

# COMPUTER SERVICES, INC.

A Kentucky Corporation

**3901 Technology Drive  
Paducah, Kentucky 42001-5201**

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Telephone: 270.442.7361  
Corporate Website: [www.csiweb.com](http://www.csiweb.com)

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SIC Code: 7374

## Annual Report

**For the period ending February 28, 2022**  
(the “Reporting Period”)

The number of shares outstanding of our Common Stock is 27,508,952 as of May 17, 2022.

The number of shares outstanding of our Common Stock was 27,460,955 as of February 28, 2022.

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: ☒

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**COMPUTER SERVICES, INC.**  
**ANNUAL REPORT – SUPPLEMENTAL DISCLOSURES**  
**FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2022**

All information contained in this Annual Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of OTC Markets Group, Inc. and Rule 15c2-11 under the Securities Exchange Act of 1934. The captions contained herein correspond to the sequential format as set forth in the applicable disclosure guidelines of OTC Markets Group, Inc. All dollar amounts are presented in thousands, except dividend and other per share data. Quantitative share data, among other non-dollar figures, are not presented in thousands. Quantitative share data for dates prior to April 30, 2019 are reflected on a pre-split basis, and quantitative share data for dates on or after April 30, 2019 are reflected on a post-split (2:1) basis.

**Forward-Looking Statements**

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

*Readers should carefully consider: (i) economic, competitive, technological and governmental factors affecting operations, customers, markets, services, products and prices of Computer Services, Inc. ("CSI"); (ii) risk factors affecting the financial services information technology industry generally including, but not limited to, cybersecurity risks that may result in increased costs to CSI to protect against the risks, as well as liability or reputational damage to CSI in the event of a breach of our security; (iii) risk factors affecting the United States economy generally including without limitation acts of terrorism, military actions including war, and viral epidemics and pandemics that alter human behaviors, including the COVID-19 pandemic and its effect on our business operations and financial results; (iv) increasing domestic and international regulation imposing burdensome requirements regarding the privacy of consumer data especially consumer financial transaction data of which CSI possesses substantial quantities; and (v) other factors discussed in the Company's annual reports, quarterly reports, news releases and other documents posted from time to time on the OTCQX website ([www.otcmarkets.com](http://www.otcmarkets.com)), including without limitation, the description of the nature of CSI's business and its management discussion and analysis of financial condition and results of operations for reported periods. Except as required by law or the OTC Markets Group, Inc., CSI undertakes no obligation to update, and is not responsible for updating, the information contained or incorporated by reference herein beyond the publication date, whether as a result of new information or future events, or to conform this document to actual results or changes in CSI's expectations, or for changes made to this document by wire services or Internet services or otherwise.*

**Pandemic**

*The effects of the Covid-19 pandemic on the Company and its operations are discussed in the 2022 Annual Report to Shareholders incorporated herein by reference and filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com).*

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**Part A: General Company Information**

**Item1: Exact name of the issuer and its predecessor (if any)**

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

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

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

Telephone: 270.442.7361  
Facsimile: 270.442.9905  
Web site: [www.csiweb.com](http://www.csiweb.com)

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

3901 Technology Drive  
Paducah, Kentucky 42001-5201

Telephone: 270.442.7361 x10689  
Facsimile: 270.442.9905  
Email: [brian.brown@csiweb.com](mailto:brian.brown@csiweb.com)

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

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

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**Part B: Share Structure**

**Item 4: Exact title and class of securities outstanding**

**A. Common**

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

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

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

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

**A. Par or Stated Value**

**Common:** no par value  
**Preferred:** no par value

**B. Common or Preferred Stock**

**1. Common stock dividend, voting and preemptive rights:**

**Cash dividend:** Cash dividends may be paid on Common Stock when and if declared by the Company's Board of Directors. Dividends are typically declared and paid quarterly, with the most recent dividend being 27 cents per share, paid on March 29, 2022.

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

**Voting rights:** Each share is entitled to one vote.

**Preemptive Rights:** None.

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

N/A – no preferred shares outstanding.

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

The Company has a shareholders' rights plan that granted to shareholders one preferred stock purchase right for each outstanding share of the Company's common stock. Each right entitles the purchase of one one-hundredth (1/100<sup>th</sup>) share of Series A preferred stock at a price determined by, and under the conditions set forth in, the rights plan. Because the issuance of the rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company's Board of Directors, the Company's rights plan could make an acquisition of the Company (or a significant percentage of its outstanding capital stock) by a third party without first negotiating with the Board more difficult. On December 9, 2021, the Company's Board of Directors extended the Rights through January 28, 2032, on which date they will expire unless further 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.

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

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

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

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

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

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

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

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

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

The following table sets forth information concerning the equity securities of the Company as of February 28, 2022 and February 28, 2021:

**SECURITIES AUTHORIZED AND OUTSTANDING**

| <b>Class</b> | <b>Fiscal Year</b> | <b>Number of Shares Authorized</b> | <b>Number of Shares Outstanding</b> | <b>Freely Tradable Shares (public float)</b> | <b>Total Number of Beneficial Shareholders<sup>(1)</sup></b> | <b>Total Number of Shareholders of Record</b> |
|--------------|--------------------|------------------------------------|-------------------------------------|--|--|---|
| Common       | 2022               | 60,000,000                         | 27,460,955                          | 26,852,517                                   | 6,438  | 255   |
|              | 2021               | 60,000,000                         | 27,565,001                          | 26,884,323                                   | 5,998  | 247   |
| Preferred    | 2022               | 5,000,000                          | -                                   | -  | -  | -   |
|              | 2021               | 5,000,000                          | -                                   | -  | -  | -   |

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

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**Item 7: Name and address of the transfer agent**

Mail correspondence:  
Computershare Limited  
C/O Computershare Investor Services  
P.O. Box 505005  
Louisville, Kentucky 40233-5005

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

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

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

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**Part C: Business Information**

**Item 8: Nature of the issuer's business**

**A. Business Development**

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

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

- b. **Recapitalizations:** None.
- c. **Mergers and Acquisitions:** CSI has not made an acquisition during the three-year period ending February 28, 2022, nor during the subsequent period ending with the filing of this Annual Report.
- d. **Spin-offs:** None.



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- e. Reorganizations:** For administrative reasons, CSI caused the merger of its wholly owned subsidiary, Attus Technologies, Inc., into CSI effective as of February 28, 2021.

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

None.

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

**a. Legal proceedings and/or administrative actions:**

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

We record accruals for loss contingencies to the extent that we conclude their occurrence is probable and any related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, we accrue that amount. If a range of liability is probable and estimable and no amount appears to be a better estimate than any other amount within the range, we accrue the minimum of such probable range. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions (see Notes to Consolidated Financial Statements, Note 1 – Nature of Operations and Summary of Significant Accounting Policies: Use of Estimates set forth in our 2022 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcm Markets.com](http://www.otcm Markets.com), that is incorporated herein by reference). Our assessments are based on estimates and assumptions deemed reasonable by management.

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

**b. Trading suspensions by a securities regulator:** None.

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**B. Business of Issuer**

**Who We Are**

Computer Services, Inc. delivers core processing, digital banking, managed services, payments processing, print and electronic document distribution, and regulatory compliance solutions to financial institutions and corporate customers, both foreign and domestic. Management believes exceptional service, dynamic solutions and superior results are the foundation of CSI's reputation and have resulted in the Company's inclusion in such top industry-wide rankings as American Banker Best Places to Work in FinTech 2021, Forbes America's Best Midsize Employers 2022, Forbes Best Employers for Diversity 2021, FinTech Forward, 2021 Channel Futures MSP 501, and Talkin' Cloud. In addition, CSI's record of increasing its dividend each year for 50 years has earned it a designation of one of the financial media's "Dividend Kings".

For 57 years, CSI has been committed to delivering world-class technology to our customers. We have redundant data centers in Paducah, Kentucky, and Valparaiso, Indiana, utilizing UNISYS systems. These systems retain the stability, transaction volume capacity, scalability, recovery and security normally associated with a mainframe, and they expand the architecture to Windows® integration, providing easy-to-use flexibility to the end user.

**What We Do**

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

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

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**Acquisitions**

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

**Organization**

CSI is a leading provider of financial, regulatory, cybersecurity and information technology solutions and services to financial institutions and other corporate entities. CSI is organized into two reportable operating segments, as follows:

- **Enterprise Banking Group:** Our Enterprise Banking Group (“EBG”) comprises our core bank processing services including payments solutions as well as our integrated solutions for digital banking.
- **Business Solutions Group:** Our 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, professional services, equipment and supply sales, and maintenance and support; and regulatory compliance services including compliance software, homeland security, anti-money laundering, anti-terrorism financing, and fraud prevention.

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

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**Our History**

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

**The CSI Market**

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

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

**What differentiates CSI from other providers?**

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

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

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

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

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

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

**Tracking Market Changes and Regulatory Trends**

To stay abreast of the latest regulatory changes, CSI uses several methods for tracking market trends and adding them to our product offerings. CSI product managers (PMs) are responsible for managing products (e.g., watchlist screening and Bank Secrecy Act ("BSA")/anti-money laundering solutions). PMs track trends and assess their impact on our customers. They also attend industry conferences, follow trade publications, visit with vendors to receive updates on products and strategies, and meet with customer groups to gather their collective vision for the industry. And they work with senior managers to constantly refine our strategy in their assigned product areas.

CSI staff also attend, regulatory conferences, subscribe to regulatory advisory services and engage outside advisors to assist us in tracking and providing information on regulatory changes. We also work with examiners from the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and several state regulators as they examine our processes on an annual basis. For 57 years, CSI has remained committed to regulatory compliance in contracts with customers.

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

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

**1. Primary and secondary SIC codes:**

7374 - Computer processing and data preparation and processing services  
7373 - Computer integrated system design

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

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

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

The Company is not a shell company.

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

The following table sets forth information concerning Computer Services, Inc. and its subsidiaries as of February 28, 2022:

**COMPUTER SERVICES, INC. and SUBSIDIARIES**

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

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

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

In addition to regulations affecting our products and services, we have ever increasing duties with regard to maintaining data privacy and keeping secure our

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

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

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

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

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Estimated research and development expenditures | \$17,623    | \$18,724    |

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

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

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



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

|                                   | <u>Total</u> | <u>Full-time</u> |
|-----------------------------------|--------------|------------------|
| Employees as of February 28, 2022 | 1,215        | 1,195            |

**Item 9: Nature of products or services offered**

**A. Principal products or services, and their markets**

CSI products and services are offered to financial institutions as well as organizations in a variety of other industries (for our BSG solutions), and can be summarized in the following categories:

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

New products and services are always in development.

**1. Core Processing**

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

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

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

In today’s banking environment, having all customer contact points reflect the same up-to-date account balance is important. Regardless of whether a banking customer is using online banking, voice response, ATM, debit card or the teller at the branch,

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the most accurate balance must always be accessible. CSI offers universal real-time balance data to meet this need.

**Financial Products**

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

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

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

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

**2. Managed Services**

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

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

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

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

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

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

**Web Hosting:** CSI web hosting provides the hardware, access, security, backup and support for customer banks' websites. Customers may elect to include measures in the website design that assist in accessibility compliance with the Americans with Disabilities Act.

### **3. Digital Banking Solutions**

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

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

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

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

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

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

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

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**4. Payments Processing**

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

**i. Card Processing**

One of the fastest growing segments in the banking industry today is electronic transaction processing, a market we serve through our Card Services unit. Card Processing Services provides everything our customers need for their card programs, from card production to network affiliation and ATM, debit card and point-of-sale transaction processing. We believe CSI is well-positioned to capitalize on this growth.

**ii. Image Capture**

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

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

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

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

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

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**iii. Processing Options**

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

**5. Electronic and Print Distribution**

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

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

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

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

**6. Regulatory Compliance and Anti-Fraud Solutions**

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

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

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

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

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

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

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

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

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

## **7. Cyber Security**

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

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

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

## **8. Education**

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

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

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

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

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

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

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

#### **9. Third-Party Solutions**

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

#### **10. CSI Websites**

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

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

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

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

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

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

**B. Distribution methods for the products and services**

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

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

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

**C. Status of any publicly announced new product or service**

Not applicable.

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

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

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

Not applicable.

**F. Dependence on one or a few major customers**

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



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

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

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

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

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

The Company's principal executive office is located in Paducah, Kentucky. We currently operate 37 facilities in 12 states that are used for a multitude of business purposes including full-service data centers, item processing, distribution, customer support, product development, telecommunications, disaster recovery, and other functions. We own eight buildings representing approximately 235,000 square feet of office space in four states. We lease office and equipment space in 29 facilities representing approximately 175,000 square feet in 12 states. The terms of the leases vary from month-to-month through terms expiring in 2027. In addition, we own approximately 44 acres of land in Paducah, Kentucky. We believe our facilities are generally well maintained, in good operating condition and adequate for our present and foreseeable business needs.

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**Part D: Management Structure and Financial Information**

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

**A. Directors and Executive Officers**

**1. Directors**

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

**DIRECTORS**

| <b>Name</b>             | <b>Position with Company</b> | <b>Director Since</b> |
|-------------------------|------------------------------|-----------------------|
| Steven A. Powless       | Executive Chairman           | 1992                  |
| David Culbertson        | President, CEO, and Director | 2020                  |
| Dana Bowers             | Director                     | 2019                  |
| Michael Carter          | Director                     | 2017                  |
| Basil N. Drossos        | Director                     | 2007                  |
| Terrance P. Haas        | Director                     | 2012                  |
| Kristin Rudolph Muhlner | Director                     | 2017                  |
| David M. Paxton         | Director                     | 1999                  |
| Robert L. Walker        | Lead Independent Director    | 2001                  |

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

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

*Steven A. Powless*, age 66, Executive Chairman: Mr. Powless has been a director since 1992 and has served as Chairman of the Board since 2017. Mr. Powless previously served as Chief Executive Officer from 2011 to 2021, President and Chief Executive Officer from 1999 to 2011, President and Chief Operating Officer from 1993 to 1999 and as Executive Vice President from 1989 to 1993. Mr. Powless joined the Company in 1987. He is a graduate of Murray State University where he received the Distinguished Alumnus Award in 2014. Mr. Powless is a member of the Company's Executive and Risk Committees.

*David Culbertson*, age 54, President, CEO, and Director: Mr. Culbertson was elected to the CSI board of directors in 2020. David joined CSI in 1989, and has since held numerous leadership positions, including chief operating officer, vice president of research and business development, and group president of

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technology services. He was named President in 2018 and became CSI's chief executive officer in 2021. In his current role, Mr. Culbertson ensures CSI is delivering value to both customers and shareholders, leading the strategic direction of the company's portfolio of fintech, regtech and technology solutions. Mr. Culbertson also serves the community through various boards and is a past president of the Association for Financial Technology (AFT). He earned a Bachelor of Science in Computer Science from the University of Virginia and is a graduate of the Wharton School Executive Education program.

*Dana Bowers*, age 62, Director: Ms. Bowers was elected to the CSI Board of Directors in 2019. Ms. Bowers has more than 30 years of expertise in launching and leading fintech companies. She brings a depth of leadership experience in payments, strategic planning, business development, revenue generation and product development. Ms. Bowers currently serves as founder and chief solution architect for Venminder, Inc., a leading provider of software and due diligence services for managing compliance with third-party vendors. Previously, she founded and served ten years as chief executive officer of iPay Technologies, which provides bill payment services within the financial services industry. Ms. Bowers was named an Ernst & Young Entrepreneur of the Year in its technology category in 2009, and she was inducted into the Kentucky Entrepreneur Hall of Fame in 2010. She also currently sits on the board for the University of Louisville College of Business and previously served as a judge for the Ernst & Young Entrepreneur of the Year Awards. Ms. Bowers holds a bachelor's degree in Business Management from Emory Riddle University. Ms. Bowers is a member of the Company's Executive and Risk Committees.

*Michael Carter*, age 54, Director: Mr. Carter, a director since 2017, is a 25-year Wall Street veteran and currently serves as Head of Corporate and Investment Banking at Truist Securities, the investment banking arm of Truist Financial Corporation. Prior to joining Truist Securities, Mr. Carter was the global co-head of technology investment banking at RBC Capital Markets. Before that, he was a managing director at both Barclays Capital and Lehman Brothers. In addition to his professional experience, Mr. Carter is on the board of directors of the New York City Foundation for Computer Science Education, as well as the Arts & Sciences Advisory Board for Washington University in St. Louis, and the National Academy Foundation STEM Advisory Committee and the Executive Leadership Council. He is also an honorary member of the Board of Directors of Spelman College. Mr. Carter is a Coro Foundation Fellow alumnus and holds an MBA from Harvard Business School and a bachelor's degree from Washington University in St. Louis. Mr. Carter is a member of the Company's Retirement Plan Committee.

*Basil N. Drossos*, age 74, Director: Mr. Drossos, a director since 2007, is retired Executive Director, Global Purchasing and Supply Chain of General Motors Corporation. Mr. Drossos joined General Motors in 1979, holding numerous leadership positions in general management, sales and marketing, manufacturing, purchasing and finance during his career. He holds a master's degree in International Management from The American Graduate School of International Management, a master's degree in Business Administration from Xavier University and a bachelor's degree from Centre College. Mr. Drossos serves as Chairman of the Company's Audit and Retirement Plan Committees.

*Terrance P. Haas*, age 56, Director: Mr. Haas, a director since 2012, is Chief Executive Officer of Turnkey Risk Solutions, a Risk Management company

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focused on business fraud. Previously, he served as Chief Executive Officer of The Harvard Drug Group, the second largest generics-focused pharmaceutical distributor in the United States. Other past positions include working as an independent private equity advisor and holding numerous leadership positions at Harvard Drug Group and AmerisourceBergen Corporation. Mr. Haas is a graduate of St. Louis University and holds a master's degree in Business Administration from the University of Notre Dame. Mr. Haas serves as Chairman of the Company's Risk Committee and is a member of the Company's Audit and Executive Committees.

*Kristin Rudolph Muhlner*, age 51, Director: Ms. Muhlner, a director since 2017, is Chief Executive Officer and Co-founder of Affect Therapeutics, an organization that employs mobile technology to revolutionize stimulant addiction recovery. She has more than 20 years of experience leading high-growth technology organizations. Ms. Muhlner possesses a diverse background in executive management and business operations. She is a recognized leader in enterprise software and cloud technologies, having held board and key executive positions with such companies as Skyword, Sprinklr, newBrand Analytics, RollStream, webMethods, Deloitte Consulting and Accenture (formerly Andersen Consulting). Throughout her career, Ms. Muhlner has provided strategic leadership in a variety of roles, including Chief Executive Officer, Chief Operating Officer and Executive Vice President of Revenue, and has worked with such major brands as Hyatt, Kohl's and McDonald's. Ms. Muhlner is a graduate of Rhodes College and is a member of the Company's Retirement Plan Committee.

*David M. Paxton*, age 65, Director: Mr. Paxton, a director since 1999, is Chairman of Paxton Media Group, a fourth generation, family-owned media company founded in 1896, previously serving as President and Chief Executive Officer. Past positions were with Morgan Stanley & Co., Inc. (Chicago and New York) and J.J.B. Hilliard, W.L. Lyons, Inc. He currently serves on the Board of Directors of the Associated Press. He is a graduate of Harvard College and the Stanford University Graduate School of Business. Mr. Paxton serves as Chairman of the Company's Executive and Compensation Committees.

*Robert L. Walker*, age 71, Lead Independent Director: Mr. Walker, a director since 2001, is retired Senior Vice President and Chief Financial Officer of Western & Southern Financial Group, a *Fortune 500* financial services company. Other past employers include National Data Corporation, Provident Corporation and The Mead Corporation. He is a graduate of Transylvania University where he serves on the Board of Trustees. He is also a graduate of the University of Kentucky College of Law where he serves on the Visiting Law Committee. He also serves on the TriHealth Board of Trustees and is past chair as well as currently serving on the Executive, Finance and Compensation committees. Mr. Walker is a member of the Company's Executive, Audit and Compensation Committees.

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**2. Executive Officers**

The executive officers of the Company as of February 28, 2022, as well as certain biographical information about the executive officer who is not a director, are as follows:

**EXECUTIVE OFFICERS**

| <b>Name &amp; Business Address</b>   | <b>Position with Company</b> | <b>Officer Since</b> |
|--|------------------------------|----------------------|
| <b>Steven A. Powless</b><br>Computer Services, Inc.<br>3901 Technology Drive<br>Paducah, KY 42001-5201   | Executive Chairman           | 1987                 |
| <b>T. David Culbertson</b><br>Computer Services, Inc.<br>3901 Technology Drive<br>Paducah, KY 42001-5201 | President & CEO              | 1999                 |
| <b>Brian K. Brown</b><br>Computer Services, Inc.<br>3901 Technology Drive<br>Paducah, KY 42001-5201      | Treasurer & CFO              | 2016                 |

The following information is provided regarding the Company's executive officer not already described herein, who is a United States citizen:

*Brian K. Brown*, age 45, became Treasurer and Chief Financial Officer for CSI in December 2019. Mr. Brown joined CSI in 2012, and previously held the positions of Senior Vice President of Finance, Vice President of Finance and Director of Financial Planning and Analysis. Prior to joining CSI, Mr. Brown held leadership positions with JMP Coal Holdings, LLC; FCB Services, Inc. (a subsidiary of Farmers Capital Bank Corp.) and the Kentucky Department of Financial Institutions. Mr. Brown holds a Master of Science in Finance from Indiana University Kelley School of Business, a Master of Business Administration from University of Kentucky Gatton College of Business and Economics and a Bachelor of Arts in Finance and Economics from Transylvania University.

**3. Equity Ownership of Directors and Executive Officers**

Please see Part D, Item 14, below.

**4. Compensation of Directors and Executive Officers**

The following table sets forth information concerning the compensation paid during the last fiscal year by the Company to its directors and executive officers as a group serving at February 28, 2022:

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**SUMMARY COMPENSATION SCHEDULE**

| <b>Name</b>                                    | <b>Fiscal Year</b> | <b>Fees Earned or Paid in Cash (\$)<sup>(1)</sup></b> | <b>Salaries (\$)</b> | <b>Bonuses (\$)</b> | <b>Fees Earned or Paid in Stock (\$)<sup>(1)</sup></b> | <b>Stock Awards (\$)<sup>(2)</sup></b> | <b>Option Awards (\$)<sup>(3)</sup></b> | <b>Non-Equity Incentive Plan Compensation Earnings (\$)<sup>(4)</sup></b> | <b>Change in Pension Value &amp; Non-Qualified Deferred Compensation Earnings (\$)</b> | <b>All Other Compensation (\$)<sup>(5)(6)</sup></b> | <b>Total (\$)</b> |
|--|--------------------|---|----------------------|---------------------|--|--|---|---|--|---|-------------------|
| Non-Employee Directors (7 in Total)            | 2022               | 365   | -                    | -                   | 702  | -                                      | -                                       | -   | -  | -   | 1,067             |
| Executive Officers <sup>(7)</sup> (3 in Total) | 2022               | -   | 1,189                | -                   | -  | 1,663                                  | -                                       | 898   | -  | 129   | 3,879             |

- (1) Directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. As of February 28, 2022, each non-employee Director receives a quarterly retainer of \$12. The Lead Independent Director receives an additional quarterly retainer of \$5. The non-employee Chairman of the Audit Committee receives a quarterly committee fee of \$3.875. Each non-employee Audit Committee member other than the Chairman of the Audit Committee receives a quarterly committee fee of \$2. The non-employee Chairman of the Risk Committee receives a quarterly committee fee of \$3.25. Each non-employee Risk Committee member other than the Chairman of the Risk Committee receives a quarterly committee fee of \$2. The non-employee Chairman of the Executive Committee receives a quarterly committee fee of \$2.5. Each non-employee Executive Committee member other than the Chairman of the Executive Committee receives a quarterly committee fee of \$1.25. The non-employee Chairman of the Retirement Plan Committee receives a quarterly committee fee of \$1.125. Each non-employee Retirement Plan Committee member other than the Chairman of the Retirement Plan Committee receives a quarterly committee fee of \$0.5. Additional ad hoc meetings are compensated on a per-meeting or per-hour basis. Non-employee Directors are paid quarterly in a combination of cash and stock. Each non-employee Director receives a minimum of \$20.5 in stock for fees earned in each fiscal quarter and may elect to receive stock in payment of up to 100% of fees earned in each a fiscal quarter.
- (2) Represents the dollar amount recognized for financial statement reporting purposes in accordance with FAS 123R for the fiscal year ended February 28, 2022, of restricted stock awards granted in and prior to fiscal year 2022.
- (3) Options were not granted to any of the directors or executive officers during fiscal year 2022. The Company does not have an option plan.
- (4) Represents amounts earned under our annual incentive plans in fiscal year 2022 and paid in fiscal year 2023.
- (5) The Company pays for or reimburses directors' travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board, Committee and Shareholder meetings. The

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Company also reimburses directors for other reasonable expenses related to Board service, such as director education. These amounts are not included in the table above.

- (6) The amounts listed under the column entitled "All Other Compensation" in the Summary Compensation Table above include contributions to the Computer Services, Inc. and Subsidiaries Profit Sharing Plan and Trust, certain life insurance benefits, and club memberships (which are generally used for business purposes but may be used from time to time for personal purposes).
- (7) The Company has determined that compensation information regarding the executive officers as a group is, given the modest aggregate amounts in every category, sufficient to an understanding of the Company and that providing confidential information as to each individual executive officer would not contribute materially to an understanding of the Company. The Company's Executive Chairman and President and CEO each has an Employment Agreement with the Company. No other officer has an Employment Agreement. The Company's Treasurer and Chief Financial Officer has a Termination Benefits Agreement with the Company. Copies of the forms of the Agreements referred to in this Note have been filed; see Item 18, below.

**B. Legal/disciplinary history**

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

- 1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):**  
  
None.
- 2. The entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities:**  
  
None.
- 3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated:**  
  
None.
- 4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activity:**  
  
None.

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**C. Disclosure of family relationships**

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

None.

**D. Disclosure of related party transactions**

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

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

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



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The Company's repurchases of its shares from directors and officers since the beginning of the 2021 fiscal year on March 1, 2020, are reflected in the following table (without regard to the \$120 reporting guideline threshold):

**COMMON STOCK PURCHASED FROM DIRECTORS AND OFFICERS <sup>(1)</sup>**

| <b>Date</b>                   | <b>Party Shares Purchased From</b> | <b>Number of Shares Purchased</b> | <b>Amount Paid by Issuer (\$)</b> |
|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>FY2021:</b>                |                                    |                                   |                                   |
| 03/19/2020                    | Officer                            | 10,000                            | 496                               |
| 01/20/2021                    | Officer                            | 10,000                            | 610                               |
| 02/22/2021                    | Officer                            | 10,000                            | 607                               |
| <b>Fiscal Year 2021 Total</b> |                                    | <b>30,000</b>                     | <b>1,713</b>                      |
| <b>FY2022:</b>                |                                    |                                   |                                   |
| 03/04/2021                    | Non-Employee Director              | 14,000                            | 845                               |
| 03/22/2021                    | Officer                            | 10,000                            | 603                               |
| 04/20/2021                    | Officer                            | 10,000                            | 594                               |
| 05/20/2021                    | Officer                            | 10,000                            | 609                               |
| 06/21/2021                    | Officer                            | 10,000                            | 580                               |
| 07/20/2021                    | Officer                            | 10,000                            | 563                               |
| 08/20/2021                    | Officer                            | 10,000                            | 591                               |
| 09/16/2021                    | Officer                            | 655                               | 39                                |
| 09/20/2021                    | Officer                            | 10,000                            | 580                               |
| <b>Fiscal Year 2022 Total</b> |                                    | <b>84,655</b>                     | <b>5,004</b>                      |

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**COMMON STOCK PURCHASED FROM DIRECTORS AND OFFICERS <sup>(1)</sup>**  
**(CONTINUED)**

| <b>Date</b>                   | <b>Party Shares Purchased From</b> | <b>Number of Shares Purchased</b> | <b>Amount Paid by Issuer (\$)</b> |
|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| <b>FY2023 <sup>(2)</sup>:</b> |                                    |                                   |                                   |
| N/A                           | N/A                                | N/A                               | N/A                               |
| <b>Fiscal Year 2023 Total</b> |                                    | <b>0</b>                          | <b>0</b>                          |

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

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

**E. Disclosure of conflicts of interest**

None.

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

The Company's audited consolidated financial statements for the fiscal year ended February 28, 2022, are incorporated herein by reference from the Company's 2022 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com). The audited consolidated financial statements include the following:

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

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

The Company's audited consolidated financial statements for the fiscal years ended February 28, 2021 and February 29, 2020, are incorporated herein by reference from the Company's 2021 Annual Report and 2020 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com). The audited consolidated financial statements include the following:

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

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**Item 14: Beneficial owners**

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

The following table sets forth information as of February 28, 2022, concerning the equity ownership of (a) all persons known by Computer Services, Inc. to be the beneficial owners of 5% or more of its outstanding Common Stock and (b) all of the Company's directors and executive officers as a group:

**PRINCIPAL BENEFICIAL OWNERS OF SHARES**

| <b>Name of Beneficial Owner</b>                                   | <b>Relationship to Issuer</b> | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> |
|---|-------------------------------|--|-------------------------|
| All Directors & Executive Officers as a Group (9 in Total)<br>(1) |                               | 608,438  | 2.22%                   |

- (1) The Company has determined that beneficial ownership information regarding all directors and all executive officers as a group is sufficient to an understanding of the Company and the degree to which management has a stake as shareholders of the Company. The Company notes the holdings of all 9 directors and executive officers of an aggregate of 2.22% are shown on the basis of the outstanding shares as of February 28, 2022. The address for all directors and executive officers is the Company's address at 3901 Technology Drive, Paducah, Kentucky 42001-5201.

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

**A. Investment banker**

None.

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**B. Promoter**

None.

**C. Counsel**

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

**D. Auditor**

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

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

A discussion of aggregate fees for professional services rendered to the Company by (i) Crowe, LLP, (ii) BKD, LLP, (iii) Ernst & Young US LLP, (iv) KPMG US LLP, (v) LBMC, PC and (vi) RSM US LLP for the fiscal years ended February 28, 2022 and February 28, 2021, is included in the management discussion and analysis of financial condition and results of operations ("MD&A") section of the Company's 2022 Annual Report and is incorporated herein by reference from that document filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com).

Auditor contact information:

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

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**E. Public relations consultant**

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

**F. Investor relations consultant**

Finn Partners  
700 12th Ave South, Suite 400  
Nashville, Tennessee 37203  
Telephone – 615-324-7311  
Attn: Gil Fuqua  
Email: [Gil.fuqua@finnpartners.com](mailto:Gil.fuqua@finnpartners.com)

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

None.

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

**A. Plan of operation**

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

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

The Company’s MD&A for each of the fiscal years ended February 28, 2022 and February 28, 2021, required by this item are incorporated herein by reference from the Company’s 2022 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com).

**C. Off-balance sheet arrangements**

As of February 28, 2022, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

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**Part E: Issuance History**

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

The following table sets forth information concerning the equity securities of Computer Services, Inc. issued during the fiscal years ended February 28, 2022, February 28, 2021 and during the current fiscal year through the filing date of this Annual Information and Disclosure Statement:

**COMMON STOCK ISSUED**

| <b>Date</b>    | <b>Nature of Offering</b> | <b>Party Shares Issued To</b>                                    | <b>Number of Shares Issued</b> | <b>Amount Paid to Issuer (\$)</b> | <b>Trading Status of Shares</b> | <b>Certificates Issued with Restrictive Legends<sup>(1)</sup></b> |
|----------------|---------------------------|--|--------------------------------|-----------------------------------|---------------------------------|---|
| <b>FY2021:</b> |                           |  |                                |                                   |                                 |   |
| 03/11/2020     | Restricted Stock Grant    | Other Officer (1 in total)                                       | 1,011                          | -                                 | Restricted                      | Yes   |
| 05/06/2020     | Restricted Stock Grant    | Executive Officers, Other Officers & Key Employees (42 in total) | 56,400                         | -                                 | Restricted                      | Yes   |
| 05/20/2020     | Restricted Stock Grant    | Non-Employee Directors (7 in Total)                              | 2,614                          | -                                 | Restricted                      | Yes   |
| 08/21/2020     | Restricted Stock Grant    | Non-Employee Directors (6 in Total)                              | 2,571                          | -                                 | Restricted                      | Yes   |
| 11/19/2020     | Restricted Stock Grant    | Non-Employee Directors (6 in Total)                              | 2,545                          | -                                 | Restricted                      | Yes   |

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**COMMON STOCK ISSUED**  
**(CONTINUED)**

| <b>Date</b>    | <b>Nature of Offering</b> | <b>Party Shares Issued To</b>                                    | <b>Number of Shares Issued</b> | <b>Amount Paid to Issuer (\$)</b> | <b>Trading Status of Shares</b> | <b>Certificates Issued with Restrictive Legends<sup>(1)</sup></b> |
|----------------|---------------------------|--|--------------------------------|-----------------------------------|---------------------------------|---|
| <b>FY2022:</b> |                           |  |                                |                                   |                                 |   |
| 05/03/2021     | Restricted Stock Grant    | Executive Officers, Other Officers & Key Employees (49 in Total) | 40,045                         | -                                 | Restricted                      | Yes   |
| 5/18/2021      | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 6,695                          | -                                 | Restricted                      | Yes   |
| 5/20/2021      | Restricted Stock Grant    | Non-Employee Directors (6 in Total)                              | 2,471                          | -                                 | Restricted                      | Yes   |
| 7/6/2021       | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 453                            | -                                 | Restricted                      | Yes   |
| 7/12/2021      | Restricted Stock Grant    | Key Employee (1 in Total)  | 441                            | -                                 | Restricted                      | Yes   |
| 8/2/2021       | Restricted Stock Grant    | Key Employee (1 in Total)  | 337                            | -                                 | Restricted                      | Yes   |
| 8/2/2021       | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 505                            | -                                 | Restricted                      | Yes   |
| 8/20/2021      | Restricted Stock Grant    | Non-Employee Directors (6 in Total)                              | 2,873                          | -                                 | Restricted                      | Yes   |
| 8/23/2021      | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 584                            | -                                 | Restricted                      | Yes   |
| 8/30/2021      | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 424                            | -                                 | Restricted                      | Yes   |
| 8/30/2021      | Restricted Stock Grant    | Other Officer (1 in Total)                                       | 424                            | -                                 | Restricted                      | Yes   |
| 9/10/2021      | Restricted Stock Grant    | Key Employee (1 in Total)  | 441                            | -                                 | Restricted                      | Yes   |

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**COMMON STOCK ISSUED**  
**(CONTINUED)**

|                               |                        |  |        |   |            |     |
|-------------------------------|------------------------|--|--------|---|------------|-----|
| 10/1/2021                     | Restricted Stock Grant | Key Employees (7 in Total)                                       | 2,540  | - | Restricted | Yes |
| 11/1/2021                     | Restricted Stock Grant | Key Employee (1 in Total)  | 721    | - | Restricted | Yes |
| 11/19/2021                    | Restricted Stock Grant | Non-Employee Directors (6 in Total)                              | 3,555  | - | Restricted | Yes |
| 01/14/2022                    | ESPP Stock Issuance    | Plan Participants (174 in Total)                                 | 2,061  | - | Restricted | Yes |
| 02/18/2022                    | Restricted Stock Grant | Non-Employee Directors (6 in Total)                              | 3,180  | - | Restricted | Yes |
| <b>FY2023 <sup>(2)</sup>:</b> |                        |  |        |   |            |     |
| 04/14/2022                    | ESPP Stock Issuance    | Plan Participants (175 in Total)                                 | 2,704  | - | Restricted | Yes |
| 05/05/2022                    | Restricted Stock Grant | Executive Officers, Other Officers & Key Employees (49 in Total) | 48,142 | - | Restricted | Yes |

(1) The certificates evidencing the shares contain a legend stating that the shares have not been registered under the Securities Act of 1933, as amended, or any state securities laws and setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act of 1933 or a Restricted Stock Award Agreement, as the case may be.

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

In addition to these issuances of common stock, the total number of shares outstanding was affected from time to time by repurchases of shares by the Company pursuant to its on-going stock repurchase program as described in Part D, Item 11.D., above, and in the Consolidated Statements of Changes in Equity and Note 7 of Consolidated Financial Statements set forth in our 2022 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcm Markets.com](http://www.otcm Markets.com), that is incorporated herein by reference.



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**Part F: Exhibits**

**Item 18: Material contracts**

- A.** Form of Employment Agreement dated as of March 1, 2006, by and between the Company and Steven A. Powless (Executive Chairman) is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2007. The First Amendment to Employment Agreement dated as of May 9, 2011 is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2011. The Second Amendment to Employment Agreement dated as of September 30, 2011 is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 29, 2012. The Third Amendment to Employment Agreement dated as of March 25, 2021 is attached as Exhibit 18.A. There have been no amendments to such Employment Agreement from March 25, 2021 through the time period covered by this Annual Information and Disclosure Statement.
- B.** Form of Employment Agreement dated as of July 7, 2021, by and between the Company and T. David Culbertson (President and Chief Executive Officer) is hereby incorporated by reference from the Company's Quarterly Report for the fiscal quarter ended August 31, 2021. There have been no amendments to such Employment Agreement through the time period covered by this Annual Information and Disclosure Statement.
- C.** Form of Termination Benefits Agreements dated as of December 12, 2019, by and between the Company and Brian K. Brown (Treasurer and Chief Financial Officer) is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2011. (Although the individual parties have changed, the form of agreement has not.) There have been no amendments to such Termination Benefits Agreements through the time period covered by this Annual Information and Disclosure Statement.
- D.** Stock Redemption Agreement dated as of January 15, 2021, by and between the Company and Steven A. Powless (Executive Chairman) is hereby incorporated by reference from the Company's Annual Information and Disclosure Statement for the fiscal year ended February 28, 2021.

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

**Item 19: Articles of incorporation and bylaws**

- A.** June 30, 2015 was the last date on which the Articles of Incorporation were amended.
- B.** March 25, 2021 was the last date through the time period covered by this Annual Information and Disclosure Statement on which the Company's Board of Directors amended certain provisions of the Company's By-Laws. As then amended, the By-Laws were included in the Quarterly Report for the period ending May 31, 2021

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

The information required by this item is included in the MD&A and notes to consolidated financial statements sections of the Company's 2022 Annual Report and are incorporated herein by reference from the Company's 2022 Annual Report filed separately through the OTC Disclosure and News Service, available at [www.otcmarkets.com](http://www.otcmarkets.com).

**Item 21: Issuer's certifications**

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

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**EXHIBIT 21.A**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

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

1. I have reviewed this Annual Report of the Company;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report.

Date: May 17, 2022

/s/ T. David Culbertson  
T. David Culbertson  
Chief Executive Officer

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**EXHIBIT 21.B**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

1. I have reviewed this Annual Report of the Company;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report.

Date: May 17, 2022

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

**COMPUTER SERVICES, INC.**  
**ANNUAL REPORT – SUPPLEMENTAL DISCLOSURES**  
**FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2022**

Exhibit 18.A

**THIRD AMENDMENT TO  
EXECUTIVE EMPLOYMENT AGREEMENT**

This is the third amendment, dated as of March 25, 2021 (the "Third Amendment"), to the Executive Employment Agreement entered into as of March 1, 2006 (the "Agreement") by and between Computer Services, Inc., a Kentucky corporation ("CSI"), and Steven A. Powless, a natural person resident in Kentucky (the "Executive"). (The Agreement was previously amended by a First Amendment to Employment Agreement dated as of May 9, 2011 and by a Second Amendment to Employment Agreement dated as of September 30, 2011.)

R E C I T A L S:

A. The Agreement contemplates that the Executive will be serving under it as President and Chief Executive Officer of CSI.

B. The Executive has previously relinquished, in 2011, the position of President to another executive.

C. As of 11:59:59 p. m. on the eve of the 2021 Annual Meeting of CSI Shareholders, the Executive will relinquish the position of Chief Executive Officer to the current President and become Executive Chairman, a newly created officer position.

D. As of 11:59:59 p. m. on the eve of the 2022 Annual Meeting of CSI Shareholders, the Executive will relinquish the position of Executive Chairman but remain Chairman as a non-employee Director.

E. CSI and the Executive have agreed to implement conforming changes to the Agreement by means of this Third Amendment.

AMENDMENT

1. All capitalized terms used and not defined herein shall have the meanings given them in the Agreement. In the event of an inconsistency between the definition and capitalization of terms in the Agreement and in this Third Amendment, the definition and capitalization in this Third Amendment shall govern.

2. Section 5 is amended to delete "President and Chief Executive Officer" and replace the deleted text with "Executive Chairman".

3. Section 3(a) - (c) is amended to delete the existing text and to substitute for the deleted text the provisions of Exhibit 3 to this Third Amendment.

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

\* \* \* \* \*

Computer Services, Inc. and the Executive have duly authorized and caused the execution of, or executed, this Third Amendment as of the date first above written.

**“CSI”**  
**Computer Services, Inc.**

**The "Executive"**  
**Steven A. Powless**

By: \_\_\_\_\_  
Chairman of the Executive Committee

\_\_\_\_\_  
Signature

Attachment: Exhibit 3

**COMPUTER SERVICES, INC.**  
**ANNUAL REPORT – SUPPLEMENTAL DISCLOSURES**  
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**Exhibit 3**  
**Executive Employment Agreement**

**3. Compensation.**

(a) Base Salary.

[To be completed by Compensation Committee or Board of Directors.]

(b) Incentive Compensation.

[To be completed by Compensation Committee or Board of Directors.]

(c) Terms of Incentive Compensation.

[To be completed by Compensation Committee or Board of Directors.]

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