



CONVERSION SERVICES INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 31,473	\$ 338,240
Accounts receivable, net	4,661,597	3,440,810
Accounts receivable from related parties, net	398,542	284,028
Prepaid expenses	87,042	140,493
TOTAL CURRENT ASSETS	5,178,654	4,203,571
PROPERTY AND EQUIPMENT, at cost, net	41,880	68,536
OTHER ASSETS	116,473	306,778
Total Assets	\$ 5,337,007	\$ 4,578,885
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Line of credit	\$ 3,075,964	\$ 2,349,920
Short term notes payable	600,000	1,384,811
Accounts payable and accrued expenses	2,049,946	1,503,145
Deferred revenue	272,236	159,177
Related party note payable	109,113	102,796
TOTAL CURRENT LIABILITIES	6,107,259	5,499,849
Long-term debt, net of current portion	500,000	-
Total liabilities	6,607,259	5,499,849
Convertible preferred stock, \$0.001 par value, \$100 stated value, 20,000,000 shares authorized		
Series A convertible preferred stock, 19,000 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	1,393,332	1,108,332
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Common stock, \$0.001 par value, 300,000,000 shares authorized;		
121,072,124 and 119,594,463 issued and outstanding at September 30, 2009 and December 31, 2008, respectively	121,072	119,594
Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	1,352,883	1,352,883
Additional paid in capital	68,381,656	68,575,918
Treasury stock, at cost, 1,145,382 shares in treasury as of September 30, 2009 and December 31, 2008, respectively	(423,869)	(423,869)
Accumulated deficit	(72,095,326)	(71,653,822)
Total Stockholders' Deficit	(2,663,584)	(2,029,296)
Total Liabilities and Stockholders' Deficit	\$ 5,337,007	\$ 4,578,885



CONVERSION SERVICES INTERNATIONAL, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
REVENUE:				
Services	\$ 7,011,285	\$ 4,235,803	\$ 15,184,707	\$ 11,935,127
Related party services	531,142	527,272	1,567,211	1,741,596
Reimbursable expenses	410,470	186,158	855,427	498,407
Other	108,345	37,540	126,905	152,238
	<u>8,061,242</u>	<u>4,986,773</u>	<u>17,734,250</u>	<u>14,327,368</u>
COST OF REVENUE:				
Services	4,214,161	2,980,122	10,692,230	8,758,582
Related party services	465,555	505,805	1,408,607	1,631,099
Consultant expenses	434,546	219,158	961,518	618,985
	<u>5,114,262</u>	<u>3,705,085</u>	<u>13,062,355</u>	<u>11,008,666</u>
GROSS PROFIT	<u>2,946,980</u>	<u>1,281,688</u>	<u>4,671,895</u>	<u>3,318,702</u>
OPERATING EXPENSES				
Selling and marketing	728,847	898,149	2,287,269	2,587,481
General and administrative	724,337	936,650	1,977,774	3,045,078
Goodwill impairment	-	3,255,879	-	4,636,266
Depreciation and amortization	25,108	62,405	81,512	224,074
	<u>1,478,292</u>	<u>5,153,083</u>	<u>4,346,555</u>	<u>10,492,899</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,468,688</u>	<u>(3,871,395)</u>	<u>325,340</u>	<u>(7,174,197)</u>
OTHER INCOME (EXPENSE)				
Equity in (losses) earnings from investments	-	(110)	(103,298)	12,876
Loss on extinguishment of debt	-	-	-	(553,846)
Interest income (expense), net	(176,070)	(340,267)	(663,546)	(682,447)
	<u>(176,070)</u>	<u>(340,377)</u>	<u>(766,844)</u>	<u>(1,223,417)</u>
INCOME (LOSS) BEFORE INCOME TAXES	1,292,618	(4,211,772)	(441,504)	(8,397,614)
INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	1,292,618	(4,211,772)	(441,504)	(8,397,614)
Accretion of issuance costs associated with convertible preferred stock	(95,000)	(95,000)	(285,000)	(285,000)
Dividends on convertible preferred stock	(45,000)	(54,078)	(135,000)	(167,779)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ 1,152,618</u>	<u>\$ (4,360,850)</u>	<u>\$ (861,504)</u>	<u>\$ (8,850,393)</u>
Earnings per share:				
Basic	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
Diluted	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.08)
Shares used in calculation of earnings per share:				
Basic	119,895,174	117,909,029	119,813,903	114,348,981
Diluted	133,651,512	117,909,029	119,813,903	114,348,981

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