

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 28, 2019
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 27,731,125 as of May 21, 2019.

The number of shares outstanding of our Common Stock was 13,880,823 as of November 30, 2018.

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 INFORMATION AND DISCLOSURE STATEMENT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2019

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; and (iii) other factors discussed in CSI's annual reports, quarterly reports, Information and Disclosure Statements and other documents posted from time to time on the OTCQX website (available at www.otcmarkets.com), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. Except as required by law or the OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this document beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or otherwise or for changes made to this document by wire services or Internet services.

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Part A: General Company Information

Item1: 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: Andras Q. Bende, Treasurer & CFO

3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361 x10115
Email: andras.bende@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 36 cents per share, paid on March 29, 2019.

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.

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.

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 28, 2019 and 2018:

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	2019	60,000,000	13,846,368	13,452,577	3,540	268
	2018	60,000,000	13,931,722	13,356,367	3,459	270
Preferred	2019	5,000,000	-	-	-	-
	2018	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, KY 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 and is an authorized transfer agent subject to regulation by the U.S. 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 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

b. Recapitalizations: None.

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- c. Mergers and Acquisitions:** CSI has not made an acquisition during the three-year period ending February 28, 2019, nor during the subsequent period ending with the filing of this Annual Information and Disclosure Statement.
- 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 2 - Significant Accounting Policies: Use of Estimates in the Preparation of Financial Statements set forth in our 2019 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 that have been 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.

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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.

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. 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 List. 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.

For more than 50 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 continuation/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 provides 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 has become 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; and service-oriented architecture ("SOA"), fraud prevention, network management, regulatory compliance and document delivery solutions to financial institutions and corporate entities nationwide in the late 2000s/early 2010s. 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 remain competitive, compliant and profitable.

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 will be 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 competitive, compliant and profitable. 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 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 one-of-a-kind approach to 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 in the fast-paced world of the financial services industry.

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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:

- **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 they are positioned throughout the CSI service area to insure 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

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examine our processes on an annual basis. For more than 50 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 a number of sources to identify the need for new services and enhancements. Those include:

- **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 bank guests. This conference is recognized as one of the industry's best conferences 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 28, 2019:

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

- 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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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 periodic review by a member federal banking agency of the Federal Financial Institutions Examination Council under the Bank Service Company Act. CSI is not chartered by the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or other federal or state agencies that regulate or supervise depository institutions. As a service provider to insured financial institutions, however, our operations are 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 of 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>2019</u>	<u>2018</u>
Estimated research and development expenditures	\$ 16,000	\$ 15,000

None of the costs of our research and development activities is billed directly to our customers.

- 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 28, 2019	1,176	1,161

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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.

SOA, a set of design principles used during the phases of systems development and integration, has improved CSI's flexibility and speed of development. With the release of CSI 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 it 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 banks' 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

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improving the quality and security of disaster recovery plans. The high-speed capacity of CSI's telecommunications architecture makes this service possible.

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 they like.

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: CSIWebHost® provides the hardware, the access, the security, the backup and the 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:

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

Online Payments: 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 now-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 Secure Connect for Boards offers secure, remote access to board reports, policies, meeting minutes and online voting. It also includes an integrated Google® search 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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Digital Banking Applications: 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.

4. Payments Processing

Banks need payment processing technologies that allow them to keep pace with the 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

Check imaging, particularly after the adoption of the federal Check 21 legislation in 2003 and its implementation in 2004, represented a significant change in the way banks processed and cleared checks. CSI offers a line of products and services to take advantage of this technology.

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 they provide 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, 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 quicker 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.

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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.

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 we 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 those, the following services are available:

Statements: CSI can print, the customer 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 can print and mail notices, 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 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 usage increases 7% to 9% per year, the number of fraudulent transactions is also growing, which ultimately translates into losses for banks. CSI currently 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.

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

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

Loan Risk Management: CSI's loan risk management solution helps customers manage and monitor the performance of collection, delinquent and other "watch list" loans. User-friendly, multiple 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 by branch, product or customer level, reports suspicious patterns that could indicate money laundering and identifies high-risk activity.

Watch List Screening: CSI's WatchDOG platform provides a robust platform 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. We provide online traffic reports that show all online activity posted. We also provide 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.

CSI engages 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.

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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 within the Company, 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 provided to our new bank customers and is 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 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 sessions.

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

eLearning: CSI's eLearning is a learning management tool that provides video content that covers a wide-range of topics designed to help bankers gain knowledge of the core and ancillary products being offered. There is no charge 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 are our Internet banking partnerships 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.

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10. CSI Websites

CSI has multiple websites: a public website that can be viewed by anyone, anywhere; secure websites designed specifically for the use of our customers (extranets); and an internal website for our employees (intranet).

CSlweb.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 and executive 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 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 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 transaction-based processing fees and minimum guaranteed 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

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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

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 37 facilities in 13 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 217,000 square feet of office space in four states. We lease office and equipment space in 29 facilities representing approximately 120,000 square feet in 13 states. The terms of the leases vary from month-to-month through terms expiring in 2025. 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
Michael Carter	Director	2017
Basil N. Drossos	Director	2007
Bruce R. Gall	Director	2003
Terrance P. Haas	Director	2012
Kristin Rudolph Muhlnner	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 63, 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.

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Michael Carter, age 51, Director: Mr. Carter, a director since 2017, is a 25-year Wall Street veteran and currently serves as managing director and 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 he holds an MBA from Harvard Business School and a bachelor's degree from Washington University in St. Louis.

Basil N. Drossos, age 71, 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 74, 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 53, 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 University of Notre Dame. Mr. Haas is a member of the Company's Audit and Risk Committees.

Kristin Rudolph Muhlner, age 48, 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

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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 62, 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 68, 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, Provident 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.

CSI's founder, John A. Williams, retired as Chairman of the Board on June 29, 2017. He was then named honorary Chairman Emeritus and is a consultant to the Company. Mr. Williams founded the Company in 1965 and was its Executive Director from then until 1969 when he assumed the title of President. He became Chief Executive Officer in 1981 and remained as CEO until 1999. From 1981 until his retirement, Mr. Williams was Chairman of the Board.

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2. Executive Officers

The executive officers of the Company as of February 28, 2019, 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
Andras Q. Bende Computer Services, Inc. 3901 Technology Drive Paducah, KY 42001-5201	Treasurer & CFO	2018

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 51, 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.

Andras Q. Bende, age 44, became Treasurer and Chief Financial Officer in June 2018. Mr. Bende spent more than 18 years with GE Capital and most recently served as CFO for GE Capital's former Universal Bank in Poland. He is a graduate of General Electric's Financial Management Program and Corporate Audit Staff. He holds a bachelor's degree in Financial Management from Clemson 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 28, 2019:

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 (7 in Total)	2019	266	-	-	341	-	-	-	-	-	607
Executive Officers ⁽⁷⁾ (3 in Total)	2019	-	1,083	-	-	575	-	741	-	112	2,511

- (1) Directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. The former non-employee Chairman of the Board received a quarterly retainer of \$12.5. 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 \$8.75 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 28, 2019, of restricted stock awards granted in and prior to fiscal year 2019.

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- (3) Options were not granted to any of the directors or executive officers during fiscal year 2019.
- (4) Represents amounts earned under the Company's annual incentive plans in fiscal year 2019 and paid in fiscal year 2020.
- (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 is, given the modest aggregate amounts in every category, 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.

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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.

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 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 2018 fiscal year on March 1, 2017, 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 (\$)
FY2018:			
03/03/2017	Non-Employee Director	170	8
08/14/2017	Officer	1,542	71
Fiscal Year 2018 Total		1,712	79
FY2019:			
04/27/2018	Officer	500	24
10/22/2018	Officer	5,000	249
11/20/2018	Officer	5,000	258
12/20/2018	Officer	5,000	264
01/17/2019	Non-Employee Director	4,000	205
01/20/2019	Officer	5,000	253
01/23/2019	Officer	475	25
02/20/2019	Officer	5,000	285
Fiscal Year 2019 Total		29,975	1,563
FY2020 ⁽²⁾:			
03/20/2019	Officer	5,000	287
04/20/2019	Officer	5,000	298
Fiscal Year 2020 Total			

(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 Information and Disclosure Statement.

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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 28, 2019, are incorporated herein by reference from the Company's 2019 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.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.otcmarkets.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 28, 2019, 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⁾		393,792	2.84%
Fidelity Management & Research Co. ⁽²⁾		1,263,000	9.12%
Royce & Associates, LP ⁽³⁾		815,000	5.89%

- (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 10 directors and executive officers of an aggregate of 2.84% are shown on the basis of the outstanding shares as of February 28, 2019. 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 1,263,000 shares. It's address is 245 Summer Street, Boston, Massachusetts 02210.
- (3) According to Royce & Associates, LP, it has sole voting and dispositive power with respect to 815,000 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
500 West Jefferson Street, Suite 2500
Louisville, Kentucky 40202-2898
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, RSM US LLP ("RSM"), is responsible for expressing an opinion on these financial statements based on its audit.

RSM has confirmed to the Company that RSM and its personnel are licensed to practice public accounting in all states in which the Company performs audit procedures. According to RSM, it is currently the 5th largest certified public accounting and consulting firm in the United States. Because RSM audits over 100 public companies (source: RSM), it is required to undergo annual inspection by the Public Company Accounting Oversight Board.

A discussion of aggregate fees for professional services rendered to the Company by (i) RSM, (ii) Crowe Horwath, LLP, (iii) BKD, LLP and (iv) KPMG US LLP for the fiscal years ended February 28, 2019 and February 28, 2018, is included in the management discussion and analysis of financial condition and results of operations ("MD&A") section of the Company's 2019 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:

RSM US LLP
401 Main Street, Suite 1200
Peoria, Illinois 61602-1242
Telephone: 309.671.8700
Facsimile: 309.673.2620
Attn: John Kaiser, Partner
Email: john.kaiser@rsmus.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 28, 2019 and 2018, required by this item are incorporated herein by reference from the Company's 2019 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com, that is incorporated herein by reference.

C. Off-balance sheet arrangements

As of February 28, 2019, 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 28, 2019, February 28, 2018 and during the current fiscal year through the filing date of this Annual Information and Disclosure Statement:

COMMON STOCK ISSUED

Date	Nature of Offering	Party Shares Issued To	Number of Shares Issued	Amount Paid to Issuer (\$)	Trading Status of Shares	Certificates Issued with Restrictive Legends ⁽¹⁾
FY2018:						
05/03/2017	Restricted Stock Grant	Executive Officers, Other Officers & Key Employees (51 in Total)	41,000	-	Restricted	Yes
05/23/2017	Restricted Stock Grant	Non-Employee Directors (7 in Total)	1,652	-	Restricted	Yes
08/23/2017	Restricted Stock Grant	Non-Employee Directors (7 in Total)	1,778	-	Restricted	Yes
11/21/2017	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,654	-	Restricted	Yes
02/20/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,743	-	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⁾
FY2019:						
03/19/2018	Restricted Stock Grant	Executive Officer (1 in Total)	2,223	-	Restricted	Yes
05/01/2018	Restricted Stock Grant	Executive Officers, Other Officers & Key Employees (48 in Total)	46,101	-	Restricted	Yes
05/23/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,610	-	Restricted	Yes
08/23/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,687	-	Restricted	Yes
11/21/2018	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,660	-	Restricted	Yes
12/04/2018	Restricted Stock Grant	Key Employees (3 in total)	2,421	-	Restricted	Yes
02/20/2019	Restricted Stock Grant	Non-Employee Directors (6 in Total)	1,510	-	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⁽²⁾:						
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

(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 6 of Consolidated Financial Statements set forth in our 2019 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 March 19, 2018, by and between the Company and Andras Q. Bende (then Chief Financial Officer and Treasurer in waiting) 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.** The Company entered into a 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). The Agreement is attached. In accordance with its terms, Mr. Powless is redeeming 65,000 pre-split shares of common stock, at a rate of 5,000 pre-split shares each month, over a 13-month period between October 2018 and October 2019, at the current market price, as determined in accordance with the redemption agreement, on the 20th of each calendar month. After April 30, 2019, the post-split shares aggregated 130,000, with 10,000 redeemed per month.

The documents in Item 18.A. and B. 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.otcmarkets.com.

Item 19: Articles of incorporation and bylaws

On June 30, 2015, the shareholders of the Company approved an Amendment to the Articles of Incorporation to increase the number of authorized shares of Common Stock from 20,000,000 to 60,000,000. The shares may be used in the future, upon the authorization of the Company's Board of Directors, for general corporate purposes including, among other purposes, in stock splits and stock dividends, in raising additional capital, in acquisitions and for employee incentive and other benefit plans. A copy of the Amendment was included as Exhibit 8.B at the end of Quarterly Report for the fiscal period ended May 31, 2015. There have been no amendments to

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the Articles of Incorporation or the By-Laws from June 30, 2015 through the time period covered by this Annual Information and Disclosure Statement.

The foregoing documents 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 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 2019 Annual Report and are incorporated herein by reference from the Company's 2019 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

Item 21: Issuer's certifications

Please see Exhibits 21.A and 21.B at the end of this information and disclosure statement.

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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 disclosure statement of the Company;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, 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 disclosure statement.

Date: May 21, 2019

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

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EXHIBIT 21.B

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Andras Q. Bende, chief financial officer of Computer Services, Inc. (the "Company"), certify that:

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

Date: May 21, 2019

/s/ Andras Q. Bende
Andras Q. Bende
Chief Financial Officer

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STOCK REDEMPTION AGREEMENT

This is a 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").

Recitals:

A. The Company is the issuer of Common Stock, no par value (the "Stock"), and, from time to time, redeems shares of the Stock from their holders.

B. The Shareholder owns a substantial amount of the Stock and wishes to offer certain shares of his Stock to the Company for redemption on a schedule and on a price formula, subject to certain limits, that will be maintained despite trading blackouts and other events beyond the control of the shareholder.

C. Currently, the Shareholder wishes to offer Sixty-Five Thousand (65,000) of his shares of the Stock to the Company over a thirteen (13) month period.

D. The Company and the Shareholder are entering into this Agreement to specify the terms and conditions of the Company's redemption of such shares.

Accordingly, the parties agree as follows:

1. Tender and Redemption. On October 20, 2018, and on the twentieth (20th) calendar day of each month thereafter, for a total of thirteen, (13) days, the Shareholder shall tender to the Company one or more certificates representing at least Five Thousand (5,000) shares of the Stock, and the Company shall, as of each such day, redeem Five Thousand (5,000) shares for consideration determined, on a per share basis, in accordance with Paragraph 2, below. If the twentieth (20th) calendar day of any month is not a business day, the tender and redemption shall take place on the first business day that follows. If the shares represented by the certificates tendered exceed the number of shares being redeemed, the Company shall cause its transfer agent to issue to the Shareholder a balance certificate representing the difference.

2. Redemption Price; Elections; Termination.

(a) Redemption Price. The price per share of the consideration payable upon redemption by the Company shall be the average daily closing price for an unrestricted share of Stock on the OTCQX Market on the ten (10) business days ending three (3) trading days before the date of each redemption (each a "Redemption Price").

(b) Elections. Notwithstanding subparagraph (a), above, the Shareholder shall have the right to elect not to tender shares for a particular month's redemption if the Redemption Price fails to equal at least ninety percent (90%) of the trailing three-calendar-month average daily closing price of Stock on the OTCQX Market. Also, notwithstanding subparagraph (a), above, the Company shall have the right to elect not to tender shares for a particular month's redemption if the Redemption Price exceeds one hundred ten percent (110%) of the trailing three-calendar-month average daily closing price of Stock on the OTCQX Market. Either party shall promptly notify the other by email of an election not to tender, or not to redeem, as the case may be. Absent such an election, the obligation of the Shareholder to

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tender, and the obligation of the Company to redeem, shall be firm and unconditional, except as either or both the tender and the redemption are prohibited as a matter of law.

(c) Termination. If because of elections either not to tender or not to redeem or both pursuant to subparagraph (b), above, no redemption takes place on three (3) consecutive dates that otherwise would be redemption dates pursuant to Paragraph 1, above, this Agreement shall terminate automatically and be of no further force or effect. In addition, either party may terminate this Agreement at any time upon ten (10) days' advance written notice to the other party, in which event this Agreement shall terminate and be of no further force or effect.

3. Shareholder's Warranty. The Shareholder represents and warrants to the Company that he will hold of record and own beneficially all of the shares of Stock he tenders from time to time free and clear of any restrictions on transfer (other than any restrictions under the Securities Act of 1933 and state securities laws), taxes, security interests, options, warrants, purchase rights, contracts, commitments, equities, claims and demands. The Shareholder is not a party to any option, warrant, purchase right, or other contract or commitment that require the Shareholder to sell, transfer, or otherwise dispose of any of his Stock other than this Agreement.

4. Payment. The Company shall pay the redemption proceeds to the Shareholder by an automated clearing house draft in favor of a bank account designated by the Shareholder.

5. Survival. If the Shareholder dies or becomes incapacitated during the term of this Agreement, his heirs, personal representative, executor, guardian, or like person recognized at law, may elect to continue or terminate, in accordance with Paragraph 2(c), above, this Agreement.

The Shareholder has executed, and the Company has caused the execution of, this 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