COMPUTER SOFTWARE INNOVATIONS INC
Form SB-2
March 28, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

COMPUTER SOFTWARE INNOVATIONS, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	**6770**	**98-0216911**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1661 East Main Street

Easley, South Carolina 29640

(864) 855-3900

(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

Copies of Communications to:

Nancy K. Hedrick

President and Chief Executive Officer

Computer Software Innovations, Inc.

1661 East Main Street

Easley, South Carolina 29640

(864) 855-3900
(Name, Address and Telephone Number of Agent For Service)

William L. Pitman, Esq.

Leatherwood Walker Todd & Mann, P.C.

The Leatherwood Plaza

300 East McBee Avenue, Suite 500

Greenville, South Carolina 29601

(864) 240-2494

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the Registration Statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box: ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered	Proposed Maximum	Proposed Maximum	Amount of Registration

	(1)	Offering Price Per Share(2)	Aggregate Offering Price	Fee
Common Stock, par value $0.001 per share	14,435,472 shares	$4.75	$68,568,492	$8,071

(1) Represents the aggregate number of shares of our common stock that are initially issuable upon conversion of the 7,217,736 shares of Series A Convertible Preferred Stock and the exercise of common stock purchase Warrants for the purchase of 7,217,736 shares, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act of 1933, as amended, we are also registering an indeterminate number of shares of common stock that may be issued from time to time upon conversion of the Preferred Stock or the exercise of the Warrants in connection with a stock split, stock dividend, recapitalization or similar event or as a result of the anti-dilution provisions of the Preferred Stock and the Warrants.

(2) Pursuant to Rule 457(c), the offering price is based on the bid ($4.00) and asked ($5.50) prices of one share of Common Stock, as reported on the OTC Bulletin Board on March 24, 2005, and has been established solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The selling stockholder named in this prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and the selling stockholder named in this prospectus is not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion dated March 28, 2005

PROSPECTUS

14,435,472 Shares

COMPUTER SOFTWARE INNOVATIONS, INC.

Common Stock

Barron Partners LP, identified in this prospectus as the selling stockholder or Barron, is offering 14,435,472 shares of our common stock, $0.001 par value per share. The shares of our common stock to be sold by the selling stockholder are or will be acquired upon conversion of the shares of our Series A Convertible Preferred Stock or the exercise of certain Common Stock Purchase Warrants held by Barron. We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of the shares by the selling stockholder.

The selling stockholder may sell all or any portion of the shares for its own account from time to time in one or more transactions through brokers or dealers at market prices then prevailing, in underwritten transactions at prices related to then-current market prices or in individually negotiated transactions at such prices as may be agreed upon. See Plan of Distribution.

We will pay all expenses in connection with the registration of the shares under the Securities Act of 1933, as amended, including the preparation of this prospectus. See Plan of Distribution.

Our common stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol CSWI. On March 24, 2005, the closing bid and asked prices for our common stock were $4.00 and $5.50, respectively.

Investing in our common stock involves risk. You should read the Risk Factors section beginning on page 8 before buying shares of our common stock.

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

The date of this prospectus is ______, 2005.

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IMPORTANT NOTICE TO READERS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, the selling stockholder may, from time to time, offer shares of our common stock issued upon conversion of the Series A Convertible Preferred Stock, or the exercise of Warrants, owned by them. Each time the selling stockholder offers common stock under this prospectus, it is required to provide to potential purchasers a copy of this prospectus and, if applicable, a copy of a prospectus supplement. You should read both this prospectus and, if applicable, any prospectus supplement. See Where You Can Find More Information for more information.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. This document may be used only in jurisdictions where offers and sales of these securities are permitted. You should not assume that information contained in this prospectus is accurate as of any date other than the date of the document that contains the information, regardless of when this prospectus is delivered or when any sale of our securities occurs.

In this prospectus, unless the context requires otherwise, (1) Computer Software Innovations, Inc., CSI, we, our, us and the Company refe combined business of Computer Software Innovations, Inc., a Delaware corporation formerly known as VerticalBuyer, Inc., and its subsidiary, CSI Technology Resources, Inc., a South Carolina corporation; (2) VerticalBuyer refers to the Company prior to the merger; and (3) CSI South Carolina refers to Computer Software Innovations, Inc., a South Carolina corporation, prior to the merger.

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PROSPECTUS SUMMARY

This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled Risk Factors, our financial statements and the notes thereto and the other documents we refer to in this prospectus for a more complete understanding of us and this offering before making an investment decision.

COMPUTER SOFTWARE INNOVATIONS, INC.

Overview

We are a developer of proprietary fund accounting software applications and a provider of network integration solutions for education and local government organizations. By strategically combining our proprietary fund accounting software with our network integration/hardware division, we have been successful in providing a variety of technological solutions to over 300 clients located in South Carolina, North Carolina and Georgia.

We develop proprietary fund accounting software applications specifically designed for municipalities, education and local government organizations. The software modules include the following: Fund Ledger, Accounts Payable, Purchasing, Payroll, Personnel, Employee Absence/Substitutes, Inventory, Utility Billing and many specialty modules meeting the specific needs of municipalities, education and local governments.

In addition, we provide network integration solutions as a value added reseller of computer hardware and engineering services. These technologies include, but are not limited to, the following:

technology planning;

hardware/software sales and installation;

system integration;

wide area networking;

wireless networking;

IP Telephony and IP Surveillance;

project management;

support and maintenance (Novell and Microsoft certified engineers); and

education technologies, including distance learning and classroom learning tools.

History

Prior to February 10, 2005, the Company was known as VerticalBuyer, Inc. Prior to our merger with CSI - South Carolina on February 11, 2005, we were a public shell corporation, having conducted no business operations since September, 2001. A brief history of VerticalBuyer, Inc. is set forth in Business Description VerticalBuyer, Inc.

On February 11, 2005, pursuant to an Agreement and Plan of Merger, CSI - South Carolina merged into the Company, with the Company continuing as the surviving corporation. Accordingly, our current business operations are those of CSI - South Carolina. Because VerticalBuyer had substantially no assets prior to the merger, the merger and related transactions will be accounted for as a recapitalization of CSI South Carolina rather than a business combination. As such, going forward the historical financial statements of CSI - South Carolina will be the historical financial statements of the Company. The merger and related transactions are described in Description of Business The Merger and Recapitalization, and under Management s Discussion and Analysis of Operation Recent Developments.

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Strategy

The overall business goal of CSI is to deliver excellent products, service and support, as we expand our client base**.** By continuing to provide the combined offering of high level service and support with excellent products, we believe we will continue to grow. A strong referral base has been key in our success and will continue to play a vital role in sustained growth. Our goal is to continue to nurture long-standing relationships with our existing clients, and establish trusting relationships with our new customers.

Technology

Expansion of offerings. We are continually seeking new hardware offerings to present to our clients. These new offerings may include storage solutions as well as XML applications, audio and video distribution, metropolitan wireless and additional service capabilities.

Managed services and Guaranteed Service Agreements (GSAs). In addition to GSAs on our software products, we will be offering GSAs on many of our hardware offerings. GSAs allow us to grow our recurring revenue.

Growth through acquisitions. We believe our markets contain a number of attractive acquisition candidates and foresee expanding through acquisition of one or more of the following types of organizations:

Cabling and infrastructure;

Commercial (Fortune 1000) focus products and services;

Commercial (SMB) focus products and services; and

High level professional services (consulting).

Our business strategy provides that we will examine the potential acquisition of companies and businesses within our industry. In determining a suitable acquisition candidate, we will carefully analyze a target s potential to add to and complement our product mix, expand our geographic coverage, expand our revenue base, improve our margins, strengthen our management team and, above all, improve the return to our stockholders.

We are unable to predict the nature, size or timing of any such acquisition. As discussed in Management s Discussion and Analysis of Operation, we are also unable to estimate the capital resources which may be required for any such acquisition. Any acquisition would likely be subject to our utilizing sources in addition to capital sources which are currently available, consisting of our operating cash flow and our bank credit facility. We can give no assurance that we will find and reach agreement with any target organization, that we will be able to procure the financial resources necessary to fund any such acquisition or that we will otherwise be able to conclude and successfully integrate any acquisition.

Fund Accounting Software

New product development. The release of our industry-standard, SQL/.NET product will allow us to expand more easily into additional states. We will continue to expand our product offerings to meet the needs of our clients both in the current version and in the new version.

Service+*Plus*. Our new service offering provides version protection for major releases of the software without additional fees, free attendance to webinars, free user conference attendance, disaster recovery (off-site data storage) and more.

Hosted services (ASP). We are beginning to offer an ASP (hosted) solution to new clients. This offering is being tested in 2005 and will be more widely available in 2006.

Reseller model. In order to move into new regions and states, we are pursuing a reseller model in those areas where it will be the most expedient way to introduce CSI Accounting+*Plus*. There are often IT organizations established in an area that have the sales staff in place to market our products.

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Our corporate headquarters are located at 1661 East Main Street, Easley, South Carolina 29640, and our telephone number is (864) 855-3900. Our Internet address is www.csi-plus.com. The information contained in our website is not part of this prospectus.

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The Offering

Securities Offered	A total of 14,435,472 shares of common stock, $0.001 par value per share.
Shares Outstanding	As of March 25, 2005, we had 2,631,752 shares of common stock outstanding. This includes 2,526,904 shares held by executive officers of the Company. The shares held by such executive officers are restricted securities as that term is defined under Rule 144 under the securities act of 1933, as amended, and accordingly are subject to certain restrictions on resale. Also, pursuant to the Preferred Stock Purchase Agreement with Barron, all officers and directors are prohibited from selling any of their shares until February 11, 2007. The number of outstanding shares set forth above does not include the shares of common stock offered by the selling stockholder under this prospectus, which shares will be acquired by the selling stockholder upon the conversion of the shares of Series A Convertible Preferred Stock and the exercise of Warrants. See The Selling Stockholder. The total number of outstanding shares presented above also does not include 268,343 shares held by employees under immediately exercisable options and approximately 360,000 shares of common stock which we anticipate awarding to certain outside directors and a consultant as compensation for their services. See Management Directors Compensation and Certain Relationships and Related Transactions.
OTC Bulletin Board Symbol	CSWI
Use of Proceeds	We will not receive any of the proceeds from the resale by the selling stockholder of the common stock issuable upon conversion of the Series A Convertible Preferred Stock or the exercise of the Warrants. See Use of Proceeds.
Registration Rights	We filed the registration statement of which this prospectus is a part pursuant to a Registration Rights Agreement, dated February 11, 2005, between the selling stockholder and us. The Registration Rights Agreement requires us to file a registration statement by March 27, 2005 and to use our best efforts to have the registration statement declared effective within 120 days of February 11, 2005, subject to certain exceptions. We are also required to use our best efforts to keep the registration effective until the earliest of the following has occurred: all securities covered by the registration statement have been sold; all securities covered by the registration statement become freely tradable without registration pursuant to Rule 144 under the Securities Act; or until February 10, 2008. Failure to meet the above requirements will result in our being subject to liquidated damages in an amount equal to twenty-five percent (25%) of Barron s purchase price for the preferred stock per annum.
Risk Factors	See Risk Factors beginning on page 8 and other information set forth in this prospectus for a discussion of factors that you should carefully consider before deciding to invest in the shares of our common stock.

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RISK FACTORS

We depend on county and city governments and school districts for the sale of our products and services and our business will be affected by governmental spending patterns and governmental approval processes.

Substantially all of our revenues are from sales of software and services to county and city governments and school districts. We expect that sales to public sector customers will continue to account for substantially all of our revenues in the future. The sales cycle associated with the purchase of our products typically is complex, lengthy and subject to a number of significant risks, including customers budgetary constraints and governmental acceptance reviews over which we have little or no control. For each contract with a public sector customer, we typically are subject to a procurement process. The process can include a detailed written response to the demonstrations, the design of software that addresses customer-specified needs, the integration of our products with third party products, political influences, award protests initiated by unsuccessful bidders and changes in budgets or appropriations which are beyond our control. The procurement process often is onerous and may include profit limitations and rights of the agency to terminate for convenience or if funds are unavailable. Some public sector customers require liquidated damages for defective products and/or for delays or interruptions caused by system failures. Payments under some public sector contracts are subject to achieving implementation milestones and could in the future have differences with customers as to whether milestones have been achieved. Government organizations require compliance with various legal and other special considerations in the procurement process. The adoption of new or modified procurement regulations could harm us by increasing the costs of competing for sales or by impacting our ability to perform government contracts. Any violation, intentional or otherwise, of these regulations could result in fines and/or debarment from award of additional government contracts which could harm our business.

If our customers do not renew their annual maintenance and support agreements for our products and services or if they do not renew them on terms that are favorable to us, our business might suffer.

Most of our maintenance agreements are for a term of one year. As the end of the annual period approaches, we pursue the renewal of the agreement with the customer. Maintenance renewals represented 7% of our total revenue in 2003 and 9% of our total revenue in 2004. Because of this characteristic of our business, if our customers chose not to renew their maintenance and support agreements with us on beneficial terms, our business, operating results and financial condition could be harmed.

A material portion of our revenue is derived from the sale of our Accounting+Plus software. We believe that the use by our customers of our software also gives us a competitive advantage in our providing system integration services, including the sale of hardware, to these customers. Reduced acceptance of our Accounting+Plus software and upgrades of such software could harm our business.

We derive a material amount of our revenue from the sale of our Accounting+*Plus* software and related services, and revenue from this product and related services is expected to remain a material component of our revenue for the foreseeable future. For the 2003 and 2004 fiscal years, software sales and related revenues accounted for approximately 10.4% and 12.6% of our total revenues, respectively**.** Because we generally sell licenses to our products on a perpetual basis and deliver new versions and enhancements to customers who purchase annual maintenance and support, our future license, services and maintenance revenue are substantially dependent on sales to new customers. In addition, if demand for our Accounting+*Plus* software declines, our business would suffer.

We encounter long sales and implementation cycles, particularly for our largest customers, which could have an adverse effect on the size, timing and predictability of our revenue and sales.

Potential customers, particularly large clients, generally commit significant resources to an evaluation of available software and require us to expend substantial time, effort and money educating them as to the value of our software and services. Sales of our core software products to these larger customers often require an extensive education and marketing effort.

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We could expend significant funds and management resources during the sales cycle and ultimately fail to close the sale. Our core software product sales cycle averages approximately 3 months for sales to existing customers and from 3 to 9 months for sales to new customers and large organizations. Our implementation cycle for large organizations can extend for 3 to 6 months or more, which can negatively impact the timing and predictability of our revenue. Our sales cycle for all of our products and services is subject to significant risks and delays over which we have little or no control, including:

- our customers budgetary constraints;
- the timing of our clients budget cycles and approval processes;
- our clients willingness to replace their current methods or software solutions;
- our need to educate potential customers about the uses and benefits of our products and services; and
- the timing and expiration of our clients current license agreements or outsourcing agreements for similar services.

If we are unsuccessful in closing sales after expending significant funds and management resources or if we experience delays as discussed above, it could have a material adverse effect on the size, timing and predictability of our revenue.

We are dependent on strategic relationships with our vendors and our business would be materially and adversely affected if we were to lose our existing, or fail to gain additional, strategic relationships.

The vendors that we currently work with are listed under Business Description Products & Services. The segment of our business that includes hardware sales and related support services is dependent upon the strong relationships that have been established with these vendors. As a value added reseller, we purchase equipment from these vendors and add our engineering services to provide a total solution to the customer. Without the vendor products, we would lose the margin on the hardware sale as well as the margin provided by our engineering services.

These relationships could be terminated if we fail:

- to maintain adequate certified engineers and staff that can implement and support the vendors products;
- to receive satisfactory feed back from our customers; or
- to pay for purchased equipment and services on a timely basis.

Our quarterly financial results fluctuate and may be difficult to forecast and, if our future results are below either any guidance we may issue or the expectations of public market analysts and investors, the price of our common stock may decline.

Our quarterly revenue and results of operations are difficult to forecast. We have experienced, and expect to continue to experience, fluctuations in revenue and operating results from quarter to quarter. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results are not necessarily meaningful and that such comparisons might not be accurate indicators of future performance. The reasons for these fluctuations include but are not limited to:

- the size and timing of sales of our software, including the relatively long sales cycles associated with many of our large software sales;
- budget and spending decisions by our customers;
- market acceptance of new products we release;
- the amount and timing of operating costs related to the expansion of our business, operations and infrastructure;
- changes in our pricing policies or our competitors pricing policies;
- seasonality in our revenue;
- general economic conditions; and
- costs related to acquisitions of technologies or businesses;

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Our operating expenses, which include sales and marketing, research and development and general and administrative expenses, are based on our expectations of future revenue and are, to a large extent, fixed in the short term. If revenue falls below our expectations in a quarter and we are not able to quickly reduce our operating expenses in response, our operating results for that quarter could be adversely affected. It is possible that in some future quarter our operating results may be below either any guidance we may issue or the expectations of public market analysts and investors and, as a result, the price of our common stock may fall.

Our failure to compete successfully could cause our revenue or market share to decline.

Our market is fragmented, competitive and rapidly evolving, and there are limited barriers to entry for some aspects of this market. We have three primary sources of competition:

- software developers offering integrated specialized products designed to address specific needs of governmental organizations;
- custom-developed products created either internally or outsourced to custom service providers; and
- software developers offering general products not designed to address specific needs of governmental organizations.

The companies we compete with, and other potential competitors, may have greater financial, technical and marketing resources and generate greater revenue and better name recognition than we do. If one or more of our competitors or potential competitors were to merge or partner with one of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. For example, a large diversified software enterprise, such as Microsoft, Oracle or PeopleSoft, could decide to enter the market directly, including through acquisitions.

Loss of significant clients could hurt our business by reducing our revenues and profitability.

Our success depends substantially upon retaining our significant clients. Generally, we may lose clients due to conversion to a competing service provider. We cannot guarantee we would be able to retain long term relationships or secure renewals of short term relationships with our significant clients in the future. Our top ten clients comprised 40% of our revenue in 2003 and 2004. The loss of these clients or a significant portion thereof would have a material adverse effect on the profitability and financial condition.

We may not be able to manage our future growth efficiently or profitably.

We have experienced significant growth since our inception, and we anticipate that continued expansion will be required to address potential market opportunities. For example, we will need to expand the size of our sales and marketing, product development and general and administrative staff and operations, as well as our financial and accounting controls. There can be no assurance that our infrastructure will be sufficiently scalable to manage our projected growth. For example, our anticipated growth will result in a significant increase in demands on our maintenance and support services professionals to continue to provide the high level of quality service that our customers have come to expect. If we are unable to sufficiently address these additional demands on our resources, our profitability and growth might suffer. Also, if we continue to expand our operations, management might not be effective in expanding our physical facilities and our systems, procedures or controls might not be adequate to support such expansion. Our inability to manage our growth could harm our business.

Because competition for highly qualified personnel is intense, we may not be able to attract and retain the employees we need to support our planned growth.

To execute our continuing growth plans, we will need to increase the size and maintain the quality of our sales force, software development staff and our professional services organization. To meet our objectives successfully, we must attract and retain highly qualified personnel with specialized skill sets focused on the educational and local government market. Competition for qualified personnel can be intense, and we might not be successful in attracting and retaining them. The pool of qualified personnel with experience working with or selling to nonprofit organizations is limited overall and specifically in Easley, South Carolina, where our principal office is located. Our ability to maintain and expand our sales, product development and professional services teams will depend on our ability to recruit, train and retain top quality people with advanced skills who understand sales to, and the specific needs of, educational institutions and local governments. For these reasons, we have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications for our business. In addition, it takes time for our new sales and services personnel to become productive, particularly with respect to obtaining and supporting major customer accounts. In particular, we plan to continue to increase the number of services personnel to attempt to meet the needs of our customers and potential new customers. In addition to hiring services personnel to meet our needs, we might also engage additional third-party consultants as contractors, which could have a negative impact on our earnings. If we are unable to hire or retain qualified personnel, or if newly hired personnel fail to develop the necessary skills or reach productivity slower than anticipated, it would be more difficult for us to sell our products and services, and we could experience a shortfall in revenue or earnings, and not achieve our planned growth.

Our integration services revenue produces substantially lower gross margins than our software license revenue.

An increase in services revenue relative to license revenue would harm our overall gross margins. A shift in our product mix toward lower margin products would adversely affect our overall profitability.

If our products fail to perform properly due to undetected errors or similar problems, our business could suffer, and we could become subject to product or general liability or errors and omissions claims. Such claims would be time-consuming and costly. Furthermore, any negligence or misconduct on the part of our consultants could result in financial or other damages to our customers.

Complex software such as ours often contains undetected errors or bugs. Software errors are frequently found after introduction of new software or enhancements to existing software. We continually introduce new products and new versions of our products. If we detect any errors before we ship a product, we might have to delay product shipment for an extended period of time while we address the problem. We might not discover software errors that affect our new or current products or enhancements until after they are deployed, and we may need to provide enhancements to correct such errors. Therefore, it is possible that, despite testing by us, errors may occur in our software. These errors, as well as any negligence or misconduct on the part of our consultants, could result in:

- harm to our reputation;
- lost sales;
- delays in commercial release;
- product liability, general liability or errors and omissions claims;
- delays in or loss of market acceptance of our products;
- license terminations or renegotiations; and
- unexpected expenses and diversion of resources to remedy errors.

Furthermore, our customers may use our software together with products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our software does not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our product development efforts, impact our reputation and cause significant customer relations problems.

Our failure to integrate third-party technologies could harm our business.

We intend to continue licensing technologies from third parties, including applications used in our research and development activities and technologies which are integrated into our products. These technologies may not continue to be available to us on commercially reasonable terms or at all. Our inability to obtain any of these licenses could delay product development until equivalent technology can be identified, licensed and integrated. This inability in turn would harm our business and operating results. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our products, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs.

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Our success depends on our ability to respond quickly to changing technology and we must develop new software programs utilizing modern technology

The market for our products and services is characterized by rapid technological change, evolving industry standards in computer hardware and software technology, changes in customer requirements and frequent new product introductions and enhancements. The introduction of products embodying new technologies and the emergence of new industry standards can cause customers to delay their purchasing decisions and render existing products obsolete and unmarketable. The life cycles of our software products are difficult to estimate. As a result, our future success will depend, in part, upon our ability to continue to enhance existing products and to develop and introduce in a timely manner new products with technological developments that satisfy customer requirements and achieve market acceptance. We may not be able to successfully identify new product opportunities and develop and bring new products to market in a timely and cost-effective manner. In addition, products, capabilities or technologies developed by others could render our products or technologies obsolete or noncompetitive or shorten product life cycles. If we are unable to develop on a timely and cost-effective basis new software products or enhancements to existing products or if new products or enhancements do not achieve market acceptance, our business may be harmed. As a result of the complexities inherent in software development, and in particular development for multi-platform environments, and the broad functionality and performance demanded by our customers, major new product enhancements and new products can require long development and testing periods before they are released commercially. We have on occasion experienced delays in the scheduled introduction of new and enhanced products, and future delays could harm our business.

We have made significant investments in research and development and our growth plans are premised in part on generating substantial revenue from new product introductions. New product introductions involve significant risks. For example, delays in new product introductions, or less-than-anticipated market acceptance of our new products are possible and would have an adverse effect on our revenue and earnings. We cannot be certain that our new products or future enhancements to existing products will meet customer performance needs or expectations when shipped or that they will be free of significant software defects or bugs.

If they do not meet customer needs or expectations, for whatever reason, upgrading or enhancing these products could be costly and time consuming. In addition, the selling price of software products tends to decline significantly over the life of the product. If we are unable to offset any reductions in the selling prices of our products by introducing new products at higher prices or by reducing our costs, our revenue, gross margin and operating results would be adversely affected.

If the security of our software is breached, our business and reputation could suffer.

Fundamental to the use of our products is the secure collection, storage and transmission of confidential information. Third parties may attempt to breach our security or that of our customers and their databases. We may be liable to our customers for any breach in such security, and any breach could harm our customers, our business and our reputation. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could harm our reputation and our business and our operating results. Also, computers, including those that utilize our software, are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. We may be required to expend significant capital and other resources to protect further against security breaches or to rectify problems caused by any security breach.

Future acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and strain our resources.

We intend to acquire companies, products, services and/or technologies that we feel could complement or expand our existing business operations, augment our market coverage, enhance our technical capabilities, provide us with important customer contacts or otherwise offer growth opportunities. Acquisitions and investments involve numerous risks, including:

- improper valuation of the acquired business;

- difficulties in integrating operations, technologies, services, accounting and personnel;

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- difficulties in supporting and transitioning customers of our acquired companies;
- diversion of financial and management resources from existing operations;
- risks of entering new sectors of the educational and governmental market;
- potential loss of key employees; and
- inability to generate sufficient revenue to offset acquisition or investment costs.

Acquisitions also frequently result in recording of goodwill and other intangible assets, which are subject to potential impairments in the future that could harm our operating results. In addition, if we finance acquisitions by issuing equity securities or securities convertible into equity securities, our existing stockholders would be diluted, which, in turn, could affect the market price of our stock. Moreover, we could finance any acquisition with debt, resulting in higher leverage and interest costs. As a result, if we fail to evaluate and execute acquisitions or investments properly, we might not achieve the anticipated benefits of any such acquisition, and we may incur costs in excess of what we anticipate.

There can be no assurance suitable acquisition candidates will be available, that we will be able to purchase or profitably manage acquired companies, that future acquisitions will further the successful implementation of our overall strategy or that acquisitions ultimately will produce returns that justify the investment. In addition, we may compete for acquisition and expansion opportunities with companies which have significantly greater resources than we do. We currently do not have agreements or understandings with regard to any acquisitions.

We currently do not have any issued patents, but we rely upon trademark, copyright, patent and trade secret laws to protect our proprietary rights, which might not provide us with adequate protection.

Our success and ability to compete depend to a significant degree upon the protection of our software and other proprietary technology rights. We might not be successful in protecting our proprietary technology, and our proprietary rights might not provide us with a meaningful competitive advantage. To protect our proprietary technology, we rely on a combination of patent, trademark, copyright and trade secret laws, as well as nondisclosure agreements, each of which affords only limited protection. Moreover, we have no patent protection for Accounting+*Plus* software, which is one of our core products. Any inability to protect our intellectual property rights could seriously harm our business, operating results and financial condition.

In addition, the laws of some foreign countries do not protect our proprietary rights in our products to the same extent as do the laws of the United States. Despite the measures taken by us, it may be possible for a third party to copy or otherwise obtain and use our proprietary technology and information without authorization. Policing unauthorized use of our products is difficult, and litigation could become necessary in the future to enforce our intellectual property rights. Any litigation could be time consuming and expensive to prosecute or resolve, result in substantial diversion of management attention and resources, and materially harm our business, financial condition and results of operations.

Claims that we infringe upon third parties intellectual property rights could be costly to defend or settle.

Litigation regarding intellectual property rights is common in the software industry. We expect that software products and services may be increasingly subject to third-party infringement claims as the number of competitors in our industry segment grows and the functionality of products in different industry segments overlaps. We may from time to time encounter disputes over rights and obligations concerning intellectual property. Although we believe that our intellectual property rights are sufficient to allow us to market our software without incurring liability to third parties, third parties may bring claims of infringement against us. Such claims may be with or without merit. Any litigation to defend against claims of infringement or invalidity could result in substantial costs and diversion of resources. Furthermore, a party making such a claim could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our software. Our business, operating results and financial condition could be harmed if any of these events occurred.

In addition, we have agreed, and will likely agree in the future, to indemnify certain of our customers against certain claims that our software infringes upon the intellectual property rights of others. We could incur substantial costs in defending ourselves and our customers against infringement claims. In the event of a claim of infringement, we and our customers might be required to obtain one or more licenses from third parties. We, or our customers,

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might be unable to obtain necessary licenses from third parties at a reasonable cost, if at all. Defense of any lawsuit or failure to obtain any such required licenses could harm our business, operating results and financial condition.

Increasing government regulation could affect our business.

We are subject not only to regulations applicable to businesses generally but also to laws and regulations directly applicable to electronic commerce. Although there are currently few such laws and regulations, state, Federal and foreign governments may adopt laws and regulations applicable to our business. Any such legislation or regulation could dampen the growth of the internet and decrease its acceptance. If such a decline occurs, companies may decide in the future not to use our products and services. Any new laws or regulations in the following areas could affect our business:

- user privacy;
- the pricing and taxation of goods and services offered over the internet;
- the content of websites;
- copyrights;
- consumer protection, including the potential application of do not call registry requirements on our customers and consumer backlash in general to direct marketing efforts of our customers; and
- the online distribution of specific material or content over the internet.

A significant portion of our revenues stem from sales to schools receiving funding through the E-Rate Program. A loss of such funding could have a material adverse impact on our revenues and business operations.

Through our division, CSI Technology Resources, we participate in the E-Rate Program, a government program providing funding for telecommunications, internet access and internal connections for schools that have a very high free and reduced lunch rate count. Schools and school districts that have developed an approved technology plan may receive funds to implement the plan. Service providers may sell to such schools and districts through an open and competitive bidding process. We have received funding through the E-Rate program since 2001. The Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC), which administers the program, may conduct audits with respect to previous funding years. If SLD finds that either we or the school to which we have made sales did not comply with the rules and regulations of the program, previous funding may have to be repaid. To date, we have not had to repay any money received in connection with the program, but there is no guarantee that this will never happen in the future.

The requirements of being a public company might strain our resources and distract management.

As a newly public company, we are subject to a number of additional requirements, including the reporting requirements of the Securities Exchange Act of 1934, and the Sarbanes-Oxley Act of 2002. These requirements might place a strain on our systems and resources. The Securities Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, significant resources and management oversight will be required. As a result, our management s attention might be diverted from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our independent registered public accounting firm s audit of that assessment will require the commitment of significant financial and managerial resources. In addition, we might need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and we might not be able to do so in a timely fashion.

Our management has no experience in managing a public company.

Our management team has historically operated our business as a privately-owned corporation. The individuals who now constitute our management have never had responsibility for managing a publicly-traded company. See

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Directors and Executive Officers, Promoters and Control Persons. The Preferred Stock Purchase Agreement between Barron and the Company requires that we employ a chief financial officer with public company experience on or before May 10, 2005, or suffer certain monetary penalties. See Section C, The Merger and Recapitalization. We have not yet retained such a chief financial officer and the failure to procure a chief financial officer with public company experience could hamper our ability to function effectively as a public company.

Our operations might be affected by the occurrence of a natural disaster or other catastrophic event in Easley, South Carolina.

We depend on our principal executive offices and other facilities in Easley, South Carolina for the continued operation of our business. Although we have contingency plans in effect for natural disasters or other catastrophic events, these events, including terrorist attacks and natural disasters such as hurricanes, could disrupt our operations. Even though we carry business interruption insurance policies and typically have provisions in our contracts that protect us in certain events, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which we do not have coverage. Any natural disaster or catastrophic event affecting us could have a significant negative impact on our operations.

The market for our common stock is limited and we cannot assure you that an adequate market will continue for our common stock or what the market price of our common stock will be.

Our common stock is currently quoted for trading on the OTC Bulletin Board. As a result, the liquidity of our common stock is limited, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and the lack of coverage by security analysts and the news media of our company.

In addition, because our stock is quoted on the OTC Bulletin Board, our common stock is subject to certain rules and regulations relating to penny stock. A penny stock is generally defined as any equity security that has a price of less than $5.00 per share and that is not quoted on the Nasdaq Stock Market or a national securities exchange. Being a penny stock generally means that any broker who wants to trade in our shares (other than with established customers and certain institutional investors) must comply with certain sales practice requirements, including delivery to the prospective purchaser of the penny stock risk disclosure statement describing the penny stock market and the risks associated therewith. In addition, broker/dealers must take certain steps prior to selling a penny stock which steps include:

- obtaining financial and investment information from the investor;
- obtaining a written suitability questionnaire and purchase agreement signed by the investor; and
- providing the investor a written identification of the shares being offering and the quantity of the shares.

If these penny stock rules are not followed by the broker/dealer, the investor has no obligation to purchase the shares. The application of these comprehensive rules will make it more difficult for broker/dealers to sell our common stock, and as a practical matter, these requirements may mean that brokers are less likely to make recommendations on our shares to its general customers. As a result, for as long as our common stock is quoted on the OTC Bulletin Board and subject to these same stock rules, our stockholders may have difficulty selling their shares in the secondary trading market. In addition, prices per share of our common stock may be lower than might otherwise prevail if our common stock were quoted on the Nasdaq stock market or traded on a national securities exchange, such as the New York Stock Exchange or the American

Stock Exchange. This lack of liquidity may also make it more difficult to raise capital in the future through the sale of equity securities.

The price of our common stock might be volatile.

Our stock price has been volatile and might continue to be, making an investment in our company risky. The earliest quote available is October 20, 2004. From that date until December 31, 2004, the high quote for a share of common stock was $0.08 and the low was $0.02. From January 1, 2005 until March 1, 1005, the high quote was $7.00 and the low was $0.02. This volatility, in part, reflects the fact that prior to the merger, our company had no business operations, and the fluctuations subsequent to the merger may be in part due to speculation on the common stock.

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In recent years, technology stocks have experienced high levels of volatility and significant declines in value from their historic highs. The trading price of our common stock may fluctuate substantially. The price of the common stock that will prevail in the market might be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. The fluctuations could cause you to lose part or all of your investment in our shares of common stock. Those factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of software and technology companies;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;
- economic conditions and trends in general and in the software and information technology industries;
- major catastrophic events, including terrorist activities, which could reduce or divert funding to, and technology spending by, our core customer base of municipal governments and educational institutions;
- changes in our pricing policies or the pricing policies of our customers;
- changes in the estimation of the future size and growth of our market; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we might be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

Insiders hold a significant percentage of our stock and could limit your ability to influence the outcome of key transactions, including a change of control, which could adversely affect the market price of our stock.

Currently, approximately 95% of our common stock is held by former CSI South Carolina stockholders, all of whom are executive officers. Furthermore, Barron holds 7,217,736 shares of Series A Convertible Preferred Stock, which shares are convertible into common stock on a one for one basis. Barron also holds Warrants, which are convertible into an additional 7,217,736 shares of common stock. The preferred stock has no voting rights and Barron is prohibited from converting its preferred stock or Warrants if it would beneficially hold more than 4.99% of our common stock. This restriction may be waived by Barron upon 61 days notice. All of these facts have the potential of solidifying control of the company with insiders, and would likely limit the ability of any minority stockholders to influence the outcome of key decisions, including elections of directors.

The Series A Convertible Preferred stockholders have certain superior rights with respect to the common stockholders. Such superior rights may have an adverse impact on the liquidity and value of your investment.

Upon any liquidation of the Company, holders of preferred stock shall be entitled to receive out of the assets of the Company an amount equal to $0.6986 per share before any distribution or payment is made to holders of junior securities, including common stock. Common stockholders will be entitled to receive distributions upon liquidation only to the extent assets remain after holders of preferred stock have recovered their entire investment.

While the preferred stock is outstanding, no dividends may be paid with respect to the common stock, nor shall the common stock be redeemed. Accordingly, it is unlikely that the common stockholders will receive dividends in the foreseeable future.

The holder of Series A Convertible Preferred stock as well as the five stockholders who are the former shareholders of CSI South Carolina the right to participate in any subsequent funding that we undertake on a pro rata basis at 80% of the offering price. Accordingly, if we were to offer shares to the public in the future for cash, then the preferred stockholders and the former shareholders of CSI South Carolina may be able to purchase such shares at a price less than other investors participating in the offering. We do not currently contemplate any such offering.

Because we intend to retain any earnings to finance the development of our business, we may never pay cash dividends.

We have not paid cash dividends, except for the one-time cash dividend paid by our South Carolina predecessor prior to and as a part of the recent merger transactions and sale of preferred stock. See The Merger and Recapitalization. Our bank loan documents now prohibit the payment of cash dividends. Such limitations notwithstanding, we do not anticipate paying cash dividends on our common stock in the foreseeable future, but instead we intend to retain any earnings to finance the development of our business. We cannot guarantee that we will ever pay cash dividends.

The development and enhancement of our software requires significant capital expenditures.

Software technology is characterized by rapid technological change and evolving industry standards that require continuous development and enhancements to our software applications. Significant resources, mostly in the form of salaries and benefits, are required to keep up with these changes. We are in the process of rewriting our software applications to take advantage of current technologies. If we were to experience significant revenue reductions, our ability to implement these changes could be delayed or eliminated.

Availability of significant amounts of common stock for sale in the future, or the perception that such sales could occur, could cause the market price of our common stock to drop.

There is a substantial number of shares of our common stock that may be issued and subsequently sold upon the exercise of the two common stock Warrants and the conversion of the Series A Convertible Preferred Stock held by Barron. The number of such shares totals 14,435,472. In addition, officers of our company hold approximately 2,526,904 shares of common stock, which have not been registered under the Securities Act of 1933, as amended, and are accordingly subject to the resale restrictions under such Act and Rule 144 thereunder. Also, it is anticipated that non-employee directors of the company and a consultant will be awarded approximately 360,000 shares of restricted stock as compensation for their services. See Management Director Compensation and Certain Relationships and Related Transactions. Under the Preferred Stock Purchase Agreement with Barron, shares held by all officers and directors of the company may not be sold until February 10, 2007. The sale of any or all of these shares could have an adverse impact on the price of our common stock, as could the sale or issuance of additional shares of common stock in the future in connection with acquisitions or otherwise.

We may need additional capital in the future, which may not be available to us. The raising of additional capital may dilute your ownership in us.

We may need to raise additional funds through public or private debt or equity financings in order to:

- take advantage of opportunities, including more rapid expansion;
- acquire complementary businesses or technologies;

develop new services and products; or

respond to competitive pressures.

Any additional capital raised through the sale of equity may dilute your ownership percentage in us. Furthermore, any additional financing we may need may not be available on terms favorable to us, or not at all.

We depend on key management and may not be able to retain those executives or recruit additional qualified personnel.

We believe that our future success will be due, in part, to the continued services of our senior management team. This team historically has been, and we anticipate for the foreseeable future will continue to be, relatively small. Losing the services of one or more members of our management team could adversely affect our business and expansion plans. Our ability to implement our business plan is dependent on the retention of these executives who have specific, divergent skills.

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Our Certificate of Incorporation limits the liability of management.

We have adopted provisions in our Certificate of Incorporation that eliminate to the fullest extent permissible under Delaware law the liability of our directors for monetary damages for breach of fiduciary of duty as a director, except to the extent (i) that the director breaches his duty of loyalty to the corporation or its stockholders, (ii) the acts or omissions of the director were in bad faith or involved intentional misconduct or knowing violation of laws, (iii) Section 174 of the DGCL proscribes limitation of liability, or (iv) the director engages in any transaction from which he derives an improper personal benefit. While it may limit stockholder actions against the directors of the company for various acts of malfeasance, the provision is designed to ensure that the ability of our directors to exercise their best business judgment in managing the company s affairs, subject to their continuing fiduciary duties of loyalty to the company and its stockholders, is not unreasonably impeded by exposure to potentially high personal costs or other uncertainties of litigation. See Indemnification of Officers and Directors.

Our Certificate of Incorporation provides for the indemnification of management, which in certain circumstances could serve to circumvent the recovery by stockholders in certain legal actions.

Our Certificate of Incorporation and Bylaws, to the fullest extent permitted by Delaware law, provide, generally, that the company will indemnify and advance expenses to any director, officer, employee or agent of the company who is, or is threatened to be made, a party to any action, suit or proceeding. Such indemnification would cover the cost of attorneys fees as well as any judgment, fine or amount paid in settlement of such action provided that the indemnified party meets certain standards of conduct necessary for indemnification under applicable law and the provisions of the Bylaws. Such indemnity may or may not be covered by officer and directory liability insurance and could result in expense to the Company even if such person is not successful in the action. This provision is designed to protect such persons against the costs of litigation which may result from his or her actions on our behalf. See Indemnification of Officers and Directors.

Other Risks, Unknown Or Immaterial Today, May Become Known Or Material In The Future.

We have attempted to identify material risk factors currently affecting our business and company. However, additional risks that we do not yet know of, or that we currently think are immaterial, may occur or become material. These risks could impair our business operations or adversely affect revenues or profitability.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

We caution you that this prospectus includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to the safe harbor created by that act. Among other things, these statements relate to our financial condition, results of operations and business. When used in this prospectus, these forward-looking statements are generally identified by the words or phrases would be, will allow, expects to, will continue, is anticipated, estimate, project or similar expressions.

While we provide forward-looking statements to assist in the understanding of our anticipated future financial performance, we caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date that we make them. Forward-looking statements are subject to significant risks and uncertainties, many of which are beyond our control. It is routine for our internal projections and expectations to change, and therefore it should be clearly understood that the internal projections, beliefs and assumptions upon which we base our expectations may change prior to the end of each quarter or the year. Although these expectations may change, we may not inform you if they do. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Actual results may differ materially from those contained in or implied by these forward-looking statements for a variety of reasons.

We have included risk factors and uncertainties that might cause differences between anticipated and actual future results in the Risk Factors section. 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 operation and results of our software and systems integration business 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 offerings;

an economic downturn; and

changes in the competitive market place and/or customer requirements.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling stockholders of the securities offered by this prospectus.

THE SELLING STOCKHOLDER

The selling stockholder is Barron Partners LP. We believe that Barron is or at the time of sale will be the sole record and beneficial owner of the shares of common stock it will be offering. The common stock to be offered by Barron will be acquired upon conversion of the shares of our Series A Convertible Preferred Stock or the exercise of the Warrants. In connection with the issuance of the Series A Convertible Preferred Stock and the Common Stock Purchase Warrants, Barron was granted registration rights under a Registration Rights Agreement covering the shares of our common stock underlying the preferred stock and Warrants.

Barron s address is 730 Fifth Avenue, 9th Floor, New York, NY 20019. The general partner of Barron is Barron Capital Advisors, LLC.

Share Ownership

Barron currently owns 7,217,736 shares of our Series A Convertible Preferred Stock, which represents 100% of our issued and outstanding shares of preferred stock. The preferred stock was purchased at a price of $0.6986 per share. The preferred stock owned by Barron is convertible into common stock on a one for one basis. Additionally, Barron owns Warrants to purchase 7,217,736 shares of our common stock, half of which are exercisable at a price of $1.3972 and the other half of which are exercisable at a price of $2.0958 per share. Barron is restricted from converting the preferred stock or Warrants if such conversion would result in Barron beneficially owing more than 4.99% of our outstanding common stock. This restriction may be waived by Barron upon 61 days notice.

PLAN OF DISTRIBUTION

We will not receive any of the proceeds of the sale of the common stock offered by this prospectus. The common stock may be sold from time to time to purchasers:

- directly by the selling stockholder; or
- through broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling stockholder or the purchasers of the common stock.

The selling stockholder and any broker-dealers or agents who participate in the distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act. As a result, any profits on the sale of the common stock by selling stockholder and any discounts, commissions or concessions received by any such broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act. If the selling stockholder were deemed to be an underwriter, the selling stockholder may be subject to statutory liabilities including, but not limited to, those of Sections 11, 12 and 17 of the Securities Act and Rule 10b-5 under the Exchange Act.

If the underlying common stock is sold through broker-dealers or agents, the selling stockholder will be responsible for agents commissions.

The common stock may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to the prevailing market prices;
- varying prices determined at the time of sale; or

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negotiated prices.

These sales may be effected in transactions:

on any national securities exchange or quotation service on which the common stock may be listed or quoted at the time of the sale, including the OTC Bulletin Board;

in the over-the-counter market;

in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

through the writing of options, whether the options are listed on an options exchange or otherwise.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the transaction.

In connection with the sales of the common stock or otherwise, the selling stockholder may enter into hedging transactions with broker-dealers or other financial institutions. These broker-dealers may in turn engage in short sales of the common stock in the course of hedging their positions. The selling stockholder may also sell the common stock short and deliver the common stock to close out short positions, or loan or pledge the underlying common stock to broker-dealers that, in turn, may sell the common stock.

To our knowledge, there are currently no plans, arrangements or understandings between the selling stockholder and any underwriter, broker-dealer or agent regarding the sale of the common stock by the selling stockholder. The selling stockholder may decide not to sell all or a portion of the common stock offered by it pursuant to this prospectus. In addition, any selling stockholder may transfer, devise or give the common stock by other means not described in this prospectus. Any common stock covered by this prospectus that qualifies for sale pursuant to Rule 144 or Rule 144A under the Securities Act, or Regulation S under the Securities Act, may be sold under Rule 144 or Rule 144A or Regulation S rather than pursuant to this prospectus.

The aggregate proceeds to the selling stockholder from the sale of the common stock offered pursuant to this prospectus will be the purchase price of such common stock less discounts and commissions, if any. The selling stockholder reserves the right to accept and, together with its agents from time to time, reject, in whole or part, any proposed purchase of common stock to be made directly or through its agents. We will not receive any of the proceeds from this offering.

Our common stock is traded in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol CSWI.

The selling stockholder and any other persons participating in the distribution of the common stock will be subject to the Exchange Act and the rules and regulations thereunder. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of the common stock by the selling stockholder and any such other person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the common stock to engage in market-making activities with respect to the common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the common stock and the ability to engage in market-making activities with respect to the common stock.

If required with respect to a particular offering of the common stock, the name of the selling stockholder, the purchase price and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts related to the particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part.

Under the Registration Rights Agreement entered into with the selling stockholder on February 10, 2005, we agreed to use our best efforts to cause the registration statement of which this prospectus is a part to be declared effective by the SEC on the earlier of (i) one hundred twenty (120) days following February 11, 2005 with respect to the registration statement, (ii) ten (10) days following the receipt of a No Review or similar letter from the SEC or (iii) the first business day following the day the SEC determines the registration statement eligible to be declared effective. We are paying all registration expenses in connection with the registration statement of which this

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prospectus is a part, exclusive of all underwriting discounts and commissions and transfer taxes, if any, and documentary stamp taxes, if any, relating to the disposition of the selling stockholder s shares. We are required to maintain the effectiveness of the registration statement until the earliest to occur of thirty-six (36) months after the date of the Registration Rights Agreement, or February 10, 2008, such time as all of the shares of common stock to be offered pursuant to the registration statement have been sold, or all securities covered by the registration statement become freely tradable without registration pursuant to Rule 144 under the Securities Act.

We are permitted to prohibit offers and sales of securities pursuant to this prospectus under certain circumstances relating to pending corporate developments, public filings with the SEC and other material events for a period not to exceed forty-five (45) days in any 12-month period. Notwithstanding the foregoing, we will be permitted to suspend the use of the effectiveness of the registration statement for up to ten (10) additional days each year. We also agreed to pay liquidated damages to the selling stockholder if the registration statement of which this prospectus is a part is not timely filed or made effective or if the prospectus is unavailable for periods in excess of those permitted.

Under the Registration Rights Agreement, we and the selling stockholder have each agreed to indemnify the other against certain liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection with these liabilities.

DILUTION

In the merger and related transactions, Barron invested in Series A Convertible Preferred Stock of the Company at a price of $0.6986 per share. The preferred stock is initially convertible into common stock on a one for one basis. In the merger, we issued to the former shareholders of CSI South Carolina shares of common stock with a substantially identical effective price per share as the price paid by Barron for the preferred stock. Additionally, we issued the Warrants to Barron, which will permit it to purchase an aggregate of 7,217,736 shares of our common stock. One of the Warrants to purchase half of the aggregate shares has an exercise price of $1.3972 per share and the second Warrant is exercisable at $2.0958 per share. The Warrants may be exercised on a cashless basis. In addition, pursuant to the Preferred Stock Purchase Agreement, any sale of common stock for cash or other future funding that we undertake would permit Barron and the former shareholders of CSI South Carolina to participate in such funding on a pro rata basis at 80% of the purchase price.

The potential effect of the foregoing is that any investor purchasing common stock at a price in excess of the amounts stated above would experience immediate dilution in the value of the shares purchased.

MARKET FOR STOCK

Our common stock is traded in the over the counter market and is quoted on the OTC Bulletin Board. The earliest quote available during the past two years was October 20, 2004. The high and low quotes for such date through March 26, 2005 are set forth in the chart below. The source of this information is the Finance page of www.yahoo.com. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Range of Common Stock Prices ($)

	High	Low
2004		
3rd Quarter	0.08	0.02
(October 20, 2004 December 31, 2004)		
2005		
1st Quarter	7.00	0.02
(through March 26, 2005)		

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As of March 1, 2005, there were approximately 2,631,752 shares of common stock outstanding and approximately 122 stockholders of record, and 7,217,736 shares of Series A Convertible Preferred Stock outstanding with one preferred stockholder of record. See Description of Securities.

DIVIDEND POLICY

We have paid no cash dividends during the past two fiscal years. No dividends may be paid with respect to the Series A Convertible Preferred Stock and, pursuant to the Preferred Stock Purchase Agreement, no dividends may be paid on our common stock while any Series A Convertible Preferred Stock is outstanding. Also, our agreements with our bank lender prohibit any dividend which would, upon payment, result in a default under our financial covenants. Accordingly, we do not anticipate paying dividends in the foreseeable future.

DESCRIPTION OF BUSINESS

A. Introduction

Unless the context requires otherwise, (1) Computer Software Innovations, Inc., CSI, we, our, us and the Company refer to the combined business of Computer Software Innovations, Inc., a Delaware corporation formerly known as VerticalBuyer, Inc., and its subsidiary, CSI Technology Resources, Inc., a South Carolina corporation; (2) VerticalBuyer refers to the Company prior to the merger; and (3) CSI South Carolina refers to Computer Software Innovations, Inc., a South Carolina corporation, prior to the merger.

Prior to February 10, 2005, the Company was known as VerticalBuyer, Inc. Prior to our merger with CSI South Carolina on February 11, 2005, we were a public shell corporation, having conducted no business operations since September, 2001. A brief history of VerticalBuyer, Inc. is set forth below in Paragraph R, VerticalBuyer, Inc.

On February 11, 2005, pursuant to an Agreement and Plan of Merger, CSI South Carolina merged into the Company, with the Company continuing as the surviving corporation. Accordingly, our current business operations are those of CSI South Carolina. Because VerticalBuyer had substantially no assets prior to the merger, the merger and related transactions will be accounted for as a recapitalization of CSI South Carolina rather than a business combination. As such, going forward the historical financial statements of CSI South Carolina will be the historical financial statements of the Company. Accordingly, except for the information provided under Paragraph R, VerticalBuyer, Inc. the business operations described in this prospectus are those formerly of CSI South Carolina.

The merger and related transactions are described below under Paragraph C, The Merger and Recapitalization, and under Management s Discussion and Analysis of Operation Recent Developments.

Our principal executive offices are located at 1661 East Main Street, Easley, South Carolina 29640. Our telephone number at that location is (864) 855-3900.

We maintain an Internet website at www.csi-plus.com. Certain pertinent information about our business, products and services and recent developments is posted on our website. The information on our website does not constitute a part of this prospectus.

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and we file annual, quarterly and current reports and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the SEC s public reference room facility located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site at http://www.sec.gov that contains reports and other information regarding issuers, including us, that file documents with the SEC electronically through the SEC s electronic data gathering, analysis and retrieval system known as EDGAR.

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Our common stock is traded in the over-the-counter market under the symbol CSWI. Trade information is reported on the OTC Bulletin Board.

B. Overview

We are a developer of proprietary fund accounting software applications and a provider of network integration solutions for education and local government organizations. By strategically combining our proprietary fund accounting software with our network integration/hardware division, we have been successful in providing a variety of technological solutions to over 300 clients located in South Carolina, North Carolina and Georgia.

We develop proprietary fund accounting software applications specifically designed for municipalities, education and local government organizations. The software modules include the following: Fund Ledger, Accounts Payable, Purchasing, Payroll, Personnel, Employee Absence/Substitutes, Inventory, Utility Billing and many specialty modules meeting the specific needs of municipalities, education and local governments.

In addition, we provide network integration solutions as a value added reseller of computer hardware and engineering services. These technologies include, but are not limited to, the following:

- technology planning;
- hardware/software sales and installation;
- system integration;
- wide area networking;
- wireless networking;
- IP Telephony and IP Surveillance;
- project management;
- support and maintenance (Novell and Microsoft certified engineers); and
- education technologies, including distance learning and classroom learning tools.

Our current business operations are those of Computer Software Innovations, Inc., a South Carolina corporation incorporated in 1990. Established in Easley, South Carolina by Nancy Hedrick, Beverly Hawkins and Joe Black, our current President and CEO, Vice President of Support Services and interim Chief Financial Officer, respectively, the Company initially provided administrative accounting software for the public sector. In early 1999, the original principals were joined by Bill Buchanan and Tom Clinton, our current Vice President of Engineering and Vice President of Sales, respectively, and formed CSI Technology Resources, Inc. A wholly-owned subsidiary of Computer Software Innovations, Inc., CSI Technology Resources, Inc. was a value-added reseller of computer hardware and network integration services. In 2000, CSI Technology Resources, Inc. ceased to operate as a separate organization and became our Technology Resources Division. The below chart shows revenues broken down by business segment for the past three years:

Revenues ($ in thousands)

	Year Ended		
	December 31, 2004	**December 31, 2003**	**December 31, 2002**
Software sales	2,830	1,993	1,979
Hardware sales	17,543	15,549	10,609
Service/Support Sales	2,063	1,663	1,143
Other	45	36	30
Net Sales & Service	22,481	19,241	13,761

C. The Merger and Recapitalization

In the first quarter of 2005, the Company completed a series of recapitalization transactions. These culminated on February 11, 2005 with the merger of CSI South Carolina into the Company, and our issuance of preferred

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stock, common stock, common stock Warrants and certain subordinated notes. The recapitalization transactions are described below:

Purchase of Majority Interest of VerticalBuyer by CSI South Carolina. On January 31, 2005, CSI South Carolina purchased 13,950,000 shares of the common stock, $0.001 par value, of VerticalBuyer from Maximum Ventures, Inc., a New York corporation, pursuant to a Stock Purchase Agreement. The shares purchased by CSI South Carolina represented approximately 77% of VerticalBuyer s outstanding common stock. The purchase price was $450,000, with approximately $53,000 of that amount going to satisfy outstanding liabilities of VerticalBuyer. CSI South Carolina also reimbursed Maximum for certain legal expenses.

In connection with the purchase of shares by CSI South Carolina, Mr. Abraham Mirman resigned as president, CEO and sole director of VerticalBuyer and Mr. Chris Kern resigned as its CFO. Immediately prior to Mr. Mirman s resignation, Anthony Sobel, Tom Butta and Shaya Phillips were appointed as independent directors. The board of directors appointed new officers of VerticalBuyer, who were also officers of CSI South Carolina. These were Nancy K. Hedrick, President and CEO; Joe G. Black, interim CFO; Beverly N. Hawkins, Secretary; and William J. Buchanan, Treasurer. The officer appointments were ratified by CSI South Carolina, as majority shareholder, acting by written consent on January 31, 2005.

Pursuant to a Stock Purchase Agreement between CSI South Carolina and Maximum Ventures dated January 31, 2005, CSI South Carolina and Maximum Ventures made certain representations and warranties, including in the case of Maximum Ventures, with respect to VerticalBuyer. The parties also agreed to indemnify each other generally for any breaches of any of their respective representations, warranties and covenants. In the case of Maximum Ventures, indemnification liability was capped at $450,000. CSI South Carolina and Maximum Ventures also gave further assurances that they would cooperate in the future to carry out the purposes of the Stock Purchase Agreement, including the preparation and filing of future reports of VerticalBuyer with the SEC.

Reverse Stock Split. On January 31, 2005, the board of directors of VerticalBuyer approved a reverse stock split in order to facilitate a potential merger with CSI South Carolina. In the reverse stock split, every 40 shares of VerticalBuyer s common stock issued and outstanding on the record date, February 10, 2005, were converted and combined into one share of post-split shares. The reverse split was effective pursuant to an amendment to our certificate of incorporation and was paid on February 11, 2005. No fractional shares were issued nor any cash paid in lieu thereof. Rather, all fractional shares were rounded up to the next highest number of post-split shares and the same issued to any beneficial holder of such pre-split shares which would have resulted in fractional shares. Accordingly, each beneficial holder of our common stock received at least one post-split share and no shareholders were eliminated. Pursuant to the amendment to our certificate of incorporation effecting the reverse stock split, the number of authorized and preferred shares remained unchanged at 50,000,000 and 5,000,000, respectively. Continental Stock Transfer & Trust Company, New York, New York, our transfer agent, served as exchange agent for the reverse split.

On January 31, 2005, following the board s approval of the reverse stock split, CSI South Carolina, acting as majority shareholder, approved by written consent the reverse split and the related amendment to our certificate of incorporation.

Par Value. In connection with the January 31, 2005 approval of the reverse stock split, the board of directors of VerticalBuyer also approved the elimination of par value of all shares of our authorized common and preferred stock. Such change was likewise approved on January 31, 2004 by CSI South Carolina, as majority shareholder acting by written consent. Subsequently, on February 9, 2005, the board decided it was in the best interest of VerticalBuyer and more economical to retain par value of $0.001 for all of our authorized common and preferred stock. This decision was made prior to the filing of the amendment to our certificate of incorporation and accordingly, the par value of our common and preferred stock has not changed. CSI South Carolina as majority shareholder acting by written consent, also approved the subsequent retention of par value on February 9, 2005.

Name Change. On February 4, 2005, the board of directors of VerticalBuyer approved the change of our name from VerticalBuyer, Inc. to Computer Software Innovations, Inc. The board also approved an amendment to our certificate of incorporation effecting such change. Following the board s approval of the name change on February 4, 2005, CSI South Carolina, acting as majority shareholder by written consent, also approved the name change.

The change of our name to Computer Software Innovations, Inc. became effective on February 10, 2005, concurrently with the reverse stock split, upon the filing of an amendment to our certificate of incorporation.

CSI South Carolina Dividend. Prior to the merger, CSI South Carolina declared dividends to its five shareholders totaling $3,460,000. Of this, $960,000 was paid in cash and $2.5 million recorded as subordinated dividend notes payable to each shareholder. These notes were repaid immediately following the merger from the proceeds of the issuance of the preferred stock and the approximately $1.9 million subordinated note to Barron.

The Merger. At a meeting of the board of directors on February 4, 2005, our board of directors considered the potential merger of CSI South Carolina into the Company and a related merger agreement. The board had previously discussed such merger at its January 31, 2005 meeting and in meetings with legal and other advisors. After due deliberation, the board approved the merger and the merger agreement.

On February 10, 2005, the Company and CSI South Carolina executed the Agreement and Plan of Merger. On February 11, 2005, CSI South Carolina merged into the Company, with the Company continuing as the surviving corporation. In the merger, the former stockholders of CSI South Carolina received, in exchange for their shares of CSI South Carolina common stock, two sets of notes totaling $3,624,800 and $1,875,200, respectively, and approximately 2,526,904 shares of our common stock. Such consideration was in addition to the pre-merger dividend by CSI South Carolina. The set of notes totaling $3,624,800 was repaid to the former CSI South Carolina shareholders immediately following the merger from the proceeds of the preferred stock and the $1,875,200 subordinated note issued to Barron Partners LP, as described under Sale of Preferred Stock and Warrants below. Subordinated notes payable to the former shareholders of CSI South Carolina totaling $1,875,200 remained outstanding following the merger. The terms of the subordinated notes are described more fully under Terms of Subordinated Notes below.

As a result of the reverse stock split, the merger and the sale of preferred stock (described below), the Company has approximately 9.8 million shares of common stock outstanding on an as-converted basis. On a diluted basis, assuming the exercise of outstanding warrants and options, approximately 17.3 million shares of common stock are outstanding.

Pursuant to the Agreement and Plan of Merger, a new board of directors was constituted and new officers appointed. See Directors, Executive Officers, Promoters and Control Persons for information on our officers and directors.

In accordance with Agreement and Plan of Merger, upon the consummation of the merger, the certificate of incorporation and the bylaws of the Company were each amended and restated. The rights of security holders of the Company contained in the Amended and Restated Certificate of Incorporation and the Amended and Restated bylaws are discussed in Description of Securities. Certain other information relating to the merger is discussed in Certain Relationships and Related Transactions.

Sale of Preferred Stock and Warrants.

At the board s meeting on February 4, 2005, our board, in connection with the merger, approved the issuance and sale of shares of its preferred stock and common stock Warrants to Barron Partners LP, a Delaware limited partnership, in exchange for the payment of $5,042,250 pursuant to the terms of a Preferred Stock Purchase Agreement. Pursuant to the agreement, Barron also agreed to invest an additional $1.9 million, approximately, in the form of a subordinated note on the same terms as the subordinated notes payable to the former CSI South Carolina shareholders in the merger. Later, on February 4, 2005, CSI South Carolina, acting as majority shareholder by written consent, ratified the board s approval of the transactions with Barron.

On February 10, 2005, we entered into the Preferred Stock Purchase Agreement with Barron. Pursuant to the agreement, on February 11, 2005, immediately following the consummation of the merger, we issued to Barron 7,217,736 shares of our newly created Series A Convertible Preferred Stock in exchange for the payment of $5,042,250. Barron was also issued two Warrants to purchase in the aggregate of 7,217,736 shares of our common stock. The preferred stock is convertible into common stock on a one for one basis. The exercise prices of the Warrants are $1.3972 and $2.0958 per share. Each Warrant is exercisable for half of the total Warrant shares. The terms and conditions of the Warrants are identical except with respect to exercise price. Both the conversion of the preferred stock and the exercise of the Warrants is subject to restrictions on ownership which prohibit Barron from beneficially holding greater than 4.99% of our common stock. Such restrictions can be waived by Barron upon 61 days prior notice.

In conjunction with the Preferred Stock Purchase Agreement, the Company also entered into a Registration Rights Agreement with Barron on February 10, 2005, whereby the Company undertook certain obligations to register the shares of common stock of the Company underlying the Warrants and shares of preferred stock to be sold to Barron pursuant to the Preferred Stock Purchase Agreement. Under the terms of the Registration Rights Agreement, the Company is obligated to file, within forty-five days following the execution of the Registration Rights Agreement, a registration statement covering the resale of the shares underlying the convertible preferred stock and Warrants issued to Barron. Barron, subject to certain conditions, may also demand the registration of all or part of such shares on a one-time basis and, pursuant to piggy-back rights, may require the Company (subject to certain carvebacks) to include such shares in certain registration statements filed by the Company. The Company is obligated to pay all expenses in connection with the registration of the shares, and may be liable for liquidated damages in the event the registration of shares is not effected pursuant to the agreement between the parties.

Subordinated Notes.

On February 11, 2005, the Company also issued six subordinated promissory notes payable, respectively to Barron and the five former shareholders of CSI South Carolina: Nancy K. Hedrick, Joe G. Black, Beverly N. Hawkins, Thomas P. Clinton and William J. Buchanan. The five notes payable to the former CSI South Carolina shareholders constituted a portion of their consideration in the merger. The note payable to Barron evidences a subordinated loan to the Company in connection with Barron s investment in the preferred stock. All such notes are *pari passu* and rank equally in right of payment in the event of bankruptcy or liquidation of the Company, or similar events, and are subordinated in right of payment to all other non-subordinated debt of the Company. Payments of principal and interest may be paid as agreed under such subordinated notes, so long as, generally, we are not in default under any of our senior indebtedness.

The Barron note provides that the Company will repay to Barron $1,875,200, with interest accruing at an annual rate of the prime rate plus 2%. We must pay the principal on the note in full on or before May 10, 2006. Any past due and unpaid amounts bear interest at the rate of 15% per annum until paid in full.

The aggregate principal sum borrowed under the notes payable to the five former shareholders of CSI South Carolina is $1,875,200, or $375,040 per individual. Other than the principal amount borrowed, the terms of the notes are substantially identical to the note payable to Barron. We anticipate repaying the subordinated notes from draws on our new bank credit facility, which was closed on March 14, 2005, and cash generated by operations.

The Preferred Stock Purchase Agreement.

The terms of the Series A Convertible Preferred Stock are contained in the Certificate of Designation, Rights and Preferences, which is described under Description of Capital Stock. The terms of the preferred stock sale are contained in the Preferred Stock Purchase Agreement. In addition to the customary representations, warranties and other provisions, the Preferred Stock Purchase Agreement:

required Barron, as the investor in the preferred stock on the one hand, and the five (5) former shareholders of CSI South Carolina, collectively on the other hand, to make subordinated loans to the Company in the amount of approximately $1.9 million each. Barron s loan was funded with cash at closing and was substantially utilized to fund the merger consideration. The loans by

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the former CSI South Carolina shareholders were funded by merger consideration which otherwise would have been payable in cash;

provided that Barron waived reimbursement of certain prepaid expenses in the amount of $81,736.50, so as to provide the Company with funds to apply toward its legal expenses relating to the sale of the preferred stock and related transactions;

provided for the delivery of the two Warrants;

required that the merger be consummated immediately prior to the sale of the preferred stock and the Warrants;

required the execution and continued effectiveness of the Registration Rights Agreement;

obligates us to continue to report to the Commission under Section 15(d) of the Securities Exchange Act of 1934, as amended, or register under Section 12(b) or (g) thereunder;

prohibits us from issuing any shares of our preferred stock for a period of three years, which preferred stock is convertible into shares of our common stock other than on a conversion ratio which is fixed, with certain exceptions;

prohibits us for a period of three years from issuing any convertible debt;

prohibits us for a period of three years from entering into any transactions that have reset features that result in additional shares being issued;

requires us within 90 days to employ a chief financial officer who has experience with public companies, and provides for liquidated damages for our failure to comply;

provides that, until such time as all of the preferred stock shall have been converted into common stock, Barron and the five former shareholders of CSI South Carolina, Inc. will have the right to participate in any subsequent funding by the Company on a pro rata basis at 80% of the offering price;

prohibits any insiders, including all of our officers and directors, from selling any shareholdings for a period of two years;

for two years, prohibits any employment and consulting contracts from containing any provisions for: bonuses not related directly to increases in earnings; any car allowances not approved by the unanimous vote of the board of directors; any anti-dilution or reverse split provisions for shares, options or warrants; any deferred compensation, any unreasonable compensation or benefit clauses; or any termination clauses paying over 18 months of salary;

requires that we give Barron 70 days notice before the sale of all or substantially all of our assets or any merger or consolidation; and

prohibits any variable rate or other transaction whereby a purchaser of securities is granted the right to receive additional shares based upon future transactions of the Company on terms more favorable than those granted to such investor in the investor s current offering.

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The Preferred Stock Purchase Agreement also required the Company to file, as a part of its Certificate of Incorporation, the Certificate of Designation, Rights and Preferences mentioned above which sets forth the terms and rights of the holders of the Series A preferred stock.

In addition to the terms of the Warrants discussed above, the Warrant agreements provide that:

- the Warrant may be exercised on a cashless basis;
- that the holder of the Warrant shall not be entitled to exercise the Warrant if such exercise would result in such holder and its affiliates being the beneficial owner of more than 4.99% of the outstanding shares of the common stock of the Company on the date of exercise, provided that such restriction may be revoked upon 61 days notice from the holder to the Company;
- the exercise price and the number of shares for which the Warrant is exercisable will be adjusted for stock splits, stock dividends, recapitalization, reorganizations, consolidations, mergers, and similar events; and
- the Company must give the Warrant holder 70 days notice prior to the sale of all or substantially all of the assets of the Company or any merger or consolidation.

D. Our Niche in the Governmental Technology Market

There are approximately 3100 counties, 36,000 cities and towns and more than 14,000 school districts in the United States. Each of these organizations is a potential candidate for an integrated financial management system as well as for various technology services and products. Since many local governments are moving toward outsourcing of IT services, even more opportunities are available for CSI services.

According to IDC, a subsidiary of International Data Group, Inc. (the parent company of IDG News Service), the accounting application market will reach total industry sales of approximately $4.08 billion in 2005. U.S. public schools will substantially increase their IT-related expenditures as technology and traditional education resources become interwoven. According to IDC, IT spending for K-12 schools is projected to reach $9.5 billion by the 2005-2006 academic year. Fueling this growth will be investment intended to meet the changing educational and administrative needs of schools and districts. Computer hardware will continue to make up the largest share of district technology budgets, accounting for 26% of spending in the 2005-2006 academic year.

E. Product and Services

CSI Fund Accounting Software

Prior to 1999, our proprietary fund accounting system was a DOS based product. In July 1999, we released a Windows® based version of the system as CSI Accounting+*Plus*. This product was written with Microsoft s Visual FoxPro® database, a relational database, and utilizes Crystal Reports®, an industry standard report generator. Over the next four years, approximately 120 software clients upgraded from the DOS based system to the new product. For our clients, this upgrade process included data conversion, installation and training on the new system and, in many cases, a hardware upgrade. The CSI Accounting+*Plus* system has also been installed in approximately 100 new clients during the period from 1999 to 2004. In addition to software sales, we offer ongoing customer support for the accounting software. This support is provided under a Guaranteed Service Agreement, providing the client with phone support, online user assistance and routine updates to the software.

The CSI Accounting+*Plus* system is currently being rewritten with Microsoft s .NET and SQL database technologies. This new version will provide improved performance, scalability, more flexible data access and native XML web support. SQL and .NET have become the industry standards for software development. We anticipate that the first components of this new version will be available for release by the 3rd quarter of 2006. At that time, we plan to begin upgrading existing clients to the new version and begin marketing this version to new clients. The current CSI product contains the functionality required by our clients but moving to the SQL and .NET platform will allow us to be more competitive on both a regional and national level.

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A new software service option called Service +*Plus* has also been developed. This plan will provide the normal coverage of a Guaranteed Service Agreement but will also include version protection: clients will get new major releases of the software without additional fees. Service+*Plus* will also provide clients free attendance to webinars, free user conference attendance, one free Crystal Reports training class each year, disaster recovery (off-site data storage) and discounts on additional software modules, training and engineering services.

We also partner closely with AIG Technology Inc. to enhance the functionality of its accounting software. AIG Technology is a developer of document workflow systems. Through this partnership, we offer our clients enhanced printing, faxing and emailing capabilities (Doc e Serve), document imaging (Doc e Scan) and the routing of documents across the web for distribution and approval (Doc e Fill). CSI markets the AIG product line and receives a commission for the sales of these products and services.

The CSI Accounting+*Plus* software suite is designed as a modular solution. The modules are sold separately to enable customers to pick and choose only those modules that are needed to provide desired functionality. The modules in the software suite are shown in the following table:

Accounting Modules	***Specialty Modules***