

Computer Software Innovations, Inc.  
Form 424B3  
November 19, 2009  
**Table of Contents**

**Filed Pursuant to Rule 424(b)(3)**

**Registration No. 333-129842**

**PROSPECTUS SUPPLEMENT NO. 4**

**To Prospectus dated May 12, 2009**

## **Computer Software Innovations, Inc.**

### **13,252,672 SHARES OF COMMON STOCK**

This Prospectus Supplement supplements the Prospectus dated May 12, 2009, as amended and supplemented, relating to the offer and sale by the selling stockholder identified in the Prospectus of up to 13,252,672 shares of common stock of Computer Software Innovations, Inc. (the Company ).

This Prospectus Supplement includes the Company's Form 8-K dated November 16, 2009 filed with the Securities and Exchange Commission (the Commission ) on November 16, 2009; and its Form 10-Q (without exhibits) dated September 30, 2009 filed with the Commission on November 16, 2009.

The information contained in the report included in this Prospectus Supplement is dated as of the date set forth in such report. This Prospectus Supplement should be read in conjunction with the Prospectus dated May 12, 2009, as supplemented on September 25, 2009, August 14, 2009 and May 20, 2009, which Prospectus Supplements are to be delivered with this Prospectus Supplement. This Prospectus Supplement is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement updates and supersedes the information contained in the Prospectus dated May 12, 2009, including any supplements or amendments thereto.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 4 is November 19, 2009.

Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported) November 16, 2009**

**COMPUTER SOFTWARE INNOVATIONS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**

**(State or other jurisdiction of incorporation)**

Edgar Filing: Computer Software Innovations, Inc. - Form 424B3

**000-51758**  
(Commission File Number)

**98-0216911**  
(IRS Employer Identification No.)

**900 East Main Street, Suite T, Easley, South Carolina**  
(Address of principal executive offices)

**29640**  
(Zip Code)

**(864) 855-3900**

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Table of Contents**

**Item 2.02. Results of Operations and Financial Condition.**

On November 16, 2009, Computer Software Innovations, Inc. (the Company ) issued a press release announcing its financial results for the quarter and nine month periods ended September 30, 2009. A copy of the press release is furnished herewith as Exhibit 99.1.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibit is furnished as part of this report:

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release dated November 16, 2009

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COMPUTER SOFTWARE INNOVATIONS, INC.

By: /s/ DAVID B. DECHANT  
**David B. Dechant**  
**Chief Financial Officer**

Dated: November 16, 2009

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release dated November 16, 2009

**Table of Contents**

**Exhibit 99.1**

**COMPUTER SOFTWARE INNOVATIONS, INC. ANNOUNCES RECORD  
REVENUES FOR THIRD QUARTER 2009 FINANCIAL RESULTS**

*Easley, SC (MARKET WIRE) November 16, 2009* Computer Software Innovations, Inc. (OTCBB: CSWI), CSI Technology Outfitters(TM) ( CSI ) today announced its financial results for the third quarter and nine months ended September 30, 2009.

**Financial Highlights:**

Software Segment Grows 20.9% in Q3 2009

Revenues Increased 6.5% to quarterly record \$17.8 Million in Q3 2009 versus \$16.7 Million in Q3 2008

Gross Profit Increased 13% to \$3.8 Million in Q3 2009

Net Income Increased 62.9% to \$0.7 Million in Q3 2009

We were able to continue the momentum from second quarter and are pleased with our third quarter results. We saw top line growth while also improving our margins in our software segment and being profitable in our software and technology segments, said Nancy Hedrick, CEO of CSI. Our team has worked hard to achieve these results under very challenging economic conditions. And we expect fourth quarter bottom line performance better than the prior year, as a result of our earlier cost containment efforts effected at the end of the second quarter.

**Financial Results:**

Three Month Financial Results for the Period Ended September 30, 2009

CSI posted revenue of approximately \$17.8 million for the third quarter ended September 30, 2009, up approximately \$1.1 million or 6.5% compared to the third quarter of 2008. CSI experienced significant growth in its software sector in Q3 of \$0.7 million or 20.9%, due to increased new product sales and support. Technology revenues increased \$0.4 million or 3.0%, primarily from increased sales in interactive classroom solutions, interactive classroom installations, third party warranties, and technology support.

Gross profit for the third quarter of 2009 was approximately \$3.8 million, an increase of \$0.4 million, or 13%, compared to the same period of the prior year. The increase was due primarily from an increase in gross profit from the software segment from increased new product sales and support, and a slight increase in gross profit from the technology segment primarily from increased interactive classroom solutions sales.

Operating income for the third quarter of 2009 was approximately \$1.3 million, an increase of \$0.5 million, or 55%, compared to the same period of the prior year. The increase came from the increase in gross profit coupled with a slight decrease in operating expenses primarily due to a reduction in workforce in May of 2009.

CSI posted net income for the quarter ended September 30, 2009 of approximately \$0.7 million, or \$0.11 earnings per basic share and \$0.05 earnings per diluted share, compared to a net income of approximately \$0.4 million or \$0.08 earnings per basic share and \$0.03 earnings per diluted share for the same period last year.

Earnings before interest, taxes, depreciation and amortization ( EBITDA ) were approximately \$2.0 million, an increase of \$0.6 million or 39.1%. The increase in EBITDA was primarily due to the increase in net income over the prior year after adding back the related tax effects on the increases in net income. (EBITDA is a non-GAAP financial measure. See reconciliation to GAAP measure net income which follows below.)



## **Table of Contents**

### Nine Month Financial Results for the Period Ended September 30, 2009

CSI posted revenue of approximately \$40.5 million for the nine months ended September 30, 2009, a decrease of \$5.9 million or 13% compared with the same period of the prior year. The decrease was due to a decrease in technology revenues, partially offset by an increase in software revenues over the same period of the prior year. The improvement in software revenues was due primarily to increases in services and support and increased revenues from the acquisition of Version3, offset by a decrease in new product sales. The decrease in technology revenues was due primarily to a decrease in interactive classroom solutions, infrastructure solutions, and engineering, also driven by reductions in education spending in most other hardware categories. These decreases were partially offset by increases in third party warranties and technology support.

Gross profit for the first nine months was approximately \$8.8 million, a decrease of \$2.2 million, or 19.9% compared to the prior year. The decline was due primarily to a decline in technology segment revenues coupled with a significant portion of personnel costs being fixed and the addition of acquired businesses with traditionally lower margins and increased amortization, and lower new and third-party product sales in the software segment.

Operating income for the first nine months was approximately \$1.0 million, a decrease of \$2.5 million, or 73% compared to the same period of the prior year. The decline for the nine months was driven primarily by the decrease in gross profit and margins coupled with increased research and development in the Version3 acquired operations, and selling and marketing costs.

CSI posted net income in the first nine months of approximately \$0.3 million, or \$0.05 earnings per basic share and \$0.02 earning per diluted share, compared to a net income of \$1.9 million, or \$0.37 earnings per basic share and \$0.15 earnings per diluted share for the same period last year.

EBITDA decreased 45% or \$2.2 million to \$2.7 million for the nine months ended September 30, 2009 compared to EBITDA of \$5.0 million reported for the same period in 2008. The decrease in EBITDA was primarily due to the decrease in net income over the prior year after adding back the related tax effects on the decreases in net income. (EBITDA is a non-GAAP financial measure. See reconciliation to GAAP measure net income which follows below.)

### **Conference Call Reminder for Today**

The Company will host a conference call today, Monday, November 16, 2009 at 4:15 Eastern Time to discuss the Company's financial and operational results for third quarter 2009, which ended September 30, 2009.

#### Conference Call Details

Date: Monday, November 16 2009

Time: 4:15 p.m. (EST)

Dial-in Number: 1-877-941-8416

International Dial-in Number: 1-480-629-9808

It is recommended that participants phone-in approximately 5 to 10 minutes prior to the start of the 4:15 p.m. call. A replay of the conference call will be available approximately three hours after the completion of the call for 30 days, until December 8, 2009. To listen to the replay, dial 1-800-406-7325 if calling within the U.S., 1-303-590-3030 if calling internationally and enter the pass code 4176697.

The call is also being webcast and may be accessed at CSI's website at [www.csioutfitters.com](http://www.csioutfitters.com). The webcast will be archived and accessible until December 15, 2009 on the Company website.

**Table of Contents**

**About Computer Software Innovations, Inc.**

CSI provides software and technology solutions to public sector markets. CSI has more than doubled its revenue in the past two years to over \$58 million by using organic growth and acquisitions. The CSI solution portfolio encompasses proprietary accounting software specialized for the public sector, lesson planning and identity lifecycle management software, SharePoint development, network infrastructure and end device solutions, IP telephony and IP convergence applications, network management solutions and services, and interactive classroom technologies. More information about CSI (OTC BB: CSWI.OB - News) is available at [www.csioutfitters.com](http://www.csioutfitters.com)

*Page 3 of 10*

**Table of Contents**

**COMPUTER SOFTWARE INNOVATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

*(Amounts in thousands, except per share data)*

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>REVENUES</b>				
Software applications segment	\$ 3,936	\$ 3,256	\$ 11,073	\$ 10,120
Technology solutions segment	13,869	13,466	29,382	36,216
Net sales and service revenue	17,805	16,722	40,455	46,336
<b>COST OF SALES</b>				
<i>Software applications segment</i>				
Cost of sales, excluding depreciation, amortization and capitalization	1,991	1,805	6,216	5,456
Depreciation	30	29	88	81
Amortization of capitalized software costs	398	346	1,133	944
Capitalization of software costs	(240)	(240)	(702)	(740)
Total Software applications segment cost of sales	2,179	1,940	6,735	5,741
<i>Technology solutions segment</i>				
Cost of sales, excluding depreciation	11,815	11,410	24,823	29,513
Depreciation	26	31	79	90
Total Technology solutions segment cost of sales	11,841	11,441	24,902	29,603
Total cost of sales	14,020	13,381	31,637	35,344
Gross profit	3,785	3,341	8,818	10,992
<b>OPERATING EXPENSES</b>				
Research and development	85		252	
Selling costs	1,164	1,140	3,608	3,144
Marketing costs	77	107	372	304
Stock based (non-employee wage) compensation	29	5	137	14
Acquisition costs		13	2	46
Professional and legal compliance costs	133	103	378	337
Depreciation and amortization	160	141	483	369
Other general and administrative expenses	793	967	2,627	3,273
Total operating expenses	2,441	2,476	7,859	7,487
Operating income	1,344	865	959	3,505
<b>OTHER EXPENSE</b>				
Interest expense	95	144	302	407
Loss on disposal of property and equipment		4	4	4
Other expense	95	148	306	411
Income before income tax expense	1,249	717	653	3,094

Edgar Filing: Computer Software Innovations, Inc. - Form 424B3

<b>INCOME TAX EXPENSE</b>	519	269	358	1,207
<b>NET INCOME</b>	<b>\$ 730</b>	<b>\$ 448</b>	<b>\$ 295</b>	<b>\$ 1,887</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.11</b>	<b>\$ 0.08</b>	<b>\$ 0.05</b>	<b>\$ 0.37</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.05</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>	<b>\$ 0.15</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
<b>Basic</b>	<b>6,405</b>	<b>5,555</b>	<b>6,391</b>	<b>5,056</b>
<b>Diluted</b>	<b>14,095</b>	<b>13,192</b>	<b>14,081</b>	<b>12,438</b>

Page 4 of 10

**Table of Contents****COMPUTER SOFTWARE INNOVATIONS, INC.****CONSOLIDATED BALANCE SHEETS**

<i>(Amounts in thousands)</i>	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	\$
Accounts receivable, net	10,556	13,862
Inventories	2,886	1,552
Prepaid expenses	186	98
Income taxes receivable		223
Total current assets	13,628	15,735
<b>PROPERTY AND EQUIPMENT, net</b>	744	898
<b>COMPUTER SOFTWARE COSTS, net</b>	2,600	3,001
<b>GOODWILL</b>	2,431	2,431
<b>OTHER INTANGIBLE ASSETS, net</b>	2,737	2,970
Total assets	<b>\$ 22,140</b>	<b>\$ 25,035</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,355	\$ 3,644
Deferred revenue	6,174	6,696
Deferred tax liability	406	421
Income taxes payable	143	
Bank line of credit	2,708	
Current portion of notes payable	469	447
Subordinated notes payable to shareholders	1,750	1,950
Total current liabilities	16,005	13,158
<b>LONG-TERM DEFERRED TAX LIABILITY, net</b>	111	329
<b>NOTES PAYABLE, less current portion</b>	152	515
<b>BANK LINE OF CREDIT</b>		5,634
Total liabilities	16,268	19,636
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock - \$0.001 par value; 15,000 shares authorized; 6,740 shares issued and outstanding	7	7
Common stock - \$0.001 par value; 40,000 shares authorized; 6,422 shares issued and outstanding	6	6
Additional paid-in capital	9,057	8,884
Accumulated deficit	(3,148)	(3,443)
Unearned stock compensation	(50)	(55)
Total shareholders equity	5,872	5,399
Total liabilities and shareholders equity	<b>\$ 22,140</b>	<b>\$ 25,035</b>



Table of Contents**COMPUTER SOFTWARE INNOVATIONS, INC.****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****(UNAUDITED)**

<i>(Amounts in thousands)</i>	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Unearned Stock Compensation	Total
<b>Balances at December 31, 2008</b>	\$ 6	\$ 7	\$ 8,884	\$ (3,443)	\$ (55)	\$ 5,399
Issuance of stock options			51		(51)	
Issuance of common stock			28			28
Issuance of warrants			94			94
Stock based compensation					56	56
Net income for the nine months ended September 30, 2009				295		295
<b>Balances at September 30, 2009</b>	\$ 6	\$ 7	\$ 9,057	\$ (3,148)	\$ (50)	\$ 5,872

Page 6 of 10

**Table of Contents**

**COMPUTER SOFTWARE INNOVATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

*(Amounts in thousands)*

	Nine Months Ended	
	September 30, 2009	September 30, 2008
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 295	\$ 1,887
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Depreciation and amortization	1,783	1,484
Stock compensation expense, net	178	69
Deferred income tax expense	(234)	(14)
Loss on disposal of fixed assets	4	4
Changes in deferred and accrued amounts		
Accounts receivable	3,306	(6,316)
Inventories	(1,334)	(1,663)
Prepaid expenses	(88)	(72)
Accounts payable	711	2,368
Deferred revenue	(522)	(610)
Income taxes receivable/payable	366	62
Net cash provided by (used for) operating activities	4,465	(2,801)
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(234)	(493)
Capitalization of computer software	(732)	(862)
Investment in other intangible assets	(32)	
Payment for acquisitions		(1,551)
Net cash used for investing activities	(998)	(2,906)
<b>FINANCING ACTIVITIES</b>		
Net (repayments) borrowings under line of credit	(2,926)	6,217
Repayments of notes payable	(541)	(510)
Net cash (used for) provided by financing activities	(3,467)	5,707
Net change in cash and cash equivalents		
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		
	\$	\$
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 395	\$ 477
Income Taxes	\$ 211	\$ 1,159

---

**Table of Contents**

Non-GAAP Financial Measure: Explanation and Reconciliation of EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP financial measure used by management, lenders and certain investors as a supplemental measure in the evaluation of some aspects of a corporation's financial position and core operating performance. Investors sometimes use EBITDA as it allows for some level of comparability of profitability trends between those businesses differing as to capital structure and capital intensity by removing the impacts of depreciation and amortization. EBITDA also does not include changes in major working capital items such as receivables, inventory and payables, which can also indicate a significant need for, or source of, cash. Since decisions regarding capital investment and financing and changes in working capital components can have a significant impact on cash flow, EBITDA is not a good indicator of a business's cash flows. We use EBITDA for evaluating the relative underlying performance of the Company's core operations and for planning purposes, including a review of this indicator and discussion of potential targets in the preparation of annual operating budgets. We calculate EBITDA by adjusting net income or loss to exclude net interest expense, income tax expense or benefit, depreciation and amortization, thus the term Earnings Before Interest, Taxes, Depreciation and Amortization and the acronym EBITDA.

EBITDA is presented as additional information because management believes it to be a useful supplemental analytic measure of financial performance of our core business, and as it is frequently requested by sophisticated investors. However, management recognizes it is no substitute for GAAP measures and should not be relied upon as an indicator of financial performance separate from GAAP measures (as discussed further below).

Adjusted EBITDA or Financing EBITDA is a non-GAAP financial measure used in our calculation and determination of compliance with debt covenants related to our bank credit facilities. Adjusted EBITDA is also used as a representation as to how EBITDA might be adjusted by potential lenders for financing decisions and our ability to service debt. However, such decisions would not exclude those other items impacting cash flow which are excluded from EBITDA, as noted above. Adjusted EBITDA is defined as net income or loss adjusted for net interest expense, income tax expense or benefit, depreciation, amortization, and also certain additional items allowed to be excluded from our debt covenant calculation including other non-cash items such as operating non-cash compensation expense (such as stock-based compensation), and the Company's initial reorganization or restructuring related costs, unrealized gain or loss on financial instrument (non-cash related) and gain or loss on the disposal of fixed assets. While we evaluate the Company's performance against debt covenants on this basis, investors should not presume the excluded items to be one-time costs. If the Company were to enter into additional capital transactions, for example, in connection with a significant acquisition or merger, similar costs could reoccur. In addition, the ongoing impact of those costs would be considered in, and potential financings based on, projections of future operating performance which would include the impact of financing such costs.

We believe the presentation of Adjusted EBITDA is important as an indicator of our ability to obtain additional financing for the business, not only for working capital purposes, but particularly as acquisitions are anticipated as a part of our growth strategy. Accordingly, a significant part of our success may rely on our ability to finance acquisitions.

When evaluating EBITDA and Adjusted EBITDA, investors should consider, among other things, increasing and decreasing trends in both measures and how they compare to levels of debt and interest expense, ongoing investing activities, other financing activities and changes in working capital needs. Moreover, these measures should not be construed as alternatives to net income (as an indicator of operating performance) or cash flows (as a measure of liquidity) as determined in accordance with GAAP.

While some investors use EBITDA to compare between companies with different investment and capital structures, all companies do not calculate EBITDA or Adjusted EBITDA in the same manner. Accordingly, the EBITDA and Adjusted EBITDA measures presented below may not be comparable to similarly titled measures of other companies.

**Table of Contents**

A reconciliation of Net Income reported under GAAP to EBITDA and Adjusted (Financing) EBITDA is provided below:

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
<b>Reconciliation of net income per GAAP to EBITDA and Adjusted (Financing) EBITDA:</b>				
Net income per GAAP	\$ 730	\$ 448	\$ 295	\$ 1,887
Adjustments:				
Income tax expense (benefit)	519	269	358	1,207
Interest expense, net	95	144	302	407
Depreciation and amortization of property and equipment and intangible assets (excluding Software development)	216	201	650	540
Amortization of software development costs	398	346	1,133	944
EBITDA	\$ 1,958	\$ 1,408	\$ 2,738	\$ 4,985
Adjustments to EBITDA to exclude those items excluded in loan covenant calculations:				
Stock based compensation (non-cash portion)	29	5	137	14
Adjusted (Financing) EBITDA	\$ 1,987	\$ 1,413	\$ 2,875	\$ 4,999

## **Table of Contents**

### ***Forward-Looking and Cautionary Statements***

*This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Among other things, these statements relate to our financial condition, results of operations and future business plans, operations, opportunities and prospects. In addition, we and our representatives may from time to time make written or oral forward-looking statements, including statements contained in filings with the Securities and Exchange Commission and in our reports to stockholders. These forward-looking statements are generally identified by the words or phrases may, could, should, expect, anticipate, plan, believe, seek, estimate, predict, project or words of similar import. These forward-looking statements are based upon our current knowledge and assumptions about future events and involve risks and uncertainties that could cause our actual results, performance or achievements to be materially different from any anticipated results, prospects, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are not guarantees of future performance. Many factors are beyond our ability to control or predict. You are accordingly cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date that we make them. We do not undertake to update any forward-looking statement that may be made from time to time by or on our behalf.*

*In our most recent Form 10-K, we have included risk factors and uncertainties that might cause differences between anticipated and actual future results. We have attempted to identify, in context, some of the factors that we currently believe may cause actual future experience and results to differ from our current expectations regarding the relevant matter or subject area. The operations and results of our software and systems integration businesses also may be subject to the effects of other risks and uncertainties, including, but not limited to:*

*a reduction in anticipated sales;*

*an inability to perform customer contracts at anticipated cost levels;*

*our ability to otherwise meet the operating goals established by our business plan;*

*market acceptance of our new software, technology and services offerings;*

*an economic downturn; and*

*changes in the competitive marketplace and/or customer requirements.*

#### **Contacts:**

Company Contact: David Dechant  
Computer Software Innovations, Inc.  
(864) 855-3900  
[ddechant@csioutfitters.com](mailto:ddechant@csioutfitters.com)

Investor Contact: Daniel Conway  
DC Consulting, LLC  
(407)792-3332  
[Daniel@deconsultingllc.com](mailto:Daniel@deconsultingllc.com)

Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2009

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: 000-51758

**COMPUTER SOFTWARE INNOVATIONS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: Computer Software Innovations, Inc. - Form 424B3

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**98-0216911**  
(I.R.S. Employer  
Identification No.)

**900 East Main Street, Suite T, Easley, South Carolina**  
(Address of principal executive offices)

**(864) 855-3900**  
(Registrant's telephone number, including area code)

**[None]**  
(Former name, former address and former fiscal year, if changed since last report)

**29640**  
(Zip Code)

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  No

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  No

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

Class	Outstanding at November 11, 2009
Common Stock, \$0.001 par value per share	7,221,917 shares

**Table of Contents**

**COMPUTER SOFTWARE INNOVATIONS, INC.**

**TABLE OF CONTENTS**

	<b>PAGE NUMBER</b>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	<b>3</b>
Item 1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008</u>	4
<u>Consolidated Statement of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2009</u>	5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2009 and 2008</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis or Plan of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	45
Item 4T. <u>Controls and Procedures</u>	46
<b><u>PART II - OTHER INFORMATION</u></b>	<b>46</b>
Item 1. <u>Legal Proceedings</u>	46
Item 1A. <u>Risk Factors</u>	46
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
Item 3. <u>Defaults Upon Senior Securities</u>	46
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	46
Item 5. <u>Other Information</u>	47
Item 6. <u>Exhibits</u>	47
<b><u>SIGNATURES</u></b>	<b>48</b>
<b><u>EXHIBIT INDEX</u></b>	<b>49</b>

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

**COMPUTER SOFTWARE INNOVATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

*(Amounts in thousands, except per share data)*

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>REVENUES</b>				
Software applications segment	\$ 3,936	\$ 3,256	\$ 11,073	\$ 10,120
Technology solutions segment	13,869	13,466	29,382	36,216
Net sales and service revenue	17,805	16,722	40,455	46,336
<b>COST OF SALES</b>				
<i>Software applications segment</i>				
Cost of sales, excluding depreciation, amortization and capitalization	1,991	1,805	6,216	5,456
Depreciation	30	29	88	81
Amortization of capitalized software costs	398	346	1,133	944
Capitalization of software costs	(240)	(240)	(702)	(740)
Total Software applications segment cost of sales	2,179	1,940	6,735	5,741
<i>Technology solutions segment</i>				
Cost of sales, excluding depreciation	11,815	11,410	24,823	29,513
Depreciation	26	31	79	90
Total Technology solutions segment cost of sales	11,841	11,441	24,902	29,603
Total cost of sales	14,020	13,381	31,637	35,344
Gross profit	3,785	3,341	8,818	10,992
<b>OPERATING EXPENSES</b>				
Research and development	85		252	
Selling costs	1,164	1,140	3,608	3,144
Marketing costs	77	107	372	304
Stock based (non-employee wage) compensation	29	5	137	14
Acquisition costs		13	2	46
Professional and legal compliance costs	133	103	378	337
Depreciation and amortization	160	141	483	369
Other general and administrative expenses	793	967	2,627	3,273
Total operating expenses	2,441	2,476	7,859	7,487
Operating income	1,344	865	959	3,505
<b>OTHER EXPENSE</b>				
Interest expense	95	144	302	407
Loss on disposal of property and equipment		4	4	4

Edgar Filing: Computer Software Innovations, Inc. - Form 424B3

Other expense	95	148	306	411
Income before income tax expense	1,249	717	653	3,094
<b>INCOME TAX EXPENSE</b>	519	269	358	1,207
<b>NET INCOME</b>	<b>\$ 730</b>	<b>\$ 448</b>	<b>\$ 295</b>	<b>\$ 1,887</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.11</b>	<b>\$ 0.08</b>	<b>\$ 0.05</b>	<b>\$ 0.37</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.05</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>	<b>\$ 0.15</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
<b>Basic</b>	<b>6,405</b>	<b>5,555</b>	<b>6,391</b>	<b>5,056</b>
<b>Diluted</b>	<b>14,095</b>	<b>13,192</b>	<b>14,081</b>	<b>12,438</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents****COMPUTER SOFTWARE INNOVATIONS, INC.****CONSOLIDATED BALANCE SHEETS**

<i>(Amounts in thousands)</i>	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	\$
Accounts receivable, net	10,556	13,862
Inventories	2,886	1,552
Prepaid expenses	186	98
Income taxes receivable		223
Total current assets	13,628	15,735
<b>PROPERTY AND EQUIPMENT, net</b>	744	898
<b>COMPUTER SOFTWARE COSTS, net</b>	2,600	3,001
<b>GOODWILL</b>	2,431	2,431
<b>OTHER INTANGIBLE ASSETS, net</b>	2,737	2,970
Total assets	<b>\$ 22,140</b>	<b>\$ 25,035</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,355	\$ 3,644
Deferred revenue	6,174	6,696
Deferred tax liability	406	421
Income taxes payable	143	
Bank line of credit	2,708	
Current portion of notes payable	469	447
Subordinated notes payable to shareholders	1,750	1,950
Total current liabilities	16,005	13,158
<b>LONG-TERM DEFERRED TAX LIABILITY, net</b>	111	329
<b>NOTES PAYABLE, less current portion</b>	152	515
<b>BANK LINE OF CREDIT</b>		5,634
Total liabilities	16,268	19,636
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock - \$0.001 par value; 15,000 shares authorized; 6,740 shares issued and outstanding	7	7
Common stock - \$0.001 par value; 40,000 shares authorized; 6,422 shares issued and outstanding	6	6
Additional paid-in capital	9,057	8,884
Accumulated deficit	(3,148)	(3,443)
Unearned stock compensation	(50)	(55)
Total shareholders equity	5,872	5,399
Total liabilities and shareholders equity	<b>\$ 22,140</b>	<b>\$ 25,035</b>

Edgar Filing: Computer Software Innovations, Inc. - Form 424B3

The accompanying notes are an integral part of these financial statements.

Table of Contents

## COMPUTER SOFTWARE INNOVATIONS, INC.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

<i>(Amounts in thousands)</i>	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Unearned Stock Compensation	Total
<b>Balances at December 31, 2008</b>	<b>\$ 6</b>	<b>\$ 7</b>	<b>\$ 8,884</b>	<b>\$ (3,443)</b>	<b>\$ (55)</b>	<b>\$ 5,399</b>
Issuance of stock options			51		(51)	
Issuance of common stock			28			28
Issuance of warrants			94			94
Stock based compensation					56	56
Net income for the nine months ended September 30, 2009				295		295
<b>Balances at September 30, 2009</b>	<b>\$ 6</b>	<b>\$ 7</b>	<b>\$ 9,057</b>	<b>\$ (3,148)</b>	<b>\$ (50)</b>	<b>\$ 5,872</b>

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

**COMPUTER SOFTWARE INNOVATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

*(Amounts in thousands)*

	Nine Months Ended	
	September 30, 2009	September 30, 2008
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 295	\$ 1,887
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Depreciation and amortization	1,783	1,484
Stock compensation expense, net	178	69
Deferred income tax expense	(234)	(14)
Loss on disposal of fixed assets	4	4
Changes in deferred and accrued amounts		
Accounts receivable	3,306	(6,316)
Inventories	(1,334)	(1,663)
Prepaid expenses	(88)	(72)
Accounts payable	711	2,368
Deferred revenue	(522)	(610)
Income taxes receivable/payable	366	62
Net cash provided by (used for) operating activities		