CMS Land Vent. LLC Capital Dist Power Eliminations Company Company Consol. LLC LLC  
 Consol. Balance at January 1, 2002 \$ (2) \$ - \$ 16 \$ (4) \$ 617 \$(1,215) Net Income (Loss) (18) (32) 10 (32) 749 (653)  
 Less Dividends Paid Common Stock - - - - - Preferred Stock - - - - - Associated Companies - 6 10 - (420) 418 - - - -  
 -  
 - 6 10 - (420) 418 -  
 Balance at December 31, 2002 \$  
 (20) \$ (38) \$ 16 \$ (36) \$1,786 \$(2,286) ===== (3) Represents CMS  
 Enterprises Company, CMS Capital Financial Services, Inc., CMS Comercializadora de Energia S.A., CMS Energy  
 South America Company, CMS Energy Asia Private, Ltd., CMS Texas LLC and CMS Energy UK Limited  
 consolidated with CMS Oil and Gas Company, CMS Generation Company, CMS Land Company, CMS Distributed  
 Power LLC, CMS MicroPower Systems LLC, CMS International Ventures LLC, CMS Capital LLC, CMS Marketing,  
 Services and Trading Company, CMS Gas Transmission Company and CMS Resource Development Company  
 included on the equity method of accounting. A-61 CMS OIL AND GAS COMPANY Consolidating Statement of  
 Retained Earnings December 31, 2002 (In Millions) CMS CMS CMS CMS O&G CMS CMS CMS O&G Inter- O&G  
 O&G Congo O&G O&G O&G Int'l Co. Company Co. Co. (4) Ltd. Int'l Ltd. P/L Co. E.G. Ltd. Consol. Eliminations  
 Consol. Balance at January 1, 2002 \$ 75 \$ (3) \$ (312) \$ (2) \$ (2) \$ 27 \$ 292 \$ 75 Net Income (Loss) 215 3 312 2 2  
 (27) (292) 215 Less Dividends Paid Common Stock - - - - - Associated Companies 290 - - - - - 290 - - - - -  
 -  
 290 - - - - - 290 -  
 Balance at December  
 31, 2002 \$ - \$ - \$ - \$ - \$ - \$ - \$ - ===== (4)  
 Represents CMS Oil and Gas Company, CMS Oil and Gas Alba LDC and CMS Oil and Gas E.G. LDC consolidated  
 with CMS Oil and Gas International Company included on the equity method of accounting. A-62 CMS OIL AND  
 GAS INTERNATIONAL COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In  
 Millions) CMS NOMEKO CMS O&G CMS O&G Inter- CMS O&G CMS O&G Int'l Congo Int'l Tunisia Cameroon,  
 Company Int'l Co. Int'l Co. (5) Hldgs, Inc. Inc. Inc. Eliminations Consol. Balance at January 1, 2002 \$ 27 \$ 16 \$ 5 \$ 3

\$ (24) \$ 27 Net Income (Loss) (27) (16) (5) (3) 24 (27) Less Dividends Paid Common Stock - - - - - Associated Companies - - - - - Balance at December 31, 2002 \$ - \$ - \$ - \$ - \$ - \$ - ===== (5) Represents CMS Oil and Gas International Company, CMS Oil and Gas UK Ltd. and CMS Oil and Gas Eritrea Ltd., consolidated. A-63 CMS GENERATION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMSG Dearborn CMSG CMS CMSG CMSG CMSG Grayling Generation Filer City Generation Honey Lake Filer City, Grayling Holdings Operating Operating Company (6) Company Inc. Company Company LLC Company Balance at January 1, 2002 \$ (605) \$ (10) \$ 11 \$ (4) \$ (5) \$ 2 \$ (1) Net Income (Loss) (374) 3 2 - 1 - - Less Dividends Paid Common Stock - - - - - Associated Companies 63 - - - - 1 - - - - - 63 - - - - 1 - - - - - Balance at December 31, 2002 \$(1,042) \$ (7) \$ 13 \$ (4) \$ (4) \$ 1 \$ (1) ===== (Continued on Following Page) A-64 CMS GENERATION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) Dearborn CMSG Industrial CMSG Mid-Mich Investment CMSG HYDRA-CO Generation CMSG Recycling Recycling Company I Michigan Enterprises, LLC SRL Company LLC Consol. Power LLC Inc. Balance at January 1, 2002 \$ (41) \$ 2 \$ (2) \$ (4) \$ (181) \$ (2) \$ (154) Net Income (Loss) (494) (2) - - 94 (64) (7) Less Dividends Paid Common Stock - - - - - Associated Companies - - - - 36 - 2 - - - - - 36 - 2 - - - - - Balance at December 31, 2002 \$ (535) \$ - \$ (2) \$ (4) \$ (123) \$ (66) \$ (163) ===== (Continued on Following Page) A-65 CMS GENERATION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) Taweelah CMSG Exeter CMSG CMSG A2 Holding Energy Operating Altoona Operating Company LLC Company Company Company Balance at January 1, 2002 \$ (13) \$ 31 \$ (2) \$ 6 \$ - Net Income (Loss) 1 - 1 - 1 Less Dividends Paid Common Stock - - - - - Associated Companies 1 - - - - - 1 - - - - - Balance at December 31, 2002 \$ (13) \$ 31 \$ (1) \$ 6 \$ 1 ===== (Continued on Following Page) A-66 CMS GENERATION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) CMS Int'l Inter- CMSG Operating Company Company Company Eliminations Consol. Balance at January 1, 2002 \$ 10 \$ 389 \$ (573) Net Income (Loss) 7 457 (374) Less Dividends Paid Common Stock - - - Associated Companies - (40) 63 - - - - - (40) 63 - - - - - Balance at December 31, 2002 \$ 17 \$ 886 \$(1,010) ===== (6) Represents CMS Generation Company, CMSG Genesee Company, CMSG Lyonsdale Company, CMSG Chateaugay Company, CMSG Montreal Company and CMS Centrales Termicas S.A., consolidated with CMSG Investment Company I included on the equity method of accounting. A-67 CMS GENERATION INVESTMENT COMPANY I Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMSG CMSG CMSG Loy Yang CMSG CMSG CMSG Inv. Co. I Cebu I & II Pinamucan Investment Investment (7) LDC Ltd. LDC Co. IV Co. VI Balance at January 1, 2002 \$ (180) \$ 1 \$ (435) \$ (3) \$ 208 \$ 30 Net Income (Loss) 93 - - - 66 14 Less Dividends Paid Common Stock - - - - - Associated Companies 36 - - - - - 36 - - - - - Balance at December 31, 2002 \$ (123) \$ 1 \$ (435) \$ (3) \$ 274 \$ 44 ===== (Continued on Following Page) A-68 CMS GENERATION INVESTMENT COMPANY I Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) CMSG CMSG Inter- CMSG Investment Investment Company Investment Co. VII Co. V Eliminations Company I Consol. Balance at January 1, 2002 \$ 5 \$ (1) \$ 194 \$ (181) Net Income (Loss) 12 1 (92) 94 Less Dividends Paid Common Stock - - - - Associated Companies - - - 36 - - - - - 36 - - - - - Balance at December 31, 2002 \$ 17 \$ - \$ 102 \$ (123) ===== (7) Represents CMSG Investment Company I consolidated. A-69 CMS GAS TRANSMISSION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMS Bay CMS CMS CMS Gas CMS Area CMS Gas Saginaw Jackson Tristate Transmission Antrim Pipeline Argentina Bay Lateral Pipeline Pipeline Company (8) Gas LLC LLC Company Company Company LLC Balance at January 1, 2002 \$ (87) \$ 2 \$ (2) \$ 52 \$ (3) \$ - \$ (6) Net Income (Loss) (435) 2 1 (1) - 1 - Less Dividends Paid Common Stock - - - - - Associated Companies 40 1 3 - - 1 - - - - - 40 1 3 - - 1 - - - - - Balance at December 31, 2002 \$ (562) \$ 3 \$ (4) \$ 51 \$ (3) \$ - \$ (6) ===== (Continued on Following Page) A-70 CMS GAS TRANSMISSION COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) CMS Western Panhandle CMS

Gas Marysville CMS Field Australia Eastern Pipe Inter- Transmission Gas Liquids Services Gas Trans. Line Co. CMS Grand Company Company Company Inc. Consol. Co. I Consol. Lacs LLC Eliminations Consol. Balance at January 1, 2002 \$ (11) \$ 43 \$ (5) \$ (13) \$ (8) \$ (51) \$ (89) Net Income (Loss) 2 (115) 5 (300) 1 403 (436) Less Dividends Paid Common Stock - - - - - Associated Companies 3 - - 28 3 (39) 40 ----- Balance at December 31, 2002 \$ (12) \$ (72) \$ - \$ (341) \$ (10) \$ 391 \$ (565) ===== (8) Represents CMS Gas Transmission Company consolidated with CMS Field Services, Inc. and Panhandle Eastern Pipe Line Company included on the equity method of accounting. A-71 PANHANDLE EASTERN PIPE LINE COMPANY Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMS Panhandle CMS Trunkline CMS Panhandle Eastern Pipe Trunkline LNG Pan Gas Inter- Eastern Pipe Line Co. Gas Co. Holdings Storage Company Line Co. Consol. (9) LLC (10) Co. LLC Co. Eliminations Consol. Balance at January 1, 2002 \$ (33) \$ 67 \$ - \$ 13 \$ (60) \$ (13) Net Income (Loss) (265) 26 31 (48) (44) (300) Less Dividends Paid Common Stock - - - - - Associated Companies 28 - 29 - (29) 28 ----- 28 - 29 - (29) 28 ----- Balance at December 31, 2002 \$ (326) \$ 93 \$ 2 \$ (35) \$ (75) \$ (341) ===== (A) (A) (9) Represents Panhandle Eastern Pipe Line Company, CMS Panhandle Eastern Resources, Inc., CMS Panhandle Storage Company, MG Ventures Storage, Inc., CMS Trunkline Field Services Company, CMS Panhandle Lake Charles Generation Company LLC, CMS Panhandle Holdings LLC, Panhandle Partner, LLC and CMS Panhandle LNG Acquisition Company consolidated. (10) Represents CMS Trunkline Gas Company LLC, CMS Trunkline Gas Resources LLC, CMS Trunkline Offshore Pipeline Company LLC, CMS Trunkline Deepwater Pipeline Company LLC and Sea Robin Pipeline Company consolidated. (A) Discontinued Operations reclassification is recorded "net" as a component of net income (loss). A-72 CMS FIELD SERVICES, INC. Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMS CMS CMS Cherokee CMS Gulf CMS Taurus CMS Field CMS Gas Laverne Gas Natural Gas Gas Coast Field Holdings Services Processing Processing Gathering Processing Services Company Inc. (11) LLC LLC LLC LLC LLC LLC Balance at January 1, 2002 \$ 15 \$ (6) \$ 1 \$ (5) \$ 20 \$ 7 \$ 7 Net Income (Loss) (118) - - (2) (1) 4 (2) Less Dividends Paid Common Stock - - - - - Associated Companies ----- Balance at December 31, 2002 \$ (103) \$ (6) \$ 1 \$ (7) \$ 19 \$ 11 \$ 5 ===== (A) (Continued on following Page) A-73 CMS FIELD SERVICES, INC. Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) CMS Okla. Nat. Gas Bighorn Gas Inter- CMS Field Gathering Bradshaw Gathering Company Services, Inc. LLC Energy LLC LLC Eliminations Consol. Balance at January 1, 2002 \$ 1 \$ 2 \$ 1 \$ - \$ 43 Net Income (Loss) - - 8 (4) (115) Less Dividends Paid Common Stock - - - - - Associated Companies ----- Balance at December 31, 2002 \$ 1 \$ 2 \$ 9 \$ (4) \$ (72) ===== (11) Represents CMS Field Services, Inc. and CMS Hydrocarbons, LLC consolidated. (A) Discontinued Operations reclassification is recorded "net" as a component of net income (loss). A-74 CMS INTERNATIONAL VENTURES LLC Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) CMS CMS Oper. CMSG CMS Western CMS CMSG Int'l Ventures SRL Invest. E&G Aust. Generation Invest. LLC (12) Consol. Co. III LLC GT Co. I SRL Co. V Balance at January 1, 2002 \$ - \$ 11 \$ 21 \$ (315) \$ 22 \$ (30) \$ - Net Income (Loss) (32) (15) (4) (6) 1 - 1 Less Dividends Paid Common Stock - - - - - Associated Companies 6 - - - - - Balance at December 31, 2002 \$ (38) \$ (4) \$ 17 \$ (321) \$ 23 \$ (30) \$ 1 ===== (Continued on Following Page) A-75 CMS INTERNATIONAL VENTURES LLC Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) (Continued from Previous Page) CMS Int'l Inter- Ventures Company LLC Eliminations Consol. Balance at January 1, 2002 \$ 291 \$ - Net Income (Loss) 23 (32) Less Dividends Paid Common Stock - - Associated Companies - 6 ----- - 6 ----- Balance at December 31, 2002 \$ 314 \$ (38) ===== (12) Represents CMS International Ventures LLC consolidated. A-76 CMS OPERATING SRL Consolidating Statement of Retained Earnings December 31, 2002 (In Millions) Centrales CMS CMS Termicas CMS Inter- Operating Operating Mendoza Ensenada Company SRL SRL (13) S.A. S.A. Eliminations Consol. Balance at January 1, 2002 \$ 11 \$ 17 \$ 3 \$ (20) \$ 11 Net Income (Loss) (15) (16) (8) 24 (15) Less Dividends Paid Common Stock - - - - - Associated Companies - - - - - Balance at December 31, 2002 \$ (4) \$ 1 \$ (5) \$ 4 \$ (4) ===== (13) Represents CMS Operating SRL and Cuyana S.A. de Inversiones consolidated. A-77 EXHIBIT

B Organizational charts showing the relationship of each Exempt Wholesale Generators to associate companies in the holding company system. CENTRALES TERMICAS MENDOZA S.A. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* \* \* 40.47% \* \* \* CMS Gas Transmission Company \* \* \* \* \* CMS Generation Co. \* \* \* \* \* 37.01% \* \* \* \* \* 21.02% \* \* \* \* \* \* \* \* \* \* CMS International Ventures, L.L.C. \* \* \* \* \* 99% 99.999% \* \* \* \* \* CMS Centrales Termicas S.A. CMS Operating, S.R.L. \* \* \* \* \* 1% 99% \* \* \* \* \* Cuyana S.A. De Inversiones \* 92.6% \* Centrales Termicas Mendoza S.A. B-1 CENTRALES TERMICAS SAN NICOLAS, S.A. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* 0.1% \* CMS Generation San Nicolas Company \* 0.1% \* Inversora de San Nicolas, S.A. \* 88% \* Centrales Termicas San Nicolas, S.A. B-2 CMS DISTRIBUTED POWER, L.L.C. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Distributed Power, L.L.C. B-3 CMS ENSENADA S.A. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* \* \* 40.47% \* \* \* CMS Gas Transmission Company \* \* \* \* \* 37.01% CMS Generation Co. \* \* \* \* \* \* \* \* \* \* 21.02% \* \* \* \* \* CMS International Ventures, L.L.C. \* \* \* \* \* 99.999% \* \* \* \* \* CMS Operating, S.R.L. CMS Generation Holdings Company \* \* \* \* \* 99% 1% \* \* \* \* \* CMS Ensenada S.A. B-4 CMS GENERATION MICHIGAN POWER LLC (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* CMS Generation Michigan Power LLC B-5 CMS GENERATION OPERATING COMPANY (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* CMS Generation Operating Company B-6 CMS (INDIA) OPERATIONS & MAINTENANCE COMPANY PRIVATE LIMITED (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* \* \* CMS International Operating Company CMS Investment Company I \* \* 99% 1% \* \* CMS (India) Operations & Maintenance Company Private Limited B-7 CMS MOROCCO OPERATING COMPANY SCA (EWG) AND CMS INTERNATIONAL OPERATING COMPANY (EWG) CMS Energy Corporation \* CMS Enterprises Company \* \* CMS Generation Co. \* \* \* \* \* \* \* \* \* \* CMS Generation Investment Company I \* \* \* \* \* \* \* \* \* \* CMS Generation Investment Company IV \* \* \* \* \* \* \* \* \* \* CMS International Operating Company \* \* \* \* \* \* \* \* \* \* CMS Generation UK Operating \* 50% \* Private Limited \* \* \* \* \* \* \* \* \* \* .1% \* \* CMS Generation Jorf Lasfar III Limited Duration Company \* Jorf Lasfar Aktiebolag \* \* \* \* \* \* \* \* \* \* 99.7% .1% .1% \* \* \* \* \* \* \* \* \* \* CMS Morocco Operating Co., S.C.A. B-8 CMS PANHANDLE LAKE CHARLES GENERATION COMPANY, LLC (EWG) CMS Energy Corporation \* \* CMS Enterprises Company \* \* CMS Gas Transmission Company \* \* Panhandle Eastern Pipe Line Company \* \* \* \* \* \* \* \* \* \* Panhandle Partner LLC CMS Panhandle LNG Acquisition Company \* \* \* \* \* 95% 5% \* \* \* \* \* CMS Panhandle Holdings, LLC \* \* \* \* \* CMS Panhandle Lake Charles Generation Company, LLC B-9 DEARBORN GENERATION OPERATING L.L.C. (EWG) AND DEARBORN INDUSTRIAL GENERATION, L.L.C. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* \* \* \* \* \* \* \* Dearborn Generation Operating, L.L.C. Dearborn Industrial Energy, L.L.C. \* \* \* Dearborn Industrial Generation, L.L.C. B-10 EXETER ENERGY LIMITED PARTNERSHIP (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Company \* \* \* \* \* \* \* \* \* \* Exeter Management Company \* Oxford/CMS Development LP \* 50% \* \* \* 48% 2% \* \* \* \* \* \* \* \* \* \* Exeter Energy Limited Partnership B-11 GVK INDUSTRIES LTD. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* \* \* \* \* \* \* \* CMS Gas Transmission Company CMS Generation Co. \* \* \* \* \* 40.47% 37.01% 21.02% \* \* \* \* \* \* \* \* \* \* CMS International Ventures, L.L.C. \* \* \* \* \* CMS Generation Investment Company III \* \* Jegurupadu CMS Generation Company Ltd. \* 23.75% \* GVK Industries Ltd. B-12 HIDROELECTRICA EL CHOCON, S.A. (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* \* \* \* \* \* \* \* CMS Gas Transmission Company CMS Generation Co. \* \* \* \* \* \* \* \* \* \* 40.47% 37.01% 21.02% \* \* \* \* \* \* \* \* \* \* CMS International Ventures, L.L.C. \* \* \* \* \* \* \* \* \* \* CMS Generation Holdings Company \* 99.99% \* \* .01% \* \* \* \* \* CMS Generation, S.R.L. \* \* \* \* \* 25% \* \* \* \* \* 2.48% Hidroinvest, S.A. \* \* \* \* \* 59% \* \* \* \* \* Hidroelectrica El Chocon, S.A. B-13 JAMAICA PRIVATE POWER COMPANY LIMITED (EWG) AND PRIVATE POWER OPERATIONS LIMITED (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* HYDRA-CO ENTERPRISES, INC. \* \* \* \* \* \* \* \* \* \* CMS Generation Operating Company II, Inc. HCE-Rockfort Diesel, Inc. \* \* \* 45.07% \* \* HCO-Jamaica, Inc. Jamaica Private Power Company Limited \* \* \* Private Power Operations Limited (Operator) B-14 JEGURUPADU OPERATING AND MAINTENANCE COMPANY (EWG) CMS Energy Corporation CMS Enterprises Company \* \* \* \* \* \* \* \* \* \* CMS Gas Transmission Company \* CMS Generation Co. \* \* \* \* \* 40.47% \* \* 37.01% \* \* CMS Generation Investment Co. I \* \* 21.02% \* \* \* \* \* CMS International Ventures, L.L.C. \* CMS Investment Company IV \* \* \* \* \* \* \* \* \* \* CMS Generation Investment Co. III CMS Generation Investment Company II \* \* \* \* \* \* \* \* \* \* 99% \* 1% \* \* \* \* \* 1% 99% \* \* \* \* \* CMS Generation

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Jegurupadu I CMS Generation Jegurupadu II Limited Duration Company Limited Duration Company \* \* \* \* 50%  
50% \* \* \* \* Jegurupadu O&M Company Mauritius \* 60% \* Jegurupadu Operating and Maintenance Company B-15  
JORF LASFAR ENERGY COMPANY (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \*  
CMS Generation Co. \* \* CMS Generation Investment Company I \* \* CMS Generation Investment Company  
IV\*\*\*\*\* \* \* \* \* \* \* \* \* \* \* CMS Generation Luxembourg II SARL \* \* \* \* \* \* \* \* \* \* CMS Generation  
Luxembourg SARL \* CMS Generation Investment Company II \* \* \* \* \* \* \* \* 35% 65% 65% 35% \* \* \* \* \* CMS  
Generation Netherlands B.V. \* \* CMS Generation Jorf Lasfar I \* \* \* \* \* Limited Duration Company \* \* \* \* \* \* \* \* CMS  
Generation Jorf Lasfar II \* \* \* Limited Duration Company 50% \* \* \* \* \* 50% \* \* \* \* \* Jorf Lasfar Aktiebolag Jorf  
Lasfar Energiaktiebolag Jorf Lasfar Handelsbolag \* \* \* 23% 25% 2% \* \* \* \* \* \*\*\*\*\*Jorf Lasfar Energy  
Company\*\*\*\*\* B-16 ST-CMS ELECTRIC COMPANY PVT. LTD. (EWG) CMS Energy Corporation \* \* \*  
CMS Enterprises Company \* \* \* \* \* \* \* \* CMS Generation Co. \* Gas Transmission Company \* \* \* 21.02%  
40.47% 37.01% \* \* \* CMS International Ventures . L.L.C. \* \* \* CMS Generation Investment Company III \* \* \*  
CMS Generation Neyveli Ltd/ \* 50% \* ST-CMS Electric Company Pvt. Ltd. B-17 TAKORADI INTERNATIONAL  
COMPANY (EWG) CMS Energy Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* \* \*  
\* \* CMS Generation Investment Company I \* \* \* \* \* \* \* \* \* \* CMS International Operating Company CMS  
Generation Investment Co. VI | \* | \* | \* | \* | CMS Takoradi Investment Company | \* Operator \* | \* | CMS Takoradi  
Investment Company II | \* | 90% | \* Takoradi International Company B-18 Organizational charts showing the  
relationship of foreign utility company ("FUCO") to associate companies in the holding company system. CMS  
GENERATION HORIZON ENERGY HOLDINGS LIMITED (FUCO) AND HORIZON ENERGY HOLDINGS  
LIMITED (FUCO) AND LOY YANG POWER PARTNERS (FUCO) CMS Energy Corporation \* \* \* CMS  
Enterprises Company \* \* \* CMS Generation Co. \* \* \* CMS Generation Investment Co. I \* \* \* \* \* \* \* \* CMS Generation  
Loy Yang Holdings 2 Ltd. CMS Generation Loy Yang Holdings 1 Ltd. \* \* \* \* \* \* \* \* CMS Generation Horizon Energy  
Holdings Ltd. Horizon Energy Holdings Ltd. \* \* 25% 24.63% \* \* Loy Yang Power Partners B-19 CMS  
OPERATING, S.R.L. (FUCO) CMS ENERGY CORPORATION \* \* \* CMS ENTERPRISES COMPANY \* \* \* \* \* \* \* \*  
\* \* \* \* \* \* \* \* \* \* CMS Generation Co. \* CMS Gas Transmission Company \* \* \* \* \* \* \* \* \* \* 21.02% 40.47% 37.01% CMS  
Generation Holdings Company \* \* \* \* \* \* \* \* \* \* CMS Generation, S.R.L. CMS International Ventures, LLC \* \* \* \*  
\* .001% 99.999% \* \* \* \* CMS Operating, S.R.L. B-20 COMPANHIA PAULISTA DE ENERGIA ELECTRICA S.A.  
(CPEE) (FUCO) AND COMPANHIA SUL PAULISTA DE ENERGIA S.A. (CSPE) (FUCO) AND COMPANHIA  
JAGUARI DE ENERGIA S.A. (CJE) (FUCO) AND COMPANHIA LUZ E FORCA DE MOCOCA S.A. (CLFM)  
(FUCO) CMS Energy Corporation \* \* CMS Enterprises Company \* \* \* 40.47% \* \* \* CMS Gas Transmission  
Company \* \* \* \* \* 37.01% CMS Generation Co. \* \* \* \* \* 21.02% \* \* \* \* \* CMS International Ventures, L.L.C. \* \*  
CMS Electric & Gas, LLC \* 99.99% \* CMS Distribuidora, Ltda. \* 99.99% \* CMS Participacoes Ltda. \* 93.86% \*  
CPEE \* 88.63% \* CSPE \* \* CJE \* \* CLFM B-21 EMIRATES CMS POWER COMPANY (FUCO) CMS Energy  
Corporation \* \* \* CMS Enterprises Company \* \* \* CMS Generation Co. \* \* \* CMS Generation Investment Company  
I \* \* \* CMS Generation Investment Company VII \* \* \* \* \* CMS Generation Taweelah Limited \* 40% \* Emirates CMS  
Power Company B-22 SISTEMA ELECTRICO DEL ESTADO NUEVA ESPARTA C.A. (SENECA) (FUCO) CMS  
Energy Corporation \* \* \* CMS Enterprises Company \* \* \* \* \* \* \* \* \* \* \* \* \* \* CMS Gas Transmission Company CMS  
Generation Co. \* \* \* \* \* 40.47% 37.01% 21.02% \* \* \* \* \* \* \* \* \* \* \* \* \* \* CMS International Ventures, L.L.C. \* \* \* CMS  
Electric & Gas, LLC \* \* \* \* \* CMS Venezuela S.A. \* \* \* \* \* ENELMAR, S.A 52.37% \* \* 33.34% \* \* \* \* \* SENECA  
B-23 TAWEELAH A2 OPERATING COMPANY (FUCO) CMS Energy Corporation \* \* \* CMS Enterprises  
Company \* \* \* CMS Generation Co. \* \* \* Taweelah A2 Operating Company B-24