COMPUTER SERVICES, INC.

A Kentucky Corporation

3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 800.545.4274
Corporate Website: www.csiweb.com

SIC Code: 7374

Quarterly Report

For the period ended May 31, 2021

(the "Reporting Period")

The number of shares outstanding of our Common Stock is 27,484,031 as of July 14, 2021.

The number of shares outstanding of our Common Stock was 27,565,001 as of February 28, 2021.

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

Yes: [ ] No: [✓]

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

Yes: [ ] No: [✓]

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

Yes: [ ] No: [✓]

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

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

Forward-Looking Statements

This Quarterly Report contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. All statements except historical statements contained herein constitute “forward-looking statements.” Forward-looking statements are inherently uncertain and are based only on current expectations and assumptions that are subject to future developments that may cause results to differ materially.

Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting CSI’s operations, customers, markets, services, products and prices; (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach or suspected breach of our security; (iii) risk factors affecting the United States economy generally including without limitation acts of terrorism, military actions including war and viral epidemics and pandemics that alter human behaviors, including the COVID-19 pandemic and its effect on our business operations and financial results; (iv) increasing domestic and international regulations imposing burdensome requirements regarding the privacy of consumer data especially consumer financial transaction data of which CSI possesses substantial quantities; and (v) other factors discussed in CSI's Annual Reports, Quarterly Reports, Information and Disclosure Statements, News Releases, and other documents posted from time to time on the OTCQX website (www.otcmarkets.com), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods.

Except as required by law or OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference in this document beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.

Pandemic

The effects of the Covid-19 pandemic on the Company and its operations are discussed in the 2021 Annual Report to Shareholders incorporated herein by reference and filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

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

Name of Issuer: Computer Services, Inc.

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

Telephone: 800.545.4274
Facsimile: 270.442.9905
Website: www.csiweb.com

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

3901 Technology Drive
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361 x10689
Facsimile: 270.575.6716
Email: brian.brown@csiweb.com

Item 2: Shares outstanding.

The following table sets forth information concerning each authorized class of equity securities of Computer Services, Inc. as of May 31, 2021:

SECURITIES AUTHORIZED AND OUTSTANDING

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (public float)	Total Number of Beneficial Shareholders (1)	Total Number of Shareholders of Record
Common	5/31/2021	60,000,000	27,502,375	26,838,403	6,201	250
Preferred	5/31/2021	5,000,000	-	-	-	-

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

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

Item 3: Interim Financial Statements.

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

	Three Months Ended May 31,	
	2021	**2020**
Revenues	$ 76,656	$ 70,639
Operating expenses	57,856	51,923
Operating income	18,800	18,716
Interest income, net	40	129
Income before income taxes	18,841	18,845
Provision for income taxes	4,427	4,692
Net income	$ 14,414	$ 14,153
Earnings per common share	$ 0.52	$ 0.51
Shares used in computing earnings per common share	27,512,055	27,654,240

See accompanying notes to consolidated financial statements.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

COMPUTER SERVICES, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	5/31/2021 (Unaudited)	2/28/2021 (Audited)	5/31/2020 (Unaudited)
ASSETS			
Current assets			
Cash	$ 53,779	$ 45,398	$ 72,558
Funds held on behalf of clients	10,692	8,566	8,386
Accounts receivable, net	36,319	42,223	33,985
Income tax receivable	-	932	-
Deferred contract costs	19,873	18,718	15,307
Prepaid expenses and other current assets	10,584	10,917	9,543
Total current assets	131,246	126,754	139,781
Property and equipment, net of accumulated depreciation	42,522	43,755	45,793
Software and software licenses, net of accumulated amortization	22,355	22,728	24,434
Deferred contract costs	114,296	106,936	83,750
Internally developed software, net	6,889	6,855	5,559
Goodwill	60,115	60,115	60,115
Intangible assets, net	3,245	3,396	3,890
Right of use assets	6,095	6,734	7,788
Other assets	6,822	7,076	5,731
Total assets	$ 393,585	$ 384,349	$ 376,840
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 9,168	$ 11,494	$ 8,948
Accrued expenses	15,476	8,602	12,699
Deferred contract liabilities	54,308	48,763	35,884
Deferred revenue	11,324	12,830	10,846
Client funding obligation - settlement liabilities	10,692	8,566	8,386
Current portion of operating lease liabilities	2,510	2,563	2,368
Income tax payable	3,527	-	3,315
Total current liabilities	107,005	92,818	82,445
Long-term liabilities			
Deferred income taxes, net	29,313	29,314	24,394
Deferred contract liabilities	11,406	11,448	10,333
Other liabilities	1,691	1,721	1,766
Postretirement benefits	-	-	125
Operating lease liabilities	3,767	4,357	5,745
Total long-term liabilities	46,176	46,839	42,363
Total liabilities	153,182	139,658	124,808
Shareholders' equity			
Preferred stock; shares authorized, 5,000,000; none issued			
Common stock, no par; 60,000,000 shares authorized; 27,502,375 shares issued at May 31, 2021; 27,565,001 shares issued at February 28, 2021; 27,668,133 shares issued at May 31, 2020;	34,562	32,546	32,134
Retained earnings	205,963	211,852	218,358
Accumulated other comprehensive income, net	(122)	293	1,540
Total shareholders' equity	240,403	244,691	252,032
Total liabilities and shareholders' equity	$ 393,585	$ 384,349	$ 376,840

See accompanying notes to consolidated financial statements.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

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

	Three Months Ended May 31, 2021				
	Common Stock			Accumulated Other Comprehensive	
	Shares	Amount	Retained Earnings	Income (Loss)	Total
Balance at February 28, 2021	27,565,001	$ 32,546	$ 211,852	$ 293	$ 244,691
Net income	-	-	14,414	-	14,414
Cash dividends paid ($0.25 per share)	-	-	(6,879)	-	(6,879)
Cash dividends payable ($0.25 per share)	-	-	(6,881)	-	(6,881)
Issuance of common stock	2,471	148	-	-	148
Issuance of restricted stock	46,740	-	-	-	-
Restricted stock vested and tax benefit	-	2,020	-	-	2,020
Restricted stock forfeited and tax benefit	(1,155)	-	-	-	-
Other comprehensive loss	-	-	-	(415)	(415)
Purchase of common stock	(93,547)	(128)	(5,521)	-	(5,650)
Tax withholding related to share-based compensation	(17,135)	(24)	(1,022)	-	(1,045)
Balance at May 31, 2021	**27,502,375**	**$ 34,562**	**$ 205,963**	**$ (122)**	**$ 240,403**

See accompanying notes to consolidated financial statements.

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

	Three Months Ended May 31,	
	2021	**2020**
Operating Activities		
Net income	$ 14,414	$ 14,153
Depreciation	2,115	2,190
Amortization	1,608	3,245
Amortization of right of use assets	620	551
Restricted stock expense	790	396
Stock-based compensation expense	148	123
Tax benefit of restricted stock vested	258	-
Changes in operating assets and liabilities:		
Accounts receivable	5,904	4,055
Prepaid expenses and other current assets	332	(3)
Right of use asset/lease liabilities	(625)	(542)
Other assets	253	(26)
Funds held on behalf of clients	(2,126)	(526)
Client funding obligation-settlement liabilities	2,126	526
Accounts payable and accrued expenses	(1,102)	(1,697)
Deferred revenue	(1,537)	(311)
Deferred contract liabilities	5,503	(1,972)
Deferred contract assets	(8,514)	(1,629)
Internally developed software	(33)	(284)
Income tax payable	4,201	4,666
Other liabilities	(413)	(476)
Net cash from operating activities	23,920	22,439
Investing Activities		
Purchase of property and equipment	(881)	(2,839)
Purchase of software and software licenses	(1,084)	(9,233)
Net cash used in investing activities	(1,966)	(12,071)
Financing Activities		
Dividends paid	(6,879)	(5,808)
Purchase of common stock	(5,650)	(1,328)
Tax withholding related to share-based compensation	(1,045)	(783)
Net cash used in financing activities	(13,574)	(7,919)
Net change in cash	8,381	2,449
Cash, beginning of period	45,398	70,109
Cash, end of period	$ 53,779	$ 72,558

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1. NATURE OF OPERATIONS

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash Equivalents: The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. Deposit accounts that are comprised of funds held on behalf of others are not considered to be the Company's cash and cash equivalents, see following paragraph. The Company maintains cash balances at many financial institutions, the majority of which balances are in excess of the insurance limits of the Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and the Company does not believe there is any significant credit risk with respect to these cash deposits. The Company has entered into deposit placement programs that distribute a substantial portion of the Company's funds among different select FDIC-insured financial institutions to avoid or to minimize the effect of the insurance limits at any single institution.

Funds Held on Behalf of Others and Client Funding Obligation – Settlement Liability: The Company holds funds on behalf of card processing clients in connection with providing card processing services. End-of-day available client bank balances are held in depository accounts. Funds held on behalf of clients in the form of cash and cash equivalents are included in funds held on behalf of clients on the consolidated balance sheet. All funds held on behalf of clients represent assets that are restricted for use. Funds held on behalf of clients that meet the definition of restricted cash and restricted cash equivalents are not included in our beginning and end of period cash balances on the consolidated statements of cash flows. Cash inflows and outflows related to funds held on behalf of clients are reported on a net basis in the operating section of the consolidated statements of cash flows. The Company is obligated to remit restricted cash held to card processing clients in connection with providing card processing services, generally the following business day. The settlement liability represents the amount of funds held on behalf of others which is included in current liabilities.

Accounts Receivable: Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive plus any accrued and unpaid interest. Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. As of May 31, 2021 and 2020, allowances for doubtful accounts of $0 and $112, respectively have been recorded.

Property and Equipment: As of May 31, 2021 and 2020, property and equipment consisted of:

	2021	2020
Land	**$ 1,716**	$ 1,716
Buildings and improvements	**36,432**	30,180
Equipment	**77,837**	81,780
Construction-in-progress	**1,215**	6,752
	117,200	120,428
Less accumulated depreciation	**74,678**	74,635
Balance, end of period	**$ 42,522**	$ 45,793

Depreciation: Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

Software and Software Licenses and Related Amortization: Software and software licenses include the capitalization of certain costs incurred to develop new software or to enhance existing software. Some software is primarily utilized by the Company to process customer transactions. Other software was obtained in business acquisitions or acquired under licenses that are purchased from third parties. Software and software licenses are amortized using the straight-line method over three to ten years or the life of the licenses. Total amortization expense for the three months ended May 31, 2021 and 2020 was $2,742 and $2,694, respectively.

Capitalized Software Development Costs: The Company incurs salary and certain external costs to develop software for internal use. Under the guidance of Accounting Standard Codification (ASC) 350-40, *Internal-Use Software* (ASC 350-40), the Company has capitalized these costs and amortized them over the period of benefit. Under the provisions of ASC 350-40, costs in the preliminary project stage are expensed. Costs are capitalized once the Company has reached the application development stage, which includes costs and time for coding, software configuration, and testing. Any post-implementation activities such as maintenance or bug fixes are expensed.

The carrying amount of capitalized software development costs subject to amortization as of May 31, 2021 and May 31, 2020 was as follows:

	2021		**2020**	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Internally developed software costs	**$ 14,033**	**$ (7,144)**	$ 11,028	$ (5,469)

Total amortization expense for the three months ended May 31, 2021 and 2020 was $403 and $385, respectively.

Goodwill and Other Intangible Assets: The Company records as goodwill the excess of the purchase price over the fair value of identifiable net assets acquired. Goodwill acquired in a purchase business combination is not amortized, but instead reviewed for impairment at least annually, as well as when an event-triggering impairment may have occurred. The Company performs a qualitative assessment of the reporting unit. An impairment charge will be recognized for the amount by which the carrying value of an entity reporting unit, including goodwill, exceeds its fair value. The Company has elected to perform its annual analysis as of the end of each fiscal year. No impairment was identified for years ended February 28, 2021 and February 29, 2020.

During the three months ended May 31, 2021, no impairment was determined and, accordingly, no change in the carrying amount of goodwill was recorded. Prior period amounts have been reclassified to conform to the new reportable segment presentation as described in Note 9.

	Three Months Ended May 31,	
	2021	**2020**
Enterprise Banking Group	**$ 15,490**	$ 15,490
Business Solutions Group	**$ 44,625**	$ 44,625
Total	**$ 60,115**	$ 60,115

Intangible assets not subject to amortization primarily consist of governmental licenses to operate a telecommunications competitive local exchange carrier. Intangible assets not subject to amortization totaled $165 as of both May 31, 2021 and 2020.

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

The carrying amounts of intangibles subject to amortization as of May 31, 2021 and 2020 were as follows:

	2021		**2020**	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer relationships	**$ 11,593**	**$ 8,720**	$ 11,593	$ 8,108
Non-compete agreements	**1,700**	**1,700**	1,700	1,700
Patents	**427**	**427**	427	427
Trade name	**530**	**323**	530	290
Developed technology	**370**	**370**	370	370
Other	**216**	**216**	216	216
	$ 14,836	**$ 11,756**	**$ 14,836**	**$ 11,111**

Total amortization expense for the three months ended May 31, 2021 and 2020 was $152 for both periods.

Long-Term Assets: Property and equipment, intangible assets subject to amortization and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. Management determined there were no events in the current quarter indicating impairment. Property and equipment, software and other assets acquired through accounts payable and accrued expenses during the three months ended May 31, 2021 and 2020 was $179 for both periods.

Contract Balances: Deferred contract costs are the incremental costs that are directly associated with definitive term contracts with customers. The costs are deferred and amortized over the useful life, which in general is between 7 to 10 years. The costs associated with contract fulfillment are being capitalized and amortized over the useful life. The Company believes this is the preferable method of accounting as these customer acquisition and related integration costs are closely related to the revenue from the definitive term customer contracts and that they should be recorded as an asset and charged to expense over the same period the revenue is recognized. Amortization of deferred contract costs is included in operating expense on the accompanying consolidated statements of income.

The Company incurs costs to fulfill contracts related to travel and salaries for on-boarding and implementation services. These costs are not related to separate performance obligations, and therefore in accordance with ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers,* these costs are capitalized and amortized over the period of benefit, which has been determined to be the contract term.

Revenue Recognition and Deferred Revenue: The Company generates revenue through the sale of data processing services, equipment and supplies, maintenance contracts, software, *e*Business services, and other service products. The Company enters into service contracts with its customers varying from one to ten years in length. Revenues are recognized as services are provided on these contracts. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer which may be at a point in time or over time. Standard contracts generally contain an early contract termination clause that allows the Company, if the customer terminates the Company's services prior to the end of the contract term, to collect as liquidated damages a percentage of the anticipated revenues that would have been earned during the remaining contract term. Revenues from early contract termination fees are recognized as operating income in the period when the Company has completed its performance obligations to the customer. Total early contract termination fees recorded as a component of revenues in the accompanying consolidated financial statements for the three months ended May 31, 2021 and 2020 were $601 and $2,853, respectively.

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

The Company records revenue under certain contracts for postage and telecommunications net of the related expenses. The Company provides these services as a convenience to its customers and provides these services at the Company's cost. The net pass-through revenues for these services for the three months ended May 31, 2021 and 2020 were $393 and $392, respectively.

The Company provides billing credits to certain customers to be used for future services. These credits are capitalized at contract inception and amortized over the contract life, generally 7 to 10 years.

Performance Obligations: Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract.

Allocation of Transaction Price: The transaction price, once determined, is allocated between the various performance obligations in the contract based upon their respective standalone selling prices. The standalone selling prices are determined based on the prices at which the Company separately sells each good or service. For items that are not sold separately, the Company estimates the standalone selling prices using the relevant information that is reasonably available.

Significant Judgments: The Company has determined that direct labor costs associated with product installations meet the criteria of being directly related to a contract or a renewal of a contract because the costs generate and enhance the resources to satisfy the performance obligations. As such, the Company capitalizes these costs as incurred and amortizes them over the life of the contract. Each standard contract contains an early termination clause. See *Revenue Recognition and Deferred Revenue*, above for early contract termination revenue discussion.

Disaggregation of Revenue: The following table presents the Company's revenues disaggregated into categories that depict economic factors which affect the nature, amount, timing, and uncertainty of revenue and cash flows of such revenues recognized during the three months ended May 31, 2021 and 2020:

	Three Months Ended May 31,	
	2021	**2020**
Enterprise Banking Group	**$ 47,673**	$ 43,305
Business Solutions Group	**28,983**	27,334
Total revenue	**$ 76,656**	$ 70,639

Accounting Policies and Practical Expedients Elected: The Company elected to apply an accounting policy election that permits an entity to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales taxes, use tax, and other similar taxes collected concurrent with revenue-producing activities. Therefore, the Company presents revenue net of sales taxes and similar revenue-based taxes. The Company elected to use the portfolio approach to evaluate contracts. As a practical expedient, a portfolio approach is permitted if it is reasonably expected that the approach's impact on the consolidated financial statements will not be materially different from the impact of applying the revenue standard on an individual contract basis. The Company elected a practical expedient that allows the Company to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. The Company's contracts typically do not have significant financing components.

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

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

As of May 31, 2021, the postretirement benefit had obligations of $125 and employer contributions to the plan and benefits paid from the plan of $6. Current liabilities of $125 were recorded. Other comprehensive income was ($122), net of tax. A discount rate of 3.55% was assumed.

As of May 31, 2021, other comprehensive loss amortization of $415 was recognized on the Income Statement.

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

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

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

Earnings Per Common Share: Earnings per common share is based on net income available to common shareholders divided by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding was 27,512,055 and 27,654,240 for the fiscal quarters ended May 31, 2021 and 2020, respectively.

Recent Accounting Pronouncements: In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which introduces a number of amendments that are designed to simplify the application of accounting for income taxes. Such amendments include removing certain exceptions for intraperiod tax allocation, interim reporting when a year-to-date loss exceeds the anticipated loss, reflecting the effect of an enacted change in tax laws or rates in the annual effective tax rate and recognition of deferred taxes related to outside basis differences for ownership changes in investments. ASU 2019-12 also provides clarification related to when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction. In addition, ASU 2019-12 provides guidance on the recognition of a franchise tax (or similar tax) that is partially based on income as an income-based tax and accounting for any incremental amount incurred as a non-income-based tax. For public entities, ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. ASU 2019-12 was effective for the Company on March 1, 2021, and it does not expect the adoption to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (a consensus of the FASB Emerging Issues Task Force)" (ASU 2018-15). The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 was effective for the Company for annual and interim reporting periods beginning March 1, 2020. The effect of this is not material to the Company's consolidated financial statements.

Interim Financial Statements: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim consolidated financial statements and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes included in its 2021 Annual Report filed separately through the OTC Disclosure and News Service and available at www.otcmarkets.com.

In the opinion of management of the Company, the accompanying consolidated financial statements reflect all adjustments necessary to present fairly the consolidated financial position of the Company as of May 31, 2021 and 2020, the results of its operations for the three-month periods ended May 31, 2021 and 2020, and its changes in equity and its cash flows for the three-month periods ended May 31, 2021 and 2020.

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

NOTE 3. LEASES

Accounting Policies: The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company accounts for the lease and non-lease components separately. The lease components consist of common area maintenance costs related to real estate leases.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Certain leases require the Company to pay executory costs (property taxes, insurance, maintenance, and other operating expenses) associated with the leased asset. Such amounts are not included in the measurement of the lease liability to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

As of May 31, 2021 and 2020, the weighted-average remaining lease term for the Company's operating leases was 39 months and 48 months, respectively, and the weighted average discount rate was 3.00% and 3.31%, respectively.

Nature of Leases: The Company has determined that all leases entered into were classified as operating lease arrangements.

Operating Leases: The Company leases office space for branch sales and services offices that expire in various years through 2027. These leases generally contain renewal options for periods ranging from 3 to 5 years and require the Company to pay all executory costs. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Company leases a vehicle fleet for employees. Under the terms of the master lease agreement, the Company has guaranteed a residual value for the lease of the fleet. No amounts related to the residual value guarantee have been deemed probable and, thus, required to be booked.

Quantitative Disclosures: The lease cost and other required information for the three months ended May 31, 2021 and 2020 are:

		2021		2020
Lease cost				
Operating lease cost	**$**	**683**	$	656
Short-term lease cost		**18**		36
Variable lease cost		**114**		110
Total lease cost	**$**	**815**	$	802
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flow used for operating leases	**$**	**694**	$	643
Right of use assets obtained in exchange for new operating lease obligations	**$**	**218**	$	832

Future minimum lease payments and reconciliation to the consolidated balance sheet at May 31, 2021 are as follows:

Years ending February 28 and 29,		Future Minimum Lease Payments
2022 (remaining period)	$	2,036
2023		2,067
2024		1,177
2025		704
2026		342
Thereafter		245
Total lease payments to be paid		6,571
Less future interest		(294)
Lease liabilities	$	6,277

NOTE 4. LAND AVAILABLE FOR SALE

The cost of land available for sale of $1,269 and $1,347 as of May 31, 2021 and 2020, respectively, primarily represents costs associated with the development of an office park in Paducah, Kentucky. These costs are allocated to each lot based upon each lot’s proportionate share of salable acreage. The project is substantially complete and any future associated costs will not be material. As of May 31, 2021 and 2020, land available for resale was included in other assets on the accompanying consolidated balance sheets.

NOTE 5. INCOME TAXES

The Company's effective tax rates were 23.50% and 24.90% for the three months ended May 31, 2021 and 2020, respectively. These rates differed from the statutory federal tax rate of 21.00% for the three month periods ended May 31, 2021 and 2020 due primarily to state income taxes as well as other tax deductions and credits. Cash paid for income taxes during the three months ended May 31, 2021 and 2020 was $8 and $25, respectively.

NOTE 6. LINE OF CREDIT

The Company has a $15,000 commercial revolving line of credit. Interest is payable monthly at one-month LIBOR plus 0.90% (0.99% and 1.08% as of May 31, 2021 and 2020, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of May 31, 2021 and 2020. The line of credit expires in January 2023.

The Company also has a $5,000 commercial revolving line of credit. Interest is payable monthly at prime minus 1.30% (1.95% and 1.95% as of May 31, 2021 and 2020, respectively). The line of credit is unsecured and there were no outstanding borrowings on the line as of May 31, 2021 and 2020. The line of credit expires in August 2021.

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

NOTE 7. COMMON AND RESTRICTED STOCK

Shareholders' Rights Plan: The Company has a shareholders' rights plan that granted to shareholders one preferred stock purchase right ("Right") for each outstanding share of the Company's common stock. Each Right entitles the purchase of one one-hundredth of a share of Series A preferred stock at a price determined by, and under the conditions set forth in, the Amended and Restated Rights Agreement. Because the issuance of Rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company's Board of Directors, the Company's rights plan could make an acquisition of the Company (or a significant percentage of its outstanding capital stock) by a third party without first negotiating with the Board more difficult. The Rights expire on January 28, 2022, unless extended or reissued by the Board. 100,000 shares of the Company's blank check Preferred Stock were designated Series A Preferred Stock for use in the issuance of the Rights. None of the shares have been issued.

Share Repurchase Program: The Board of Directors has authorized, from time-to-time, the Company to repurchase shares of its common stock. Under these authorizations, the Company may finance its share repurchases with available cash or borrowings under its existing credit facilities. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At May 31, 2020, the Company had the authority to repurchase additional shares for up to $6,183. At May 31, 2021, the Company had the authority to repurchase additional shares for up to $4,040.

NOTE 8. STOCK-BASED COMPENSATION

Beginning in 2013, the Company has authorized the issuance of common stock to members of the Company's Board of Directors for services performed. Compensation expense recognized for common stock issued for services provided by members of the Board of Directors and fully vested was $148 and $123 for the three months ended May 31, 2021 and 2020, respectively.

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

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

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

The following is a summary of unearned compensation on restricted stock as of May 31, 2021, as well as activity for the three months then ended:

Balance at February 28, 2021	$	5,316
Grant of restricted stock		
May 3, 2021		2,444
May 18, 2021		400
Restricted stock vested		(2,020)
Restricted stock forfeited		(42)
Balance at May 31, 2021	$	6,098

The following is a summary of unvested shares of restricted stock as of May 31, 2021, as well as activity for the three months then ended:

	Shares	Weighted Average Grant Date Fair Value	
Unvested balance at February 28, 2021	153,987	$	34.52
Granted	46,740		60.84
Vested	(63,996)		31.56
Forfeited	(1,155)		36.53
Unvested balance at May 31, 2021	135,576	$	44.98

Compensation expense recognized under the Computer Services, Inc. Restricted Stock Plan was $790 and $396 for the three months ended May 31, 2021 and 2020, respectively.

NOTE 9. SEGMENT REPORTING

The Company is a leading provider of financial, regulatory compliance and information technology solutions and services to financial institutions and other corporate entities. As of March 1, 2020, the Company began managing and reporting on its businesses differently than it had previously.

The Company's two reportable business segments are managed and reported upon separately based on fundamental differences in their operations. The Chief Operating Decision Makers (CODMs), determined to be the Senior Executive Leadership Team, evaluate the performance of the segments based on the contributions to operating income of the respective segments and allocate additional resources to them based on various factors, including product development and innovation focus, market conditions, emerging technologies, competitive factors, and others. Only revenue and costs of revenue are considered in the evaluation for each segment. Assets and liabilities are not allocated to segments for reporting presentation as the CODMs do not use such information as a key performance indicator.

The Company's operations are classified into two reportable segments as follows:

Enterprise Banking Group ("EBG") comprises our core bank processing services including payments solutions as well as our integrated banking solutions for mobile and Internet banking.

Business Solutions Group ("BSG") comprises document solutions including check imaging, branch and merchant capture, print and mail and electronic document delivery services; managed services including network management, cloud-based managed services, corporate intranets, telecommunications services, secure remote working connectivity, secure Web hosting, Board portals, e-messaging, software licensing and installation fees, professional services, equipment and supply sales, and maintenance and support fees; and regulatory compliance services including compliance software and services, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

Segment revenue and operating income were as follows during the periods presented:

	Three Months Ended May 31, 2021		
	EBG	**BSG**	**Total**
Revenues	**$ 47,673**	**$ 28,983**	**$ 76,656**
Cost of revenue	**25,609**	**19,561**	**45,170**
Research and development			**4,844**
Selling, general, and administration			**7,842**
Operating expenses			**57,856**
Segment income	**$ 22,064**	**$ 9,422**	
Operating income			**18,800**
Interest income, net			**40**
Income before income taxes			**$ 18,841**

	Three Months Ended May 31, 2020		
	EBG	**BSG**	**Total**
Revenues	$ 43,305	$ 27,334	$ 70,639
Cost of revenue	21,823	18,222	40,045
Research and development			4,439
Selling, general, and administration			7,439
Operating expenses			51,923
Segment income	$ 21,482	$ 9,112	
Operating income			18,716
Interest income, net			129
Income before income taxes			$ 18,845

NOTE 10. CONTINGENCIES

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

NOTE 12. SUBSEQUENT EVENTS

All of the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date and before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading. The Company has evaluated events through July 14, 2021, the date the first fiscal quarter consolidated financial statements were available to be issued.

On March 25, 2021, the Company's Board of Directors declared a cash dividend of 25 cents per share payable to shareholders of record as of the close of business on June 1, 2021. This dividend was paid on June 25, 2021 in the aggregate amount of $6,881.

On March 25, 2021, the Company's Board of Directors approved an Employee Stock Purchase Plan. On July 8, 2021, the Company's shareholders approved the Plan. The Plan will allow participating employees to purchase Company stock at a discount, initially 5%, from the closing trade price on the date of purchase.

On July 8, 2021, the Company's Board of Directors authorized a cash dividend of 27 cents per share, or approximately $7,417 in the aggregate, payable on September 24, 2021 to shareholders of record as of the close of business on September 1, 2021.

Item 4: Management's Discussion and Analysis

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

OVERVIEW

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

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

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

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

Legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Financial Choice Act of 2017 and the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018, now supplemented by the 2020 legislative response to the COVID-19 pandemic, including the Coronavirus Aid, Relief and Security (CARES) Act, as well as changes in the financial industry have resulted and will continue to result in constantly changing regulations impacting the financial and financial technology industries. We cannot predict the ultimate effect of the COVID-19 pandemic, legislation, regulations and industry changes on our customers or our Company.

Historically, merger and acquisition activity among community banks has varied markedly from time to time. We expect some disruption of past patterns as the nation continues to adjust to the COVID-19 pandemic. Our bank customers have been active in the merger and acquisition market, resulting in both increased revenues as our customers acquire other banks and 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.

***COVID-19 Pandemic*.** In March 2020, the World Health Organization formally recognized that a novel strain of coronavirus, COVID-19, had reached pandemic levels in the United States. In response, the United States federal government, as well as states and cities, have taken actions to prevent the spread of COVID-19 such as imposing travel restrictions and bans, quarantines, social distancing guidelines, shelter-in-place or lock-down orders and other similar limitations. Accordingly, the COVID-19 pandemic has adversely impacted economic activity in many business sectors and has contributed to significant volatility in financial markets during 2020 and the first six months of 2021.

Our operating performance is subject to economic and market conditions, including COVID-19, as well as their impacts on levels of consumer spending. As a result of the COVID-19 pandemic and the related decline in economic activity, we experienced a decline in payments volume and transactions that negatively impacted both of our operating segments’ transaction-based fees in the prior fiscal year. Most payment transaction volumes began to recover in the second quarter of fiscal 2021 and have continued to improve into the first quarter of fiscal 2022. We expect volume improvement to continue in fiscal 2022. Despite the impacts on broad economic activity and our operating circumstances caused by COVID-19, the overall impact on our ability to deliver our services has been manageable and our balance sheet, liquidity, earnings, cash flow and sales results remain strong, in part due to reduced travel and other expenses for activities of necessity curtailed during the pandemic.

In response to the onset of the COVID-19 pandemic, we have taken several actions to protect the health and safety of our employees while maintaining business continuity. These actions include, among others: requiring a majority of our employees to work remotely; limiting or suspending non-essential travel; suspending all non-essential visitors to our facilities; disinfecting facilities and workspaces extensively and frequently; providing personal protective equipment; and requiring employees who must be present at our facilities to adhere to a variety of safety protocols. In addition, we have implemented various measures to support our employees who are working remotely while balancing additional personal responsibilities and priorities created by the pandemic and governmental responses. We have also provided increased pay for certain employees involved in critical infrastructure who cannot work remotely. At this time, and over the next quarter, we are reevaluating such safety measures as vaccines have become widely available, concluding pandemic related increased payments, returning our employees who have been working remotely to office locations, and returning to business travel.

We will continue to monitor and assess any new developments related to COVID-19 and implement appropriate actions to minimize the risk to our operations of any material adverse developments. Ultimately, the extent of the impact of the COVID-19 pandemic on our future operational and financial performance will depend on, among other matters, the duration and intensity of the pandemic; governmental and private sector responses to the pandemic and the impact of such responses on us, including the availability and administration of COVID-19 vaccines; and the continuing impact of the pandemic on our employees, customers, vendors, operations and sales, including any such impacts that result from recessionary or suppressive forces within the broader economy. All of these factors are inherently uncertain and cannot be predicted.

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

RESULTS OF OPERATIONS

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

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

			Change		Percentage of Revenues	
Three Months Ended May 31,	**2021**	**2020**	**Amount**	**Percentage**	**2021**	**2020**
Revenues	$ 76,656	$ 70,639	$ 6,017	8.5%	100.0%	100.0%
Operating expenses	57,856	51,923	5,932	11.4%	75.5%	73.5%
Operating income	18,800	18,716	85	0.5%	24.5%	26.5%
Interest income, net	40	129	(89)	(68.9%)	0.1%	0.2%
Income before income taxes	18,841	18,845	(4)	(0.0%)	24.6%	26.7%
Provision for income taxes	4,427	4,692	(265)	(5.6%)	5.8%	6.6%
Net income	$ 14,414	$ 14,153	$ 261	1.8%	18.8%	20.0%
Earnings per common share	$ 0.52	$ 0.51	$ 0.01	2.0%		
Shares used in computing earnings per common share	27,512,055	27,654,240	(142,185)	(0.5%)		

Revenues

Total revenues increased $6,017, or 8.5%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021. The growth in revenues benefited from robust sales activity in both the Enterprise Banking and Business Solutions Groups. Revenue growth benefited from increased transaction volumes in payments processing due to the recovery in the first quarter of fiscal 2022 from the suppression of transaction volumes in the first quarter of fiscal 2021 attributable to the COVID-19 pandemic economic environment. Digital banking and regulatory compliance revenues also continued to be growth leaders. Revenues included $601 in early contract termination fees in the first quarter of fiscal 2022 compared with $2,853 in the first quarter of fiscal 2021. Excluding the effect of the early contract termination fees from both periods, first quarter fiscal 2022 revenues increased 12.2% compared with the first quarter of fiscal 2021. The early contract termination fees are generated when a customer terminates its contract prior to the end of the contracted term, a circumstance that typically arises when an existing CSI customer is acquired by another financial institution that is not a CSI customer. These fees can vary significantly from period to period based on the number and size of customers that are acquired and how early in the contract term a customer is acquired.

Operating Expenses

Operating expenses increased $5,932, or 11.4%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021.

The increase in operating expenses was primarily related to:

- higher personnel expenses primarily due to higher staffing for the current year period, the effect of typical annual salary adjustments, higher health insurance expense, special COVID-19 pandemic related employee incentives, and higher profit sharing plan contribution expenses;
- higher cost of goods sold on higher related payments processing and digital banking revenues;
- higher software amortization expense due to new capital investments placed into service during the trailing 12-month period; and
- higher professional fees;

partially offset by:

- lower travel expense.

Operating Income

Operating income increased $85, or 0.5%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021 primarily from increased payments processing and digital banking revenues that were partially offset by a decrease in early contract termination fees, as well as an increase in operating expenses mainly driven by higher personnel expenses. Operating margins were 24.5% for the three-month period ended May 31, 2021, compared with 26.5% for the three-month period ended May 31, 2020. Excluding the effect of early contract termination fees, operating income increased $2,337, or $14.7%, in the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021.

Interest Income, net

Consolidated net interest income was $40 for the first quarter of fiscal 2022 compared with $129 for the first quarter of fiscal 2021. The decline in net interest income was due to lower interest rates earned on invested cash balances and lower average invested cash balances.

Income Before Income Taxes

Income before income taxes were flat for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021 due to the offsetting decrease in interest income to the increase in operating income described above.

Provision for Income Taxes

The provision for income taxes decreased to $4,427 for the first quarter of fiscal 2022 compared with $4,692 for the first quarter of fiscal 2021 due to a lower effective tax rate. The estimated consolidated effective income tax rate was 23.50% for the first quarter of fiscal 2022 compared with 24.90% for the first quarter of fiscal 2021. The decrease in the effective rate was due primarily to the timing of the recognition and allowances of certain deductions and credits taken in both fiscal years and a reduction in the Company’s estimation of potential future exposure related to certain ongoing federal and state tax audits.

Net Income

Net income increased $261, or 1.8%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021. Net income for the first quarter of fiscal 2022 was $14,414, or $0.52 per share, on 27.5 million weighted average shares outstanding compared with $14,153, or $0.51 per share, on 27.7 million weighted average shares outstanding for the first quarter of fiscal 2021.

Reportable Segment Discussion

The Company is a leading provider of financial, regulatory compliance and information technology solutions and services to financial institutions and other corporate entities. Beginning with the first quarter of fiscal 2021, the Company reorganized into two reportable operating segments, as follows:

Enterprise Banking Group (“EBG”) comprises our core bank processing services including payments solutions as well as our integrated banking solutions for mobile and Internet banking.

Business Solutions Group (“BSG”) comprises document solutions including check imaging, branch and merchant capture, print and mail and electronic document delivery services; managed services including network management, cloud-based managed services, corporate intranets, telecommunications services, secure remote working connectivity, secure Web hosting, Board portals, e-messaging, software licensing and installation fees, professional services, equipment and supply sales, and maintenance and support fees; and regulatory compliance services including compliance software, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

The Company’s two reportable business segments are managed and reported upon separately based on fundamental differences in their operations. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments and allocates resources to them based on various factors, including product development and innovation focus, market conditions, emerging technologies, competition, and others. Only revenue and costs of revenue are considered in the evaluation for each segment. Operating expenses that are not directly attributable to one of the two reportable segments are presented in the aggregate at the consolidated Company level.

EBG	**Three Months Ended May 31,**		
	2021	**2020**	**% Change**
Revenues	$ 47,673	$ 43,305	10.1%
Cost of revenue	25,609	21,823	17.3%
Segment income	$ 22,064	$ 21,482	2.7%

EBG revenues increased $4,368, or 10.1%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021. The Company benefited from a recovery in payments processing transaction volumes during the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021, during which transaction volumes were suppressed due to the general reduction in economic activity as a result of the initial public and private sector response to the COVID-19 pandemic. Revenue growth was also driven by increased revenue from new and existing customers including increased demand for the segment's digital banking solutions as banks have continued to accelerate their digital support of customers as a result of the COVID-19 pandemic. EBG cost of revenue increased $3,786, or 17.3%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021 primarily related to higher personnel expense and higher cost of goods sold on higher related revenues in payments processing and digital banking. EBG operating income increased $582, or 2.7%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021.

BSG	**Three Months Ended May 31,**		
	2021	**2020**	**% Change**
Revenues	$ 28,983	$ 27,334	6.0%
Cost of revenue	19,561	18,222	7.3%
Segment income	$ 9,422	$ 9,112	3.4%

BSG revenues increased $1,649, or 6.0%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021 primarily driven by increased regulatory compliance revenues and network services revenues partially offset by a decrease in sales of third-party hardware and software. BSG cost of revenue increased $1,339, or 7.3%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021 primarily related to higher personnel expense and higher cost of goods sold on higher related network services revenues, partially offset by lower cost of goods sold on lower related revenues of third-party hardware and software. BSG operating income increased by $310, or 3.4%, for the first quarter of fiscal 2022 compared with the first quarter of fiscal 2021.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. The following table summarizes net cash from operating activities in the accompanying consolidated statements of cash flows for the first three months of fiscal 2022 and 2021, respectively:

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

	Three Months Ended May 31,	
	2021	**2020**
Net income	$ 14,414	$ 14,153
Non-cash expenses	5,539	6,504
Change in receivables	5,904	4,055
Change in deferred revenue	(1,537)	(311)
Change in other assets and liabilities	(399)	(1,962)
Net cash from operating activities	$ 23,920	$ 22,439

Net cash provided by operating activities increased 6.6% for the first three months of fiscal 2022 compared with the first three months of fiscal 2021. The increase in operating cash flows was primarily due to larger decreases in accounts receivable balances for the first three months of fiscal 2022 compared with the first three months of fiscal 2021. Cash from operations is primarily used to fund capital expenditures; repay debt, if any; pay dividends; and repurchase stock.

Investing Activities. Net cash used by investing activities for the first three months of fiscal 2022 was $1,966. The cash was used for purchases of equipment and software during the period. Net cash used by investing activities for the first three months of fiscal 2021 was $12,071, primarily used for purchases of equipment and software during the period.

Financing Activities. Net cash used by financing activities for the first three months of fiscal 2022 was $13,574 for dividends paid to shareholders of $6,879, and for the purchase and redemption of common stock of $6,695. Net cash used by financing activities for the first three months of fiscal 2021 was $7,919 for dividends paid to shareholders of $5,808, and for the purchase and redemption of common stock of $2,111.

Credit Lines

The Company renewed an unsecured bank credit line on April 15, 2020 that provides for funding up to $15,000 and bears interest at a floating rate equal to one-month LIBOR plus 0.90% (0.99% and 1.08% at May 31, 2021 and 2020, respectively). The unsecured revolving credit agreement expires in January 2023. At May 31, 2021, no amount was outstanding under the credit line.

The Company renewed an unsecured bank credit line on August 26, 2020 that provides for funding of up to $5,000 and bears interest at a floating rate equal to the prime rate minus 1.30% (1.95% and 1.95% at May 31, 2021 and 2020, respectively). The credit line expires in August 2021. At May 31, 2021, no amount was outstanding under the credit line.

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

Off Balance Sheet Arrangements

As of May 31, 2021, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Liquidity Requirements

We believe our cash balances, operating cash flows, access to debt and equity financing and borrowing capacity, taken together, provide adequate resources to fund our ongoing liquidity requirements; to fund future expansion opportunities, capital expenditures and share repurchases; and to refinance debt, if any, as it matures. We believe that our liquidity resources will remain adequate despite the COVID-19 pandemic.

Item 5: Legal proceedings.

The information required by this item is hereby incorporated by reference to Item 8.A(11) of the Company's Annual Report – Supplemental Disclosures for the fiscal year ended February 28, 2021 as published by the OTC Markets Group, Inc. on the OTC Disclosure and News Service available on the OTCQX website (www.otcmarkets.com). No change in the status thereof has occurred through the time period covered by this Quarterly Report.

Item 6: Defaults upon senior securities.

None.

Item 7: Other information.

A. Sale and Purchase of Equity Securities:

The following table sets forth information concerning the equity securities of CSI issued from March 1, 2021 through the filing date of this Quarterly Report.

COMMON STOCK ISSUED

Date	Nature of Offering	Party Shares Issued To	Number of Shares Issued	Amount Paid to Issuer ($)	Trading Status of Shares	Certificates Issued with Restrictive Legends(1)
5/3/2021	Stock Grants	Executive Officers, Other Officers & Key Employees (49 in Total)	40,045	-	Restricted	Yes
5/18/2021	Stock Grants	Other Officer (1 in Total)	6,695	-	Restricted	Yes
5/20/2021	Stock Grants	Non-Employee Directors (6 in Total)	2,471	-	Restricted	Yes

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

No equity securities of CSI were sold for cash and 93,547 equity securities of CSI were repurchased during the three months ended May 31, 2021. As reflected in the Condensed Consolidated Statement of Changes in Equity in Item 3, above, CSI redeemed 17,135 shares of common stock related to tax withholding payments as a part of share-based compensation during the three months ended May 31, 2021.

Item 8: Exhibits.

A. Material Contracts:

None.

B. Articles of incorporation and bylaws

The Company's Board of Directors amended the Company's By-Laws on March 25, 2021 to create an additional officer position of Executive Chairman if the Board elects to designate the Chairman of the Board of Directors as such. The By-Laws, as amended and restated, are attached in their entirety as Exhibit 8.B.

Item 9: Certifications.

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

EXHIBIT 8.B

BY-LAWS

of

COMPUTER SERVICES, INC.

(As Amended and Restated March 25, 2021)

ARTICLE I

Shareholders

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

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

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

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

Section 1.5 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period not exceeding fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring a dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

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

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

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

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

Section 1.10 Voting of Shares by Certain Holders.

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

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

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

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

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

(f) Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

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

ARTICLE II

Board of Directors

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

Section 2.2 Number, Tenure and Qualifications.

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

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

(c) Directors shall be natural persons between the ages of twenty-one (21) and seventy-five (75) years, inclusive; provided, however, that any Director who was elected to the Board of Directors before becoming seventy-five (75) years old may serve until the first annual meeting of shareholders after he[1] becomes that age and he shall be deemed to retire as of that annual meeting.

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

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

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

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

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

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

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

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

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

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

Section 2.10 Nomination of Directors.

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

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

(2) the principal occupation of each proposed nominee;

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

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

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

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

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

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

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

ARTICLE III

Officers

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

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

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

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

Section 3.5 Chairman of the Board; Executive Chairman. Except as he shall otherwise designate, the Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors. The Chairman shall perform such other duties as from time to time may be assigned to him by the Board of Directors. The Board of Directors may appoint the Chairman of the Board to also hold the principal officer position of Executive Chairman, and in the event of such appointment, the Chairman of the Board may be referred to as the Executive Chairman. The Executive Chairman shall, in general, perform such duties as may be prescribed by the Board of Directors. He or she shall, in coordination with the Chief Executive Officer, formulate and submit to the Board of Directors matters of general policy for the Corporation and shall perform such other duties as usually appertain to the office or as may be prescribed by the Board of Directors. If, after the Board of Directors has appointed an Executive Chairman the position becomes vacant because of the death or disability of the occupant, the Lead Independent Director, if any, shall assume the position until replaced or removed by subsequent Board action.

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

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

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

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

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

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

Section 3.12 Secretary. The Secretary shall

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

(b) See that all notices are duly given in accordance with the provisions of these By-Laws or as required by law;

(c) Be custodian of the corporate records;

(d) Keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder;

(e) Sign with the Chairman of the Board, the Chief Executive Officer, President or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) Have general charge of the stock transfer books of the Corporation; and

(g) In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

Section 3.13 Treasurer. The Treasurer shall

(a) Have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) Ensure that all moneys due and payable to the Corporation from any source whatsoever are received and receipts are given, and ensure that all such moneys are deposited in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article IV of these By-Laws; and

(c) In general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board or the Chief Executive Officer or the Chief Financial Officer (if the Treasurer is not also the Chief Financial Officer). If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

ARTICLE IV

Contracts, Loans, Checks and Deposits

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

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

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

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

ARTICLE V

Certificates for Shares and Their Transfer

Section 5.1 Certificates for Shares.

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

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

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

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

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

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

ARTICLE VI

Seal

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

ARTICLE VII

Amendments

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

ARTICLE VIII

Fiscal Year

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

ARTICLE IX

Indemnification of Officers and Directors

Section 9.1 Indemnification.

(a) The Corporation shall indemnify and hold harmless each director and officer of the Corporation, and may indemnify and hold harmless any other employee or agent of the Corporation, who is, was or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereafter a "Proceeding") by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or while a director, officer, employee or agent of the Corporation, is or was serving the Corporation or any other legal entity in any capacity (including, without limitation, as a director, officer, partner, manager, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, limited liability company, employee benefit plan or other enterprise) at the request of the Corporation, against all liability and loss suffered and expenses incurred by such person (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) to the greater of the fullest extent: (i) permitted by the Kentucky Business Corporation Act and any successor law with respect to directors and officers generally; (ii) provided for in this Article IX; or (iii) provided for in any agreement between the Corporation and the director or officer or other indemnified person. The Corporation, however, shall not be required to indemnify a person in connection with a Proceeding (or part thereof) initiated by such person unless: (x) the Proceeding (or part thereof) was authorized by the Board of Directors; or (y) the Proceeding (or part thereof) was brought to enforce a right to indemnification arising pursuant to this Article IX or an agreement between the initiating person and the Corporation.

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

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

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

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

Section 9.3 Claims.

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

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

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

Section 9.4 Non-Exclusive Rights; Continuation. The indemnification and advancement of expenses provided in this Article shall not be deemed exclusive of, and shall be in addition to, any other rights to which any person may be entitled under any bylaw, agreement, general or specific action of the Board of Directors, vote of shareholders or disinterested directors, or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent of the Corporation and shall extend to and inure to the benefit of the estate or personal representative of such person. Without limiting the foregoing, the Corporation may, by action of the Board of Directors, indemnify and advance expenses to each person who is or was a director, officer, employee or agent of the Corporation who is, was or is threatened to be made a defendant or respondent to any Proceeding, in such amounts, on such terms and conditions, and based upon such standards of conduct as the Board of directors may deem to be in the best interests of the Corporation.

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

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

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

* * * * *

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

EXHIBIT 9 (A)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David Culbertson, principal executive officer of Computer Services, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report of the Company for the period ended May 31, 2021;

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

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

Date: July 14, 2021

/s/ David Culbertson
David Culbertson
Chief Executive Officer

COMPUTER SERVICES, INC.
QUARTERLY REPORT
FOR THE FISCAL QUARTER ENDED MAY 31, 2021

EXHIBIT 9 (B)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this Quarterly Report of the Company for the period ended May 31, 2021;

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

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

Date: July 14, 2021

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