CONVERSION SERVICES INTERNATIONAL INC Form 10-Q November 10, 2010

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2010

OR

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

For the Transition Period From _____ to_____

Commission File Number: 001-32623

CONVERSION SERVICES INTERNATIONAL, INC. (Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization) 20-0101495 (I.R.S. Employer Identification No.)

07936

100 Eagle Rock Avenue, East Hanover, New Jersey (Address of principal executive offices)

(Zip Code)

(973) 560-9400

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Large accelerated filer "Accelerated filer "Non-accelerated filer "Smaller Reporting Company x

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Common Stock, \$0.001 par value per share Outstanding at November 8, 2010

127,315,538 shares

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CONVERSION SERVICES INTERNATIONAL, INC.

FORM 10-Q

For the three and nine months ended September 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

Cash \$ 12,460 \$ 96,957 Accounts receivable, net 2,252,334 3,912,021 Accounts receivable from related parties, net 2,54,284 236,233 Prepaid expenses 87,650 124,764 TOTAL CURRENT ASSETS 2,559,728 4,369,975 PROPERTY AND EQUIPMENT, at cost, net 11,414 36,887 OTHER ASSETS 92,556 110,494 Total Assets \$ 2,663,698 \$ CURRENT LIABILITIES \$ 1,582,669 \$ 2,541,900 Accounts receivable convertible preferred stock 1,773,331 - - Deferred revenue 295,240 240,606 \$ 2,541,900 Accounts payable and accrued expenses 1,639,809 1,964,513 \$ 295,240 240,606 Note payable 97,452 92,255 \$ 100,406 \$ \$ 3,39,255 \$ \$ \$ 3,58,501 \$,489,255 \$ \$ 3,39,255 \$ \$ \$ 3,39,255 \$ \$ \$ \$ 3,39,255 \$ \$ \$ <td< th=""><th>ASSETS CURRENT ASSETS</th><th colspan="2">September 30, 2010</th><th>Decemb 2009</th><th>per 31,</th></td<>	ASSETS CURRENT ASSETS	September 30, 2010		Decemb 2009	per 31,
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CURRENT LIABILITIESLine of credit\$ 1,582,669\$ 2,541,900Accounts payable and accrued expenses $1,639,809$ $1,964,513$ Series A redeemable convertible preferred stock $1,773,331$ $-$ Deferred revenue $295,240$ $240,606$ Note payable $97,452$ $92,236$ TOTAL CURRENT LIABILITIES $5,388,501$ $4,839,255$ Long-term debt $500,000$ $500,000$ Total liabilities $5,888,501$ $5,339,255$ Series A convertible preferred stock, 19,000 shares issued and outstanding at December 31, 2009 $ 1,488,332$ COMMITMENTS AND CONTINGENCIESSTOCKHOLDERS' DEFICITCommon stock, \$0.001 par value, 300,000,000 shares authorized; $127,307,586$ and $122,295,838$ issued and outstanding at September 30, 2010 and December 31, 2009, respectively $127,308$ $122,296$ Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively $1,352,883$ $1,352,883$ Additional paid in capital $68,136,865$ $68,260,325$	Total Assets	\$	2,663,698	\$	4,517,356
Accounts payable and accrued expenses1,639,8091,964,513Series A redeemable convertible preferred stock1,773,331-Deferred revenue295,240240,606Note payable97,45292,236TOTAL CURRENT LIABILITIES5,388,5014,839,255Long-term debt500,000500,000Total liabilities5,888,5015,339,255Series A convertible preferred stock, 19,000 shares issued and outstanding at December 31, 2009-1,488,332COMMITMENTS AND CONTINGENCIES555STOCKHOLDERS' DEFICIT Common stock, \$0.001 par value, 300,000,000 shares authorized; 127,307,586 and 122,295,838 issued and outstanding at September 30, 2010 and December 31, 2009, respectively127,308122,296Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively1,352,8831,352,883Additional paid in capital68,136,86568,260,3255					
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Total liabilities5,888,5015,339,255Series A convertible preferred stock, 19,000 shares issued and outstanding at December 31, 2009-1,488,332COMMITMENTS AND CONTINGENCIES-1,488,332STOCKHOLDERS' DEFICIT Common stock, \$0.001 par value, 300,000,000 shares authorized; 127,307,586 and 122,295,838 issued and outstanding at September 30, 2010 and December 31, 2009, respectively127,308122,296Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively1,352,8831,352,883Additional paid in capital68,136,86568,260,32568,260,325	TOTAL CURRENT LIABILITIES		5,388,501		4,839,255
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COMMITMENTS AND CONTINGENCIESSTOCKHOLDERS' DEFICITCommon stock, \$0.001 par value, 300,000,000 shares authorized; 127,307,586 and 122,295,838 issued and outstanding at September 30, 2010 and December 31, 2009, respectively127,308122,296Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively1,352,883Additional paid in capital	Series A convertible preferred stock, 19,000 shares issued and				
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Common stock, \$0.001 par value, 300,000,000 shares authorized; 127,307,586 and 122,295,838 issued and outstanding at September 30, 2010 and December 31, 2009, respectively127,308122,296Series B convertible preferred stock, 20,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively1,352,8831,352,883Additional paid in capital68,136,86568,260,325	COMMITMENTS AND CONTINGENCIES				
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Additional paid in capital 68,136,865 68,260,325	Series B convertible preferred stock, 20,000 shares issued and				
	outstanding at September 30, 2010 and December 31, 2009, respectively	,	1,352,883		1,352,883
	Additional paid in capital		68,136,865		68,260,325
(423,869) (423,869)			(423,869)		(423,869)

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Treasury stock, at cost, 1,145,382 shares in treasury as of September 30, 2010 and December 31, 2009, respectively									
Accumulated deficit		(72,417,990)	(71,621,866)						
Total Stockholders' Deficit		(3,224,803)	(2,310,231)						
Total Liabilities and Stockholders' Deficit	\$	2,663,698 \$	4,517,356						

See Notes to Condensed Consolidated Financial Statements

3

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 2010 2009

For the nine months ended 2010 2009

REVENUE: