VillageEDOCS, Inc. and subsidiaries
Condensed Consolidated Balance Sheets

	June 30, 2011 (unaudited)	December 31, 2010 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 200,126	$ 134,092
Accounts receivable, net of allowance for doubtful		
accounts of approximately $25,000 and $51,000, respectively	770,258	490,714
Prepaid expenses and other current assets	68,157	103,776
Total current assets	1,038,541	728,582
Property and equipment, net	161,897	194,625
Other assets	25,023	25,023
Goodwill	4,523,527	4,523,527
Other intangibles, net	2,017,083	2,304,370
	$ 7,766,071	$ 7,776,127
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 251,275	$ 328,929
Current portion of accrued expenses and other liabilities	546,826	589,121
Deferred revenue	1,033,830	808,429
Capital lease obligations, current	43,460	51,388
Lines of credit	400,000	508,025
Current portion of notes payable	100,000	-
Current portion of notes payable to related parties	1,107,310	449,555
Total current liabilities	3,482,701	2,735,447
Accrued expenses and other liabilities, net of current portion	-	136,569
Notes payable to related parties, net of current portion	-	159,943
Derivative liability	4,650	4,650
Total liabilities	3,487,351	3,036,609
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.0001 per share:		
Authorized -- 1,000,000,000 shares		
Issued and outstanding --392,730,782 shares	39,273	22,881
Additional paid-in capital	34,898,859	34,136,817
Accumulated deficit	(30,659,412)	(29,420,180)
Total stockholders' equity	4,278,720	4,739,518
	$ 7,766,071	$ 7,776,127

VillageEDOCS, Inc. and subsidiaries
Condensed Consolidated Statements of Operations

	Six Months Ended June 30,	
	2011 (unaudited)	**2010 (unaudited)**
Net revenues	$ 3,369,842	$ 3,572,267
Cost of revenues	1,091,104	1,104,863
Gross profit	2,278,738	2,467,404
Operating expenses:		
Product and technology development	617,455	713,761
Sales and marketing	493,916	683,832
General and administrative	1,198,767	1,536,790
Depreciation and amortization	347,269	326,445
Total operating expenses	2,657,407	3,260,828
Loss from continuing operations	(378,669)	(793,424)
Interest expense, net of interest income	(799,301)	(27,861)
Other income, net	(49,496)	(3,831)
Loss from continuing operations before provision for income taxes	(1,227,466)	(825,116)
Provision for income taxes	11,766	-
Loss from continuing operations	(1,239,232)	(825,116)
Loss from discontinued operations (net of income tax provision of $0 and $0, respectively)	-	-
Net loss	$ (1,239,232)	$ (825,116)
Net loss available to common shareholders		
Basic	$ (1,239,232)	$ (825,116)
Diluted	$ (1,239,232)	$ (825,116)
Basic earnings (loss) per share:		
Loss from continuing operations	$ -	$ -
Income from discontinued operations	$ -	$ -
Net loss per share, basic	$ -	$ -
Diluted earnings (loss) per share:		
Loss from continuing operations	$ -	$ -
Income from discontinued operations	$ -	$ -
Net loss per share, diluted	$ -	$ -
Weighted average shares outstanding -		
Basic	324,203,395	225,701,862
Diluted	324,203,395	225,701,862

VillageEDOCS, Inc. and subsidiaries
Condensed Consolidated Statement of Cash Flows

	Six Months Ended June 30, 2011 (unaudited)
Cash Flows from Operating Activities:	
Net loss	$ (1,239,232)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	
Depreciation and amortization	347,269
Provision for (recovery of) doubtful accounts receivable	26,000
Estimated fair value of stock options issued to employees for services rendered	62,690
Estimated fair value of warrants issued to consultants	-
Gain on sale of TBS	(173,575)
Estimated fair value of stock issued for loan origination	715,744
Amortization of debt discount and debt issuance costs	-
Changes in operating assets and liabilities:	
Accounts receivable	(305,544)
Inventories	-
Prepaid expenses and other current assets	35,619
Other assets	-
Accounts payable	(77,654)
Accrued expenses, other liabilities and interest	(178,864)
Deferred revenue	225,401
Net cash (used in) provided by operating activities	(562,146)
Cash Flows from Investing Activities:	
Cash acquired from sale of TBS, net	173,575
Purchases of property and equipment	(27,254)
Net cash used in investing activities	146,321
Cash Flows from Financing Activities:	
Proceeds from (payments on) lines of credit, net	(108,025)
Proceeds from convertible notes payable to related parties, net	618,669
Proceeds from notes payable	100,000
Payments on notes payable to related parties	(120,857)
Payments on capital lease obligations	(7,928)
Net cash provided by (used in) financing activities	481,859
Net change in cash and cash equivalents	66,034
Cash and cash equivalents, beginning of period	134,092
Cash and cash equivalents, end of period	$ 200,126
Supplemental disclosure of cash flow information -	
Cash paid during the period for:	
Interest	$ 44,392
Income taxes	$ 11,766