

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

Annual Report

For the period ending February 29, 2020
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 27,632,399 as of May 12, 2020.

The number of shares outstanding of our Common Stock was 27,673,760 as of November 30, 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.
ANNUAL REPORT—SUPPLEMENTAL DISCLOSURES
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All information contained in this Annual Information and Disclosure Statement 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. Quantitative share data for dates prior to April 30, 2019 are reflected on a pre-split basis, and quantitative share data for dates on or after April 30, 2019 are reflected on a post-split basis.

Forward-Looking Statements

This Annual Information and Disclosure Statement 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 operations, customers, markets, services, products and prices of Computer Services, Inc. ("CSI"); (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; (iii) risk factors affecting the United States economy generally including without limitation acts of terrorism, military actions including war, and viral epidemics and pandemics that alter human behaviors, including the COVID-19 pandemic and its effect on our business operations and financial results; (iv) increasing domestic and international regulation imposing burdensome requirements regarding the privacy of consumer data especially consumer financial transaction data of which CSI possesses substantial quantities; and (v) other factors discussed in the Company's annual reports, quarterly reports, news releases and other documents posted from time to time on the OTCQX website (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 the OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference herein 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.

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Part A: General Company Information

Item 1: Exact name of the issuer and its predecessor (if any)

Computer Services, Inc. (“CSI”, the “Company”, “we”, “us”, or “our”)

Item 2: Address of the issuer’s principal executive offices

Principal Executive Offices: 3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361
Facsimile: 270.442.9905
Web site: www.csiweb.com

Investor Relations Officer: Brian K. Brown, Treasurer & CFO

3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361 x10689
Facsimile: 270.442.9905
Email: brian.brown@csiweb.com

Item 3: Jurisdiction(s) and date of the issuer’s incorporation or organization

Jurisdiction of incorporation: Kentucky
Date of incorporation: March 19, 1965

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Part B: Share Structure

Item 4: Exact title and class of securities outstanding

A. Common

Title: Computer Services, Inc.
Class: Common Stock
CUSIP: 20539A105
Trading Symbol: CSVI

B. Preferred (authorized, but no shares issued or outstanding)

Title: Computer Services, Inc.
Class: Preferred Stock
CUSIP: n/a
Trading Symbol: n/a

Item 5: Par or stated value and description of the security

A. Par or Stated Value

Common: no par value
Preferred: no par value

B. Common or Preferred Stock

1. Common stock dividend, voting and preemptive rights:

Cash dividend: Cash dividends may be paid on Common Stock when and if declared by the Company's Board of Directors. Dividends are typically declared and paid quarterly, with the most recent dividend being 21 cents per share, paid on March 30, 2020.

Stock dividend: Stock dividends may be paid on Common Stock when and if declared by the Company's Board of Directors. Stock dividends are not declared with any defined regularity. The most recent stock dividend was a one share for one share dividend paid on April 30, 2019; cast as a stock split in the form of a stock dividend, the stock split ratio was 2-for-1.

Voting rights: Each share is entitled to one vote.

Preemptive Rights: None.

2. Preferred stock dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions:

N/A – no preferred shares outstanding.

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3. Describe any other material rights of common or preferred stockholders:

The Company has a shareholders' rights plan that granted to shareholders one preferred stock purchase right for each outstanding share of the Company's common stock. Each right entitles the purchase of one one-hundredth (1/100th) share of Series A preferred stock at a price determined by, and under the conditions set forth in, the rights plan. Because the issuance of the 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.

A shareholders' rights plan is a defense mechanism designed to prevent an unsolicited takeover attempt from a hostile third party. The shareholders' rights plan ensures that the Board of Directors will have ample time to consider its alternatives and formulate a measured response to any potential takeover attempt. A shareholders' rights plan is not intended to prevent a fair takeover. Instead, the shareholders' rights plan encourages any third-party acquiror to offer a fair control premium to the Company's existing shareholders.

4. Describe any provision in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer:

From the Company's Articles of Incorporation: The Board of Directors may base its response to any offer of another party to: (a) make a tender or exchange offer for any equity security of the Company, (b) merge or consolidate the Company with another corporation, or (c) purchase or otherwise acquire all or substantially all of the properties and assets of the Company (collectively, the "Acquisition Proposals") upon an evaluation of the best interests of the Company and its shareholders. Relevant factors to be considered in such evaluation include, without limitation, the following:

(a) The consideration being offered in the Acquisition Proposal, not only in relation to the then current market value of the Company's stock, but also in relation to (1) the Board of Directors' then current estimate (which need not be quantified) of the current or future value of the Company in a freely negotiated transaction, and (2) the Board of Directors' then current estimate (which need not be quantified) of the future value of the Company as an independent entity;

(b) The social, legal and economic effects upon employees and customers of the Company and its subsidiaries;

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(c) The social, legal and economic effects on the communities in which the Company and its subsidiaries operate or are located; and

(d) The competence, experience and integrity of the acquiring party or parties and its or their management.

In addition to the foregoing stakeholder or constituent considerations, the Company's Articles of Incorporation also contain certain statutory business combination provisions that mirror those of the Kentucky Business Corporation Act that may have an effect on certain transactions that could constitute a change in control of the Company. See also the discussion of the shareholders' rights plan in response to Part B, Item 5.B.3, above.

Item 6: Number of shares or total amount of the securities outstanding for each class of securities authorized

The following table sets forth information concerning the equity securities of the Company as of February 29, 2020 and February 28, 2019:

SECURITIES AUTHORIZED AND OUTSTANDING

Class	Fiscal Year	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	2020	60,000,000	27,654,865	26,926,929	4,065	256
	2019	60,000,000	27,692,736	26,905,154	3,540	268
Preferred	2020	5,000,000	-	-	-	-
	2019	5,000,000	-	-	-	-

(1) Estimate of individual participants represented by security position listings. Based on such security position listings, at least 100 beneficial shareholders each owns at least 100 shares of the Company's Common Stock.

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Item 7: Name and address of the transfer agent

Mail correspondence:
Computershare Limited
C/O Computershare Investor Services
P.O. Box 505008
Louisville, Kentucky 40233-9814

Overnight correspondence:
Computershare Limited
462 South 4th Street Suite 1600
Louisville, Kentucky 40202

Telephone: 888.522.6645
TTD for Hearing impaired: 800.231.5469
Shareholder website: <https://www-us.computershare.com/investor/>
Shareholder online inquiries: <https://www-us.computershare.com/investor/contact>

Computershare Limited is currently registered under the Securities Exchange Act of 1934 as an authorized transfer agent subject to regulation by the United States Securities and Exchange Commission.

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Part C: Business Information

Item 8: Nature of the issuer's business

A. Business Development

1. **Form of organization:** Corporation (Kentucky)
2. **Year organized:** 1965
3. **Fiscal year end date:** Last day of February
4. **Bankruptcy, receivership or any similar proceedings:** None.
5. **Material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets:** None.
6. **Default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring us to make payments:** None.
7. **Any change of control:** None.
8. **Any increase of ten percent (10%) or more of the same class of equity securities:** None, except pursuant to stock splits and/or stock dividends described in Part C, Item 8.A.9, below.
9. **Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:**
 - a. **Stock splits (including stock splits in the form of a stock dividend) and/or stock dividends ("%"):**

<u>Date</u>	
8/12/1965	Original issue
4/25/1972	25-for-1
4/23/1979	3-for-1
11/30/1988	2-for-1
6/30/1992	2-for-1
2/28/1995	2-for-1
12/14/1998	5%
12/13/1999	5%
12/31/2001	2-for-1
10/15/2004	2-for-1
4/30/2010	2-for-1
4/30/2019	2-for-1

- a.
 - b. **Recapitalizations:** None.

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- c. **Mergers and Acquisitions:** CSI has not made an acquisition during the three-year period ending February 29, 2020, nor during the subsequent period ending with the filing of this Annual Report.
- d. **Spin-offs:** None.
- e. **Reorganizations:** For administrative reasons, CSI caused the merger of five of its wholly owned subsidiaries into CSI effective at the conclusion of the 2017 fiscal year. The merged subsidiaries were CSI Telecom Group, Inc.; HEIT Consulting, Inc.; McCoy Myers & Associates, Inc.; Myriad Systems, Inc.; and Summit Financial Solutions, Inc.

10. Any delisting of securities by any securities exchange or deletion from the OTC Bulletin Board:

None.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator:

a. Legal proceedings and/or administrative actions:

We and certain of our subsidiaries are involved in various commercial, tax and other disputes and proceedings that arise from time to time in the ordinary course of our business.

We record accruals for loss contingencies to the extent that we conclude their occurrence is probable and any related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see Notes to Consolidated Financial Statements, Note 1 – Nature of Operations and Summary of Significant Accounting Policies: Use of Estimates set forth in our 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com, that is incorporated herein by reference). Our assessments are based on estimates and assumptions deemed reasonable by management.

While we do not believe any of our current legal proceedings will have a material adverse effect on our financial position or results of operations, litigation is inherently unpredictable, and excessive verdicts do occur. Although we may believe we have substantial defenses in these matters, we could in the future incur judgments or enter into settlements that could have a material adverse effect on our consolidated financial position or results of operations of the Company in any particular period.

b. Trading suspensions by a securities regulator: None.

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B. Business of Issuer

Who We Are

Computer Services, Inc., including its subsidiaries, delivers core processing, digital banking, managed services, payments processing, print and electronic distribution, treasury management and regulatory compliance solutions to financial institutions and corporate customers across the nation. Management believes exceptional service, dynamic solutions and superior results are the foundation of CSI's reputation and have resulted in the Company's inclusion in such top industry-wide rankings as IDC Financial Insights FinTech 100, Talkin' Cloud 100 and MSPmentor Top 501 Global Managed Service Providers lists. CSI has also been recognized by Aite Group, a leading industry research firm, as providing the "best user experience" in its 2019 AIM Evaluation: The Leading Providers of U.S. Core Banking Systems. In addition, CSI's record of increasing its dividend each year for 48 years has earned it a designation of one of the financial media's "Dividend Aristocrats".

For 55 years, CSI has been committed to delivering world-class technology to our customers. We have redundant data centers in Paducah, Kentucky, and Valparaiso, Indiana, utilizing UNISYS systems. These systems retain the stability, transaction volume capacity, scalability, recovery and security normally associated with a mainframe, and they expand the architecture to Windows® integration, providing easy-to-use flexibility to the end user.

What We Do

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 digital 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; risk assessments; 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.

To best serve our customers, we provide a full range of solutions in multiple service centers strategically located throughout the United States. In the unlikely event of a disaster, safeguards are in place to transfer processing from one center to another. This design is a critical part of CSI's comprehensive business continuity/disaster recovery and backup plans and our ability to serve our customers.

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Acquisitions

Our business strategy includes, from time to time, the acquisition of complementary businesses financed by a combination of internally generated funds, debt and common stock. Our consolidated financial statements and results of operations reflect the 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.

Organization

CSI is undergoing a refinement of its businesses into two segment reporting groups, Enterprise Banking and Business Solutions. In the near future, the refinement will facilitate more definitive segment reporting, both internally and externally. Until the segment refinement is complete, CSI will continue to provide its products and services through two primary groups.

- **Consolidated Services:** Our Consolidated Services Group includes our lines of business that support financial institutions. This includes our full suite of core processing solutions to banks nationwide: digital banking, treasury management, business intelligence, payments and customer relationship management. It also includes our document services solutions, as well as our managed services solutions. Our full range of services provided by this group give financial institutions access to innovative financial technology that is backed by the industry's highest levels of service. The Consolidated Services Group includes relationship management, customer support, research and development, IT infrastructure management, telecommunications, education services, implementations and product management.
- **Regulatory Compliance:** Our Regulatory Compliance Group provides automated, dynamic solutions that mitigate risk, decrease cost and improve the compliance posture for CSI's customers. With regulations constantly changing, we have developed comprehensive solutions that address today's requirements and provide the flexibility to meet tomorrow's demands. Our industry-leading solutions range from consulting and security services to compliance monitoring and anti-terrorism and anti-money laundering watch list screening. We help our customers stay in compliance with such regulations as those of the federal Office of Foreign Assets Control ("OFAC") and under the federal Bank Secrecy Act ("BSA"). Financial institutions and businesses alike use CSI's expertise and solutions to enhance their compliance programs and reduce operational cost.

These two groups serve not only the financial services industry but also a wide array of customers in other business markets. Our products and services enable our customers to implement proven technology solutions that can be tailored to support their individual growth, service, operational and performance goals. Our solutions also enable financial institutions and corporate entities to offer the high-demand products and services required to compete more successfully, and to capitalize on evolving trends shaping the industries we serve.

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Our History

Incorporated in March 1965 with six employees and three banks as customers, CSI is a prominent part of the outsourced services portion of the financial services technology industry and one of the longest continuous providers of core bank data processing services in the nation. As new technologies have emerged, we have established a reputation for product innovation. We began delivering payments processing and card services in the late 1970s/early 1980s; check imaging and digital banking solutions in the 1990s; risk assessment and homeland security solutions in the early 2000s; service-oriented architecture, fraud prevention, network management, regulatory compliance and document delivery solutions to financial institutions and corporate entities nationwide in the mid 2000s/early 2010s; and, in recent years, managed IT services, business intelligence, enterprise risk management and customer relationship management solutions. We strive to deliver dynamic solutions that help our customers remain competitive, compliant and profitable.

The CSI Market

As the financial services industry has become more competitive, the need for CSI to offer increasingly comprehensive bank technology solutions has become more critical. Our customers expect us to provide industry-leading, affordable products that allow them to compete in a rapidly evolving industry.

We continue to make strategic moves that position our company to capitalize on opportunities in the financial services industry and expand into broader vertical markets outside traditional banking. We believe the markets for products to support payments processing, regulatory compliance solutions, telecommunications, financial management and managed services are key building blocks for our growth, and we are confident in our ability to identify the right strategies, build business plans around those strategies and transform our company into an even broader, more diversified enterprise moving forward.

What differentiates CSI from other providers?

Financial institutions and corporate entities nationwide count on CSI to deliver the relevant technology and responsive service they need to remain successful. Our solutions range from core banking systems and payments processing to cloud-based services and regulatory compliance. CSI has the flexibility, knowledge and scalability to meet the diverse demands of companies of many different sizes, across multiple industries. Regardless of our customers' needs, CSI delivers integrated end-to-end technology solutions that empower businesses to save money, operate more efficiently and reach new customers.

Through solid performance and partnership, CSI provides dynamic solutions that achieve superior results.

To best serve our financial services customers, CSI differentiates itself in a mature, competitive industry through our unparalleled customer service: managing customer accounts with reasonably nearby relationship managers, meeting customers' needs whenever and wherever they arise, and providing the training and education that are so critical to success.

We have maintained this focus, and today CSI is recognized in the financial services industry for its unique approach to customer service as demonstrated by the following:

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- **Relationship Managers** are assigned and dedicated to each customer. We believe no other provider has as low a concentration of customers per relationship manager, and customers report that this approach to service is a deciding factor in their initial choice of, and renewal of service contracts with, CSI.
- **Customer Resource Centers** provide 24/7 support staff and are located in multiple U.S. locations serving customers coast to coast.
- **Managed Account Plan (MAP):** Relationship managers serving our customers are trained in a MAP program that consists of customer profiles, objectives, action plans and tracking documents. Relationship managers help customers build a MAP that ensures the customer implements the products and services it needs to accomplish its business and technology objectives.
- **Long-term Employees** are another benefit of CSI's relationship management process. Members of CSI's Relationship Management and Customer Resource Center support teams have been with CSI an average of more than 10 years.

CSI's employees operate and monitor the technologies, deliver the products and provide the technology planning, technical assistance, expert consulting and hands-on training that are critical elements in successful IT operations, and they are available around-the-clock. These highly skilled professionals consult with customers, introduce new technologies, perform installations, conduct training and other support services and are positioned throughout the CSI service area to ensure immediate and personal support. We believe that our concentration of technology experts is unsurpassed in the industry and provides us with a competitive advantage over other service providers

Tracking Market Changes and Regulatory Trends

Staying abreast of the latest regulatory compliance changes, CSI uses several methods for tracking market trends and adding them to our product offerings. CSI product managers (PMs) are assigned responsibility for managing a product (e.g., digital banking, check imaging, BSA/anti-money laundering regulations, document imaging, wire automation, loans, deposits or general ledger). PMs track trends and assess their impact on our customers. PMs attend industry conferences, follow trade publications, visit with vendors to receive updates on products and strategies, and meet with customer groups to gather their collective vision for the industry. They also work with senior managers to constantly refine our strategy in their assigned product areas.

Regulatory changes are tracked by CSI staff. We attend regulatory conferences, subscribe to regulatory advisory services and engage outside advisers to assist us in tracking and advising us on regulatory changes. We also work with examiners from the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and several state regulators as they examine our processes on an annual basis. For 55 years, CSI has remained committed to an obligation of regulatory compliance in contracts with customers.

We also benefit from competing in regular sales cycles. We rely on many sources to identify the need for new services and enhancements. Those include:

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- **Industry Trade Shows and Organizations:** CSI personnel attend industry trade shows to drive brand awareness, assess the latest industry trends and new technologies, and evaluate competitors' offerings. CSI officers are leaders in the principal industry organization and participate extensively in industrywide issue exploration and resolution.
- **Regulatory Compliance:** Many of our products originate from the need for our customers to comply with ever-changing federal and state regulations. Our customers depend on us to help them remain compliant.
- **Direct Customer Input:** Many of our best ideas for enhancements come directly from our customers through their communications and interactions with our relationship managers. In addition, we conduct satisfaction surveys annually, asking customers to rate all functional departments of CSI, as well as our products and services.
- **Annual Customer Conference:** Every year many of our customers attend CSI's annual customer conference along with CSI professionals, vendors, partners and guests. This conference is recognized as one of the industry's best and is a vital part of our growth strategy.
- **Regional User Group and Customer Advisory Meetings:** These regional meetings enable smaller groups of customers to meet periodically to discuss issues, strategies, technology and product initiatives. User groups are an excellent source of customer feedback that helps drive our product development and modifications.

1. Primary and secondary SIC codes:

7374 - Computer processing and data preparation and processing services

7373 - Computer integrated system design

2. If the issuer has never conducted operations, is in the development stage or is currently conducting operations:

The Company has been conducting operations continuously since its organization in 1965.

3. If the issuer is considered a "shell company" pursuant to Securities Act Rule 405:

The Company is not a shell company.

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4. **The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements of the issuer:**

The following table sets forth information concerning Computer Services, Inc. and its subsidiaries as of February 29, 2020:

COMPUTER SERVICES, INC. and SUBSIDIARIES

Name	Relationship	Business Purpose	Method of Operation	Ownership	Included in Issuer's Consolidated Financial Statements
Computer Services, Inc.	Parent	Data Processing, Software & Services	Corporation (Kentucky)	This is the issuer	Yes
ATTUS Technologies, Inc.	Subsidiary	Compliance Software & Services	Corporation (North Carolina)	Parent (100%)	Yes
CSI Air, LLC	Subsidiary	Company Owned Aircraft	Limited Liability Company (Kentucky)	Parent (100%)	Yes
Tran Tec, Inc.	Subsidiary	In Reserve	Corporation (Kentucky)	Parent (100%)	Yes
Computer Services Financial Technologies, Ltd.	Subsidiary	GDPR Compliance	Single Member Company (Ireland)	Parent (100%)	Yes

5. **The effect of the existing or probable governmental regulations on the business:**

The financial services industry is subject to extensive, complex and constantly changing federal and state regulation. Our current and prospective customers, which, in terms of revenue, primarily consist of financial institutions such as community and regional banks, operate in markets that are subject to substantial regulatory oversight and supervision. We must ensure our products and services work within the extensive and evolving regulatory requirements applicable to our customers, including but not limited to those under the federal truth-in-lending and truth-in-savings rules, the Privacy of Consumer Financial Information regulations, usury laws, the Equal Credit Opportunity Act, the Fair Housing Act, the Electronic Funds Transfer Act, the Fair Credit Reporting Act, the BSA, the USA PATRIOT Act, the Gramm-Leach-Bliley Act., the Community Reinvestment Act, and the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018. The compliance of the Company's products and services with these requirements depends on a variety of factors including the particular functionality, the interactive design and the classification of customers, and the manner in which a customer utilizes the system. Our customers must assess and determine what is required of them under these regulations and they contract with us to assist them, through our products and services, in meeting their regulatory needs. We cannot predict the ultimate effect of this complex legislation, regulations and industry changes on our customers and on us.

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In addition to regulations affecting our products and services, we have ever increasing duties with regard to maintaining data privacy and keeping secure our customers', and their customers', confidential personal information. In recent years, we have become subject to the European Union's General Data Protection Regulation ("GDPR") and have established a subsidiary, Computer Services Financial Technologies Limited, in Ireland as our registered presence within the EU for GDPR purposes. In addition, we are becoming subject to the California Consumer Protection Act which is directed toward the maintenance of consumer choice over the use of their nonpublic personal information by for profit entities, including CSI, that come into possession of that information. The banking regulations to which CSI has long been subject also impose increasingly stringent duties about cybersecurity and the protection of bank data.

The regulatory environment influences merger and acquisition activity among community banks and the activity level 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.

CSI is subject to regulation and periodic examination on a rotating basis by the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. Although not chartered by any banking agency, as a service provider to insured financial institutions, CSI is subject to our operations being governed by many of the same regulatory requirements as those imposed on financial institutions. On occasion our services are also subject to examination by state banking authorities. All the foregoing regulators have broad supervisory authority to remedy any shortcomings identified in their reviews and examinations.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities is borne directly by customers:

	<u>2020</u>	<u>2019</u>
Estimated research and development expenditures	\$ 17,000	\$ 16,000

None of the costs of our research and development activities is billed directly to our customers although individual customers may engage CSI under contract to develop software or other business solutions.

7. Costs and effects of compliance with environmental laws (federal, state and local):

The Company believes that the costs and effects of compliance with environmental laws on the Company are not material.

8. The number of total employees and number of full-time employees:

	<u>Total</u>	<u>Full-time</u>
Employees as of February 29, 2020	1,209	1,186

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Item 9: Nature of products or services offered

A. Principal products or services, and their markets

CSI products and services are offered primarily to financial institutions and can be summarized in the following categories:

- Core Processing – Service Bureau or In-House; Financial Products
- Managed Services
- Digital Banking
- Payments Processing – Card Services, Image Capture and Processing Options
- Electronic and Print Distribution
- Regulatory Compliance – OFAC, Anti-Money Laundering, Anti-Terrorism Financing and Fraud Prevention Solutions
- Watch List Screening and Identity Verification
- Security
- Education
- Third-Party Solutions for which CSI is a reseller and provider of connectivity
- CSI Websites

New products and services are always in development.

1. Core Processing

Technology does not come in a one-size-fits-all package. At CSI, we focus on identifying and using the right technology to satisfy our individual customers' needs. We understand the demands of the financial industry and have long been aware that mission-critical applications require systems that are secure, stable, redundant and capable of handling large volumes of transactions. We also understand the need to make the user experience flexible and uncomplicated.

CSI's core banking products include what we believe to be the best general accounting applications in the industry for demand deposits, time deposits and loans, and these applications are supported by many fully integrated ancillary services.

Service-oriented architecture, a set of design principles used during the phases of systems development and integration, has improved CSI's flexibility and speed of development. Through CSI's NuPoint® and Meridian core processing systems our bank customers have immediate and automatic access to the latest software features and functionality available. All newly developed core-related or ancillary products leverage this architecture for efficient management within both CSI and our customer base.

In today's banking environment, having all customer contact points reflect the same up-to-date account balance is important. Regardless of whether a banking customer is using Internet banking, voice response, ATM, debit card or the teller at the branch, the most accurate balance must always be accessible. CSI offers universal real-time balance data to meet this need.

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Financial Products

Financial Management System: The framework for CSI's family of financial products offers general ledger plus complete accounting, security control and performance analysis on a consolidated, branch or cost-center basis.

Profitability Analysis and Reporting: This solution provides customer performance ratings in terms of profit/loss to customer banks. It displays relative rankings, comparatives and trends, and provides CSI's customers with the information necessary to make better decisions and perform more profitably in the highly competitive community banking market.

Executive View: This tool has dramatically changed the way bank executives look at such management information as deposit and loan information, information related to BSA, money laundering, suspicious activity and transaction trend monitoring. Bankers can also use this value-added product to monitor accounts for potential fraud.

Business Intelligence: This solution set offers asset/liability management solutions that include loan relationship pricing, interest rate risk, rate sensitivity gap, rate-shocked income, and economic value of equity analyses, along with future performance projections and regulatory requirement parameters.

2. Managed Services

We provide managed network services to hundreds of financial institutions and corporate customers. We believe that few network providers can match CSI's record on security, compliance and reliability. The CSI network is designed to meet both external regulations and our customers' internal business initiatives and requirements and is backed by superior expertise, resources and credentials. Customers can use our wide area networks (WAN) to route data, voice and video not only among their bank's locations, but also to CSI and to the Internet in a completely secure and fully redundant meshed network.

Telecommunications Network: As a competitive local exchange carrier, we offer our fiber optic telecommunications network virtually anywhere CSI does business. This allows CSI to offer Resilient Packet Ring networks with desirable features such as complete redundancy, scalable bandwidth and full replication of back-up services. It also allows us to satisfy our customers' needs for cost-effective networks that will support bandwidth-intensive services and to connect CSI host centers and remote operations with a more robust WAN.

Data Vault: Data backup and off-site storage are very important topics with regulatory examiners. CSI offers its customers the ability to back up their mission-critical information currently located on bank servers to servers located in CSI's data centers. This service helps customers satisfy regulators by improving the quality and security of disaster recovery plans. The high-speed capacity of CSI's telecommunications architecture makes this service possible.

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Network Management Services (NMS): NMS helps customers keep their internal networks compliant by putting CSI's IT experts at their disposal. This enables banks to simplify network management efforts and enhance critical business functions. NMS covers all aspects of local and wide area networks management including patch updates, active monitoring and reporting of network health and issues, administrative support, backup management and the like.

Internet Service Provider: CSINet provides our customers with secure, high-speed Internet access plus email for their employees. Volume-based pricing allows customers to connect as few or as many PCs as needed.

Virtual Private Network Connectivity: CSI offers a secure "pipeline" or "tunnel" through the Internet for customer banks to access their information from any location. This provides an effective solution for mobile bank executives, home users and small remote offices.

Web Hosting: CSI web hosting provides the hardware, access, security, backup and support for customer banks' websites.

3. Digital Banking Solutions

Today's consumers expect mobile, on-the-go access to financial information and activities. To accommodate this demand for more mobility, CSI offers a robust product line of digital banking solutions:

Online Banking: Internet Banking provides secure real-time access to account information and banking applications anytime and anywhere Internet access is available.

Mobile Banking: CSI offers smartphone and tablet-based mobile banking applications that are used by businesses and customers to access banking and customer service features from portable devices.

Online Payments: Our online payments service allows banks to integrate bill-pay functions into their websites. This secure service offering allows banks to make their websites more competitive and offer expected services to their customers.

Employee Intranet: CSI Secure Connect for Employees, our corporate intranet, improves communication by keeping bank employees on the same electronic page while automating many of the labor intensive and time-consuming communication tasks that frequently burden an organization.

Board Portal: CSI Board Portal offers secure, remote access to board reports, policies, meeting minutes and online voting. It also includes an integrated Google® search engine to locate current and archived information.

Website Design Tool: CSI DesignPro is a template-based website design tool that enables users with no technical expertise to design, publish and maintain a professional-looking website.

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4. Payments Processing

Banks need payments processing technologies that allow them to keep pace with a rapidly changing marketplace. CSI offers a full range of options that includes card services, image capture and item processing. Many of these functions can be performed either by the bank in-house and/or in conjunction with CSI data centers.

i. Card Services

One of the fastest growing segments in the banking industry today is electronic transaction processing, a market we serve through our Card Services unit. Card Services provides everything our customers need for their card programs, from card production to network affiliation and ATM, debit card and point-of-sale transaction processing. Transaction volume in the banking industry is growing at 7% to 9% per year, and estimates for future growth indicate a sustainable increase of electronic transactions. We believe CSI is well-positioned to capitalize on this growth.

ii. Image Capture

CSI offers a line of products and services to take advantage of image capture technology as applied to checks, cash instruments and deposit slips.

Branch and Merchant Capture: These services allow bank branches and merchants to capture items at their locations, convert them into image-based transactions and transmit them (via a secure Internet connection) to a central location for processing. Branch and Merchant Capture results in cost and efficiency gains for both the bank and its customers, and it provides an effective solution for banks with branches located a significant distance from a processing location.

Remote Capture: CSI offers software platforms that power remote capture of check images. Our platforms can be run in the bank and are structured to provide a high-volume production environment. This software includes functionality for daily capture, reject re-entry, reporting, paper statement processing and email statement processing. CSI's Remote Capture solution also supports image retrieval through Internet banking applications.

Image Clearing: CSIXchange allows CSI financial institution customers to exchange items with other CSI financial institution customers. Banks benefit from faster funds availability because of the reduced clearing time and from the lower per-item price CSI charges compared to alternatives, including the Federal Reserve Clearinghouse System.

Image Exception Item Processing (EIP): Image EIP relieves the bank of paper item handling and enables it to correct unpostables and make daily decisions about exception items. Image EIP can be used to return or repost items to demand deposit accounts, savings accounts, general ledger, time deposit accounts, loans and safe deposit box accounts.

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iii. Processing Options

CSI offers item processing options that can be performed either by the bank in-house and/or in conjunction with CSI data centers. CSI can capture items at a data center or the customer may capture items using one or a combination of several forms of remote capture (centralized, branch or merchant).

5. Electronic and Print Distribution

CSI processes, prints, mails, delivers electronically and archives periodic account statements and notices and other types of documents. We also design, produce and inventory stock forms and create and deliver direct mail promotional materials. We provide multiple services in three key areas: print and mail, electronic delivery, and storage and archiving. Among these, the following services are available:

Statements: CSI or customers can print, or we can use truncated or emailed statements and eliminate printing and postage entirely.

Data (Report) Archival: We can store reports at CSI or transmit reports to the customer for storage on a bank system.

Notice Production: CSI or customers can print and mail notices, or we can use electronic notices and eliminate printing and postage entirely.

6. Regulatory Compliance and Anti-Fraud Solutions

Bank examiners regularly focus on a bank's exposure to information security risk and review efforts related to core processing systems, internal networks, electronic banking products, connectivity to external networks, the location of sensitive information and other technology components. CSI continues to provide customers with the products and services they need to comply with regulations:

Card Fraud: The rise in debit card activity within the banking industry is an area of significant risk. As customer transaction volume and value increases, the number of fraudulent transactions is also growing, which ultimately translates into losses for banks. CSI offers several products designed to manage fraud in the card services area including real-time denials, transaction scoring and notification options.

Check Fraud Protection: Our Positive Pay fraud control product assists in identifying items such as counterfeit checks, altered checks, incorrectly encoded checks and unauthorized copies of checks.

Compliance Services: CSI WatchDOG® products help customers meet stringent compliance regulations in a number of areas including enterprise risk management, OFAC sanctions and BSA compliance and federal Financial Crimes Enforcement Network reporting.

Compliance Solution for Wire Rooms: CSI WatchDOG Wire streamlines a bank's wire process and helps ensure OFAC compliance.

Loan Risk Management: CSI's loan risk management solution helps customers manage and monitor the performance of collection, delinquent and other "watch

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list” loans. User-friendly work queues allow banks to organize collection data in separate queues for each collector.

Risk and Suspicious Activity Monitoring: iMonitor, CSI’s solution for identifying high-risk activity and reporting suspicious activity, monitors activities at branch, product or customer levels, reports suspicious patterns that could indicate money laundering and otherwise identifies high-risk activity.

Watch List Screening: CSI’s WatchDOG platform provides a robust solution for managing compliance with government sanctions lists. The solution automates many manual processes and includes dynamic functionality that allows customers to connect disparate data sets and enhance operations.

7. Security

Managing security is one of the most crucial tasks for any financial institution. It can also be the most complicated and time-consuming. CSI’s Online Security system simplifies the process and increases customers’ efficiency in setting up security. We provide reports for daily monitoring, online traffic reports that show all online activity posted and security transaction reports. Each core application has the ability to restrict/secure employee account information from online viewing. For demand deposit accounts, confidential information can be restricted on trial balance and other reports.

We utilize sophisticated encryption and intrusion prevention practices and hire leading third-party firms to conduct penetration testing of the CSI network. The CSI network infrastructure provides security through a layered approach such as firewalls, intrusion prevention systems and segregated networks. Data encryption and host-based intrusion prevention systems provide an additional layer to server security. CSI monitors alerts and events 24/7 to ensure the integrity of the network and systems.

We engage an independent certified public accounting firm to conduct annual assessments of CSI’s information systems controls. The assessments are conducted pursuant to *Attestation Standards Section 101* and *Statement on Standards for Attestation Engagements No. 18, Reporting on Controls at a Service Organization of the Auditing Standards Board of the American Institute of Certified Public Accountants*. CSI makes copies of the assessment reports available to its customers.

8. Education

Because we realize that our customers’ employees are their most valuable asset, and a well-trained employee base can return substantial benefits, we established a separate unit, CSI Education Services, to coordinate intensive bank employee training in four major areas:

CSI School: CSI School is a three-day, in-person training opportunity for our new bank customers and is usually offered once a month throughout the year in Paducah, Kentucky. During CSI School, new bank customers will experience multiple in-person and remote presentations that cover CSI products and services. Attendees gain hands-on experience using CSI laptop computers with access to our training banks and will perform typical day-to-day tasks with the

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assistance of our team of presenters. There is no charge for CSI School to our bank customers.

Virtual Instructor-Led Training: CSI offers live virtual instructor-led training sessions that cover products and services associated/integrated with the system's core applications. Bankers can attend these sessions at the bank or at any convenient location that has access to an Internet connection. Depending upon the specialization of the product/service, these trainings include both fee-based and value-added complementary sessions.

Webinars: Offered on a regular basis, our webinars feature products, software releases, compliance updates and more. Bankers can participate in these online training sessions from the comfort of their banks. Typically, we do not charge for these webinars.

eLearning: CSI's eLearning is a learning management tool that provides video content covering a wide-range of topics designed to help bankers gain knowledge of the core and ancillary products offered. No charge is assessed for this service. In addition to the core and ancillary content, CSI also provides third-party content that covers compliance, technology and soft-skills training. There is a per-person fee associated with third-party content.

Many CSI training and educational sessions are archived in an accessible modality and are available at any time for review or for new customer employee training.

9. Third-Party Solutions

CSI is "open" in its approach to other vendors offering ancillary products for our customers. We will provide reputable vendors the opportunity to join with CSI in offering their products and services to CSI's customer base, with technical interfacing and integration with CSI's core processing systems. Examples include our business associations with industry leaders in Internet banking, cash management and voice response services; and our relationship with SAP North America to deliver enhanced business intelligence solutions and data analytics technology.

10. CSI Websites

CSI operates multiple websites: a public website; secure websites designed specifically for the use of our customers (extranets); and an internal website for our employees (intranet).

CSIweb.com: Our public website contains a wide variety of information: an investor relations section that includes current stock prices, investment news, annual reports and quarterly reports; biographies of the CSI Board of Directors, executive officers and C-Suite officers; a complete listing of our business solutions; articles written by CSI staff that have been published online and/or in banking magazines; and a Company history.

Customer Portals: We offer secure websites (extranets) exclusively for the use of customers and CSI staff. These customer portals are used for the exchange of information between CSI and our customers: memos, messages, updates, training opportunities, production issue updates, product releases, survey input, and "help" for how to use all CSI products and services can all be found on the

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site. “Threaded Discussion” chat rooms are also available for customer interaction.

CSI Secure Connect: Our internal website (intranet) has security measures in place that allow access by CSI staff only. Most departments maintain a page within CSI Secure Connect that is available to the entire CSI employee base; a bulletin board and dynamic messaging on the homepage that keeps staff up-to-date on late-breaking issues; and a robust search engine that quickly provides employees with access to the information they need to do their jobs.

CSI also hosts websites for many of its customers, using URLs assigned to the customers and/or obtained by CSI on behalf of its customers. See Part C, Item 9.A.2, above.

B. Distribution methods for the products and services

Financial institutions can outsource ongoing information processing to our CSI NuPoint® and Meridian platforms based on the core processing solution most compatible with their respective specific operational requirements, and our Meridian core banking solution is available for in-house installation at customer sites.

Customers can eliminate the significant up-front capital expenditures required by in-house installations and the responsibility for operating information and transaction processing infrastructures by outsourcing these functions to CSI. Customers electing to outsource their core processing typically sign contracts ranging from five to ten years that include either or both transaction-based processing fees and fixed payments during the contract period.

Customers electing to install our solutions in-house may license our Meridian proprietary software system based on an initial license fee. The large majority of these customers pay ongoing annual software maintenance fees. We also are an authorized reseller of the hardware and peripheral equipment that is required by our software solutions, and we contract to perform software implementation, data conversion, training, ongoing support, and other related services. In-house customers generally license our core software system under a standard license agreement that provides a fully paid, nonexclusive, nontransferable right to host the software on a specified mainframe computer with access to processed data electronically available throughout a customer’s institution.

C. Status of any publicly announced new product or service

Not applicable.

D. Competitive business conditions, competitive position in the industry and methods of competition

Please see Part C, Item 8.B, above – “What differentiates CSI from other providers?”

E. Sources and availability of raw materials and the names of principal suppliers

Not applicable.

F. Dependence on one or a few major customers

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We are not dependent on one or a few major customers.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreement or labor contracts, including their duration

We own various trademarks, licenses and patents associated with our business that range in original length from 15 years to perpetual. We do not own or lease any franchises and are not subject to any concessions or royalty payments. The Company's workforce is not unionized.

H. The need for any government approval of principal products or services and the status of any requested government approvals

Please see Part C, Item 8.B, above – "Tracking Market Changes and Regulatory Trends"; and Part C, Item 8.B.5, above – "The effect of existing or probable government regulations on the business."

Item 10: Nature and extent of the issuer's facilities

The Company's principal executive office is located in Paducah, Kentucky. We currently operate 34 facilities in 12 states that are used for a multitude of business purposes including full-service data centers, item processing, distribution, customer support, product development, telecommunications, disaster recovery, and other functions. We own seven buildings representing approximately 220,000 square feet of office space in four states. We lease office and equipment space in 27 facilities representing approximately 149,000 square feet in 12 states. The terms of the leases vary from month-to-month through terms expiring in 2027. In addition, we own approximately 44 acres of land in Paducah, Kentucky. We believe our facilities are generally well maintained, in good operating condition and adequate for our present and foreseeable business needs.

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Part D: Management Structure and Financial Information

Item 11: Names of the chief executive officer, members of the Board of Directors, as well as control persons

A. Directors and Executive Officers

1. Directors

The directors of the Company, as well as certain information about them, are presented in the following.

DIRECTORS

Name	Position with Company	Director Since
Steven A. Powless	Chairman, Director and CEO	1992
Dana Bowers	Director	2019
Michael Carter	Director	2017
Basil N. Drossos	Director	2007
Bruce R. Gall	Director	2003
Terrance P. Haas	Director	2012
Kristin Rudolph Muhlner	Director	2017
David M. Paxton	Director	1999
Robert L. Walker	Lead Independent Director	2001

For privacy reasons, the business addresses of the Company's non-employee directors have been excluded from the above table. All correspondence to the Company's directors may be sent to any director in care of the Company's Corporate Headquarters at 3901 Technology Drive, Paducah, Kentucky 42001-5201.

The following information is provided regarding the Company's directors, all of whom are United States citizens:

Steven A. Powless, age 64, Chairman and CEO: Mr. Powless has served as Chairman of the Board since 2017 and Chief Executive Officer since 1999. In March 2011, the positions of Chief Executive and President, which Mr. Powless had also held, were split and another officer became President. Mr. Powless previously served as President and Chief Operating Officer from 1993 to 1999 and as Executive Vice President from 1989 to 1993. He also has been a director since 1992. Mr. Powless joined the Company in 1987. He is a graduate of Murray State University where he received the Distinguished Alumnus Award in 2014. Mr. Powless is a member of the Company's Executive and Risk Committees.

Dana Bowers, age 60, Director: Ms. Bowers was elected to the CSI Board of Directors in 2019. Ms. Bowers has more than 30 years of expertise in launching and leading fintech companies. She brings a depth of leadership experience in

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payments, strategic planning, business development, revenue generation and product development. Ms. Bowers currently serves as founder and chief solution architect for Venminder, Inc., a leading provider of software and due diligence services for managing compliance with third-party vendors. Previously, she founded and served ten years as chief executive officer of iPay Technologies, which provides bill payment services within the financial services industry. Ms. Bowers was named an Ernst & Young Entrepreneur of the Year in its technology category in 2009, and she was inducted into the Kentucky Entrepreneur Hall of Fame in 2010. She also currently sits on the board for the University of Louisville College of Business and previously served as a judge for the Ernst & Young Entrepreneur of the Year Awards. Ms. Bowers holds a bachelor's degree in Business Management from Emory Riddle University.

Michael Carter, age 52, Director: Mr. Carter, a director since 2017, is a 25-year Wall Street veteran and currently serves as managing director and global co-head of Technology Investment Banking for RBC. Prior to joining RBC, he was a managing director at both Barclays Capital and Lehman Brothers. In addition to his professional experience, Mr. Carter is on the board of directors of the New York City Foundation for Computer Science Education, as well as the Arts & Sciences Advisory Board for Washington University in St. Louis, and the National Academy Foundation STEM Advisory Committee and the Executive Leadership Council. He is also an honorary member of the Board of Directors of Spelman College. Mr. Carter is a Coro Foundation Fellow alumnus and holds an MBA from Harvard Business School and a bachelor's degree from Washington University in St. Louis.

Basil N. Drossos, age 72, Director: Mr. Drossos, a director since 2007, is retired Executive Director, Global Purchasing and Supply Chain of General Motors Corporation. Mr. Drossos joined General Motors in 1979, holding numerous leadership positions in general management, sales and marketing, manufacturing, purchasing and finance during his career. He holds a master's degree in International Management from The American Graduate School of International Management, a Master's Degree in Business Administration from Xavier University and a Bachelor's Degree from Centre College. Mr. Drossos serves as Chair of the Company's Audit Committee and is a member of the Company's Profit Sharing Committee.

Bruce R. Gall, age 75, Director: Mr. Gall, a director since 2003, is founder and Chairman of Fed Reporter, Inc., CEO of Dornoch Management Corporation and founder of Distributed Planning Systems Corporation, all involved in developing compliance and government reporting systems for the banking industry. He is a graduate of Sir George Williams University, Montreal, Canada, and Ivey School of Business, London, Canada where he is an executive in residence. Mr. Gall serves as Chair of the Company's Profit Sharing and Risk Committees.

Terrance P. Haas, age 54, Director: Mr. Haas, a director since 2012, is the former Chief Executive Officer of The Harvard Drug Group, the second largest generics-focused pharmaceutical distributor in the United States. Other past positions include working as an independent private equity advisor and holding numerous leadership positions at AmerisourceBergen Corporation including Executive Vice President and Chief Integration Officer and President of AmerisourceBergen Drug Corporation. Mr. Haas is a graduate of St. Louis University and holds a master's degree in Business Administration from the

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University of Notre Dame. Mr. Haas is a member of the Company's Audit and Risk Committees.

Kristin Rudolph Muhlner, age 49, Director: Ms. Muhlner, a director since 2017, has more than 20 years of experience leading high-growth technology organizations. She possesses a diverse background in executive management and business operations. She is a recognized leader in enterprise software and cloud technologies, having held key executive positions with such companies as Sprinklr, newBrandAnalytics, RollStream, webMethods, Deloitte Consulting and Accenture (formerly Andersen Consulting). Throughout her career, Ms. Muhlner has provided strategic leadership in a variety of roles, including chief executive officer, chief operating officer and executive vice president of revenue, and has worked with such major brands as Hyatt, Kohl's and McDonald's. Ms. Muhlner is a graduate of Rhodes College.

David M. Paxton, age 63, Director: Mr. Paxton, a director since 1999, is President and Chief Executive Officer of Paxton Media Group, a fourth generation, family-owned media company founded in 1896. Past positions were with Morgan Stanley & Co., Inc. (Chicago and New York) and J.J.B. Hilliard, W.L. Lyons, Inc. He currently serves on the Board of Directors of the Associated Press. He is a graduate of Harvard College and the Stanford University Graduate School of Business. Mr. Paxton serves as Chair of the Company's Executive and Compensation Committees.

Robert L. Walker, age 69, Lead Independent Director: Mr. Walker, a director since 2001, is retired Senior Vice President and Chief Financial Officer of Western & Southern Financial Group, a *Fortune 500* financial services company. Other past employers include National Data Corporation, Providian Corporation and The Mead Corporation. He is a graduate of Transylvania University where he serves on the Board of Trustees. He is also a graduate of the University of Kentucky College of Law where he serves on the Visiting Law Committee. He also serves on the TriHealth Board of Trustees and is past chair as well as currently serving on the Executive, Finance and Compensation committees. Mr. Walker is a member of the Company's Executive, Audit and Compensation Committees.

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2. Executive Officers

The executive officers of the Company as of February 29, 2020, as well as certain biographical information about the two who are not directors, are as follows:

EXECUTIVE OFFICERS

Name & Business Address	Position with Company	Officer Since
Steven A. Powless Computer Services, Inc. 3901 Technology Drive Paducah, KY 42001-5201	Chairman & CEO	1987
T. David Culbertson Computer Services, Inc. 3901 Technology Drive Paducah, KY 42001-5201	President & COO	1999
Brian K. Brown Computer Services, Inc. 3901 Technology Drive Paducah, KY 42001-5201	Treasurer & CFO	2016

The following information is provided regarding the Company's executive officers not already described herein, both of whom are United States citizens:

T. David Culbertson, age 52, became Chief Operating Officer in April 2017 as part of the Company's succession plan and assumed the additional role of President in June 2018. Mr. Culbertson joined CSI in 1989 and has held a number of positions of increasing responsibility, including Director of Internal Audit, Vice President of Research and Business Development and Vice President of Affiliate Services. In 2015, he became the President of CSI's Technology Services Group. He holds a bachelor's degree in Computer Science from the University of Virginia.

Brian K. Brown, age 43, became Treasurer and Chief Financial Officer for CSI in December 2019. Mr. Brown joined CSI in 2012, and previously held the positions of Senior Vice President of Finance, Vice President of Finance and Director of Financial Planning and Analysis. Prior to joining CSI, Mr. Brown held leadership positions with JMP Coal Holdings, LLC; FCB Services, Inc. (a subsidiary of Farmers Capital Bank Corp) and the Kentucky Department of Financial Institutions. Mr. Brown holds a Master of Science in Finance from Indiana University Kelley School of Business, a Master of Business Administration from University of Kentucky Gatton College of Business and Economics and a Bachelor of Arts in Finance and Economics from Transylvania University.

3. Equity Ownership of Directors and Executive Officers

Please see Part D, Item 14, below.

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4. Compensation of Directors and Executive Officers

The following table sets forth information concerning the compensation paid during the last fiscal year by the Company to its directors and executive officers as a group serving at February 29, 2020:

SUMMARY COMPENSATION SCHEDULE

Name	Fiscal Year	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Salaries (\$)	Bonuses (\$)	Fees Earned or Paid in Stock (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽³⁾	Non-Equity Incentive Plan Compensation Earnings (\$) ⁽⁴⁾	Change in Pension Value & Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽⁵⁾⁽⁶⁾	Total (\$)
Non-Employee Directors (8 in Total)	2020	315	-	-	436	-	-	-	-	-	751
Executive Officers ⁽⁷⁾ (3 in Total)	2020	-	1,076	-	-	1,339	-	771	-	145	3,331

- (1) Directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. Each non-employee Director receives a quarterly retainer of \$8.75. The Lead Independent Director receives an additional quarterly retainer of \$2.5. The non-employee Chairman of the Audit Committee receives a quarterly committee fee of \$3.25. Each non-employee Audit Committee member other than the Chairman of the Audit Committee receives a quarterly committee fee of \$2. The non-employee Chairman of the Risk Committee receives a quarterly committee fee of \$3.25. Each non-employee Risk Committee member other than the Chairman of the Risk Committee receives a quarterly committee fee of \$2. The non-employee Chairman of the Executive Committee receives a quarterly committee fee of \$2.5. Each non-employee Executive Committee member other than the Chairman of the Executive Committee receives a quarterly committee fee of \$1.25. Each non-employee Profit Sharing Committee member receives a quarterly committee fee of \$0.5. Non-employee Directors are paid quarterly in a combination of cash and stock. Each non-employee Director receives a minimum of \$11.25 in stock for fees earned in a fiscal quarter and may elect to receive stock in payment of up to 100% of fees earned in a fiscal quarter.
- (2) Represents the dollar amount recognized for financial statement reporting purposes calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation – Stock Compensation" for the fiscal year ended February 29, 2020, of restricted stock awards granted in and prior to fiscal year 2020. Stock compensation for fiscal 2020 includes a timing true-up expense entry related to the Company's restricted stock plan as a result of the Company's modified adoption of ASC 718.
- (3) Options were not granted to any of the directors or executive officers during fiscal year 2020.

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- (4) Represents amounts earned under the Company's annual incentive plans in fiscal year 2020 and paid in fiscal year 2021.
- (5) The Company pays for or reimburses directors' travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board, Committee and Shareholder meetings. The Company also reimburses directors for other reasonable expenses related to Board service, such as director education. These amounts are not included in the table above.
- (6) The amounts listed under the column entitled "All Other Compensation" in the Summary Compensation Table above include contributions to the Computer Services, Inc. and Subsidiaries Profit Sharing Plan and Trust, certain life insurance benefits, and club memberships (which are generally used for business purposes, but may be used from time to time for personal purposes).
- (7) The Company has determined that compensation information regarding the executive officers as a group, given the modest aggregate amounts in every category, is sufficient to an understanding of the Company and that providing confidential information as to each individual executive officer would not contribute materially to an understanding of the Company. The Company's Chief Executive Officer has an Employment Agreement with the Company. No other officer has an employment agreement. The Company's President and Chief Operating Officer and Treasurer and Chief Financial Officer each has a Termination Benefits Agreement with the Company. Copies of the forms of the Agreements referred to in this Note have been filed; see Item 18, below.

B. Legal/disciplinary history

Please identify whether any of the executive officers and directors have, in the last five years, been the subject of:

- 1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):**

None.

- 2. The entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities:**

None.

- 3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated:**

None.

- 4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activity:**

None.

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C. Disclosure of family relationships

Describe any family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of any class of the issuer's equity securities.

None.

D. Disclosure of related party transactions

Describe any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lesser of \$120 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any related person had or will have a direct or indirect material interest.

As a part of its on-going, publicly announced share repurchase program, the Company purchases shares of its common stock from directors, officers and key employees from time to time. In March 2010, the Company's Board of Directors adopted a policy that limits, without Executive Committee consent, repurchases from any one director, officer or employee to no more than an aggregate number of shares having a repurchase price of Five Hundred Thousand Dollars in any 12-month period. The policy further defines the price at which the Company may repurchase shares from officers, directors and employees to be the lower of the last trade of the day or the midpoint between the closing inside bid and ask quotes. Each transaction must be completed before the next trading day's market open.

See Item 18.C., below with regard to a Stock Redemption Agreement, and subsequent amendments thereto, between the Company and Steven A. Powless, Chairman of the Board of Directors and Chief Executive Officer.

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The Company's repurchases of its shares from directors and officers since the beginning of the 2019 fiscal year on March 1, 2018, are reflected in the following table (without regard to the \$120 reporting guideline threshold):

COMMON STOCK PURCHASED FROM DIRECTORS AND OFFICERS ⁽¹⁾

Date	Party Shares Purchased From	Number of Shares Purchased	Amount Paid by Issuer (\$)
FY2019:			
04/27/2018	Officer	1,000	24
10/22/2018	Officer	10,000	249
11/20/2018	Officer	10,000	258
12/20/2018	Officer	10,000	264
01/17/2019	Non-Employee Director	8,000	205
01/20/2019	Officer	10,000	253
01/23/2019	Officer	950	25
02/20/2019	Officer	10,000	285
Fiscal Year 2019 Total		59,950	1,563
FY2020:			
03/20/2019	Officer	10,000	287
04/23/2019	Officer	10,000	298
07/19/2019	Officer	10,000	371
10/20/2019	Officer	10,000	438
11/20/2019	Officer	10,000	433
12/20/2019	Officer	10,000	432
01/20/2020	Officer	10,000	458
Fiscal Year 2020 Total		70,000	2,717

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COMMON STOCK PURCHASED FROM DIRECTORS AND OFFICERS ⁽¹⁾
(CONTINUED)

Date	Party Shares Purchased From	Number of Shares Purchased	Amount Paid by Issuer (\$)
FY2021 ⁽²⁾:			
03/19/2020	Officer	10,000	496
Fiscal Year 2021 Total		10,000	496

(1) Repurchased shares do not include shares netted against shares subject to a restricted stock award for tax withholding purposes.

(2) Current through the filing date of this Annual Report.

E. Disclosure of conflicts of interest

None.

Item 12: Financial information for the issuer's most recent fiscal period

The Company's audited consolidated financial statements for the fiscal year ended February 29, 2020, are incorporated herein by reference from the Company's 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com. The audited consolidated financial statements include the following:

- (1) consolidated balance sheet;
- (2) consolidated statements of income;
- (3) consolidated statements of comprehensive income;
- (4) consolidated statements of cash flows;
- (5) consolidated statements of changes in equity;
- (6) notes to consolidated financial statements; and
- (7) independent auditor's report.

Item 13: Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence

The Company's audited consolidated financial statements for the fiscal years ended February 28, 2019 and 2018, are incorporated herein by reference from the Company's 2019 Annual Report and 2018 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com. The audited consolidated financial statements include the following:

- (1) consolidated balance sheets;
- (2) consolidated statements of income;
- (3) consolidated statements of cash flows;
- (4) consolidated statements of changes in equity;
- (5) notes to consolidated financial statements; and
- (6) independent auditor's report.

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Item 14: Beneficial owners

Provide a list of the name, address and shareholdings of all persons beneficially owning more than five percent (5%) of any class of the issuer's equity securities

The following table sets forth information as of February 29, 2020, concerning the equity ownership of (a) all persons known by Computer Services, Inc. to be the beneficial owners of 5% or more of its outstanding Common Stock and (b) all of the Company's directors and executive officers as a group:

PRINCIPAL BENEFICIAL OWNERS OF SHARES

Name of Beneficial Owner	Relationship to Issuer	Amount and Nature of Beneficial Ownership	Percent of Class
All Directors & Executive Officers as a Group (10 in Total) ⁽¹⁾		727,936	2.63%
Fidelity Management & Research Co. ⁽²⁾		2,707,600	9.75%
Royce & Associates, LP ⁽³⁾		1,490,800	5.37%

- (1) The Company has determined that beneficial ownership information regarding all directors and all executive officers as a group is sufficient to an understanding of the Company and the degree to which management has a stake as shareholders of the Company. The Company notes the holdings of all 11 directors and executive officers of an aggregate of 2.63% are shown on the basis of the outstanding shares as of February 29, 2020. The address for all directors and executive officers is the Company's address at 3901 Technology Drive, Paducah, Kentucky 42001-5201.
- (2) According to Fidelity Management & Research Co., it has sole voting and dispositive power with respect to 2,707,600 shares. Its address is 245 Summer Street, Boston, Massachusetts 02210.
- (3) According to Royce & Associates, LP, it has sole voting and dispositive power with respect to 1,490,800 shares. Its address is 745 Fifth Avenue, New York, New York 10151.

Item 15: Name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure

A. Investment banker

None.

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B. Promoter

None.

C. Counsel

Wyatt, Tarrant & Combs, LLP
400 West Market Street, Suite 2000
Louisville, Kentucky 40202
Telephone: 502.589.5235
Facsimile: 502.589.0309
Attn: Richard Northern, Esq.
Email: rnorthern@wyattfirm.com

D. Auditor

Preparation of the Company's financial statements is the responsibility of the Company's management. The Company's outside audit firm, BKD, LLP ("BKD"), is responsible for expressing an opinion on these financial statements based on its audit.

BKD has confirmed to the Company that BKD and its personnel are licensed to practice public accounting in all states in which the Company performs audit procedures. According to BKD, it is one of the 15 largest certified public accounting and consulting firms in the United States. BKD is subject to required periodic inspection by the Public Company Accounting Oversight Board.

A discussion of aggregate fees for professional services rendered to the Company by (i) RSM US LLP, (ii) Crowe Horwath, LLP, (iii) BKD, LLP and (iv) KPMG US LLP for the fiscal years ended February 29, 2020 and February 28, 2019, is included in the management discussion and analysis of financial condition and results of operations ("MD&A") section of the Company's 2020 Annual Report and is incorporated herein by reference from that document filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

Auditor contact information:

BKD LLP
1201 Walnut Street, Suite 1700
Kansas City, Missouri 64106-2246
Telephone: 816.221.6300
Facsimile: 816.221.6380
Attn: John Kmetz, Partner
Email: jkmetz@bkd.com

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E. Public relations consultant

William Mills Agency
300 West Wieuca Road
Bldg. One, Suite 300
Atlanta, Georgia 30342
Attn: William Mills III
Email: william@williammills.com

F. Investor relations consultant

Corporate Communications, Inc.
3100 West End Avenue, Suite 550
Nashville, Tennessee 37203-1320
Telephone: 615.254.3376
Facsimile: 615.254.3420
Attn: Gil Fuqua
Email: gfuqua@cci-ir.com

G. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement

None.

Item 16: Management's discussion and analysis or plan of operation

A. Plan of operation

This item is not applicable, as the Company has had revenues in each of the last two fiscal years.

B. Management's discussion and analysis of financial condition and results of operations

The Company's MD&A for each of the fiscal years ended February 29, 2020 and February 28, 2019, required by this item are incorporated herein by reference from the Company's 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

C. Off-balance sheet arrangements

As of February 29, 2020, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

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Part E: Issuance History

Item 17: List of securities offerings and shares issued for services in the past two years

The following table sets forth information concerning the equity securities of Computer Services, Inc. issued during the fiscal years ended February 29, 2020, February 28, 2019 and during the current fiscal year through the filing date of this Annual Information and Disclosure Statement:

**COMMON STOCK ISSUED
(CONTINUED)**

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⁾
FY2019:						
03/19/2018	Restricted Stock Grant	Executive Officer (1 in Total)	4,446	-	Restricted	Yes
05/01/2018	Restricted Stock Grant	Executive Officers, Other Officers & Key Employees (48 in Total)	92,202	-	Restricted	Yes
05/23/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	3,220	-	Restricted	Yes
08/23/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	3,374	-	Restricted	Yes
11/21/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	3,320	-	Restricted	Yes
12/04/2018	Restricted Stock Grant	Key Employees (3 in total)	4,842	-	Restricted	Yes
02/20/2019	Restricted Stock Grant	Non-Employee Directors (6 in Total)	3,020	-	Restricted	Yes

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COMMON STOCK ISSUED
(CONTINUED)

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⁾
FY2020:						
05/08/2019	Restricted Stock Grant	Executive Officers, Other Officers & Key Employees (47 in Total)	66,535	-	Restricted	Yes
05/13/2019	Restricted Stock Grant	Other Officers (2 in total)	2,858	-	Restricted	Yes
05/22/2019	Restricted Stock Grant	Non-Employee Directors (6 in Total)	2,378	-	Restricted	Yes
07/15/2019	Restricted Stock Grant	Other Officer (1 in total)	1,732	-	Restricted	Yes
08/22/2019	Restricted Stock Grant	Non-Employee Directors (6 in Total)	2,282	-	Restricted	Yes
11/20/2019	Restricted Stock Grant	Non-Employee Directors (7 in Total)	3,103	-	Restricted	Yes
12/13/2019	Restricted Stock Grant	Executive Officer (1 in total)	2,313	-	Restricted	Yes
02/20/2020	Restricted Stock Grant	Non-Employee Directors (7 in Total)	2,177	-	Restricted	Yes

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COMMON STOCK ISSUED
(CONTINUED)

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⁾
FY2021 ⁽²⁾:						
03/11/2020	Restricted Stock Grant	Other Officer (1 in total)	1,011	-	Restricted	Yes
05/06/2020	Restricted Stock Grant	Executive Officers, Other Officers & Key Employees (42 in Total)	56,400	-	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 or a Restricted Stock Award Agreement, as the case may be.

(2) Current through the filing date of this Annual Information and Disclosure Statement.

In addition to these issuances of common stock, the total number of shares outstanding was affected from time to time by repurchases of shares by the Company pursuant to its on-going stock repurchase program as described in Part D, Item 11.D., above, and in the Consolidated Statements of Changes in Equity and Note 7 of Consolidated Financial Statements set forth in our 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com, that is incorporated herein by reference.

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Part F: Exhibits

Item 18: Material contracts

- A.** Form of Employment Agreement dated as of March 1, 2006, by and between the Company and Steven A. Powless (Chief Executive Officer) is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2007. The First Amendment to Employment Agreement dated as of May 9, 2011 is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2011. The Second Amendment to Employment Agreement dated as of September 30, 2011 is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 29, 2012. There have been no amendments to such Employment Agreement from September 30, 2011 through the time period covered by this Annual Information and Disclosure Statement.
- B.** Form of Termination Benefits Agreement dated as of October 2, 2017, by and between the Company and T. David Culbertson (then Chief Operating Officer) and as of December 12, 2019, by and between the Company and Brian K. Brown (Chief Financial Officer and Treasurer) is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2011. (Although the individual parties have changed, the form of Agreement has not.) There have been no amendments to such Termination Benefits Agreements through the time period covered by this Annual Information and Disclosure Statement.
- C.** Attached collectively as Exhibit 18.C. are the First Amendment dated as of April 5, 2019, the Second Amendment dated as of May 20, 2019 and the Third Amendment dated as of August 20, 2019 to the Stock Redemption Agreement dated as of September 26, 2018, by and between the Company and Steven A. Powless (Chairman of the Board of Directors and Chief Executive Officer), which is incorporated herein by reference from the Company's Annual Report for the fiscal year ended February 28, 2019.

The documents in Item 18.A., 18.B. and 18.C. incorporated herein by reference are incorporated from the documents referenced above that are filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

Item 19: Articles of incorporation and bylaws

- A.** June 30, 2015 was the last date on which the Articles of Incorporation were amended.
- B.** March 25, 2020 was the last date on which the Company's Board of Directors amended certain provisions of the Company's By-Laws. The By-Laws, as amended and restated, are attached in their entirety as Exhibit 19.B.

The By-Laws have not been amended since March 25, 2020.

Item 20: Purchases of equity securities by the issuer and affiliated purchasers

The information required by this item is included in the MD&A and notes to consolidated financial statements sections of the Company's 2020 Annual Report and are incorporated herein by reference from the Company's 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

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Item 21: Issuer's certifications

Please see Exhibits 21.A and 21.B on the following pages of this Annual Report.

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EXHIBIT 21.A

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this Annual Report of the Company;
2. Based on my knowledge, this Annual 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 Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual 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 Annual Report.

Date: May 12, 2020

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

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EXHIBIT 21.B

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian K. Brown, chief financial officer of Computer Services, Inc. (the “Company”), certify that:

1. I have reviewed this Annual Report of the Company;
2. Based on my knowledge, this Annual 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 Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual 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 Annual Report.

Date: May 12, 2020

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

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EXHIBIT 18.C

FIRST AMENDMENT TO
STOCK REDEMPTION AGREEMENT

This is the first amendment, dated as of April 5, 2019 (the "Amendment"), to the Stock Redemption Agreement dated as of September 26, 2018 (the "Agreement"), by and between Steven A. Powless (the "Shareholder") and Computer Services, Inc. (the "Company") and. The Company and the Shareholder are referred to as the "Parties". This Amendment shall become effective on May 1, 2019.

R E C I T A L S:

A. The Agreement provides for the redemption by the Company of a fixed number of shares of the Company's common stock each month for 13 months. As of April 1, 2019, the Company announced a 2:1 forward stock split ("Split") that was unforeseen as of the date of the Agreement and was not the subject of any provision in it.

B. The Parties have agreed to revise the number of shares provisions in the Agreement because of the Split by doubling the number of shares to be redeemed beginning with the month after the Split, the Payment Date for which is April 30, 2019.

C. Although the redemption price to be paid is not affected by the Split because the pricing mechanism in the Agreement refers to the market price that will automatically adjust for the Split, the Agreement has a provision that uses a price collar that, without amendment, would fail to operate as the Parties intended.

Accordingly, the Parties are entering into this Amendment to the Agreement to implement their modifications of it.

AMENDMENT

1. Each "Paragraph" referred to in this Amendment is a numbered paragraph of the Agreement. A copy of the Agreement is attached to this Amendment.

2. Paragraph 1 is amended to delete the phrase "Five Thousand (5,000)" and, in both places in the Paragraph in which it occurs, to replace that phrase with "Ten Thousand (10,000)".

3. Paragraph 2(b) is amended to add the phrase "as such price is adjusted for the 2:1 split of the Stock, the Payment Date of which was April 30, 2019" immediately following the phrase "trailing three-month average daily closing price of the Stock on the OTCQX Market" in both places in the Paragraph in which the latter phrase occurs.

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4. All other terms, conditions and provisions of the Agreement remain in full force and effect except as modified by this Amendment.

* * * * *

The Shareholder has executed, and the Company has duly authorized and caused the execution of this First Amendment to the Stock Redemption Agreement as of the date first above written.

The "Shareholder"
Steven A. Powless

The "Company"
Computer Services, Inc.

Signature

Name: Andras Q. Bende
Title: Treasurer and Chief Financial Officer

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SECOND AMENDMENT TO
STOCK REDEMPTION AGREEMENT

This is the second amendment, dated as of May 20, 2019 (the "Second Amendment"), to the Stock Redemption Agreement dated as of September 26, 2018 (the "Agreement"), by and between Steven A. Powless (the "Shareholder") and Computer Services, Inc. (the "Company") and. The Company and the Shareholder are referred to as the "Parties". This Second Amendment shall be effective as of May 20, 2019. The Agreement was previously amended as of April 5, 2019

RECITALS:

A. The Agreement provides for the redemption by the Company of shares of the Company's common stock each month for thirteen (13) months at the Redemption Price as defined in the Agreement.

B. The obligation of the Shareholder to tender shares and of the Company to redeem them is subject to a 90%/110% price collar that excuses performance if the Redemption Price is outside the collar.

C. Recent trading activity in the OTCQX Market has resulted in the Redemption Price being outside the collar as of the May redemption date.

D. Although not explicitly contemplated by the Agreement, the Parties have determined to forego the May redemption and to add a make-up month to the end of the otherwise applicable thirteen (13) month period and, in addition, to provide for up to two (2) more similar deferrals if the circumstances warrant and a Party so elects.

Accordingly, the Parties are entering into this Second Amendment to the Agreement to implement their modifications of it.

AMENDMENT

1. Each "Paragraph" referred to in this Second Amendment is a numbered paragraph of the Agreement. A copy of the Agreement is attached to this Second Amendment.

2. Paragraph 2 is amended to add a subparagraph (d) reading as follows:

(d) Subject to the provisions of this subparagraph, either or both of the Shareholder and the Company may elect to forego any month's redemption transaction if the Redemption Price is outside the 90%/110% price collar. In such event, the redemption for that month shall not take place then but an additional month shall be added to what otherwise would have been the end of the series of

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redemption months and a redemption opportunity for that deferred month will arise that shall be subject to all of the provisions of this Agreement. The May 2019 redemption foregone is the first of three (3) deferrals permitted without further amendment of this Agreement.

3. All other terms, conditions and provisions of the Agreement remain in full force and effect except as modified by this Second Amendment.

* * * * *

The Shareholder has executed, and the Company has duly authorized and caused the execution of this Second Amendment to the Stock Redemption Agreement as of the date first above written.

The "Shareholder"
Steven A. Powless

The "Company"
Computer Services, Inc.

Signature

Name: Andras Q. Bende
Title: Treasurer and Chief Financial Officer

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THIRD AMENDMENT TO
STOCK REDEMPTION AGREEMENT

This is the third amendment, dated as of August 30, 2019 (the "Third Amendment"), to the Stock Redemption Agreement dated as of September 26, 2018 (the "Agreement"), by and between Steven A. Powless (the "Shareholder") and Computer Services, Inc. (the "Company") and. The Company and the Shareholder are referred to as the "Parties". This Third Amendment shall be effective as of August 30, 2019. The Agreement was previously amended as of April 5, 2019 and May 20, 2019.

RECITALS:

A. The Agreement provides for the redemption by the Company of shares of the Company's common stock each month for thirteen (13) months at the Redemption Price as defined in the Agreement.

B. The obligation of the Shareholder to tender shares and of the Company to redeem them is subject to a 90%/110% price collar that excuses performance if the Redemption Price is outside the collar.

C. Recent trading activity in the OTCQX Market has resulted in the Redemption Price being outside the collar as of three (3) redemption dates.

D. Although not explicitly contemplated by the Agreement, the Parties have determined to forego the out-of-collar redemptions to date and to add make-up months to the end of the original applicable thirteen (13) month period and the first three (3) postponed redemption months authorized by the Second Amendment and, in addition, to provide for up to three (3) more similar deferrals if the circumstances warrant and a Party so elects.

Accordingly, the Parties are entering into this Third Amendment to the Agreement to implement their modifications of it.

AMENDMENT

1. Each "Paragraph" referred to in this Third Amendment is a numbered paragraph of the Agreement. A copy of the Agreement is attached to this Second Amendment.

2. Paragraph 2 is amended to add a subparagraph (d) reading as follows:

(d) Subject to the provisions of this subparagraph, either or both of the Shareholder and the Company may elect to forego any month's redemption transaction if the Redemption Price is outside the 90%/110% price collar. In such event, the redemption for that month shall not take place then but an additional month shall be added to what otherwise would have been the end of the series of

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redemption months and a redemption opportunity for that deferred month will arise that shall be subject to all of the provisions of this Agreement. The monthly redemptions already foregone as of the date of this Third Amendment were the first three (3) of six (6) deferrals permitted without further amendment of this Agreement. Even as amended, the Agreement still contemplates a total of thirteen (13) monthly redemptions.

3. All other terms, conditions and provisions of the Agreement, as previously amended, remain in full force and effect except as modified by this Third Amendment.

* * * * *

The Shareholder has executed, and the Company has duly authorized and caused the execution of this Third Amendment to the Stock Redemption Agreement as of the date first above written.

The "Shareholder"
Steven A. Powless

The "Company"
Computer Services, Inc.

Signature

Name: Andras Q. Bende
Title: Treasurer and Chief Financial Officer

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EXHIBIT 19.B

BY-LAWS

OF

COMPUTER SERVICES, INC.

ARTICLE I

Shareholders

Section 1.1 Annual Meeting. Except as the Board of Directors may otherwise designate, the annual meeting of the shareholders shall be held at 10:00 a.m. on the second (2nd) Tuesday of June of each year if not a legal holiday or, if a legal holiday, on the next following business day, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

Section 1.2 Special Meetings. Special meetings of shareholders may be called by the Chairman of the Board or by the Board of Directors, and shall be called by the Chairman of the Board at the request of the holders of not less than one-third (1/3) of all the shares of the Corporation entitled to vote at the meeting.

Section 1.3 Place of Meeting. The Board of Directors may designate any place, either within or without the Commonwealth of Kentucky, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If a special meeting is called by the Chairman of the Board or at the request of the requisite number of shareholders, the special meeting shall be held at the registered office of the Corporation, 3901 Technology Drive, Paducah, Kentucky.

Section 1.4 Notice. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Secretary or the Board of Directors, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Section 1.5 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to

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make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period not exceeding fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring a dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 1.6 Voting Record. The officer or agent having charge of the Corporation's stock transfer books shall make a complete record of the shareholders entitled to vote at each meeting of shareholder or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Section 1.7 Quorum. Shares constituting a majority of the outstanding voting power of shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If any outstanding shares eligible to be voted by a member organization of the New York Stock Exchange are represented in person or by proxy at a meeting of shareholders, then for quorum purposes all other shares held by or on behalf of The Depository Trust Company (or other central custodian of securities) for the member organization shall also be deemed represented in person or by proxy at the same meeting. If fewer than the number of shares constituting a majority of the outstanding voting power of shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 1.8 Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Such proxy (or a true facsimile thereof) shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

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Section 1.9 Voting of Shares. Subject to the cumulative voting provisions of Section 1.11, (a) each outstanding share of Common Stock entitled to vote shall be entitled to one (1) vote and each outstanding share of Preferred Stock, if any, entitled to vote shall be entitled upon each matter submitted to a vote at a meeting of shareholders to the vote(s) specified in the amendment to the Corporation's Articles of Incorporation pursuant to which such Preferred Stock was issued.

Section 1.10 Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation may be voted by the president of such corporation or by proxy appointed by him unless some other person produces a certified copy of a resolution of the board of directors of such other corporation authorizing such other person to vote such shares.

(b) Shares held by an administrator, executor, guardian, conservator or committee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

(d) A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) When shares are held jointly by three (3) or more fiduciaries acting under an instrument becoming effective after June 30, 1946, the will of the majority of such fiduciaries shall control the manner of voting or the giving of a proxy unless the instrument or order appointing the fiduciaries otherwise directs.

(f) Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Corporation, shall be voted at any

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meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 1.11 Written Action by Shareholders. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE II

Board of Directors

Section 2.1 General Powers. The business and affairs of the Corporation shall be managed by the Board of Directors.

Section 2.2 Number, Tenure and Qualifications.

(a) The number of directors of the Corporation shall be fixed from time to time by the Board of Directors.

(b) In an interval between meetings of the shareholders held for the election of directors, the Board of Directors by the affirmative vote of a majority of the directors then in office, whether or not a quorum of the Board of Directors, may fill newly created directorships resulting from an increase in the authorized number of directors fixed by the Board of Directors. Any directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next election of directors by the shareholders. Any vacancy in the Board of Directors not resulting from an increase in the authorized number of directors may be filled by the affirmative vote of a majority of the directors then in office, whether or not a quorum of the Board of Directors. A director elected to fill such a vacancy shall be elected for the unexpired term of his predecessor in office.

(c) Directors shall be natural persons between the ages of twenty-one (21) and seventy-five (75) years, inclusive; provided, however, that any Director who was elected to the Board of Directors before becoming seventy-five (75) years old may serve

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until the first annual meeting of shareholders after he* becomes that age and he shall be deemed to retire as of that annual meeting.

(d) The directors shall be divided into three classes, each class to be as nearly equal in number as possible. The term of office of directors of the first (1st) class shall expire at the first annual meeting of shareholders after their election; that of the second class shall expire at the second (2nd) annual meeting after their election; and that of the third class shall expire at the third annual meeting after their election. At each annual meeting after such classification the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the third succeeding annual meeting. In the case of any increase in the number of directors, the additional directors shall be distributed among the several classes as nearly equally as possible. In the case of any decrease in the number of directors, the several classes shall be reduced so that they will be as nearly equal in number as possible, but no decrease shall have the effect of shortening the term of any incumbent director.

Section 2.3 Regular Meetings. The Board of Directors may designate by resolution a time and place, within or without the Commonwealth of Kentucky, for the holding of regular meetings of the Board of Directors without notice other than such resolution. A regular meeting of the Board of Directors shall be held immediately after the annual meeting of shareholders (a) at the same place designated by the Board of Directors for the holding of regular meetings, without notice other than this bylaw, or (b) at such other place as shall be designated by the Board of Directors by resolution without notice other than such resolution.

Section 2.4 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board or the Chief Executive Officer or any three directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the Commonwealth of Kentucky, as the place for holding any special meeting of the Board of Directors called by them.

Section 2.5 Notice. Unless waived as permitted by the Kentucky Business Corporation Act, notice of the time and place of each special meeting of the Board of Directors shall be given to each director. The notice may be given by e-mail, telegram, letter, digital facsimile transmission or in person but, however given must be reasonably calculated to be received by the intended recipient at least twenty-four (24) hours before the time of the special meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a

* Where the context so requires or permits, the use of the singular form includes the plural, and the use of the plural form includes the singular, and the use of either gender includes both genders.

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director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.6 Quorum. A majority of the number of directors actually serving as directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if fewer than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 2.7 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8 Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 2.9 Committees. By resolution adopted by a majority of the full Board of Directors, the Board of Directors may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, but no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the shareholders the sale, lease, exchange or other dispensation of all or substantially all of the property and assets of the Corporation otherwise than in the usual and regular course of its business, recommending to the shareholders a voluntary dissolution of the Corporation or a revocation thereof, or amending the By-Laws of the Corporation.

Section 2.10 Nomination of Directors.

(a) Nominations for election to the Board of Directors may be made by the Board of Directors by any shareholder. Any shareholder who intends to nominate or to cause to have nominated any candidate for election to the Board of Directors (other than a candidate nominated by the Board of Directors) shall deliver or mail written notification of the nomination to the Chairman of the Board not less than fourteen (14) days nor more than fifty (50) days before any meeting of shareholders called for the election of directors. Provided, however, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, such notification shall be delivered or mailed to the Chairman of the Board not later than the close of business on the seventh (7th) day following the day on which the notice of meeting was mailed. Any such notification shall contain the following information to the extent known to the notifying shareholder or shareholders:

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(1) the name and address of each proposed nominee;

(2) the principal occupation of each proposed nominee;

(3) the total number of shares that to the knowledge of the notifying shareholder or shareholders will be voted for each proposed nominee;

(4) the name and residence address of each notifying shareholder; and

(5) the number of shares owned by each notifying shareholder.

(b) The chairman of any meeting of shareholders held for the election of directors may in his discretion disregard any votes cast for any nominee whose nomination was not made in accordance with the provision of this section.

Section 2.11 Advisory Directors. The Board of Directors may designate distinguished friends of the Corporation to serve as Advisory Directors. The Advisory Directors shall be entitled to receive notice of and to attend such meetings as the Board of Directors may invite them to attend. No Advisory Director shall have any power or right to vote on any matter voted upon by the Board of Directors, nor shall he in any respect be deemed a member of the Board of Directors.

Section 2.12 Compensation. By resolution of the Board of Directors, each director may be paid his expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.13 Telephone Meetings. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other at the same time, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

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ARTICLE III

Officers

Section 3.1 Number. The Corporation shall have seven (7) principal officers (each a "Principal Officer": a Chairman of the Board, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, a President, a Secretary and a Treasurer; provided that any Principal Officers may have more than one (1) officer title. The Corporation may also have a Vice Chairman of the Board, one or more Executive Vice Presidents, one or more Senior Vice Presidents and one or more other Vice Presidents, all of whom shall be elected by the Board of Directors or by a Committee of the Board of Directors authorized by resolution to so act. The Corporation may also have such assistant officers as the Board of Directors may deem necessary, all of whom shall be elected by the Board of Directors or chosen by an officer or officers designated by the Board of Directors.

Section 3.2 Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected by the Board of Directors from time to time. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3.3 Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights.

Section 3.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 3.5 Chairman of the Board. Except as he shall otherwise designate, the Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors. The Chairman shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 3.6 Vice Chairman of the Board. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at meetings of the shareholders and of the Board of Directors, unless the Chairman of the Board shall have designated another person to preside.

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Section 3.7 Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the direction of the Board of Directors, shall supervise and have overall responsibility for the business, administration and operations of the Corporation. In general, he shall perform all duties incident to the office of Chief Executive Officer and from time to time make such reports of the affairs of the Corporation as the Board of Directors may require.

Section 3.8 Chief Operating Officer. Subject to the direction of the Chief Executive Officer, the Chief Operating Officer shall supervise and have overall responsibility for such of the business, administration and operations of the Corporation as the Chief Executive Officer shall deem appropriate. In general, the Chief Operating Officer shall perform all duties incident to the office of Chief Operating Officer and from time to time make such reports of the affairs of the Corporation as the Chief Executive Officer and/or the Board of Directors may require.

Section 3.9 Chief Financial Officer. Subject to the direction of the Chief Executive Officer, the Chief Financial Officer shall supervise and have overall responsibility for such of the accounting, financial management, and other administrative and operational aspects of the Corporation as the Chief Executive Officer shall deem appropriate. In general, the Chief Financial Officer shall perform all duties incident to the office of Chief Financial Officer and from time to time make such reports of the affairs of the Corporation as the Chief Executive Officer and/or the Board of Directors may require.

Section 3.10 President. Subject to the direction of the Chief Executive Officer, the President shall perform all duties incident to the office of President and from time to time make such reports of the affairs of the Corporation as the Chief Executive Officer and/or the Board of Directors may require.

Section 3.11 Vice President. Any Vice President shall perform such duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer or the Chief Financial Officer.

Section 3.12 Secretary. The Secretary shall

- (a) Keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose;

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- (b) See that all notices are duly given in accordance with the provisions of these By-Laws or as required by law;
- (c) Be custodian of the corporate records;
- (d) Keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder;
- (e) Sign with the Chairman of the Board, the Chief Executive Officer, President or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;
- (f) Have general charge of the stock transfer books of the Corporation; and
- (g) In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 3.13 Treasurer. The Treasurer shall

- (a) Have charge and custody of and be responsible for all funds and securities of the Corporation;
- (b) Ensure that all moneys due and payable to the Corporation from any source whatsoever are received and receipts are given, and ensure that all such moneys are deposited in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article IV of these By-Laws; and
- (c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board or the Chief Executive Officer or the Chief Financial Officer (if the Treasurer is not also the Chief Financial Officer). If

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required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

ARTICLE IV

Contracts, Loans, Checks and Deposits

Section 4.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 4.2 Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 4.3 Checks, Drafts and Other Orders. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4.4 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE V

Certificates for Shares and Their Transfer

Section 5.1 Certificates for Shares.

(a) Shares of the capital stock of the Corporation may be certificated or uncertificated, as permitted by Section 6-260 of the Kentucky Business Corporation Act (the "Act").

(b) When certificated, the certificates shall be in such form as shall be prescribed from time to time by the Chairman of the Board of Directors in conformity with the requirements of the Act, any exchange or trading platform on

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which the shares are regularly traded, and the Corporation's transfer agent. Such certificates shall be signed by the Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or an employee of the Corporation. Each certificate for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Secretary may prescribe.

(c) Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock of the same class and series shall be identical. Upon a holder's request, the corporation shall provide evidence of ownership of such holder's uncertificated shares.

(d) Every certificate shall state upon its face or back that the Corporation will furnish to any shareholder upon request and without charge a full statement of the designations, preferences, limitations and relative rights of the shares of each of the respective classes of common stock and preferred stock and of each series of preferred stock the said Corporation is authorized to issue.

Section 5.2 Mandatory Information. Within a reasonable time after the issue or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information required on certificates by subsections (2) and (3) of Section 6-250 of the Act and, if applicable, Section 6-270 of the Act.

Section 5.3 Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or the Corporation's transfer agent and on surrender for cancellation of the certificate, if any, for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

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ARTICLE VI

Seal

Section 6.1 Seal. The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation, the state of incorporation and the words "Corporate Seal." Use of the corporate seal shall not be required for any document of the Corporation to be effective.

ARTICLE VII

Amendments

Section 7.1 Amendments. These By-Laws may be amended or repealed and new By-Laws may be adopted by the Board of Directors or by the shareholders at any regular or special meeting.

ARTICLE VIII

Fiscal Year

Section 8.1 Fiscal Year. The fiscal year of the Corporation shall be March 1 through the last day of February.

ARTICLE IX

Indemnification of Officers and Directors

Section 9.1 Indemnification. The Corporation shall indemnify and hold harmless each director and officer of the Corporation, and may indemnify and hold harmless any other employee or agent of the Corporation, who is, was or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereafter a "Proceeding") by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or while a director, officer, employee or agent of the Corporation, is or was serving the Corporation or any other legal entity in any capacity (including, without limitation, as a director, officer, partner, manager, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, limited liability company, employee benefit plan or other enterprise) at the request of the Corporation, against all liability and loss suffered and expenses

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incurred by such person (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) to the greater of the fullest extent: (i) permitted by the Kentucky Business Corporation Act and any successor law with respect to directors and officers generally; (ii) provided for in this Article IX; or (iii) provided for in any agreement between the Corporation and the director or officer or other indemnified person. The Corporation, however, shall not be required to indemnify a person in connection with a Proceeding (or part thereof) initiated by such person unless: (x) the Proceeding (or part thereof) was authorized by the Board of Directors; or (y) the Proceeding (or part thereof) was brought to enforce a right to indemnification arising pursuant to this Article IX or an agreement between the initiating person and the Corporation.

The Corporation shall indemnify and hold harmless each director and officer of a direct or indirect subsidiary of the Corporation to the same extent it is required to indemnify directors and officers of the Corporation hereunder both as to action in such person's capacity as a director or officer of a direct or indirect subsidiary of the Corporation and as to action in any another capacity while holding such office.

For purposes of this Article, a person whose duties to the Corporation also involve duties or services to an employee benefit plan or its participants shall be deemed serving the employee benefit plan at the request of the Corporation.

The liabilities and expenses subject to indemnification hereunder include any obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan) or expenses incurred with respect to a Proceeding, including attorneys' fees and disbursements.

Section 9.2 Prepayment of Expenses. The Corporation shall pay the expenses (including attorneys' fees) incurred by an officer or director of the Corporation or an officer or director of a direct or indirect subsidiary of the Corporation in defending any Proceeding in advance of its final disposition, provided, however, that the payment of such expenses shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if an ultimate determination by a final judicial decision from which no further right of appeal exists shall be made that the person is not entitled to be indemnified. The Corporation shall not inquire as to the likely ability of the person of whom the undertaking is required to be able to repay the advanced expenses after such a final judicial decision.

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Section 9.3 Claims.

(a) If a claim for indemnification or payment of expenses (including attorneys' fees) under this Article is not paid in full within sixty (60) days after a written claim therefor has been received by the Corporation (except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days), the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action brought by the Indemnitee to enforce this Agreement, the Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the burden of proof and the burden of persuasion to rebut that presumption shall be on the Corporation to establish that the Indemnitee is not entitled to the relief sought under this Agreement by clear and convincing evidence.

(b) If the Corporation brings suit to recover an advance of expenses (whether pursuant to the terms of an undertaking or otherwise), the Corporation shall have the burden of proving that the recipient was not entitled to the advance pursuant to this Article or otherwise.

(c) In any suit brought by a person seeking to enforce a right to indemnification hereunder (but not a suit brought by a person seeking to enforce a right to an advancement of expenses hereunder), the Corporation shall have as an available defense that the person seeking to enforce a right to indemnification has not met any applicable standard for indemnification under applicable law, this Article IX or an agreement between the Corporation and the person. With respect to any suit brought by a person seeking to enforce a right to indemnification or right to advancement of expenses hereunder or any suit brought by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), neither (i) the failure of the Corporation to have made a determination prior to commencement of such suit that indemnification of such person is proper in the circumstances because such person has met the applicable standards of conduct under applicable law, nor (ii) an actual determination by the Corporation that such person has not met such applicable standards of conduct, shall create a presumption that such person has not met the applicable standards of conduct or, in a case brought by such person seeking to enforce a right to indemnification, be a defense to such suit.

Section 9.4 Non-Exclusive Rights; Continuation. The indemnification and advancement of expenses provided in this Article shall not be deemed exclusive of, and shall be in addition to, any other rights to which any person may be entitled under any bylaw, agreement, general or specific action of the Board of Directors, vote of shareholders or disinterested directors, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director,

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officer, employee, or agent of the Corporation and shall extend to and inure to the benefit of the estate or personal representative of such person.

Without limiting the foregoing, the Corporation may, by action of the Board of Directors, indemnify and advance expenses to each person who is or was a director, officer, employee or agent of the Corporation who is, was or is threatened to be made a defendant or respondent to any Proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the Board of directors may deem to be in the best interests of the Corporation.

Section 9.5 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation in any capacity with another legal entity against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article or otherwise.

Section 9.6 Severability. If any provision or provisions of this Article shall be held to be invalid, illegal, or unenforceable for any reason whatsoever: (i) the validity, legality, and enforceability of the remaining provisions of this Article (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal, or unenforceable, that is not itself held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

Section 9.7 Amendment or Repeal; Contract; Survival. Any repeal or modification of the foregoing provisions of this Article shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring before such repeal or modification. The rights and protections hereunder may be reflected in a contract between a person entitled to indemnification hereunder and the Corporation and the contract need not be limited to the express terms of this Article IX but in any event shall carry out to the fullest extent possible the intent of this Article IX. The rights and protections hereunder shall survive the death of any person entitled to them and shall be enforceable by the heirs and personal or legal representatives of such person.

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