COMPUTER SERVICES, INC.

A Kentucky Corporation

3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361
Corporate Website: www.csiweb.com

SIC Code: 7374

Quarterly Report

For the period ending November 30, 2019
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 27,665,804 as of January 14, 2020.

The number of shares outstanding of our Common Stock was 27,692,736 as of February 28, 2019.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: [ ]   No: [✓]

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: [ ]   No: [✓]

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: [ ]   No: [✓]

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED NOVEMBER 30, 2019

All information contained in this Quarterly Report has been compiled to fulfill the disclosure requirements of OTC Markets Group, Inc. and Rule 15c2-11 under the Securities Exchange Act of 1934. The captions contained herein correspond to the sequential format as set forth in the applicable disclosure guidelines of OTC Markets Group, Inc. All dollar amounts are presented in thousands, except dividend and other per share data. Quantitative share data, among other non-dollar figures, are not presented in thousands. Computer Services, Inc. and its subsidiaries are referred to as “CSI” or the “Company” or “we”.

Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. All statements except historical statements contained herein constitute “forward-looking statements.” Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially. Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI’s operations, customers, markets, services, products and prices; (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach of our security; and (iii) other factors discussed in CSI's Annual Reports, Quarterly Reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website (available at www.otcmarkets.com), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. Except as required by law or OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this document beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED NOVEMBER 30, 2019

Item 1: Exact name of issuer and address of its principal executive offices.

Name of Issuer:	Computer Services, Inc. ("CSI", the "Company", "We", "Us", or "Our")
Principal Executive Offices:	3901 Technology Drive Paducah, Kentucky 42001-5201
	Telephone: 270.442.7361 Facsimile: 270.442.9905 Website: www.csiweb.com
Investor Relations Officer:	Brian K. Brown, Treasurer & CFO
	3901 Technology Drive Paducah, Kentucky 42001-5201
	Telephone: 270.442.7361 x10689 Facsimile: 270.575.6716 Email: brian.brown@csiweb.com

Item 2: Shares outstanding.

The following table sets forth information concerning each authorized class of equity securities of Computer Services, Inc. as of November 30, 2019:

SECURITIES AUTHORIZED AND OUTSTANDING

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (public float)	Total Number of Beneficial Shareholders (1)	Total Number of Shareholders of Record
Common	11/30/2019	60,000,000	27,673,760	26,926,314	3,949	262
Preferred	11/30/2019	5,000,000	-	-	-	-

(1) Estimate of individual participants represented by security position listings. Based on such estimate, more than 100 beneficial shareholders each own at least 100 shares of common stock.

Item 3: Interim Financial Statements.

COMPUTER SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2019	2018	2019	2018
Total Revenues	$ 72,115	$ 67,638	$ 211,483	$ 199,593
Operating expenses	57,202	53,376	165,118	159,642
Operating income	14,913	14,262	46,365	39,951
Non-Operating Income	-	235	57	4,093
Interest income, net	323	234	1,016	523
Income before income taxes	15,236	14,730	47,438	44,567
Provision for income taxes	3,200	3,349	9,797	10,087
Net income	$ 12,037	$ 11,381	$ 37,641	$ 34,480
Earnings per share	$ 0.43	$ 0.41	$ 1.36	$ 1.24
Shares used in computing earnings per common and common equivalent share	27,685,814	27,807,716	27,693,661	27,845,592

See accompanying notes to consolidated financial statements.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED NOVEMBER 30, 2019

COMPUTER SERVICES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	11/30/2019	2/28/2019	11/30/2018
	(Unaudited)	*(Audited)*	*(Restated)*
ASSETS			
Current assets			
Cash and cash equivalents	$70,206	$56,553	$60,752
Accounts receivable	35,855	38,727	34,627
Income tax receivable	-	1,666	99
Prepaid expenses and other current assets	22,016	18,675	17,528
Total current assets	128,077	115,621	113,006
Property and equipment, net of accumulated depreciation	44,725	41,600	39,579
Software and software licenses, net of accumulated amortization	19,340	19,562	21,188
Right of use assets - leases	7,914	-	-
Goodwill	60,115	60,115	60,115
Intangible assets	4,219	4,712	4,876
Other assets	69,261	54,871	46,382
Total assets	$333,651	$296,482	$285,147
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$8,829	$8,282	$7,823
Accrued expenses	52,983	35,264	40,275
Right of use assets - lease liabilities, short-term	2,243	-	-
Deferred revenue	9,895	13,857	8,484
Income tax payable	1,742	-	-
Total current liabilities	75,693	57,403	56,582
Long-term liabilities			
Deferred income taxes	17,787	17,787	15,675
Post retirement benefits	254	447	5,599
Right of use assets - lease liabilities, long-term	5,979	-	-
Other long-term liabilities	1,984	2,041	1,977
Total long-term liabilities	26,003	20,275	23,252
Total liabilities	101,696	77,677	79,834
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued			
Common stock, no par; 60,000,000 shares authorized;			
27,673,760 shares issued as of November 30, 2019;			
27,692,736 shares issued as of February 28, 2019;			
27,761,646 shares issued as of November 30, 2018;	30,053	28,253	28,125
Retained earnings	199,530	186,934	177,188
Accumulated other comprehensive income	2,371	3,617	-
Total shareholders' equity	231,954	218,805	205,313
Total liabilities and shareholders' equity	$333,651	$296,482	$285,147

See accompanying notes to consolidated financial statements.

COMPUTER SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Equity
(Unaudited)
(in thousands, except share and per share data)

	Nine Months Ended November 30, 2019					
	Common Stock		Retained		Restricted	
	Shares	Amount	Earnings	AOCI	Stock	Total
Balance at February 28, 2019	27,692,736	$ 32,221	$ 186,934	$ 3,617	$ (3,968)	$ 218,805
Net income	-	-	37,641	-	-	37,641
Cash dividends paid ($0.57 per share)	-	-	(15,788)	-	-	(15,788)
Cash dividends payable ($0.21 per share)	-	-	(5,814)	-	-	(5,814)
Issuance of common stock	7,763	318	-	-	-	318
Issuance of restricted stock	71,125	2,493	-	-	(2,493)	-
Restricted stock vested	-	-	-	-	1,602	1,602
Restriced stock forfeited and tax benefit	(492)	(12)	-	-	12	-
Other comprehensive income, net	-	-	-	(1,246)	-	(1,246)
Purchase of common stock	(82,206)	(89)	(2,904)	-	-	(2,993)
Tax withholding related to share-based compensation	(15,166)	(31)	(539)	-	-	(570)
Balance at November 30, 2019	**27,673,760**	**$ 34,901**	**$ 199,530**	**$ 2,371**	**$ (4,847)**	**$ 231,954**

See accompanying notes to consolidated financial statements.

COMPUTER SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended November 30,	
	2019	**2018**
Cash flows from operating activities		
Net income	$ 37,641	$ 34,480
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	6,562	6,080
Amortization	7,803	7,052
Restricted stock expense	2,662	2,271
Stock-based compensation expense	318	253
(Gain)/Loss on disposal of assets	2	138
(Gain)/Loss on sale of investment	(57)	(4,093)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	1,970	(3,177)
Prepaid expenses and other current assets	(1,560)	1,239
Other assets	(3,880)	5,755
Accounts payable and accrued expenses	(2,478)	(4,794)
Deferred revenue	(3,957)	(1,424)
Income tax payable	3,408	3,752
Other liabilities	68	(52)
Net cash from operating activities	48,502	47,482
Cash flows from investing activities		
Purchase of property and equipment	(9,689)	(8,619)
Purchase of software and software licenses	(6,859)	(4,562)
Proceeds from Sale of Investment	1,050	4,600
Net cash from investing activities	(15,498)	(8,580)
Cash flows from financing activities		
Payments of dividends	(15,788)	(13,653)
Purchase of common stock	(3,038)	(4,726)
Tax withholding related to share-based compensation	(525)	(432)
Net cash from financing activities	(19,351)	(18,811)
Net change in cash and cash equivalents	13,653	20,091
Cash and cash equivalents, beginning of period	56,553	40,661
Cash and cash equivalents, end of period	$ 70,206	$ 60,752

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1. NATURE OF BUSINESS

Computer Services, Inc., including its subsidiaries, ("CSI" or the "Company") delivers core processing, digital banking, managed services, payments processing, print and electronic distribution, and regulatory compliance solutions to financial institutions and corporate entities across the nation. Technology planning, personal account management and exceptional customer service are what CSI believes have established its reputation as one of the nation's premier providers of technology solutions for the financial services industry. In addition to core processing, the Company's integrated banking solutions include: check imaging; cash management; branch and merchant capture; mobile and Internet banking; print and mail, and electronic document delivery services; corporate intranets; secure Web hosting; e-messaging; teller and platform services; ATM and debit card service and support; and payments solutions. For both financial institutions and corporate customers generally, the Company offers: cybersecurity risk assessment; network management; cloud-based managed services; and compliance software and services for regulatory compliance, homeland security, anti-money laundering, anti-terrorism financing and fraud prevention.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements include the accounts of CSI and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include deferred income taxes and the carrying value of goodwill.

Cash Equivalents: Cash equivalents consist of highly liquid investments with original maturities of 90 or fewer days.

Accounts Receivable: Accounts receivable consist primarily of amounts due from bank customers for data processing services. Interest is not charged on receivables. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. As of November 30, 2019 and 2018, an allowance for doubtful accounts of $69 and $100, respectively have been recorded.

Property and Equipment: As of November 30, 2019 and 2018, property and equipment consisted of:

	2019	2018
Land	**$ 1,716**	$ 1,716
Building and Improvements	**29,897**	28,807
Equipment	**77,586**	71,923
Construction-in-progress	**6,085**	1,446
	115,284	103,892
Less accumulated depreciation	**(70,558)**	(64,312)
Balance, end of period	**$ 44,725**	$ 39,579

Depreciation: Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives for buildings are 40 years, and useful lives for equipment range from three to ten years.

Software and Software Licenses and Related Amortization: Software and software licenses include the capitalization of certain costs incurred to develop new software or to enhance existing software that is primarily utilized by the Company: to process customer transactions; software acquired in business acquisitions; and licenses that are purchased from third parties. Software and software licenses are amortized using the straight-line method over three to ten years or the life of the licenses. Total amortization expense for the three months ended November 30, 2019 and 2018 was $2,532 and $2,229, respectively.

Long-Term Assets: Property and equipment, intangible assets subject to amortization and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. Management determined there were no events in the current quarter indicating impairment. Property and equipment, software and other assets acquired through accounts payable and accrued expenses during the fiscal quarters ended November 30, 2019 and 2018 were $373 and $200, respectively.

Deferred Contract Costs: Deferred contract costs are the incremental costs that are directly associated with definitive term contracts with customers. The costs are deferred and amortized over the terms of the related customer contracts, which are typically 36 to 120 months. Other assets on the accompanying consolidated balance sheets are predominantly comprised of deferred contract costs and total $64,469 at November 30, 2019. The current portion of deferred contract costs is included in prepaid expenses and other current assets on the accompanying consolidated balance sheets and total $11,161 at November 30, 2019. The Company believes this is the preferable method of accounting as these customer acquisition and related integration costs are so closely related to the revenue from the definitive term customer contracts that they should be recorded as an asset and charged to expense over the same period that the revenue is recognized. Amortization of deferred contract costs is included in operating expenses on the accompanying consolidated statements of income.

Goodwill and Other Intangible Assets: The Company records as goodwill the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill acquired in a purchase business combination is not amortized, but instead reviewed for impairment at least annually, as well as when an event-triggering impairment may have occurred. The Company adopted Accounting Standards Update (ASU) 2017-04 during the year-ended February 28, 2019, which removes Step 2 of the goodwill impairment test. Under the new guidance, the Company performs a qualitative assessment of the reporting unit. An impairment charge will be recognized for the amount by which a reporting unit's carrying amount of goodwill allocated to the reporting unit. The Company has elected to perform its annual analysis as of the end of each fiscal year. No impairment was identified for years ended February 28, 2019 and 2018.

No impairment was determined and, accordingly, no change in the carrying amount of goodwill was recorded during the three months ended November 30, 2019.

Intangible assets not subject to amortization primarily consist of governmental licenses to operate a telecommunications competitive local exchange carrier. Intangible assets not subject to amortization totaled $164 as of both November 30, 2019 and 2018.

Other intangible assets primarily consist of customer relationships, non-compete agreements, patents, trade names and developed technology arising from acquisitions. The intangibles are amortized on a straight-line method over three to 16 years.

The carrying amounts of intangibles subject to amortization as of November 30, 2019 and 2018 were as follows:

	2019	2018
Customer relationships	$ 11,593	$ 11,593
Non-compete agreements	1,700	1,700
Patents	427	427
Trade name	530	530
Developed technology	370	370
Other	216	216
	14,836	14,836
Less accumulated amortization	10,782	10,124
Balance, end of period	$ 4,054	$ 4,712

Total amortization expense for the three months ended November 30, 2019 and 2018 was $164 and $164, respectively.

Earnings Per Common Share: Earnings per common share is based on net income available to common shareholders divided by the weighted average number of common shares considered to be outstanding during the period. The weighted average number of common shares outstanding was 27,685,814 and 27,807,716 for the fiscal quarters ended November 30, 2019 and 2018, respectively; the November 30, 2018 figure reflects the April 30, 2019 two-for-one stock split.

Income Taxes: The provision for deferred income taxes is established using the liability method whereby deferred tax assets are recognized for deductible temporary differences, and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, some portion or all of the deferred tax assets will, more likely than not, not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates on the date of enactment.

When tax returns are filed, some positions taken are highly likely to be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be sustained ultimately. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes the position will, more likely than not, be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before fiscal 2016.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes on the accompanying consolidated statements of income.

Revenue Recognition and Deferred Revenue: The Company generates revenue through the sale of data processing services, equipment and supplies, maintenance contracts, software, *e*Business services, and other service products. The Company enters into contracts with its customers varying from one to ten years in length. Revenues are recognized as services are provided on these contracts. The company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer which may be at a point in time or over time. Standard contracts generally contain an early contract termination clause that allows the Company, if the customer terminates the Company's services prior to the end of the contract term, to collect as liquidated damages a percentage of the anticipated revenues that would have been earned during the remaining contract term. Revenues from early contract termination fees are recognized as operating income in the period when the Company has completed its performance obligations to the customer. Total early contract termination fees recorded as a component of revenues in the accompanying consolidated financial statements for the three months ended November 30, 2019 and 2018 were $998 and $3,031, respectively.

Deferred revenue consists primarily of payments received from customers for annual software licenses and software maintenance agreements. These revenues are recognized on a straight-line method on a 12 to 60 month rolling basis as the revenues are earned.

The Company records revenue under certain contracts for postage and telecommunications net of the related expenses. The Company provides these services as a convenience to its customers and provides these services at the Company's cost. The total pass-through revenues for these services for the three months ended November 30, 2019 and 2018 were $11,473 and $11,771, respectively.

The Company adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, effective March 1, 2018 utilizing the modified retrospective transition method applied to all contracts. The reported results for the three months ended August 31, 2018 reflect the application of ASC 606, *Revenue from Contracts with Customers*. The cumulative impact of the change in method as adopted under ASC 606 resulted in an increase to the opening balance to retained earnings of $4,764, primarily consisting of costs to fulfill or obtain customer contracts in prior periods.

Postretirement Benefit Obligation: The Company's postretirement benefit obligation was measured and calculated using generally accepted actuarial methods. The Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification (ASC) requires the Company to recognize the funded status of its postretirement benefit in the consolidated balance sheets with corresponding charges for net periodic postretirement benefit cost to operations and net actuarial gains and losses to other comprehensive income.

As of November 30, 2019, the postretirement benefit obligation has benefit obligations of $511 and employer contributions to the plan and benefits paid from the plan of $145. Current liabilities of $258 and noncurrent liabilities of $254 were recorded. Other comprehensive income was $2,371, net of tax. A discount rate of 3.55% was assumed.

As of November 30, 2019, Other Comprehensive Income amortization of $1,246 has been recognized on the Income Statement.

Fair Value of Financial Instruments: The fair value approximates the carrying value for all financial instruments.

Concentration of Credit Risk: The Company maintains cash balances at several financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses and does not believe it is exposed to any significant credit risk with respect to these cash deposits. In addition, the Company has entered into a deposit placement program that distributes a substantial portion of the Company's funds among different select FDIC-insured financial institutions to avoid the effect of the insurance limits at any single institution.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. It also includes guidance on accounting for the incremental costs of obtaining and costs incurred to fulfill a contract with a customer. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, which was the principle in previous guidance. The Company must also apply the new guidance to determine whether revenue should be recognized over time or at a point in time. This standard became effective for the Company beginning March 1, 2018. The Company had the option of adopting the standard using either of two methods: *(a)* retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or *(b)* retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company selected the latter transition method, and the effects of the adoption of ASU 2014-09 are included in its consolidated financial statements beginning with the first interim report for the three months ended May 31, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize the following for all leases other than short-term leases, initially measured at the present value of the lease payments, at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use the underlying asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. Early application is permitted. In the financial statements in which an entity first applies ASU 2016-02, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The company adopted the new standard effective March 1, 2019. Under this method, the Company will not adjust its comparative period financial statements for the effects of the new standard or make the new, expanded required disclosures for periods prior to the effective date. The adoption of ASU 2016-02 did not have a material impact on the Company's consolidated statements of income or consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 was effective for the Company on March 1, 2019. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company has evaluated the effect of the standard on its Statement Cash Flows and does not believe there is an impact for the quarter ending November 30, 2019.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 removes Step 2 of the goodwill impairment test. Under the new guidance, the Company will perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge will be recognized for the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill allocated to the reporting unit. ASU 2017-04 will be effective for the Company on March 1, 2021. Early adoption is permitted for annual goodwill impairment tests performed on testing dates after January 1, 2017. The company adopted ASU 2017-04 during the year-ended February 28, 2019, which removed Step 2 of the goodwill impairment test. Under the new guidance, the Company performed its annual goodwill impairment test performing the qualitative assessment of the reporting unit. For further discussion, refer to Goodwill and Other Intangible Assets in the Accounting Policies section.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Under ASU 2017-09, an entity does not apply modification accounting if the fair value, vesting conditions, and classification of the award are the same immediately before and after the award is modified. ASU 2017-09 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted in any interim period. Entities must apply the standard prospectively. ASU 2017-09 was effective for the Company beginning with this first interim report for the three months ended May 31, 2018 and had no impact.

Interim Financial Statements: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim consolidated financial statements and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes thereto, which are included in its 2019 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com.

In the opinion of management of the Company, the accompanying consolidated financial statements reflect all adjustments necessary to present fairly the financial position of the Company as of November 30, 2019 and 2018, the results of its operations for the three- and nine-month periods ended November 30, 2019, and its changes in equity and its cash flows for the nine-month periods ended November 30, 2019 and 2018.

The interim consolidated financial statements have not been audited or reviewed by independent auditors. Accordingly, our independent auditors are not expressing an opinion on them, or expressing any form of assurance on them.

NOTE 3. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

As previously reported, the Company has restated its annual consolidated financial statements as of February 28, 2018 and 2017, to record a liability associated with the Company's program for qualified retiree medical benefits. The liability (current and long-term) and effect on cumulative retained earnings and deferred income taxes was not recorded within the Company's consolidated financial statements prior to restatement. The Company has determined that the postretirement benefit expense and impact on income tax expense was not material to the consolidated income statements or consolidated statements of cash flows for the quarter ended November 30, 2018, and no adjustments to such statements were recorded. Consequently, the restatement had no impact on any line items presented in the consolidated statements of income or consolidated statements of cash flows for the quarter ended November 30, 2018.

NOTE 4. LAND AVAILABLE FOR RESALE

The cost of land available for resale of $1,347 as of both November 30, 2019 and 2018, primarily represents costs associated with the development of an office park in Paducah, Kentucky. These costs are allocated to each lot based upon each lot’s proportionate share of salable acreage. The project is substantially complete and any future associated costs will not be material. As of November 30, 2019 and 2018, land available for resale was included in other assets on the accompanying consolidated balance sheets.

NOTE 5. INCOME TAXES

The Company’s effective tax rates were 21.00% and 22.73% for the three months ended November 30, 2019 and 2018, respectively. These effective tax rates differed from the statutory federal tax rate of 21.00% for the three month periods ended November 30, 2019 and 2018 due primarily to state income taxes as well as other tax deductions and credits. Cash paid for income taxes during the three months ended November 30, 2019 and 2018 was $3,544 and $2,062, respectively.

NOTE 6. NOTES PAYABLE

The Company has a $15,000 commercial revolving line of credit. Interest is payable monthly at one-month LIBOR plus 0.90% (2.60% and 3.25% as of November 30, 2019 and 2018, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of November 30, 2019 and 2018. The line of credit was renewed in February 2018 and expires in January 2021.

The Company also has a $5,000 commercial revolving line of credit. Interest is payable monthly at prime minus 1.30% (3.45% and 3.95% as of November 30, 2019 and 2018, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of November 30, 2019 and 2018. The line of credit was renewed in August 2019 and expires in August 2020.

The Company is required to comply with certain obligations under the terms of its borrowing agreements. These provisions require the submission of certain certifications, prohibit certain transactions and require the Company to meet certain financial covenants.

NOTE 7. COMMON AND RESTRICTED STOCK

Shareholders’ Rights Plan

The Company has a shareholders’ rights plan that granted to shareholders one preferred stock purchase right (“Right”) for each outstanding share of the Company’s common stock. Each Right entitles the purchase of one one-hundredth of a share of Series A preferred stock at a price determined by, and under the conditions set forth in, the Amended and Restated Rights Agreement. Because the issuance of Rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company’s Board of Directors, the Company’s rights plan could make an acquisition of the Company (or a significant percentage of its outstanding capital stock) by a third party without first negotiating with the Board more difficult. The Rights expire on January 28, 2022, unless extended or reissued by the Board.

Share Repurchase Program

The Board of Directors has authorized, from time-to-time, the Company to repurchase shares of its common stock. Under these authorizations, the Company may finance its share repurchases with available cash or borrowings under its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At November 30, 2018, the Company had the authority to repurchase additional shares for up to $3,462. At November 30, 2019, the Company had the authority to repurchase additional shares for up to $8,400.

NOTE 8. STOCK-BASED COMPENSATION

Beginning in June 2013, the Company has authorized the issuance of common stock to members of the Company's Board of Directors for services performed. Compensation expense recognized for common stock issued for services provided by members of the Board of Directors and fully vested was $318 and $253 for the nine months ended November 30, 2019 and 2018, respectively.

Beginning in June 2004, the Company has authorized, from time-to-time, the issuance of restricted stock to certain key employees under the Computer Services, Inc. Restricted Stock Plan. The shares vest ratably in four equal installments beginning one year from the date of the grant. During the vesting period, the participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are forfeited upon termination of employment, unless certain criteria are met.

The Company follows authoritative accounting guidance related to stock-based compensation, which addresses the accounting for stock-based employee plans. The standard requires that such transactions are accounted for using a fair-value based method of accounting.

The fair value of the restricted shares on the date of the grant is amortized ratably over the vesting period. Fair value of restricted shares granted is based on the closing price of Company common stock as of the date of the restricted stock grant. Unearned compensation initially recorded based on the market value of the shares on the date of grant is being amortized over four years.

The following is a summary of unearned compensation on restricted stock as of November 30, 2019, as well as activity for the nine months then ended:

Balance, February 28, 2019	$	3,968
Grant of restricted stock		
May 8, 2019		2,329
May 13, 2019		100
July 15, 2019		64
Restricted stock vested		(1,602)
Restricted stock forfeited		(12)
Balance, November 30, 2019	$	4,847

The following is a summary of unvested shares of restricted stock as of November 30, 2019, as well as activity for the nine months then ended:

	Shares		Weighted Average Grant Date Fair Value
Unvested balance, February 28,2019	177,066	$	22.41
Granted	71,125		35.05
Vested	(71,930)		22.27
Forfeited	(492)		23.65
Unvested balance, November 30, 2019	175,769	$	27.58

Compensation expense recognized under the Computer Services, Inc. Restricted Stock Plan was $2,662 and $2,271 for the nine months ended November 30, 2019 and 2018, respectively.

In the quarter ended November 30, 2019, the Company has recorded an expense of $1.06 million associated with the Company's program for restricted stock grants and stock compensation, a program in place since June 2004.

The expense was previously recorded within the Company's consolidated financial statements in a period that was not consistent with the period in which the employee's service for the award was earned. The Company has determined that the accumulated unrecorded stock compensation expense net of income tax expense, was $1.06 million as of November 30, 2019, and was not material to the consolidated financial statements or consolidated statements of cash flows. The $1.06 million expense adjustment, which was recorded in the quarter ended November 30, 2019, relates to the accumulation of prior periods' stock compensation expense that the Company had historically recorded in the reporting period subsequent to the period in which the expense related. The Company determined that the expense previously reported in prior reporting periods was not materially misstated in any given reporting period, and as such, no adjustments to such statements were recorded.

The Company has evaluated the effect of the additional expense on prior periods, both qualitatively and quantitatively, and concluded that it did not have a material impact on, nor did it require amendment of any previously filed annual or quarterly consolidated financial statements.

NOTE 9. CONTINGENCIES

The Company may, from time to time, be the defendant in litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, any currently pending or threatened litigation involving the Company is adequately covered by insurance or the ultimate outcome will not have a material impact on the financial position or results of operations of the Company.

NOTE 10. SUBSEQUENT EVENTS

All of the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date and before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading. The Company has evaluated events through January 14, 2020, the date the financial statements were available to be issued.

On September 18, 2019, the Company's Board of Directors authorized a cash dividend of 21 cents per share, or $5,811 in the aggregate, that was paid on December 26, 2019 to shareholders of record as of the close of business on December 2, 2019.

Item 4: Management's Discussion and Analysis.

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the accompanying unaudited consolidated financial statements to help provide an understanding of our results of operations, our financial condition and the changes in our financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Quarterly Report.

OVERVIEW

Our Business. We provide service and information technology solutions to meet the business needs of financial institutions and corporate entities, predominantly, in both service bureau and in-house environments. Our customer mix includes community banks, regional banks and multi-bank holding companies, and a variety of other business enterprises, each with a unique set of information, technology and service requirements.

We derive our revenues from: processing services, maintenance, and support fees; software licensing and installation fees; professional services; and equipment and supply sales. In addition to core processing, our integrated banking solutions include: mobile and Internet banking; check imaging; cash management; branch and merchant capture; print and mail, and electronic document delivery services; corporate intranets; secure Web hosting; e-messaging; teller and platform services; ATM and debit card service and support; payments solutions; cybersecurity risk assessment; network management; cloud-based managed services; and compliance software and services for regulatory compliance, homeland security, anti-money laundering, anti-terrorism financing and fraud prevention.

Market Conditions. We believe that financial institutions are increasingly focused on technology solutions that can help them win and retain customers, generate incremental revenue, enhance their operating efficiencies and comply with increasing regulatory burdens.

Legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018, as well as changes in the financial industry, has and will continue to result in numerous new or amended regulations impacting the financial industry. We cannot predict the ultimate effect of such legislation, regulations and industry changes on our customers and on us.

Merger and acquisition activity among community banks varies from time to time. Our bank customers are active in this market, resulting in both increased fees as our customers acquire other banks and higher early contract termination fees as customers are acquired by non-CSI customer banks. However, the early termination fees do not fully offset the future stream of lost revenues from the terminating banks.

Acquisitions. Our business strategy may include the acquisition from time-to-time of complementary businesses. Acquisitions may be financed by internally generated funds, debt, common stock or a combination of these. Our consolidated financial statements and results of operations reflect acquired business after the completion of the acquisition and are not restated. We account for acquired businesses using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

RESULTS OF OPERATIONS

The following table presents the percentage of revenues represented by each item in our unaudited consolidated statements of income and the percentage change in those items for the periods indicated:

COMPUTER SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(in thousand, except share and per share data)

			Change		Percentage of Revenues	
Three months ended November 30,	**2019**	**2018**	**Amount**	**Percentage**	**2019**	**2018**
Total revenues	$ 72,115	$ 67,638	$ 4,478	6.6%	100.0%	100.0%
Operating expenses	57,202	53,376	3,826	7.2%	79.3%	78.9%
Operating income	14,913	14,262	651	4.6%	20.7%	21.1%
Non-Operating Income	-	235	(235)	(100.0%)	0.0%	0.3%
Interest income (expense)	323	234	89	38.1%	0.4%	0.3%
Income before income taxes	15,236	14,730	506	3.4%	21.1%	21.8%
Provision for income taxes	3,200	3,349	(149)	(4.5%)	4.4%	5.0%
Net income	$ 12,037	$ 11,381	$ 655	5.8%	16.7%	16.8%
Earnings per share	$ 0.43	$ 0.41	$ 0.02	4.9%		
Shares used in computing earnings per common and common equivalent share	27,685,814	27,807,716	(121,902)	(0.4%)		

			Change		Percentage of Revenues	
Nine months ended November 30,	**2019**	**2018**	**Amount**	**Percentage**	**2019**	**2018**
Total revenues	$ 211,483	$ 199,593	$ 11,890	6.0%	100.0%	100.0%
Operating expenses	165,118	159,642	5,476	3.4%	78.1%	80.0%
Operating income	46,365	39,951	6,414	16.1%	21.9%	20.0%
Non-Operating Income	57	4,093	(4,036)	(98.6%)	0.0%	2.1%
Interest income (expense)	1,016	523	493	94.1%	0.5%	0.3%
Income before income taxes	47,438	44,567	2,871	6.4%	22.4%	22.3%
Provision for income taxes	9,797	10,087	(290)	(2.9%)	4.6%	5.1%
Net income	$ 37,641	$ 34,480	$ 3,161	9.2%	17.8%	17.3%
Earnings per share	$ 1.36	$ 1.24	$ 0.12	9.7%		
Shares used in computing earnings per common and common equivalent share	27,693,661	27,845,592	(151,931)	(0.5%)		

Revenues

Total revenues increased $4,478, or 6.6%, for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 and increased $11,890, or 6.0%, for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019. The growth in revenues benefited from higher sales of core processing, digital banking, regulatory compliance services and managed services. Revenues included approximately $998 in early contract termination fees in the third quarter of fiscal 2020 compared with $3,031 in the third quarter of fiscal 2019. Excluding the effect of the early contract termination fees from both periods, third quarter fiscal 2020 revenues increased approximately 10.1% compared with the third quarter of fiscal 2019. For the first nine months of fiscal 2020, revenues included early contract termination fees of $3,831 compared to early termination fees of $8,594 in the first nine months of fiscal 2019. Excluding the effect of the early contract termination fees from both periods, revenues for the first nine months of fiscal 2020 increased approximately 8.7% compared to the first nine months of fiscal 2019. The early contract termination fees are generated when a customer terminates its contract prior to the end of the contracted term, a circumstance that typically arises when an existing CSI customer is acquired by another financial institution that is not a CSI customer. These fees can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired.

Operating Expenses

Operating expenses increased $3,826, or 7.2%, for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 and increased $5,476, or 3.4%, for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019.

For both periods, the year-over-year increase in operating expenses was unfavorably impacted by a one-time charge of $1,060 related to a true-up to the timing of the expense recognition for restricted stock compensation.

For the first nine months of fiscal 2020, the year-over-year increase in operating expenses was favorably impacted by the following one-time expenses incurred during the second quarter of fiscal 2019:

- a $1.2 million one-time operating charge related to payments processing business transaction accounts; and
- $2.6 million in one-time compensation expenses related to the gain on the sale of an investment and the planned retirement of Company executives.

Excluding those one-time expenses incurred during the current and prior year periods, the year-over-year increase in operating expenses for both the third quarter and first nine months of fiscal 2020 was primarily due to:

- higher cost of goods sold, primarily related to higher related revenues;
- higher personnel expenses primarily due to higher staffing for the current year periods and the effect of typical annual salary adjustments;
- higher software amortization and hardware depreciation expenses due to new capital investments placed into service during the trailing 12-month period;
- higher marketing expenses; and
- higher travel expenses related to the timing of contract implementation cost deferrals.

Operating Income

Operating income increased $651, or 4.6%, for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 and increased $6,414, or 16.1%, for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019. Operating margins were 20.7% and 21.9% for the three- and nine-month periods ended November 30, 2019, respectively, compared to 21.1% and 20.0% for the three- and nine-month periods ended November 30, 2018, respectively.

Non-Operating Income

The company generated $0 and $57 in non-operating income during the three- and nine-month periods ended November 30, 2019, respectively, compared to $235 and $4,093 in non-operating income during the three- and nine-month periods ended November 30, 2018, respectively. The non-operating income during both fiscal years was due to the sale of an investment that generated approximately $5,650 in total consideration, of which $4,600 was received in the first nine months of fiscal 2019 and an additional $1,050 in delayed consideration was received in the first nine months of fiscal 2020.

Interest Income, net

Consolidated net interest income was $323 for the third quarter of fiscal 2020 and $1,016 for the first nine months of fiscal 2020 compared to $234 for the third quarter of fiscal 2019 and $523 for the first nine months of fiscal 2019 due to higher average invested cash balances and higher interest rates earned on cash balances.

Income Before Income Taxes

Income before income taxes increased $506, or 3.4%, for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 due to the decrease in non-operating income described above. For the first nine months of fiscal 2020, income before income taxes increased $2,871, or 6.4%, compared to the first nine months of fiscal 2019 despite the decrease in non-operating income.

Provision for Income Taxes

The provision for income taxes decreased to $3,200 for the third quarter of fiscal 2020 compared to $3,349 for the third quarter of fiscal 2019 primarily due to a lower effective tax rate. The provision for income taxes decreased to $9,797 for the first nine months of fiscal 2020 compared to $10,087 for the first nine months of fiscal 2019 for the same reason. The estimated consolidated effective income tax rate was 21.00% for the third quarter of fiscal 2020 compared to 22.73% for the third quarter of fiscal 2019. The estimated consolidated effective tax rate was 20.65% for the first nine months of fiscal 2020 compared to 22.63% for the first nine months of fiscal 2019.The decrease in the effective rate was due primarily to the timing of the recognition of certain deductions and credits taken in both fiscal years and a reduction in the company's estimation of potential future exposure related to certain ongoing federal and state tax audits.

Net Income

Net income increased 5.8% for the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019 and increased 9.2% for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019. Net income for the third quarter of fiscal 2020 was $12,037 or $0.43 per share on 27.7 million weighted average shares outstanding compared to $11,381 or $0.41 per share on 27.8 million weighted average shares outstanding for the third quarter of fiscal 2019. Net income for the first nine months of fiscal 2020 was $37,641, or $1.36 per share on 27.7 million weighted average shares outstanding compared to $34,480, or $1.24 per share on 27.8 million weighted average shares outstanding for the first nine months of fiscal 2019.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. The following table summarizes net cash from operating activities in the accompanying consolidated statements of cash flows for the first nine months of fiscal 2020 and 2019, respectively:

Summary of Operating Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended November 30,	
	2019	**2018**
Net income	$ 37,641	$ 34,480
Non-cash expenses	17,347	15,794
Change in receivables	1,970	(3,177)
(Gain)/Loss on sales of investment	(57)	(4,093)
Change in deferred revenue	(3,957)	(1,424)
Change in other assets and liabilities	(4,442)	5,901
Net cash from operating activities	$ 48,502	$ 47,482

Net cash provided by operating activities increased 2.2% for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019. The increase in operating cash flows was primarily due to higher net income for the first nine months of fiscal 2020 compared to the first nine months of fiscal 2019, which was partially offset by a decrease in deferred revenue during the first nine months of fiscal 2020, as well as a sizeable increase in other assets during the first nine months of fiscal 2020 compared to a sizeable decrease in the first nine months of fiscal 2019. Cash from operations is primarily used to fund capital expenditures; repay debt, if any; pay dividends; and repurchase stock.

Investing Activities. Net cash used by investing activities for the first nine months of fiscal 2020 was $15,498. The cash was used for purchases of equipment and software, partially offset by cash proceeds from the sale of an investment of $1,050 received during the period. Net cash used by investing activities for the first nine months of fiscal 2019 was $8,580, primarily used for purchases of equipment and software, partially offset by cash proceeds from the sale of an investment of $4,600 received during the period.

Financing Activities. Net cash used by financing activities for the first nine months of fiscal 2020 was $19,351 for dividends paid to shareholders of $15,788, and for the purchase and redemption of common stock of $3,563. Net cash used by financing activities for the first nine months of fiscal 2019 was $18,811 for dividends paid to shareholders of $13,653, and for the purchase and redemption of common stock of $5,158.

Credit Lines

The Company renewed an unsecured bank credit line on February 20, 2018 that provides for funding up to $15,000 and bears interest at a floating rate equal to one-month LIBOR plus 0.90% (2.60% and 3.25% at November 30, 2019 and 2018, respectively). The unsecured revolving credit agreement expires on January 31, 2021. At November 30, 2019, no amount was outstanding under the credit line.

The Company renewed an unsecured bank credit line on August 28, 2019 that provides for funding of up to $5,000 and bears interest at a floating rate equal to the prime rate minus 1.30% (3.45% and 3.95% at November 30, 2019 and 2018, respectively). The credit line expires on August 26, 2020. At November 30, 2019, no amount was outstanding under the credit line.

The credit agreements contain customary restrictive and financial covenants as well as customary events of default. The terms of the credit agreements also include standard provisions related to conditions of borrowing, including customary material adverse effect clauses which could limit our ability to borrow funds. We have not experienced a material adverse effect, and we know of no circumstances or events that would be reasonably likely to result in a material adverse effect. At this time, we do not believe the material adverse effect clauses pose a material funding risk to us.

Off Balance Sheet Arrangements

As of November 30, 2019, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Liquidity Requirements

We believe our cash balances, operating cash flows, access to debt financing and borrowing capacity, taken together, provide adequate resources to fund our ongoing liquidity requirements; to fund future expansion opportunities, capital expenditures and share repurchases; and to refinance debt, if any, as it matures.

Item 5: Legal proceedings.

The information required by this item is hereby incorporated by reference to Item 8.A(11) of the Company’s Annual Information and Disclosure Statement for the fiscal year ended February 28, 2019 as published by the OTC Markets Group, Inc. on the OTC Disclosure and News Service available on the OTCQX website (www.otcmarkets.com). No change in the status thereof has occurred through the time period covered by this Quarterly Report.

Item 6: Defaults upon senior securities.

None.

Item 7: Other information.

A. Sale and Purchase of Equity Securities:

The following table sets forth information concerning the equity securities of CSI issued from September 1, 2019 through the filing date of this Quarterly Report.

COMMON STOCK ISSUED

Date	Nature of Offering	Party Shares Issued To	Number of Shares Issued	Amount Paid to Issuer ($)	Trading Status of Shares	Certificates Issued with Restrictive Legends(1)
11/20/2019	Restricted Stock Grants	Non-Employee Directors (7 in Total)	3,103	-	Restricted	Yes

(1) The certificates evidencing the shares contain a legend stating that the shares have not been registered under the Securities Act of 1933, as amended, or any state securities laws and setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act of 1933 and/or a CSI Share Subscription and Restriction Agreement.

No equity securities of CSI were sold for cash and 82,206 equity securities of CSI were purchased during the nine months ended November 30, 2019. As reflected in the Condensed Consolidated Statement of Changes in Equity in Item 3, above, CSI redeemed 15,166 shares of common stock related to tax withholding payments as a part of share-based compensation during the nine months ended November 30, 2019.

Item 8: Exhibits.

A. Material Contracts:

Form of Termination Benefits Agreement dated as of December 12, 2019, by and between the Company and Brian K. Brown (Chief Financial Officer and Treasurer) is hereby incorporated by reference to the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2011. (Although the named officers are not the same, the form of Agreement is.)

B. Articles of incorporation and bylaws

The Articles of Incorporation and Bylaws of the Company were not amended in the period covered by this Quarterly Report.

Item 9: Certifications.

Please see Exhibits 9 (A) and 9 (B) at the end of this Quarterly Report.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED NOVEMBER 30, 2019

EXHIBIT 9 (A)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven A. Powless, principal executive officer of Computer Services, Inc. (the “Company”), certify that:

1. I have reviewed this Quarterly Report of the Company for the period ended November 30, 2019;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report.

Date: January 14, 2020

/s/ Steven A. Powless
Steven A. Powless
Chief Executive Officer

EXHIBIT 9 (B)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian K. Brown, principal financial officer of Computer Services, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report of the Company for the period ended November 30, 2019;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report.

Date: January 14, 2020

/s/ Brian K. Brown
Brian K. Brown
Chief Financial Officer