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Paysign, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number 000-54123

PAYSIGN, INC.
(Exact name of registrant as specified in its charter)

Nevada	95-4550154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1700 W. Horizon Ridge Parkway, Suite 200, Henderson, Nevada 89012
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (702) 453-2221

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $0.001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company x
	Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $392,457,204 based upon a market price of $13.37 per share.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 49,012,712 as of March 19, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2019.

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Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements." These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward- looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS.

Overview

Paysign, Inc. (the “Company,” “Paysign,” or “we”) was founded in 2001 as 3PEA Technologies, Inc. In March 2006, we completed a reverse-merger with a non-operating public company named Tika Corporation which was originally incorporated in Nevada as G.K.W., Inc. on August 24, 1995. As a result of the reverse-merger, 3PEA Technologies, Inc. became a wholly owned subsidiary of Tika Corporation. We changed our name to Paypad Inc. on March 13, 2006. On October 19, 2006, we changed our name to 3PEA International, Inc. On April 23, 2019, we amended our articles of incorporation to change our name to Paysign, Inc. Additionally, we changed our trading symbol on the NASDAQ Capital Market to “PAYS”.

The business of Paysign, Inc., both before and after we acquired it, was the development of a secure payment gateway and hardware device which utilized encryption technology and secure key exchange to facilitate PIN debit transactions over the internet. We developed proprietary stored value systems, secure key loading systems, and acted as an encryption service organization injecting keys into its proprietary payment terminal called the PayPad®. Users could connect the device to their computers and utilize it to make purchases over the internet without having to provide their credit card and other personal information to the seller. Due to the lack of market acceptance of this concept, we ultimately determined to discontinue the product. We successfully adapted our payment platform to alternatively support prepaid debit cards, which is our current business.

Business of Issuer

Paysign, Inc. is a vertically integrated provider of innovative prepaid card programs and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our PaySign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle.

We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our clients. We have extended our processing business capabilities through our proprietary PaySign platform. Through the PaySign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service. The PaySign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed us to significantly expand our operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate incentive and rewards including, but not limited to, consumer rebates and rewards, donor compensation, healthcare reimbursement payments and pharmaceutical payment assistance. We have expanded our product offerings to include additional corporate incentive products and demand deposit accounts accessible with a debit card. In the future, we expect to further expand our product offerings into payroll cards, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our revenues include fees generated from cardholder transactions, interchange, and card program management fees, including settlement income. Revenue from cardholder transactions, interchange and card program management fees is recorded when the performance obligation is fulfilled. Settlement income is recorded ratably throughout the program life cycle.

What Are Prepaid Cards?

Prepaid debit cards are issued by a financial institution and are loaded with funds and are used like a normal debit card. Prepaid debit cards are generally network branded (Amex, Discover, MasterCard, Visa) and can be used anywhere the card brand is accepted. Network branded prepaid cards provide consumers, businesses and governments with the efficiency, security and flexibility of digital payments through a non-credit payment option and provide the end user security against fraud and theft.

While these cards work like traditional debit/credit cards and offer many of the same fraud and loss protections, they access funds that have been loaded onto the card by either the cardholder, another person (as a gift), the government for benefits, employers/corporations for payroll, or by a corporation for rewards/incentives or health benefits. As a non-credit payment tool, they help users control their budget.

According to The *Federal Reserve Payments Study: 2018 Annual Supplement*, prepaid card payments reached 13.1 billion payments by number with a value of $0.30 trillion in 2017. In the same report, general purpose reloadable card payments (“GPR”) reached 112.6 billion payments by numbers with a value of $6.06 trillion in 2017.

Today, millions of Americans use network branded prepaid cards for the choice and protection they provide, including the estimated 43 million un-banked or underbanked (source: 2017 National Survey of Unbanked and Underbanked Households: FDIC October 2018) who would not otherwise have a way to participate in our card-based economy, parents of college-aged students who want a safe and secure way to give money without the risk of running up debt, and recipients of government benefits who need an efficient way to receive their welfare payments, child support payments, Supplemental Nutrition Assistance Program (SNAP) program payments or unemployment payments.

We have two categories for our prepaid debit cards: corporate and consumer reloadable, and non-reloadable cards.

Reloadable Cards: These types of cards may be generally classified as payroll or considered general purpose reloadable (“GPR”) cards. Payroll cards are issued by an employer to an employee in order to allow the employee to access payroll amounts that are deposited into an account linked to their card. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer’s payroll, government benefit, a federal or state tax refund or through cash reload networks located at retail locations. Reloadable cards are generally open loop cards as described below.

Non-Reloadable Cards: These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are generally used as gift or incentive cards. Normally these types of cards are used for purchase of goods or services at retail locations and cannot be used to receive cash.

Both reloadable and non-reloadable may be open loop, closed loop or semi-closed loop. Open loop cards can be used to receive cash at ATM locations by PIN; or purchase goods or services by PIN or signature at retail locations virtually anywhere that the network brand (American Express, Discover, MasterCard, Visa, etc.) is accepted. Closed loop cards can only be used at a specific merchant. Semi-closed loop cards can be used at several merchants, such as all merchants at a specific shopping mall.

The prepaid card market is one of the fastest growing segments of the payments industry in the U.S. This market has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management and replacement. We deploy a fully staffed, in-house customer service department which utilizes bi-lingual customer service representatives, Interactive Voice Response (“IVR”), and two-way short message service (“SMS”) messaging.

To date, we have issued millions of prepaid debit cards under programs implemented for Fortune 500 companies, multinationals, as well as top pharmaceutical manufacturers, universities and social media companies.

Depending on the program selected by the client, we generate the following types of revenues: setup charges; customized software development fees; data processing and report generation fees; transaction fees from each transaction by a cardholder; interchange fees; expiring card balances; card fulfillment fees; fees related to customer service and administrative fees.

As of December 31, 2019, we had approximately 3 million cardholders participating in approximately 300 card programs.

Common Examples of Prepaid Cards

Below are some examples of prepaid cards that are currently in common use in the payment card industry:

General Purpose Reloadable Cards: A type of prepaid card typically purchased by a consumer for his/her personal use to pay for purchases, pay bills and/or access cash at ATMs. GPR cards may be purchased online and in retail locations from a variety of providers. Funds may be loaded onto the card by direct deposit of wages or benefits or at retail locations offering prepaid card reload services.

DDA Debit Cards: Recently, providers of GPR card products, in response to changes in the regulatory environment, have introduced new products similar to a GPR but that act as a true demand deposit account accessible with a debit card ("DDA Debit Card"), offering many of the features and functionalities of a debit card associated with a standard bank account, including overdraft protection. The Company is focused on entering the consumer market with a DDA Debit Card to be marketed as PaySign Premier, which will include all the functionalities discussed above.

Payroll Cards: A prepaid card that is directly or indirectly established through an employer and to which electronic fund transfers of the cardholder's wages, salary, or other employee compensation (such as commissions), are made on a recurring basis.

Corporate Incentive Cards: A prepaid card that is provided to a consumer or potential consumer as an incentive to, or reward for purchasing a product or completing a task, such as completing a survey, adhering to a brand name drug regimen or test driving a vehicle. Payments can also be made by a company to an employee or agent as an incentive bonus.

Health Care Cards: Pre-tax benefit cards linked to Health Savings Accounts (HSA), Flexible Spending Accounts (FSA) or Healthcare Reimbursement Accounts (HRA, which contain funds that can be used to pay for current or future medical expenses. Pharmaceutical companies also employ prepaid card programs to increase patient enrolment and adherence to a brand name drug through co-pay assist and buy and bill programs.

Government Disbursement Cards: Prepaid cards used for the purpose of disbursing government payments such as Social Security payments, disability payments, disaster relief payments, WIC or Food Stamp disbursements or government payroll.

Gift Cards: A prepaid card that is purchased by a gift giver to be given to a gift recipient.

Per Diem, Corporate Expense and Business Travel Cards: A reloadable card that allows businesses, non–profits and government agencies the ability to control employee spending while reducing administration costs by reducing the need for traditional expense reports and reimbursement processes and eliminating the risks and expenses of handling paper checks and cash.

Our Products and Services

We are a vertically integrated payment processor and debit card program manager offering innovative payment solutions to corporations, government agencies, universities and other organizations. Our payment solutions are utilized by our customers as a means to increase customer loyalty, increase brand recognition, reward customers, agents and employees while reducing administration costs and streamlining operations. We market our prepaid debit card solutions under our PaySign® brand of prepaid cards. As we are a payment processor and debit card program manager, we derive our revenue from all stages of the debit card lifecycle. These revenues can include fees from program set-up; customization and development; data processing and report generation; card production and fulfillment; transaction fees derived from card usage; inactivity fees; card replacement fees, program administration fees and settlement income. We provide in-house customer service which includes live bilingual customer care representatives staffed 24/7/365. We also run in-house Interactive Voice Response and two way SMS messaging platforms. Our cards are offered to end users through our relationships with bank issuers.

In our early years of operations, we focused mainly on providing co-pay assistance prepaid cards to the pharmaceutical industry. In 2011, we began marketing a corporate incentive prepaid card based payment solution targeting the plasma donation industry. More recently, having built the necessary infrastructure and adding essential staff, we have increased our focus and sales efforts on corporate incentive and corporate expense card programs as well as retargeting the pharmaceutical industry with co-pay assistance, buy and bill and other prepaid programs designed to maximize patient enrollment, adherence and retention. In late 2018, we began to devote more resources to card programs used by the pharmaceutical industry which in 2019 contributed to more than 20% of our overall revenues. We expect to continue significant contributions to revenue and gross margins from these pharmaceutical programs in 2020 and future years.

The PaySign® Brand

In order to leverage the capabilities of the PaySign platform and successfully expand our product offerings, we established the PaySign brand of prepaid cards and solutions. The PaySign brand encompasses the entirety of our current and future prepaid product offerings, including but not limited to, corporate incentives, healthcare related payment solutions for clinical trials, donations and co-pay assistance, payroll, settlement payments, corporate expense cards and solutions designed for the public sector as well as general spend reloadable prepaid cards. PaySign is a registered trademark of the Company in the United States and other countries.

Corporate Incentives

Our PaySign corporate incentive cards offer businesses a practical and contemporary way to reward and motivate existing and potential customers, employees, donors, patients, participants in clinical trials, sales professionals, agents and distributors. We develop incentive card programs, either traditional plastic or virtual, that our customers use for a wide variety of applications, including but not limited to: consumer rebates for large purchases or frequent buyers; trade incentives for third party distributors, new product launches and commission based sales incentives; consumer promotions such as automobile test drives; purchase incentives; loyalty rewards; compensation for time and effort of donating, pharmaceutical payment assistance, referral programs, event giveaways and purchase incentives. The PaySign solution can be integrated into existing payment management systems or as act as a stand-alone solution. The PaySign Card is accepted anywhere Visa is accepted.

Key benefits of our corporate incentive cards are:

- Reduced costs: Operating and administrative costs associated with processing traditional paper checks are reduced.
- Co-Branding: Our clients can promote their brands as the card can include the corporate sponsor’s logo. The card itself advertises the sponsor’s brand.
- Customization: Our Paysign platform allows for easy customization of our corporate incentive card products. For example, our clients can select merchants or merchant categories which dictate where the card will be accepted. Our clients can receive customized reports, track card usage and attach surveys to the activation process to gain market intelligence.
- Speed to Market: Our clients can get rewards and incentives to the intended recipients in a much quicker manner than traditional methods using our corporate incentive card products.

Per Diem/ Corporate Expense Payments

Per Diem, Corporate Expense and Business Travel Cards: A reloadable prepaid card that allows businesses, non –profits and government agencies the ability to control employee spending while reducing administration costs by eliminating the need for traditional expense reports. We are currently focusing on marketing these card products to large corporations.

Pharmaceutical Market

Our PaySign solutions for the pharmaceutical industry are a specialized, adjudicated solution that pays all or a portion of a patient’s out-of-pocket costs associated with a prescription drug purchase. Funds are provided by the sponsoring pharmaceutical company for use at retail pharmacies, specialty pharmacies, hospitals, doctors’ offices and clinics nationwide.

Our pharmaceutical solutions provide payment claims processing and other administrative services for clients, in real-time, according to client benefit plan designs. Our solutions present a cost-effective payment delivery vehicle by providing real-time financial benefit for both consumers and sponsors. Our offerings also allow clients to directly manage more of their pharmacy benefits and include pharmacy claims adjudication, network and payment administration, client call center service and support, reporting, rebate management, as well as implementation, training and account management. Currently, approximately 20% of our revenues are generated by solutions provided to the pharmaceutical industry.

Co-Pay Assistance Program

Our Co-Pay Assistance Program is a pharmaceutical payment card which is adjudicated as a secondary claim at the point of purchase. The adjudication process determines what funds will be loaded onto the card by applying business rules designed by the sponsoring company. The loaded funds are then immediately applied to the prescription purchase at the point of purchase for the patient benefit. The card is used to defray out-of-pocket costs for the prescription. Key features and benefits of our PaySign Card for the Co-Pay Payment Program are:

- Tracking and auditing "free samples" is no longer required, as the retail pharmacy network serves as the distribution mechanism for new prescriber promotions.

- The patient's primary insurance pays the standard adjudicated amount for prescription fills that would historically be "free samples".

- The distribution of cards enables far superior prescriber and patient data collection for the sponsoring pharmaceutical company through the use of automated questionnaires required to activate the cards.

- The marketing programs can be better designed exactly to meet the specifications and needs of the sponsoring pharmaceutical company, as compared to programs involving the distribution of physical samples.

- Because the card operates like a debit card, pharmacy retailers are paid instantly for the adjudicated promotional cost on covered prescription transactions.

- We provide a set of comprehensive, customizable reporting modules to our pharmaceutical clients.

Buy and Bill Program

Where PaySign’s standard pharmaceutical Co-Pay assistance Cards provide payment for self-administered pharmaceuticals purchased at a pharmacy, PaySign’s Buy and Bill Programs are designed to provide a benefit for patients when purchasing directly from their physician’s office or through an infusion center for physician administered therapies.

Source Plasma Donor Payments

Plasma derived therapies are lifesaving treatments used to treat various rare conditions. Plasma based therapies are manufactured using human plasma, which is the yellow liquid portion of whole blood that can be easily replaced by the body. Plasma makes up approximately 57 percent of whole blood and consists primarily of water and proteins. Source plasma is the plasma collected from volunteer donors that serves as the raw material for the further manufacture into these lifesaving therapies. Historically, source plasma donation centers compensated their donors with cash or checks. In the past several years, plasma donation centers have migrated to a prepaid card based solution for donor payments.

The Company offers a comprehensive customized payment solution for source plasma collection centers under the PaySign brand. The solution consists of the PaySign Prepaid Debit Card, the PaySign Connect Portal for administrators, and the PaySign Kiosk. The solution offers customized reporting and provides a level of business analytics previously unavailable. The solution can be utilized either as a stand-alone web based solution or integrated with existing donor management system; giving plasma donation centers an increased level of flexibility. The Company entered the market in late 2011 and has seen significant growth in this market segment. Currently, the Company services approximately 37% of the plasma collection centers in the US. The Company expects our market share to continue to increase. Currently, nearly 78% of our revenues are generated from payment solutions for the plasma industry.

DDA Debit Cards—PaySign Premier

In response to new regulations, many providers of GPR cards are also offering a debit card which is linked to a demand deposit account (a "DDA Debit Card") and will allow the cardholder to utilize overdraft protection in cases where the cardholder may spend more than the available balance in the account. Many issuers are actively marketing this product as use of this feature can be a significant source of income for the provider.

The Company began marketing its DDA Debit Card, the PaySign Premier card in the third quarter of 2019. The Company markets this product to a targeted portion of its existing cardholder base through existing communication points and to customers and employees of new clients.

Other Services

Customer Service Center

In order to provide a full range of services to our customers, we offer a fully staffed, in-house Customer Service Center which is operational 24 hours a day, 7 days per week consisting of live bi-lingual customer care representatives. The PaySign Platform provides Interactive Voice Response ("IVR"), SMS alerts and two way SMS messaging, allowing cardholders to set alerts and check their balances and history without the assistance of a live customer service operator. We believe our in-house customer service center provides the highest quality customer service experience for our clients as training is performed on-site by Paysign staff, and the center performs customer service solely for our products and services.

The PaySign Communications Suite

To help maximize the cardholder experience, cardholders can access their card balances and transaction history, as well as other information as dictated by the program, such as an ATM locator, a loyalty point counter, and geo-specific messaging through a number of touchpoints such as the PaySign kiosk, the PaySign Mobile App, two way SMS, text alerts and the PaySign cardholder web portal.

Technology

Our technology platform employs a standard enterprise services bus in a service-oriented architecture, configured for 24/7/365 operations. We maintain two secure, interconnected, environmentally-controlled data centers, with emergency power generation capabilities, and fully redundant capabilities. We use a variety of proprietary and licensed standards-based technologies to implement our platforms, including those which provide for orchestration, interoperability and process control. The platforms also integrate a data infrastructure to support both transaction processing and data warehousing for operational support and data analytics.

Competition

The markets for financial products and services, including prepaid debit cards and services related thereto, are intensely competitive. We compete with a variety of companies in our markets and our competitors vary in size, scope and breadth of products and services offered. Certain segments of the financial services and healthcare industries tend to be highly fragmented, with numerous companies competing for market share. Highly fragmented segments currently include financial account processing, customer relationship management solutions, electronic funds transfer and prepaid solutions.

Many of our existing and potential competitors have longer operating histories, greater financial strength and more recognized brands in the industry. These competitors may be able to attract customers more easily because of their financial resources and awareness in the market. Our larger competitors can also devote substantially more resources to business development and may adopt more aggressive pricing policies. To compete with these companies, we rely primarily on direct marketing strategies including strategic marketing partners.

Sales and Marketing

We market our PaySign payment solutions through direct marketing by the Company's sales team. Our primary market focus is on companies and municipalities that require a streamlined payment solution for rewards, rebates, payment assistance, and other payments to their customers, employees, agents and others. To reach these markets, we focus our sales efforts on direct contact with our target market and attendance at various industry specific conferences. We may, at times, utilize independent contractors who make direct sales and are paid on a commission basis only.

We expect to market our PaySign Premier card through existing communication channels to a targeted segment of our existing cardholders, as well as to a broad group of consumers, ranging from non-banked to fully banked with a focus on long term users of our product.

Markets and Major Customers

We have no major customers and we are not reliant on any individual program. We manage multiple programs at any given time. As of December 31, 2019, we managed approximately 300 card programs with approximately 3 million participating cardholders.

Implications of Being an Emerging Growth Company

Paysign qualifies as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- the option to present only two years of audited financial statements and two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on Form 10-K;
- reduced disclosure obligations regarding executive compensation in periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We have elected to take advantage of certain reduced disclosure obligations in this Annual Report on Form 10-K and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different from what you might receive from other public reporting companies in which you hold equity interests.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption and, as a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable.

We will remain an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion; (ii) the last day of 2024; (iii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (referred to as the Exchange Act), which would occur if the market value of our common equity held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter; or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during any three-year period.

Regulations

Introduction

We operate in a highly regulated environment and are subject to extensive regulation, supervision and examination. Applicable laws and regulations may change, and there is no assurance that such changes will not adversely affect our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of financial institutions we may work with. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing banks, could have a material impact on our operations.

Our products and services are generally subject to federal, state and local laws and regulations, including:

- anti-money laundering laws;
- money transfer and payment instrument licensing regulations;
- escheatment laws;
- privacy and information safeguard laws;
- bank regulations;
- consumer protection laws; and
- false claims laws and other fraud and abuse restrictions.
- privacy and security standards under HIPAA or other laws

These laws are often evolving and sometimes ambiguous or inconsistent, and the extent to which they apply to us or the banks that issue our cards, our clients or our third party service providers is at times unclear. Any failure to comply with applicable law — either by us or by the card issuing banks, our client or our third party service providers, over which we have limited legal and practical control — could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties and the suspension or revocation of a license or registration required to sell our products and services. See "Risk Factors" for additional discussion regarding the potential impacts of changes in laws and regulations to which we are subject and failure to comply with existing or future laws and regulations.

We continually monitor and enhance our compliance program to stay current with the most recent legal and regulatory changes. We also continue to implement policies and programs and to adapt our business practices and strategies to help us comply with current legal standards, as well as with new and changing legal requirements affecting particular services or the conduct of our business generally.

Anti-Money Laundering Laws

Our products and services are generally subject to federal anti-money laundering laws, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, and similar state laws. On an ongoing basis, these laws require us, among other things, to:

- report large cash transactions and suspicious activity;
- screen transactions against the U.S. government's watch-lists, such as the watch-list maintained by the Office of Foreign Assets Control;
- prevent the processing of transactions to or from certain countries, individuals, nationals and entities;
- identify the dollar amounts loaded or transferred at any one time or over specified periods of time, which requires the aggregation of information over multiple transactions;
- gather and, in certain circumstances, report customer information;
- comply with consumer disclosure requirements;
- register or obtain licenses with state and federal agencies in the United States and seek registration of any retail distributors when necessary.

Anti-money laundering regulations are constantly evolving. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures to make our business practices flexible, so we can comply with the most current legal requirements. We cannot predict how these future regulations might affect us. Complying with future regulation could be expensive or require us to change the way we operate our business.

Money Transfer and Payment Instrument Licensing Regulations

We are not currently subject to money transfer and payment instrument licensing regulations; however, we have plans to introduce products in the future that would be subject to such regulations. Currently, we believe that 39 U.S. jurisdictions would require us to obtain a license to operate a money transfer business. As a licensee, we would be subject to certain restrictions and requirements, including reporting, net worth and surety bonding requirements and requirements for regulatory approval of controlling stockholders, agent locations and consumer forms and disclosures. We would also be subject to inspection by the regulators in the jurisdictions in which we are licensed, many of which conduct regular examinations. In addition, we would be required to maintain "permissible investments" in an amount equivalent to all "outstanding payment obligations."

Escheatment Laws

Unclaimed property laws of every U.S. jurisdiction require that we track certain information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction.

Privacy and Information Safeguard Laws

In the ordinary course of our business, we or our third party service providers collect certain types of data, which subjects us to certain privacy and information security laws in the United States, including, for example, the Gramm-Leach-Bliley Act of 1999, and other laws or rules designed to regulate consumer information and mitigate identity theft. We are also subject to privacy laws of various states. These state and federal laws impose obligations with respect to the collection, processing, storage, disposal, use and disclosure of personal information, and require that financial institutions have in place policies regarding information privacy and security. In addition, under federal and certain state financial privacy laws, we must provide notice to consumers of our policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to our policies and, with limited exceptions, give consumers the right to prevent use of their nonpublic personal information and disclosure of it to unaffiliated third parties. Certain state laws may, in some circumstances, require us to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data. In order to comply with the privacy and information safeguard laws, we have confidentiality/information security standards and procedures in place for our business activities and with our third-party vendors and service providers. Privacy and information security laws evolve regularly, requiring us to adjust our compliance program on an ongoing basis and presenting compliance challenges.

Bank Regulations

All of the cards that we service are issued by a state-chartered bank. Thus, we are subject to the oversight of the regulators for, and certain laws applicable to, these card issuing banks. These banking laws require us, as a servicer to the banks that issue our cards, among other things, to undertake compliance actions similar to those described under "– Anti-Money Laundering Laws" above and to comply with the privacy regulations promulgated under the Gramm-Leach-Bliley Act as discussed under "– Privacy and Information Safeguard Laws" above.

Consumer Protection Laws

Certain products that we anticipate introducing in the future will likely be subject to additional state and federal consumer protection laws, including laws prohibiting unfair and deceptive practices, regulating electronic fund transfers and protecting consumer nonpublic information. Before we can introduce those products, we will have to develop appropriate procedures for compliance with these consumer protection laws.

Card Networks

In order to provide our products and services, we, as well as the banks that issue our cards, must be registered with Visa and/or MasterCard, as well as any other networks that we desire to use, such as Discover, Pulse, NYCE and Star, and, as a result, are subject to card association rules that could subject us to a variety of fines or penalties that may be levied by the card association or network for certain acts or omissions. The banks that issue our cards are specifically registered as "members" of the Visa and/or MasterCard card networks. Visa and MasterCard set the standards with which we and the card issuing banks must comply.

False Claims Laws and Other Fraud and Abuse Restrictions

We provide claims processing and other transaction services to pharmaceutical companies that relate to, or directly involve, the reimbursement of pharmaceutical costs covered by Medicare, Medicaid, other federal healthcare programs and private payers. As a result of these aspects of our business, we may be subject to, or contractually required to comply with, state and federal laws that govern various aspects of the submission of healthcare claims for reimbursement and the receipt of payments for healthcare items or services. These laws generally prohibit an individual or entity from knowingly presenting or causing to be presented claims for payment to Medicare, Medicaid or other third party payers that are false or fraudulent. False or fraudulent claims include, but are not limited to, billing for services not rendered, failing to refund known overpayments, misrepresenting actual services rendered in order to obtain higher reimbursement, improper coding and billing for medically unnecessary goods and services. Many of these laws provide significant civil and criminal penalties for noncompliance and can be enforced by private individuals through “whistleblower” or qui tam actions. To avoid liability, providers and their contractors must, among other things, carefully and accurately code, complete and submit claims for reimbursement.

From time to time, constituents in the healthcare industry, including us, may be subject to actions under the federal False Claims Act or other fraud and abuse provisions. We cannot guarantee that state and federal agencies will regard any billing errors we process as inadvertent or will not hold us responsible for any compliance issues related to claims we handle on behalf of providers and payers. Although we believe our editing processes are consistent with applicable reimbursement rules and industry practice, a court, enforcement agency or whistleblower could challenge these practices. We cannot predict the impact of any enforcement actions under the various false claims and fraud and abuse laws applicable to our operations. Even an unsuccessful challenge of our practices could cause adverse publicity and cause us to incur significant legal and related costs.

Privacy and Security Standards under HIPAA or Other Laws.

The Health Insurance Portability and Accountability Act of 1996 contains privacy regulations and the security regulations that apply to some of our operations. The privacy regulations extensively regulate the use and disclosure of individually identifiable health information by entities subject to HIPAA. For example, the privacy regulations permit parties to use and disclose individually identifiable health information for treatment and to process claims for payment, but other uses and disclosures, such as marketing communications, require written authorization from the individual or must meet an exception specified under the privacy regulations. The privacy regulations also provide patients with rights related to understanding and controlling how their health information is used and disclosed. To the extent permitted by the privacy regulations, ARRA and our contracts with our customers, we may use and disclose individually identifiable health information to perform our services and for other limited purposes, such as creating de-identified information. Determining whether data has been sufficiently de-identified to comply with the privacy regulations and our contractual obligations may require complex factual and statistical analyses and may be subject to interpretation. The security regulations require certain entities to implement and maintain administrative, physical and technical safeguards to protect the security of individually identifiable health information that is electronically transmitted or electronically stored. We have implemented and maintain policies and processes to assist us in complying with the privacy regulations, the security regulations and our contractual obligations. We cannot provide assurance regarding how these standards will be interpreted, enforced or applied to our operations. If we are unable to properly protect the privacy and security of health information entrusted to us, we could be subject to substantial penalties, damages and injunctive relief.

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to and confidentiality of individually identifiable health information and healthcare provider information. In addition, some states are considering new laws and regulations that further protect the confidentiality, privacy and security of medical records or other types of medical information. In many cases, these state laws are not preempted by the HIPAA privacy regulations and may be subject to interpretation by various courts and other governmental authorities. Further, the U.S. Congress and a number of states have considered or are considering prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the United States.

Patents and Trademarks

We protect our intellectual property rights through a combination of trademark, patent, copyright and trade secrets laws.

In order to limit access to and disclosure of our proprietary information, all of our employees and consultants have signed confidentiality and we enter into nondisclosure agreements with third parties. We cannot provide assurance that the steps we have taken to protect our intellectual property rights, however, will deter adequately infringement or misappropriation of those rights. Particularly given the international nature of the Internet, the rate of growth of the Internet and the ease of registering new domain names, we may not be able to detect unauthorized use of our intellectual property or take enforcement action.

Employees and Independent Contractors

As of March 3, 2020, we had seventy employees and independent contractors.

We have no collective bargaining agreements with our employees, and believe all independent contractor and employment agreements relationships are satisfactory. We hire independent contractors on an as-needed basis, and we may retain additional employees and consultants during the next twelve months, including additional executive management personnel with substantial experience in development business.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Form 10-K, including our consolidated financial statements and related notes. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose part or all of your investment. All forward-looking statements made by us or on our behalf are qualified by the risks described below.

Risks Related to Our Business

We may be unable to continue our current growth rate in future periods, and if our operating revenue growth slows, or our operating revenue declines, our business and financial conditions could be adversely affected.

Our growth rates may decline in the future. In fiscal 2019, we experienced growth in our corporate incentives solution business. There can be no assurance that we will be able to continue our current growth rate in future periods. In the near term, our continued growth depends in significant part on our ability, among other things, to enter new markets and to continue to attract new clients, and to retain our current clientele. Our continued growth also depends on our ability to develop and market other prepaid debit card products that can utilize the Paysign platform.

As the prepaid financial services industry continues to develop, our competitors may be able to offer products and services that are, or that are perceived to be, substantially similar to or better than ours. This may force us to compete on the basis of price and to expend significant marketing, product development and other resources in order to remain competitive. Even if we are successful at increasing our operating revenues through our various initiatives and strategies, we will experience an inevitable decline in growth rates as our operating revenues increase to higher levels and we may also experience a decline in margins. If our operating revenue growth rates slow materially or decline, our business, operating results and financial condition could be adversely affected.

We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, decrease investor confidence in our Company, and reduce the value of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act and based upon the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO framework”). Management is also responsible for reporting on the effectiveness of internal control over financial reporting.

We have identified control deficiencies that constitute material weaknesses relating to: (i) management assessment of internal control over financial reporting and (ii) design, implementation and monitoring of information technology general controls. Additionally, a third material weakness cited by the auditors was that the Company lacked sufficient monitoring and disclosure controls when employing a part-time employee. See Item 9A. “Controls and Procedures” of this Form 10-K for more information.

As a result of these material weaknesses, our management concluded that our internal control over financial reporting were not effective as of December 31, 2019**.** Material weaknesses not remediated may adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, decrease investor confidence in our Company, and reduce the value of our common stock.

A downturn in the economy, including as a result of COVID-19, could reduce our customer base and demand for our products and services, which could have an adverse effect on our business, financial condition, profitability, and cash flows.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout China and other parts of the world, including the United States. In March 2020 the World Health Organization characterized the outbreak as a “pandemic”. A significant outbreak of COVID-19 and other infectious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets worldwide. Concerns have rapidly grown regarding the outbreak of COVID-19. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state and local authorities to avoid large gatherings of people or self-quarantine have increased, which could adversely affect the demand of our products and services.

Our success significantly depends upon the growth of demand of our products from a growing customer base and our success at entering new market verticals. If prevailing economic conditions locally, nationally or internationally are unfavorable, including as a result of COVID-19, there may be a negative impact on our business. A prolonged economic downturn would likely contribute to the deterioration of the demand for our products and services, which in turn would negatively impact our business. A prolonged economic downturn could, therefore, result in losses that could materially and adversely affect our business.

We operate in a highly regulated environment, and failure by us or business partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

We operate in a highly regulated environment, and failure by us or our business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations, which are described under "Business – Regulations" above. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. For example, with increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by the businesses that participate in our reload network. Failure by us or those businesses to comply with the laws and regulations to which we are subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers and other network participants, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.

Changes in the laws, regulations, credit card association rules or other industry standards affecting our business may impose costly compliance burdens and negatively impact our business.

There may be changes in the laws, regulations, card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. For example, more stringent anti-money laundering regulations could require the collection and verification of more information from our customers, which could have a material adverse effect on our operations. Regulation of the payments industry has increased significantly in recent years. A number of regulations impacting the credit card industry were recently implemented. Additional changes may require us to incur significant expenses to redevelop our products. Also, failure to comply with laws, rules and regulations or standards to which we are subject, including with respect to privacy and data use and security, could result in fines, sanctions or other penalties, which could have a material adverse effect on our financial position and results of operations, as well as damage our reputation.

A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

We, the banks that issue our cards and our third party service providers receive, transmit and store confidential customer and other information in connection with our products and services. The encryption software and the other technologies we and our partners use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. The banks that issue our cards, our clients and our third-party processors also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the banks that issue our cards or our third party service providers could result in significant reputational harm to us and cause the use and acceptance of our cards to decline, either of which could have a significant adverse impact on our operating revenues and future growth prospects.

The industry in which we compete is highly competitive, which could adversely affect our operating revenue growth.

We believe that our existing competitors have longer operating histories, are substantially larger than we are, may already have or could develop substantially greater financial and other resources than we have, may offer, develop or introduce a wider range of programs and services than we offer or may use more effective advertising and marketing strategies than we do to achieve broader brand recognition, customer awareness and retail penetration. We may also face price competition that results in decreases in the purchase and use of our products and services. To stay competitive, we may have to increase the incentives that we offer to our marketing partners and decrease the prices of our products and services, which could adversely affect our operating results.

We rely on relationships with card issuing banks to conduct our business, and our results of operations and financial position could be materially and adversely affected if we fail to maintain these relationships or we maintain them under new terms that are less favorable to us.

Our relationships with various banks is currently, and will be for the foreseeable future, a critical component of our ability to conduct our business and to maintain our revenue and expense structure, because we are currently unable to issue our own cards. If we lose or do not maintain existing banking relationships, we would incur significant switching and other costs and expenses and we and users of our products and services could be significantly affected, creating contingent liabilities for us. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition. Our agreement with the bank that issues our cards provide for cost and expense allocations between the parties. Changes in the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or renew our agreements with the banks that currently issue our cards under terms at least as favorable to us as those existing before renewal.

We receive important services from third-party vendors, and replacing them could entail unexpected integration costs.

Some services relating to our business, including network connectivity and gateway services are outsourced to third-party vendors. All of our vendors could be replaced with competitors if our vendor terminated our contract or went out of business. However, in some cases replacing a vendor would entail one-time integration costs to connect our systems to the successor's systems, and could result in less advantageous contract terms for the same service, which could adversely affect our profitability.

Changes in credit card association or other network rules or standards set by Visa and MasterCard, or changes in card association and debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.

We and the banks that issue our cards are subject to Visa and MasterCard, Pulse, NYCE and Star association rules that could subject us to a variety of fines or penalties that may be levied by the card networks for acts or omissions by us or businesses that work with us. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card networks increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, operating results and financial condition.

For example, a portion of our operating revenues is derived from interchange fees (i.e., transaction fees paid by the merchant). The amount of interchange revenues that we earn is highly dependent on the interchange rates that Visa and MasterCard set and adjust from time to time. Interchange rates for certain products and certain issuing banks declined significantly as a result of the enactment of the Dodd-Frank Bill. If interchange rates decline further, whether due to actions by Visa or MasterCard or future legislation or regulation, we would likely need to change our fee structure to compensate for lost interchange revenues. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention. We also might have to discontinue certain products or services. As a result, our operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

We may not be able to successfully manage our intellectual property or may be subject to infringement claims.

In the rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology competitive to us. Our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We may also be subject to costly litigation in the event our products and technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our products or technology. Any of these third parties could make a claim of infringement against us with respect to our products or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees. Any claim from third parties may result in limitations on our ability to use the intellectual property subject to these claims. As of the date of this filing, we had not received any notice or claim of infringement from any party.

Additional equity or debt financing may be dilutive to existing stockholders or impose terms that are unfavorable to us or our existing stockholders.

We may raise capital in order to provide working capital for our expansion into other products and services using our payments platform. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may involve arrangements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences that are not favorable to us or our current stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies and products or grant unfavorable license terms.

We depend on key personnel and could be harmed by the loss of their services because of the limited number of qualified people in our industry.

Because of our small size, we require the continued service and performance of our management team, sales and technology employees, all of whom we consider to be key employees. Competition for highly qualified employees in the financial services and healthcare industry is intense. Our success will depend to a significant degree upon our ability to attract, train, and retain highly skilled directors, officers, management, business, financial, legal, marketing, sales, and technical personnel and upon the continued contributions of such people. In addition, we may not be able to retain our current key employees. The loss of the services of one or more of our key personnel and our failure to attract additional highly qualified personnel could impair our ability to expand our operations and provide service to our customers.

Our future success depends on our ability to attract, integrate, retain and incentivize key personnel.

Our future success will depend, to a significant extent, on our ability to attract, integrate, retain and incentivize key personnel, namely our management team and experienced sales, marketing and program and systems management personnel. We must retain and motivate existing personnel, and we must also attract, assimilate and motivate additional highly-qualified employees. We may experience difficulty assimilating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and systems management personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, retain and incentivize key personnel, our ability to manage and grow our business could be harmed.

Security and privacy breaches of our electronic transactions may damage customer relations and inhibit our growth.

Any failures in our security and privacy measures could have a material adverse effect on our business, financial condition and results of operations. Certain products we offer require that we store personal information, including birth dates, addresses, bank account numbers, credit card information, social security numbers and merchant account numbers. If we are unable to protect this information, or if consumers perceive that we are unable to protect this information, our business and the growth of the electronic commerce market in general could be materially adversely affected. A security or privacy breach may:

- cause our customers to lose confidence in our services;
- deter consumers from using our services;
- harm our reputation;
- require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations;
- expose us to liability;
- increase expenses related to remediation costs; and
- decrease market acceptance of electronic commerce transactions and prepaid use.

Although management believes that we have utilized proven applications designed for premium data security and integrity in electronic transactions, our use of these applications may be insufficient to address changing market conditions and the security and privacy concerns of existing and potential customers.

The market for electronic commerce services is evolving and may not continue to develop or grow rapidly enough for us to become profitable.

If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue as projected to adopt our products and services, it could have a material adverse effect on our business, financial condition and results of operations. Management believes future growth in the electronic commerce market will be driven by the cost, ease of use and quality of products and services offered to consumers and businesses. In order to reach and thereafter maintain our profitability, consumers and businesses must continue to adopt our products and services.

If we do not respond to rapid technological change or changes in industry standards, our products and services could become obsolete and we could lose our customers.

If competitors introduce new products and services, or if new industry standards and practices emerge, our existing product and service offerings, technology and systems may become obsolete. Further, if we fail to adopt or develop new technologies or to adapt our products and services to emerging industry standards, we may lose current and future customers, which could have a material adverse effect on our business, financial condition and results of operations. The electronic commerce industry is changing rapidly. To remain competitive, we must continue to enhance and improve the functionality and features of our products, services and technologies.

Changes in the Bank Secrecy Act and/or the USA PATRIOT Act could impede our ability to circulate cards that can be easily loaded or issued.

Our current compliance program and screening process for the distribution and/or sale of prepaid card products is designed to comply with the Bank Secrecy Act ("BSA") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "USA PATRIOT Act"). These regulations require financial institutions to obtain and confirm information related to their respective cardholders. If the BSA and/or the USA PATRIOT Act or subsequent legislation increases the level of scrutiny that we must apply to our cardholders and customers, it may be costly or impractical for us to continue to profitably issue and load cards for our customers.

Internal processing errors could result in our failing to appropriately reflect transactions in customer accounts.

In the event of a system failure that goes undetected for a substantial period of time, we could allow transactions on blocked accounts, confirm false authorizations, fail to deduct charges from accounts or fail to detect systematic fraud or abuse. Errors or failures of this nature could adversely impact our operations, our credibility and our financial standing.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers.

Our ability to provide reliable service to our clients and cardholders depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our third party service providers. Our business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the money. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our third party service providers to process and facilitate these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our vendors, or an improper action by our employees, agents or third-party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays and installation difficulties, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. We currently do not carry business interruption insurance.

The soundness of other institutions and companies could adversely affect us.

Our ability to engage in loading and purchasing transactions could be adversely affected by the actions and failure of other institutions and companies, our card issuing banks and distributors that carry our prepaid card products. As such, we have exposure to many different industries and counterparties. As a result, defaults by, or even questions or rumors about, one or more of these institutions or companies could lead to losses or defaults by us or other institutions. Losses related to these defaults or failures could materially and adversely affect our results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price is volatile and you may not be able to sell your shares at a price higher than what was paid.

The market for our common stock is highly volatile. In 2019, our stock price fluctuated between $3.53 and $17.95. The trading price of our common stock could be subject to wide fluctuations in response to, among other things, quarterly variations in operating and financial results, announcements of technological innovations or new products by our competitors or us, changes in prices of our products and services or our competitors' products and services, changes in product mix, or changes in our revenue and revenue growth rates.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our common stock, the trading price of our common stock could decline.

We expect that the trading price for our common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who may elect to cover us or our business downgrade their evaluations of our common stock, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our common stock, which in turn could cause our stock price to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you will likely receive a return on your investment in our common stock only if the market price of our common stock increases.

Concentration of ownership among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our directors, executive officers, and holders of more than 5% of our total shares of common stock outstanding and their respective affiliates, in the aggregate, beneficially own, as of March 19, 2020, approximately 38% of our outstanding common stock. As a result, these stockholders will be able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

We have 49,012,712 shares of common stock outstanding up through the date of this report, assuming no exercise of outstanding options, warrants or unvested restricted stock grants. None of the shares of common stock are subject to any lock-up agreements, and all are eligible for sale, subject to registration under the Securities Act and in some cases to volume and other restrictions imposed by Rule 144. Sales of substantial amounts of our common stock in the public market, or even the perception that these sales could occur, could cause the trading price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

We incur significant costs as a result of operating as a public company. We may not have sufficient personnel for our financial reporting responsibilities, which may result in the untimely close of our books and records and delays in the preparation of financial statements and related disclosures.

As a registered public company, we have experienced an increase in legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), as well as new rules subsequently implemented by the SEC, has imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and make some activities more time-consuming and costly. In addition, two putative class action lawsuits were recently filed against us, which could require our management to devote significant time to defending. See “Item 3. Legal Proceedings” for additional information.

If we are not able to comply with the requirements of Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identifies additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC and other regulatory authorities.

Our operating results may fluctuate in the future, which could cause our stock price to decline.

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our common stock, the trading price of our common stock could decline substantially. Fluctuations in our quarterly or annual results of operations may be due to a number of factors, including, but not limited to:

- the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- reductions in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;
- the timing of commencement, renegotiation or termination of relationships with significant third party service providers;
- changes in our or our competitors' pricing policies or sales terms;
- the timing of commencement and termination of major advertising campaigns;
- the timing of costs related to the development or acquisition of complementary businesses;
- the timing of costs of any major litigation to which we are a party;
- the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- our ability to control costs, including third-party service provider costs;
- volatility in the trading price of our common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity; and
- changes in the regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We lease approximately 11,000 square feet of office space at 1700 W. Horizon Ridge Parkway, Henderson, Nevada 89012, under a lease of approximately $19,000 per month.

We have an operating lease for an office space under construction. We expect the lease to become effective in the second quarter of 2020. The lease will expire ten years from the effective date and will allow for two optional extensions of 5 years each. Lease payments will be approximately $48,000 per month.

We lease space for our data centers in Las Vegas, Nevada under co-location month to month agreements that have typical terms of 36 months. The agreements provide for lease payments of approximately $7,000 per month.

We believe that we have satisfactory title to the properties owned and used in our business, subject to liens for taxes not yet payable, liens incident to minor encumbrances, liens for credit arrangements and easements and restrictions that do not materially detract from the value of these properties, our interests in these properties, or the use of these properties in our business. We believe that our properties are adequate and suitable for us to conduct business in the future.

ITEM 3. LEGAL PROCEEDINGS.

Following our press release on March 16, 2020, two putative class actions were filed in the United States District Court for the District of Nevada on behalf of a class of persons who acquired our common stock from March 12, 2019 through March 15, 2020, inclusive. The Complaints allege that the company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding our internal control over financial reporting and our financial statements. The Complaints seek certification as a class action, compensatory damages, and attorney's fees and costs. The Complaints are entitled *Yilan Shi v. Paysign, Inc. et. al.*, which was filed March 19, 2020 and has not yet been served on the company, and *Lorna Chase v. Paysign, Inc. et. al.*, which was filed on March 25, 2020 and has not yet been served on the company.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock trades on the NASDAQ Capital Market under the symbol "PAYS". The following table summarizes the low and high closing prices for our common stock for each of the calendar quarters of 2019 and 2018.

	2019		2018	
	High	Low	High	Low
First Quarter	8.29	3.53	1.17	0.71
Second Quarter	13.37	7.16	2.53	1.16
Third Quarter	17.95	9.47	4.95	2.40
Fourth Quarter	12.19	8.86	4.26	3.20

There were approximately 282 shareholders of record of the common stock as of December 31, 2019. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

Dividend Policy

We have not declared any cash dividends on our Common Stock during our fiscal years ended on December 31, 2019 or 2018. Our Board of Directors has made no determination to date to declare cash dividends during the foreseeable future, but is not likely to do so. There are no restrictions on our ability to pay dividends.

The shares were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2019, we did not purchase any shares of our common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Risk Factors" included elsewhere in this Form 10-K.

Disclosure Regarding Forward Looking Statements

This Annual Report on Form 10-K includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Forward Looking Statements"). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, that contains or may contain Forward-Looking Statements. Although we believe that the expectations reflected in such Forward Looking Statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by us, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control and any one of which, or a combination of which, could materially affect the results of our proposed operations and whether Forward Looking Statements made by us ultimately prove to be accurate. Such important factors ("Important Factors") and other factors could cause actual results to differ materially from our expectations are disclosed in this report, including those factors discussed in "Item 1A. Risk Factors." All prior and subsequent written and oral Forward Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward Looking Statement made by or on behalf of us.

Overview

Paysign, Inc. is a vertically integrated provider of innovative prepaid card programs and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our PaySign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle.

We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our clients. We have extended our processing business capabilities through our proprietary PaySign platform. Through the PaySign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service. The PaySign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed the Company to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate incentive and rewards including, but not limited to, consumer rebates and rewards, donor compensation, healthcare reimbursement payments and pharmaceutical payment assistance. We have expanded our product offerings to include additional corporate incentive products and demand deposit accounts accessible with a debit card. In the future, we expect to further expand our product offerings into payroll cards, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our revenues include fees generated from cardholder transactions, interchange, and card program management fees, including settlement income. Revenue from cardholder transactions, interchange and card program management fees is recorded when the performance obligation is fulfilled. Settlement income is recorded ratably throughout the program life cycle.

We have two categories for our prepaid debit cards: corporate and consumer reloadable, and non-reloadable cards.

Reloadable Cards: These types of cards may be generally classified as payroll or considered general purpose reloadable ("GPR") cards. Payroll cards are issued by an employer to an employee in order to allow the employee to access payroll amounts that are deposited into an account linked to their card. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer's payroll, government benefit, a federal or state tax refund or through cash reload networks located at retail locations. Reloadable cards are generally open loop cards as described below.

Non-Reloadable Cards: These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are generally used as gift or incentive cards. Normally these types of cards are used for purchase of goods or services at retail locations and cannot be used to receive cash.

Both reloadable and non-reloadable may be open loop, closed loop or semi-closed loop. Open loop cards can be used to receive cash at ATM locations by PIN; or purchase goods or services by PIN or signature at retail locations virtually anywhere that the network brand (American Express, Discover, MasterCard, Visa, etc.) is accepted. Closed loop cards can only be used at a specific merchant. Semi-closed loop cards can be used at several merchants, such as all merchants at a specific shopping mall.

The prepaid card market is one of the fastest growing segments of the payments industry in the U.S. This market has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management and replacement. We deploy a fully staffed, in-house customer service department which utilizes bi-lingual customer service representatives, Interactive Voice Response ("IVR"), and two-way short message service ("SMS") messaging.

Currently, we are focusing our marketing efforts on corporate incentive and expense prepaid card products, in various market verticals including but not limited to general corporate expense, healthcare related markets including co-pay assistance, clinical trials and donor compensation, loyalty rewards and incentive cards.

As part of our continuing platform expansion process, we evaluate current and emerging technologies for applicability to our existing and future software platform. To this end, we engage with various hardware and software vendors in evaluation of various infrastructure components. Where appropriate, we use third-party technology components in the development of our software applications and service offerings. Third-party software may be used for highly specialized business functions, which we may not be able to develop internally within time and budget constraints. Our principal target markets for processing services include prepaid card issuers, retail and private-label issuers, small third-party processors, and small and mid-size financial institutions in the United States and in emerging international markets.

We have devoted more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales team. We sell our products directly to customers in the U.S. but may work with a small number of resellers and third parties in international markets to identify, sell and support targeted opportunities. We have also identified opportunities in the European Union and are pursuing those opportunities.

In 2020, we plan to continue to invest additional funds in technology improvements, sales and marketing, customer service, and regulatory compliance. We are considering raising capital to enable us to diversify into new market verticals. If we do not raise new capital, we believe that we will still be able to expand into new markets using internally generated funds, but our expansion will not be as rapid.

2019 Year Milestones

- Grew to approximately 3 million cardholders and approximately 300 card programs as of December 31, 2019.
- Year over year revenue growth of 48%.
- Launched the Paysign Premier DDA (Demand Deposit Account) Debit Card during the third quarter.
- Added 7 new Pharmaceutical programs.
- Expanded into new Corporate Incentive & Loyalty pre-paid industry verticals.

Key Metrics, Performance Indicators and Non-GAAP Measures

Management reviews a number of metrics to help us monitor the performance of and identify trends affecting our business. We believe the following measures are the primary indicators of our quarterly and annual revenues:

Gross Dollar Volume Loaded on Cards – Represents the total dollar volume of funds loaded to all of our prepaid card programs. Our gross dollar volume was $859 million and $621 million for the years ended December 31, 2019 and 2018, respectively. We use this metric to analyze the total amount of money moving into our prepaid card programs.

Conversion Rate on Gross Dollar Volume Loaded on Cards – Comprised of revenue, gross profit and net profit conversion rates of gross dollar volume loaded on cards. Our revenue conversion rate for the years ended December 31, 2019 and 2018 were 4.04% or 404 basis points ("bps"), and 3.77% or 377 bps, respectively, of gross dollar volume loaded on cards. Our gross profit conversion rate for the years ended December 31, 2019 and 2018 were 2.24% or 224 bps, and 1.83% or 183 bps, respectively, of gross dollar volume loaded on cards. Our net profit conversion rate for the years ended December 31, 2019 and 2018 were 0.88% or 88 bps, and 0.42% or 42 bps, respectively, of gross dollar volume loaded on cards. The improvement in gross and net conversion rates was attributable to Pharma revenue representing approximately 21% of 2019 total revenue vs. approximately just 1% in 2018.

In addition, management reviews key performance indicators, such as revenue, gross profits, operational expense as a percent of revenues, and cardholder participation. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment and investment in new card programs. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“EBITDA” defined as earnings before interest, taxes, depreciation and amortization expense and "Adjusted EBITDA" reflects the adjustment to EBITDA to exclude stock-based compensation.

	Year ended December 31,	
	2019	**2018**
Reconciliation of adjusted EBITDA to net income:		
Net income attributable to Paysign, Inc.	$ 7,454,319	$ 2,588,054
Income tax benefit	(909,976)	–
Interest income	(441,116)	(139,738)
Depreciation and amortization	1,483,140	1,089,521
EBITDA	7,586,367	3,537,837
Stock-based compensation	2,528,613	1,366,944
Adjusted EBITDA	$ 10,114,980	$ 4,904,781

Results of Operations

In 2019, we increased our focus on sales and new product development while continuing to invest in our core infrastructure, platform development and the addition of essential personnel in order to allow us to successfully scale our business and pursue new vertical markets. As a result, we experienced record annual revenue and a significant increase to profitability in 2019.

Fiscal Years Ended December 31, 2019 and 2018

Revenues for the year ended December 31, 2019 were $34,666,653, an increase of $11,242,978 compared to the year ended December 31, 2018, when revenues were $23,423,675. The increase in revenue approximating 48% was primarily due to an increase in our corporate incentive prepaid card revenues for Pharma of $7,006,548 and Plasma of $3,963,106. We believe we will continue to experience strong revenue growth in 2020, as we add new programs in support of our existing industry verticals, expand into additional industries and add new products.

Cost of revenues (excluding depreciation and amortization) for the year ended December 31, 2019 were $15,425,178, an increase of $3,398,726, or 28% compared to the year ended December 31, 2018, when cost of revenues were $12,026,452. Cost of revenues constituted approximately 44% and 51% of total revenues in 2019 and 2018, respectively. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service and program management expenses, application integration setup, and sales and commission expense. Our cost of revenues (excluding depreciation and amortization) as a percentage of revenues primarily decreased due to an improved favorable client mix.

Gross profit for the year ended December 31, 2019 was $19,241,475, an increase of $7,844,252, or 69% compared to the year ended December 31, 2018, when gross profit was $11,397,223. Our overall gross margins were 56% and 49% during the fiscal years 2019 and 2018 which was consistent with our overall expectations. We anticipate full year gross margin for 2020 to be similar to full year 2019. Growth in new products and the expansion into new industry verticals will be contributing factors to the slightly less predictability in this metric.

Depreciation and amortization for the year ended December 31, 2019 were $1,483,140, an increase of $393,619 compared to the year ended December 31, 2018 when depreciation and amortization were $1,089,521. The increase in depreciation and amortization was primarily due to continued capitalization of new technologies and enhancements to our platform which we expect to continue with further enhancements in the future.

Selling, general and administrative expenses ("SG&A") for the year ended December 31, 2019 were, $11,656,681 an increase of $3,821,607 compared to the year ended December 31, 2018, when selling, general and administrative expenses were $7,835,074. The increase in SG&A was primarily due to the increased staffing and the annualization of prior year hires, $2,501,198, and increased stock-based compensation as inducement grants $1,161,668.

In the fiscal year ended December 31, 2019, we recorded income from operations of $6,101,654 as compared to $2,472,628 in the fiscal year ended December 31, 2018, an increase of $3,629,026.

Other income (expense) for the year ended December 31, 2019 was $441,116, as compared to other income (expense) of $108,613 in year ended December 31, 2018, which represents an increase in net other income (expense) of $332,503 primarily related to an increase in interest income.

Our income tax benefit for the year ended December 31, 2019 was $909,976, as compared to $-0- for year ended December 31, 2018. For the year ended December 31, 2019, we utilized the available net operating loss carryforward and stock-based compensation in the calculation for the income tax provision for 2019.

Our net income attributable to Paysign, Inc. for the year ended December 31, 2019 was $7,454,319 as compared to net income attributable to Paysign, Inc. of $2,588,054 in the year ended December 31, 2018, which represents an increase in net income of $4,866,265. The overall change in net income is attributable to the aforementioned factors.

Liquidity and Capital Resources

The following table sets forth the major sources and uses of cash for our last two fiscal years ended December 31, 2019 and 2018:

	Year ended December 31,			
		2019		2018
Net cash provided by operating activities	$	16,712,779	$	15,995,969
Net cash used in investing activities		(3,237,134)		(1,594,985)
Net cash provided by financing activities		430,919		100,000
Net increase in cash and restricted cash	$	13,906,564	$	14,500,984

Comparison of Fiscal 2019 and 2018

In fiscal 2019 and 2018, we financed our operations through internally generated funds.

Operating activities provided $16,712,779 of cash in 2019, an increase of $716,810 in cash generated compared to 2018. The increase is primarily related to a $4,882,504 increase in net income, a $1,161,669 increase in stock-based compensation, and a $393,619 increase in depreciation and amortization, partially offset by the changes in operating assets and liabilities.

Investing activities used $3,237,134 of cash in 2019, as compared to $1,594,985 of cash in 2018. The increase consists of a $1,177,200 investment in intangible assets as well as an increase of $464,949 related to ongoing platform development and the purchase of equipment used in our business.

Financing activities provided $430,919 of cash in 2019 as compared to $100,000 of cash provided in 2018. Our cash provided in financing activities in 2019 consisted of cash received from the exercise of employee stock options totaling $430,919. Our cash provided in financing activities provided in 2018 related to cash received from the exercise of stock warrants totaling $100,000.

Liquidity and Sources of Financing

We believe that our available cash on hand, excluding restricted cash, at December 31, 2010 of $9,663,746, along with anticipated revenues and operating profits anticipated for 2020, will be sufficient to sustain our operations for the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that 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.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is principally recorded on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Leasehold improvements are capitalized and depreciated over the shorter of the remaining lease term or the estimated useful life of the improvements. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Intangible assets – For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Costs for internally developed software, the Platform, are capitalized in intangible assets. In accordance with ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), we capitalize application and development charges and amortize them over an estimated useful life of three years.

Income taxes – Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

We have filed consolidated tax returns whereby past subsidiary losses are used to offset tax liabilities on current profits. This approach could be challenged by the Internal Revenue Service ("IRS") and if not accepted, may affect net income and earnings per share. Management believes that the likelihood of the IRS not accepting such filings is minimal.

Revenue recognition – The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligations. All of the Company's revenues are recognized over time.

The Company generates revenue through fees generated from cardholder transactions, interchange, card program management and settlement income. Revenue from cardholder transactions, interchange and card program management is recorded when the performance obligation is fulfilled. Settlement income is recognized and recorded ratably throughout the account and program life cycle. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation for refunding any fees or has any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, it has no contract assets.

Stock-Based Compensation – Stock based compensation is accounted for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments and use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant and is recognized as an expense over the requisite service periods on a straight-line basis.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by Article 8 of Regulation S-X are attached hereto as Exhibit A.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the two fiscal years ended December 31, 2019 and 2018, we have not filed any Current Report on Form 8-K reporting any change in accountants in which there was a reported disagreement on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

ITEM 9A. CONTROLS AND PROCEDURES.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Paysign, Inc.

Auditor Opinion on the Internal Control Over Financial Reporting

We have audited Paysign, Inc.'s (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended and our report dated April 3, 2020 expressed an unqualified opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following have been identified as material weaknesses over the Company's control environment and monitoring pursuant to the COSO framework:

Inadequate and ineffective management assessment of internal control over financial reporting, and ineffective design, implementation and monitoring of information technology general controls pertaining to privileged user accounts and the Company's change management to material financial applications. Additionally, the Company lacked sufficient monitoring and disclosure controls to prevent and terminate the employment of an individual barred from practicing before the Securities and Exchange Commission who assisted the Company in accounting matters related to the preparation of its financial statements for 2017, 2018, and 2019.

These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of fiscal 2019 financial statements, and this report does not affect our report dated April 3, 2020 on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

\s\ Squar Milner LLP

Los Angeles, California
April 3, 2020

Management's Report on Internal Control over Financial Reporting and Remediation Initiatives

Evaluation of Disclosure Controls and Procedures

Mark Newcomer, our chief executive officer, and Mark Attinger, our chief financial officer, are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2019. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were ineffective.

Changes in Internal Control Over Financial Reporting

During 2019, we engaged an independent advisory firm in preparation for Sarbanes-Oxley 404b. In Quarter 4, 2019, the Company made several improvements to internal controls that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2019 we conducted an evaluation, under the supervision and with the participation of our chief executive officer (our principal executive officer), our chief operating officer and our chief financial officer (also our principal financial and accounting officer) of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the 2013 COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based upon this assessment, management concluded that our internal control over financial reporting was not effective. Material weaknesses included the management assessment of internal control over financial reporting, and ineffective oversight of information technology general controls pertaining to user access and the Company's systems change management. During quarter 4 of 2019 and continuing in 2020, management has taken steps to i) improve the design and methods for testing internal controls, ii) added resources to carry out such practices, and iii) instituted new procedures for managing system user access and change control. Additionally, a third material weakness cited by the auditors was that the Company lacked sufficient monitoring and disclosure controls when employing a part-time employee. The Company believes that it had sufficient monitoring and disclosure controls in place and received an opinion of counsel concluding that such work did not constitute a compliance failure. In any event, this situation has already been resolved by the individual no longer being employed by the Company.

Squar Milner LLP, the independent registered public accounting firm that has audited the financial statements included in this report, has issued an attestation report on the Company's internal control over financial reporting which is included in this report on the preceding page.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to our proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2019.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to our proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is incorporated by reference to our proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference to our proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to our proxy statement for our 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of the report:

(1) All financial statements: Audited financial statements of Paysign, Inc. as of December 31, 2019 and 2018, and for the years ended December 31, 2019 and 2018, including balance sheets, statements of income, statements of cash flows, and statements of changes in stockholders' equity required to be filed hereunder are listed in Exhibit A.

(2) Those financial statement schedules required to be filed by Item 8 of this form, and by paragraph (b) below: none.

(3) Those exhibits required by Item 601 of Regulation S-K (Section 229.601 of this chapter) and by paragraph (b) below. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.: See below.

(b) Exhibits.

Exhibit Number	Description of Exhibits
3.1	Amended and Restated Articles of Incorporation dated April 23, 2010 (3)
3.2	Amended and Restated Bylaws (2)
4.1	Form of Warrant (1)
4.2*	Description of Paysign, Inc.'s Securities
10.1	Share Exchange Agreement between 3PEA International, Inc. and WOW Technologies, Inc. (1)
10.2	Form of Restricted Stock Award (4)
10.3	2018 Incentive Compensation Plan (5)
10.4	Form of Incentive Stock Option Agreement (5)
10.5	Form of Non-Qualified Stock Option Agreement (5)
10.6	Form of Restricted Stock Agreement (5)
10.7	Non-Qualified Stock Option Agreement for Dan Henry (6)
14.1*	Code of Ethics
21*	Subsidiaries of Registrant
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

* Filed herewith.

(1) Incorporated by reference to our Registration Statement on Form 10 filed on September 16, 2010.
(2) Incorporated by reference to our Current Report on Form 8-K filed on May 22, 2018.
(3) Incorporated by reference to our Current Report on Form 8-K filed on September 9, 2019.
(4) Incorporated by reference to our Form S-8 filed on March 29, 2019 (File Number 333-230634).
(5) Incorporated by reference to our Form S-8 filed on March 29, 2019 (File Number 333-230632).
(6) Incorporated by reference to our Form S-8 filed on August 22, 2019.

(c) Other Financial Statement Schedules: None.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PAYSIGN, INC.

Dated: April 3, 2020	*/s/ Mark Newcomer* Mark R. Newcomer, Chief Executive Officer (Principal Executive Officer)
Dated: April 3, 2020	*/s/ Mark Attinger* By: Mark Attinger, Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and on the dates indicated.

Dated: April 3, 2020	*/s/ Mark Newcomer* Mark R. Newcomer, Director and Chief Executive Officer
Dated: April 3, 2020	*/s/ Daniel Spence* Daniel H. Spence, Chief Technology Officer and Director
Dated: April 3, 2020	*/s/ Joan Herman* Joan Herman, Chief Operating Officer and Director
Dated: April 3, 2020	*/s/ Dan Henry* Dan Henry, Director and Chairman
Dated: April 3, 2020	*/s/ Bruce Mina* Bruce Mina, Director
Dated: April 3, 2020	*/s/ Dennis Triplett* Dennis Triplett, Director
Dated: April 3, 2020	*/s/ Quinn Williams* Quinn Williams, Director

EXHIBIT A

PAYSIGN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

WITH AUDIT REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Paysign, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Paysign, Inc. and its subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated April 3, 2020 expressed an opinion that the Company had not maintained effective internal controls over financial reporting as of December 31, 2019, based on criteria established in Internal Control — *Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Squar Milner LLP

We have served as the Company's auditor since 2017.

Los Angeles, California
April 3, 2020

PAYSIGN, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ 9,663,746	$ 5,615,073
Restricted cash	35,908,559	26,050,668
Accounts receivable	891,936	337,303
Prepaid expenses and other current assets	1,413,208	1,167,737
Total current assets	47,877,449	33,170,781
Fixed assets, net	937,185	883,490
Intangible assets, net	3,816,232	2,115,933
Deferred tax asset	917,480	7,504
Total assets	$ 53,548,346	$ 36,177,708
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,523,604	$ 1,327,497
Customer card funding	32,723,227	25,960,974
Total current liabilities	34,246,831	27,288,471
Total liabilities	34,246,831	27,288,471
Stockholders' equity		
Common stock; $0.001 par value; 150,000,000 shares authorized, 48,577,712 and 46,440,765 issued and outstanding at December 31, 2019 and December 31, 2018, respectively	48,578	46,441
Additional paid-in capital	11,577,539	8,620,144
Treasury stock at cost, 303,450 and 303,450 shares, December 31, 2019 and December 31, 2018, respectively	(150,000)	(150,000)
Retained earnings	8, 088,485	579,582
Total Paysign, Inc.'s stockholders' equity	19,564,602	9,096,167
Non-controlling interest	(263,087)	(206,930)
Total stockholders' equity	19,301,515	8,889,237
Total liabilities and stockholders' equity	$ 53,548,346	$ 36,177,708

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenues		
Plasma industry	$ 26,994,929	$ 23,031,823
Pharma industry	7,372,990	366,442
Other	298,734	25,410
Total revenues	34,666,653	23,423,675
Cost of revenues	15,425,178	12,026,452
Gross profit	19,241,475	11,397,223
Operating expenses		
Selling, general and administrative	11,656,681	7,835,074
Depreciation and amortization	1,483,140	1,089,521
Total operating expenses	13,139,821	8,924,595
Income from operations	6,101,654	2,472,628
Other income (expense)		
Other expense	–	(31,125)
Interest income	441,116	139,738
Total other income, net	441,116	108,613
Income before income tax benefit	6,542,770	2,581,241
Income tax benefit	(909,976)	–
Net income	7,452,746	2,581,241
Net loss attributable to the noncontrolling interest	1,573	6,813
Net income attributable to Paysign, Inc.	$ 7,454,319	$ 2,588,054
Net income per common share - basic	$ 0.16	$ 0.06
Net income per common share - fully diluted	$ 0.14	$ 0.05
Weighted average common shares outstanding - basic	47,436,754	45,449,254
Weighted average common shares outstanding - fully diluted	54,550,369	51,986,505

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Stockholders' Equity Attributable to Paysign, Inc.						
	Common Stock		Additional Paid-in	Treasury Stock	Retained Earnings (Accumulated	Non-controlling	Total Stockholders'
	Shares	Amount	Capital	Amount	Deficit)	Interest	Equity
Balance, December 31, 2017	43,670,765	$ 43,671	$ 7,155,970	$ (150,000)	$ (2,008,472)	$ (200,117)	$ 4,841,052
Issuance of stock for services	130,000	130	144,010	–	–	–	144,140
Exercise of stock warrant	200,000	200	99,800	–	–	–	100,000
Issuance of stock for stock based compensation	2,440,000	2,440	(2,440)	–	–	–	–
Stock based compensation	–	–	1,222,804	–	–	–	1,222,804
Net income (loss)	–	–	–	–	2,588,054	(6,813)	2,581,241
Balance, December 31, 2018	46,440,765	46,441	8,620,144	(150,000)	579,582	(206,930)	8,889,237
Exercise of stock options	245,800	246	430,673	–	–	–	430,919
Issuance of stock for stock based compensation	1,891,147	1,891	(1,891)	–	–	–	–
Stock based compensation	–	–	2,528,613	–	–	–	2,528,613
Dissolution and amalgamation of Qfour, Inc. subsidiary	–	–	–	–	54,584	(54,584)	–
Net income (loss)	–	–	–	–	7, 454,319	(1,573)	7,452,746
Balance, December 31, 2019	48,577,712	$ 48,578	$ 11,577,539	$ (150,000)	$ 8,088,485	$ (263,087)	$ 19,301,515

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash flows from operating activities:		
Net income	$ 7,454,319	$ 2,588,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in noncontrolling interest	(1,573)	(6,813)
Stock based compensation	2,528,613	1,366,944
Depreciation and amortization	1,483,140	1,089,521
Deferred taxes	(909,976)	–
Changes in operating assets and liabilities:		
Change in accounts receivable	(554,633)	(171,780)
Change in prepaid expenses and other current assets	(245,471)	(596,901)
Change in accounts payable and accrued liabilities	196,107	182,414
Change in customer card funding	6,762,253	11,544,530
Net cash provided by operating activities	16,712,779	15,995,969
Cash flows from investing activities:		
Purchase of fixed assets	(463,714)	(257,062)
Increase in intangible assets	(2,773,420)	(1,337,923)
Net cash used in investing activities	(3,237,134)	(1,594,985)
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	430,919	100,000
Net cash provided by financing activities	430,919	100,000
Net change in cash and restricted cash	13,906,564	14,500,984
Cash and restricted cash, beginning of period	31,665,741	17,164,757
Cash and restricted cash, end of period	$ 45,572,305	$ 31,665,741
Cash and restricted cash reconciliation:		
Cash	$ 9,663,746	$ 5,615,073
Restricted cash	35,908,559	26,050,668
Total cash and restricted cash	$ 45,572,305	$ 31,665,741
Supplemental cash flow information:		
Non-cash financing activities		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ 7,504

See accompanying notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business – Paysign, Inc. (the “Company,” “Paysign,” “we” or “our”, formerly known as 3PEA International, Inc.) was incorporated on August 24, 1995 under the name of Antek International, Inc. The Company has undergone several name changes before eventually changing its name to Paysign, Inc. on April 23, 2019. The Company acquired 3Pea Technologies, Inc., a payment solutions company, in March 2006, which resulted in 3Pea Technologies, Inc. becoming a wholly owned subsidiary.

About Paysign

Paysign, Inc. is a vertically integrated provider of prepaid card products and processing services for corporate, consumer and government applications. The Company markets prepaid card solutions under our PaySign® brand. As we are a payment processor and prepaid card program manager, we derive revenue from all stages of the prepaid card lifecycle. We provide a card processing platform consisting of proprietary systems and innovative software applications based on the unique needs of our programs. We have extended our processing business capabilities through our proprietary PaySign platform. We design and process prepaid programs that run on the platform through which customers can define the services they wish to offer cardholders. Through the PaySign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service.

The PaySign brand offers prepaid card based solutions or “card products” for corporate incentive rewards and corporate expense, per diem and travel payments, healthcare reimbursement payments, pharmaceutical co-pay assistance, donor compensation and clinical trials. We plan to expand our product offering to include payroll cards, general purpose re-loadable cards, and others. Our cards are offered to end users through our relationships with bank issuers.

Our proprietary PaySign® platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform allows us to expand our operational capabilities by facilitating entry into new markets within the payments space through its flexibility and ease of customization. The PaySign platform delivers cost benefits and revenue building opportunities to our partners.

We manage all aspects of the debit card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We oversee inventory and security controls, renewals, lost and stolen card management and replacement. We deploy a fully staffed, in-house customer service department which utilizes bi-lingual customer service agents, Interactive Voice Response (IVR), and two way short message service (SMS) messaging and text alerts.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Year end – The Company’s year-end is December 31.

Use of estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the statement of cash flows. The Company had no cash equivalents at December 31, 2019 and 2018.

Restricted cash – At December 31, 2019 and 2018, restricted cash consist of funds held specifically for our card product programs that are contractually restricted to use. Following the adoption of Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, the Company includes changes in restricted cash balances with cash and cash equivalents when reconciling the beginning and ending total amounts in our consolidated statements of cash flows.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is principally recorded on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Leasehold improvements are capitalized and depreciated over the shorter of the remaining lease term or the estimated useful life of the improvements. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Intangible assets – For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Costs for internally developed software, the Platform, are capitalized in intangible assets. In accordance with ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), we capitalize application and development charges and amortize them over an estimated useful life of three years.

Customer card funding – At December 31, 2019 and 2018, customer card funding represents funds loaded on our prepaid debit card programs less settlement income recognized on current programs.

Fair value of financial instruments – Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following describes the three-level hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. We currently do not have any assets or liabilities in this category.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. We currently do not have any assets or liabilities in this category.

Earnings per share– Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings per common share is computed using the weighted-average number of outstanding common stocks during the applicable period. Diluted earnings per common share is computed using the weighted-average number of common and common stock equivalent shares outstanding during the period, using the treasury stock method (See Note 5). Common stock equivalent shares are excluded from the computation if their effect is antidilutive. For the years ended December 31, 2019 and 2018, there were no antidilutive common stock equivalent shares to be excluded.

Income taxes – Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

We have filed consolidated tax returns whereby past subsidiary losses are used to offset tax liabilities on current profits. This approach could be challenged by the Internal Revenue Service ("IRS") and if not accepted, may affect net income and earnings per share. Management believes that the likelihood of the IRS not accepting such filings is minimal.

Revenue and expense recognition – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606),* guidance on recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the model is that an entity recognizes revenue to portray the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also expands disclosure requirements regarding revenue recognition. We adopted this guidance as of January 1, 2018 using the modified retrospective transition method. The adoption of the guidance did not have a material impact on our financial condition and results of operations. The standard also requires new, expanded disclosures regarding revenue recognition.

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligations. All of the Company's revenues are recognized over time.

The Company generates revenue through fees generated from cardholder transactions, interchange, card program management and settlement income. Revenue from cardholder transactions, interchange and card program management is recorded when the performance obligation is fulfilled. Settlement income is recognized and recorded ratably throughout the account and program life cycle. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation for refunding any fees or has any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, it has no contract assets.

Stock-Based Compensation – Stock based compensation is accounted for using the Stock Based Compensation Topic of the FASB ASC. We use the fair value method for equity instruments and use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant and is recognized as an expense over the requisite service periods on a straight-line basis.

Advertising costs – Advertising costs incurred in the normal course of operations are expensed as incurred. During the years ended December 31, 2019 and 2018, the Company expensed $165,940 and $149,547, respectively, included in Selling, general and administrative expense.

New accounting pronouncements – In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Subtopic 350-40). The amendments in ASU No. 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments in this ASU No. 2018-15 are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. As a public business entity, the Company is an emerging growth company and smaller reporting company and has elected to use the extended transition period provided for such companies. As a result, the Company is not required to adopt this ASU No. 2018-15 for annual periods beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The Company elected to early adopt this standard using the prospective method as of October 1, 2018. There was no impact on the Company's consolidated financial statements for the adoption of ASU No. 2018-15.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU No. 2018-13 provide clarification and modify the disclosure requirements on fair value measurement in Topic 820, Fair Value Measurement. The amendments in this ASU No. 2018-13 are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this principle on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Under the guidance, equity-classified nonemployee awards are measured on the grant date, rather than on the earlier of (1) the performance commitment date or (2) the date at which the nonemployee's performance is complete. The guidance is effective in annual periods beginning after December 15, 2018, and interim periods within those years. We adopted this new standard on January 1, 2019, and there was no material impact to our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) which increases the transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing information. This new standard is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. We adopted this new standard on January 1, 2019, and there was no material impact to our financial statements.

2. FIXED ASSETS

Fixed assets consist of the following:

	December 31, 2019	December 31, 2018
Equipment	$ 2,026,549	$ 1,586,954
Software	180,223	165,274
Furniture and fixtures	149,684	140,209
Website costs	34,971	25,467
Leasehold improvements	52,894	52,894
	2,444,321	1,970,798
Less: accumulated depreciation	1,507,136	1,087,308
Fixed assets, net	$ 937,185	$ 883,490

3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2019	December 31, 2018
Patents and trademarks	$ 39,053	$ 36,073
Platform	5,598,136	4,105,780
Customer lists and contracts	1,177,200	–
Kiosk development	64,802	64,802
Licenses	534,569	433,685
	7,413,760	4,640,340
Less: accumulated amortization	3,597,528	2,524,407
Intangible assets, net	$ 3,816,232	$ 2,115,933

Intangible assets are amortized over their useful lives ranging from periods of 3 to 5 years. During the year ended December 31, 2019, we acquired customer lists and contracts from a third party totaling $1,177,200, which is being amortized over a period of 3 to 5 years. For intangible assets as of December 31, 2019, the Company expects that amortization expense will be $1,370,328, $1,014,812, $545,940, $225,307 and $206,441 for 2020 through 2024.

4. COMMON STOCK

At December 31, 2019, the Company's authorized capital stock was 150,000,000 shares of common stock, par value $0.001 per share, and 25,000,000 shares of preferred stock, par value $0.001 per share. On that date, the Company had outstanding 48,577,712 shares of common stock, and no shares of preferred stock outstanding.

2019 Transactions: During the year ended December 31, 2019, the Company issued shares of common stock as follows:

- 245,800 shares of common stock were issued related to the exercise of vested stock options and received cash proceeds totaling $430,919.
- 1,891,147 shares of common stock were issued for vested stock grants to employees.

2018 Transactions: During the year ended December 31, 2018, the Company issued shares of common stock as follows:

- 200,000 shares were issued as a result of the exercise of a warrant with an exercise price of $0.50 for a total of $100,000 in cash proceeds.
- 130,000 shares of common stock were issued for stock-based compensation to a consultant for services earned and unearned.
- 2,440,000 shares of common stock were issued for vested stock grants to various employees and consultants.

In 2019, the Company's shareholders approved the 3Pea International, Inc. 2018 Incentive Compensation Plan (the "2018 Plan"), which was approved by the board of directors on July 18, 2018. The Plan permits the Company to issue awards to the officers, directors, employees, consultants and other persons who provide services to our company or any related entity. Pursuant to the 2018 Plan, 5,000,000 shares of the Company's common stock are reserved for issuance. Any awards that are not settled in shares of common stock are not counted against the limit. As of December 31, 2019, there were 3,795,400 shares available for future grants under the 2018 Plan.

Stock, Options and Warrant Grants:

During the year ended December 31, 2019, excluding employee terminations, the Company granted a total of 555,000 shares of common stock. The shares were valued at $5,256,350 or an average price per share of $9.47. The stock grants have an annual vesting period over five years.

From 2016 to 2018, excluding employee terminations, the Company granted a total of 8,630,000 shares of common stock and 2,643,000 stock options. The shares were valued at $6,097,200 or an average price per share of $.71. The stock options were valued at $4,088,981 an average price per share of $1.55, collectively vesting over a three to five year period.

Stock-based compensation expense for the years ended December 31, 2019 and 2018 was $2,528,613 and $1,366,944, respectively.

Stock Options

A summary of stock options activity for the year ended December 31, 2019 and 2018 is presented as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	–	$ –		
Granted	2,750,000	2.00		
Exercised	–	–		
Forfeited/expired	(42,673)	2.40		
Outstanding at December 31, 2018	2,707,327	$ 2.00	9.56	$ 5,402,585
Granted	–	–		
Exercised	(245,800)	1.75		
Forfeited/expired	(57,727)	2.40		
Outstanding at December 31, 2019	2,403,800	$ 2.01	8.45	$ 19,565,450
Exercisable at December 31, 2019	364,400	$ 2.02	8.44	$ 2,963,600

A summary of unvested options activity for the years ended December 31, 2019 and 2018 was as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2017	–	$ –
Granted	2,750,000	2.00
Forfeited/expired	(42,673)	2.40
Vested	–	–
Unvested at December 31, 2018	2,707,327	$ 2.00
Granted	–	–
Forfeited/expired	(57,727)	2.40
Vested	(610,200)	1.91
Unvested at December 31, 2019	2,039,400	$ 2.01

The weighted average grant date fair value of options granted and the total intrinsic value of options exercised for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Weighted average grant date fair value of options granted	$ –	$ 1.56
Intrinsic value of options exercised	$ 2,605,923	$ –

The weighted-average assumptions used in the Black-Scholes option-pricing model for the year ended December 31, 2018 was a risk-free interest rate of 2.95%, expected volatility of 242%, dividend yield of -0- and the weighted-average expected life of 5 years.

Stock Awards

A summary of stock awards activity for the years ended December 31, 2019 and 2018 was as follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2017	4,640,000	$ 0.20
Granted	3,070,000	1.78
Forfeited	(275,000)	0.16
Vested	(1,640,000)	0.18
Outstanding at December 31, 2018	5,795,000	0.94
Granted	576,147	9.50
Forfeited	(170,000)	4.47
Vested	(1,801,147)	0.68
Outstanding at December 31, 2019	4,400,000	$ 2.06

5. BASIC AND FULLY DILUTED NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted net income per common share for the years ended December 31, 2019 and 2018:

	2019	2018
Numerator:		
Net income attributable to Paysign, Inc.	$ 7,454,319	$ 2,588,054
Denominator:		
Weighted average common shares:		
Denominator for basic calculation	47,436,754	45,449,254
Weighted average effects of potentially diluted common stock:		
Stock options (calculated under treasury method)	2,079,669	767,895
Unvested restricted stock grants	5,033,946	5,769,356
Denominator for fully diluted calculation	54,550,369	51,986,505
Net income per common share:		
Basic	$ 0.16	$ 0.06
Fully diluted	$ 0.14	$ 0.05

6. COMMITMENTS AND CONTINGENCIES

Office leases – The Company has a seven-month operating lease for office space that expires April 30, 2020. The monthly lease payment approximates $19,000 per month. Lease payments plus common area maintenance fees for the year ended December 31, 2019 and 2018 approximated $224,000 and $216,000, respectively.

The Company has an operating lease for an office space under construction. The Company expects the lease to become effective in the second quarter of 2020. The lease will expire ten years from the effective date and will allow for two optional extensions of 5 years each. Lease payments will be $48,000 per month.

Data Center Lease – The Company leases space on a monthly basis for its data centers in Nevada under a co-location agreement. The agreement provides for lease payments of approximately $7,000 per month.

Pending of threatened litigation – We may become involved in litigation from time to time in the ordinary course of business. However, at December 31, 2019, to the best of our knowledge, no such litigation exists or is threatened. See Note 9 for subsequent events.

7. RELATED PARTY

A member of our Board of Directors is also a partner in a law firm that the Company paid $42,000 and $0 during the years ended December 31, 2019 and 2018.

8. INCOME TAXES

The income tax benefit on the statements of income consists of $909,976 for the year ended December 31, 2019. There was no provision for the year ended December 31, 2018. Income tax benefit was comprised of the following for the year ended December 31:

	2019	2018
Current income taxes	$ –	$ –
Deferred income tax benefit	(909,976)	–
Income tax benefit	$ (909,976)	$ –

Deferred tax assets are comprised of the following at December 31:

	2019	2018
Net operating loss carryforward	$ 837,327	$ 177,026
Tax credits	175,859	120,684
Temporary differences	(95,706)	(290,206)
Less valuation allowance	–	–
Deferred tax asset, net	$ 917,480	$ 7,504

Deferred taxes arise from temporary differences in the recognition of certain expenses for tax and financial reporting purposes. At December 31, 2019, management determined that realization of these benefits are realizable and does not believe a valuation allowance is needed. At December 31, 2019 and 2018, net operating loss carryforwards were $3,987,271 and $842,981, respectively. $882,542 of the net operating loss carry forwards will expire from 2033 through 2035. During the year ended December 31, 2019, none of the net operating loss carryforward was utilized.

For December 31, 2019 and 2018, the provision for income taxes differs from the amount computed by applying the U.S. federal statutory tax rate (21% in 2019 and 2018) to income taxes as follows:

	2019	2018
Tax provision computed at 21%	$ 1,374,312	$ 542,061
Change in valuation allowance	–	(794,158)
Change in carryovers and tax attributes	(2,284,288)	252,097
Income tax provision	$ (909,976)	$ –

9. SUBSEQUENT EVENTS

In 2020, we issued to employees a total of 425,000 shares of common stock for vested stock grants and 10,000 shares for exercised options.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is uncertainty around the duration. We have not seen a negative impact to our business, results of operations, and financial position, however the related financial impact cannot be reasonably estimated at this time.

Following our press release on March 16, 2020, two putative class actions were filed in the United States District Court for the District of Nevada on behalf of a class of persons who acquired our common stock from March 12, 2019 through March 15, 2020, inclusive. The Complaints allege that the Company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding our internal control over financial reporting and our financial statements. The Complaints seek certification as a class action, compensatory damages, and attorney’s fees and costs. The Complaints are entitled *Yilan Shi v. Paysign, Inc. et. al.*, which was filed March 19, 2020 and has not yet been served on the Company, and *Lorna Chase v. Paysign, Inc. et. al.*, which was filed on March 25, 2020 and has not yet been served on the Company.

Exhibit 4.3

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, Paysign, Inc.'s ("Paysign," the "Company," "we," "our," "us") common stock, par value $0.001 per share ("Common Stock") was registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and listed on The Nasdaq Capital Market under the symbol "PAYS."

DESCRIPTION OF CAPITAL STOCK

General

This exhibit contains a description of our capital stock. The following summary of the terms of our capital stock is not meant to be complete and is qualified by reference to our Articles of Incorporation, which we refer to as our "amended and restated articles of incorporation," which we refer to as our "Articles of Incorporation" and our amended and restated bylaws, which we refer to as our "Bylaws," and applicable provisions of the Nevada Revised Statutes "NRS").

Our authorized capital stock currently consists of 150,000,000 shares of Common Stock and 25,000,000 shares of preferred stock, par value $.001 per share ("Preferred Stock").

As of December 31, 2019, we had shares of our Common Stock issued. No shares of Preferred Stock were outstanding.

Common Stock

We are currently authorized to issue 150,000,000 shares of Common Stock. As of December 31, 2019, there were 48,577,712 shares of Common Stock outstanding. Holders of our Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. All outstanding shares of our Common Stock are fully paid and non-assessable. Holders of our Common Stock:

- have equal ratable rights to dividends from funds legally available therefore, if declared by our Board of Directors,
- are entitled to share ratably in all our assets available for distribution to holders of Common Stock upon our liquidation, dissolution or winding up;
- do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions;
- are entitled to one non-cumulative vote per share on all matters on which stockholders may vote at all meetings of our stockholders and for directors.

Preferred Stock

We are currently authorized to issue 25,000,000 shares of Preferred Stock. As of December 31, 2019, there were no shares of Preferred Stock outstanding. Our Board, without further stockholder approval, may issue Preferred Stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series. The rights, preferences, limitations and restrictions of different series of Preferred Stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our Board may authorize the issuance of Preferred Stock which ranks senior to our Common Stock for the payment of dividends and the distribution of assets on liquidation. In addition, our Board can fix limitations and restrictions, if any, upon the payment of dividends on our Common Stock to be effective while any shares of Preferred Stock are outstanding.

If we make a public offering of Preferred Stock, we will file the terms of the class or series of Preferred Stock with the SEC, along with other offering material relating to that offering will include a description of the specific terms of the offering, including any of the following applicable terms:

- the series, the number of shares offered and the liquidation value of the Preferred Stock;
- the price at which the Preferred Stock will be issued;
- the dividend rate, the dates on which the dividends will be payable and other terms relating to the payment of dividends on the Preferred Stock;
- the liquidation preference of the Preferred Stock;
- the voting rights of the Preferred Stock;
- whether the Preferred Stock is redeemable or subject to a sinking fund, and the terms of any such redemption or sinking fund;
- whether the Preferred Stock is convertible or exchangeable for any other securities, and the terms of any such conversion; and
- any additional rights, preferences, qualifications, limitations and restrictions of the Preferred Stock.

One purpose of authorizing our board of directors to issue Preferred Stock and determine the rights and preferences of any classes or series of Preferred Stock is to eliminate delays associated with a stockholder vote on specific issuances. The simplified issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock The actual effect of the issuance of any shares of Preferred Stock upon the rights of holders of our Common Stock will depend on the specific rights of the holders of the Preferred Stock designated by our board of directors. However, these effects might include:

- decreasing the amount of earnings and assets available for distribution to holders of Common Stock;
- restricting dividends on Common Stock;
- diluting the voting power of Common Stock;
- impairing the liquidation rights of Common Stock; and
- delaying, deferring or preventing a change in control of our Company.

Our Board had not authorized any series of Preferred Stock.

Anti-Takeover Effects of Provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws

Authorized but Unissued Shares.

The authorized but unissued shares (and to the extent not otherwise retired or reserved) of our Common Stock and Preferred Stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of The Nasdaq Capital Market, in addition to our Articles of Incorporation. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved Common Stock and Preferred Stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Issuance of Preferred Stock.

The Company may issue up to an additional 25,000,000 shares of Preferred Stock on such terms and with such rights, preferences and designations, including, without limitation restricting dividends on its Common Stock, dilution of the voting power of its Common Stock and impairing the liquidation rights of the holders of its Common Stock, as the Board of Directors of the Company may determine without any vote of the stockholders. The issuance of such Preferred Stock, depending upon the rights, preferences and designations thereof may have the effect of delaying, deterring or preventing a change in control of the Company.

Amendment of Articles of Incorporation or Bylaws

Nevada law provides generally that a resolution of the board of directors is required to propose an amendment to a corporation's articles of incorporation and that the amendment must be approved by the affirmative vote of a majority of the voting power of all classes entitled to vote, as well as a majority of any class adversely affected. Nevada law also provides that the corporation's bylaws, including any bylaws adopted by its stockholders, may be amended by the board of directors and that the power to adopt, amend or repeal the bylaws may be granted exclusively to the directors in the corporation's articles of incorporation. Our Articles of Incorporation provide that powers to alter, amend or repeal the Bylaws of the Corporation or to adopt new Bylaws is reserved to the board of directors.

The foregoing provisions of our amended and restated articles of incorporation and amended and restated bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares of Common Stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

Removal of Directors

Nevada law and our Bylaws provide that an incumbent director may be removed as a director only at an annual or special meeting of stockholders, by the vote of stockholders representing not less than two-thirds of the voting power of the issued and outstanding stock entitled to vote.

Nevada Anti-takeover Statutes

Nevada law includes certain anti-takeover statutes, including NRS 78.411 through 78.444, inclusive (the "Business Combination Statute") with respect to combinations with interested stockholders, and NRS 78.378 through 78.3793 (the "Control Share Statute"), with respect to the acquisition of a controlling interest in certain corporations doing business in the state. We have opted out of the application of both the Business Combination Statute and the Control Share Statute in our Articles of Incorporation. Because we have so elected not to have those statutes apply to us, it could be more difficult to resist an attempt to obtain control of us, in a transaction not approved in advance by our board of directors. We could also, in the future, change our Articles of Incorporation to opt into either the Business Combination Statute, the Control Share Statute, or both.

Business Combination Statute

In general, the Business Combination Statute prohibits a Nevada corporation that is publicly traded with 200 or more stockholders of record from engaging in any certain business "combinations" with any "interested stockholder" for a period of up to four years following the date that the stockholder became an interested stockholder, unless the combination meets all of the requirements of the articles of incorporation of the Nevada corporation and, for combinations within two years prior to the date that the stockholder becomes an "interested stockholder," either: (i) the board of directors of the corporation approved, before the person first became an interested stockholder, the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; or (ii) the combination is approved by the corporation's directors after such time and also at an annual or special meeting by affirmative vote of stockholders owning at least 60% of the voting power not owned by the interested stockholder or its affiliates or associates.

After the two-year period following the date that the stockholder becomes an interested stockholder, business combinations may also be prohibited unless the combination or transaction by which the person first became an interested stockholder either (i) was approved by the board directors prior to such combination or transaction, or (ii) is approved by a majority of voting power of the corporation, not beneficially owned by the interested stockholder, its affiliates or its associates. Alternatively, if the interested stockholder has not become the owner of any additional voting shares since the date it became an interested stockholder except by certain permitted transactions, a corporation may engage in a combination with an interested stockholder more than two years after such person becomes an interested stockholder if the consideration to be paid to the holders of the corporation's stock, other than the interested stockholder, is at least equal to the highest of: (a) the highest price per share paid by the interested stockholder within the two years immediately preceding the date of the announcement of the combination or the transaction in which it became an interested stockholder, whichever is higher, plus interest compounded annually, (b) the market value per share of Common Stock on the date of announcement of the combination or the date the interested stockholder acquired the shares, whichever is higher, less certain dividends paid or (c) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher. The Business Combination Statute does not apply to an interested stockholder after the date four years after the person became an interested stockholder.

The NRS defines a "combination" subject to the statute to include the following:

- any merger or consolidation of the corporation and the interested stockholder or any other entity which is, or after the transaction would be, an affiliate or associate of the interested stockholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of the assets of the corporation to or with the interested stockholder or any affiliate or associate of the interested stockholder if the assets transferred have a market value equal to more than 5% of all of the assets of the corporation or more than 5% of the value of the outstanding voting shares of the corporation or represent more than 10% of the earning power or net income of the corporation;
- subject to certain exceptions, any issuance or transfer by the corporation of any stock of the corporation or a subsidiary with a market value of 5% or more of the aggregate market value of the outstanding voting shares of the corporation to the interested stockholder or an affiliate or associate;
- the adoption of a plan or proposal of liquidation or dissolution under any arrangement with the interested stockholder or any affiliate or associate of the interested stockholder;
- subject to certain exceptions, any reclassification of securities, recapitalization, merger or consolidation, or other transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of voting shares, or securities convertible into voting shares, of the corporation which is beneficially owned by the interested stockholder or any affiliate or associate of the interested stockholder; or
- the receipt by the interested stockholder or any affiliate or associate of the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, the NRS defines an interested stockholder as either any entity or person beneficially owning, directly or indirectly, 10% or more of the outstanding voting stock of the corporation, or any affiliate or associate of the corporation who was, within 2 years immediately before the date in question, a 10% percent or greater owner.

As discussed above, we have opted out of the Business Combination Statute in our current Articles of Incorporation.

Control Share Statute

The Nevada Control Share Statute may limit the voting rights of shares in a corporation acquired by certain persons. The provisions apply to any acquisition of outstanding voting securities of a Nevada corporation (an “issuing corporation”) that has 200 or more stockholders of record, at least 100 of which have addresses in Nevada, and conducts business in Nevada directly or through an affiliate. An acquiring person and those acting in association with such person may, under certain circumstances, be prohibited from voting such persons’ “control shares” if the acquiring person acquires a proportion of the outstanding voting power exceeding one of the following thresholds: (i) one-fifth or more but less than one-third; (ii) one-third or more but less than a majority; or (iii) a majority or more. The control shares acquired in such an acquisition or acquired within 90 days prior thereto are denied voting rights unless a majority of the voting power of the stockholders, and a majority of any class or series of shares adversely affected, approve the granting of such voting rights. If an issuing corporation’s articles of incorporation or By-laws in effect by the tenth day following the acquisition so provide, the voting securities acquired may be redeemed, at the average price paid for the control shares, by an issuing corporation at the average price paid for the securities if (i) the acquiring person has not given a timely information statement to an issuing corporation or (ii) the control shares are not granted full voting rights by stockholders. Unless otherwise provided in such articles of incorporation or by-laws, if an acquiring person obtains a majority voting interest and the security holders accord voting rights to such acquiring person, a stockholder who did not vote in favor of the voting rights may demand rights as a dissenter to payment of the fair value of such stockholder’s shares in accordance with statutory processes established for dissenters’ rights.

We have opted out of the Control Share Statute in our current Articles of Incorporation, but could potentially amend the Articles of Incorporation to elect to be subject to the Control Share Statute. A corporation may also opt-out of the Control Share Statute by amending its bylaws either before, or within ten days after, a relevant acquisition.

Director and Officer Liability and Indemnification

Limitation of Liability

Nevada law provides that our directors and officers will not be individually liable to us, our stockholders or creditors for any damages for any act or failure to act in the capacity of a director or officer other than in circumstances where both (i) the presumption that the director or officer acted in good faith, on an informed basis and with a view to the interests of the corporation, has been rebutted, and (ii) the act or failure to act of the director or officer is proven to have been a breach of his or her fiduciary duties as a director or officer and such breach is proven to have involved intentional misconduct, fraud or a knowing violation of law.

Our Articles of Incorporation eliminate the personal liability of our directors and officers us or our stockholders for damages for breach of fiduciary duty as a director or officer, excepting only acts or omissions which involve intentional misconduct, fraud, or a knowing violation. In addition, our Articles of Incorporation eliminate or limit liability to the fullest extent permitted by Nevada law from time to time.

These limitation of liability provisions may be held not be enforceable for certain violations of the federal securities laws of the United States.

Indemnification of Directors and Officers

Under the NRS, a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation (a "derivative action"), by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding if the person: (a) is not liable as described in "Limitation of Director and Officer Liability" above and (b) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful.

In the case of derivative actions, no indemnification may be made for any claim, issue or matter as to which such a person, after exhaustion of all appeals, has been found liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court determines otherwise in light of all the circumstances.

The NRS further provide that, to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding (including a derivative action), or in defense of any claim, issue or matter therein, a corporation shall indemnify him or her against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense.

The NRS further provide that any discretionary indemnification, unless ordered by a court, may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. Determinations as to the payment of indemnification are made by a majority of the board of directors at a meeting at which a quorum of disinterested directors is present, or by written opinion of special legal counsel, or by the stockholders.

Our Articles provide that we shall indemnify the officers and directors of the corporation to the fullest extent permitted by Nevada law. Our Bylaws independently provide that, subject to certain limitations set forth therein, we shall indemnify our directors and officers for any and all expenses, liabilities, and losses (including, without limitation, attorneys' fees, judgments, fines, taxes, penalties, and amounts paid or to be paid in settlement actually and reasonably incurred or suffered by a director or officer in connection with any threatened, pending, or completed action, suit, or proceeding (including, without limitation, an action, suit, or proceeding by or in the right of the Corporation), whether civil, criminal, administrative, or investigative, by reason that such person is or was a director or officer of ours, or a predecessor company, or is or was serving at our request in any capacity for another business.

Our By-laws also provide that we shall pay for or reimburse the reasonable expenses incurred by our directors and officers if he or she furnishes us with a written undertaking to repay any advances if it is ultimately determined that he or she is not entitled to any indemnification under the By-laws or otherwise. These indemnification provisions may be held not be enforceable for certain violations of the federal securities laws of the United States.

Transfer Agent and Registrar; Market Listing

The transfer agent for the Company's Common Stock is Corporate Stock Transfer, Inc. The transfer agent's address is 3200 Cherry Creek S Dr # 430, Denver, CO 80209, and its telephone number is (303) 282-4800. Our Common Stock is listed on The Nasdaq Capital Market under the symbol "PAYS."

Exhibit 14.1

NAME	Code of Ethics
DOCUMENT TYPE	Policy
DEPARTMENT	Compliance

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1 INTRODUCTION

1.1 POLICY

Paysign, Inc. and all its subsidiaries (collectively referred to in this document as "Paysign") are committed to a policy of fair dealing and integrity in the conduct of their business. This commitment, which is actively endorsed by the board of directors of Paysign, is based on a fundamental belief business should be conducted honestly, fairly, and legally. Paysign expects all employees, directors, and other representatives to share its commitment to high moral, ethical, and legal standards. Paysign has established this Code of Ethics (the "Code") as part of its overall policies and procedures. To the extent other Paysign policies and procedures conflict with this Code, you should follow this Code.

1.2 UNDERSTANDING THE CODE

This document outlines Paysign's Code of Ethics (the "Code"), which applies equally to all employees and other representatives of Paysign. The term "employees" has been used in the broadest sense and includes all staff with whom a service contract exists, management, non-management, directors, contractors, consultants, and temporary staff. The Code is designed to inform employees of policies in various areas. Study the Code carefully so you understand Paysign's expectations and your obligations.

Compliance with the Code by all employees is mandatory. If employees become aware of or suspect a contravention of the Code, they must promptly and confidentially advise their supervisor, Human Resources (HR), or a member of the Audit Committee of the board of directors (provided such person was not involved in the alleged violation). Paysign's efforts to ensure observance of and adherence to the goals and policies outlined in this Code mandate you must promptly bring to the attention of your supervisor, HR, or a member of the Audit Committee of the board of directors (provided such person was not involved in the alleged violation) any material transaction, relationship, act, failure to act, occurrence, or practice you believe, in good faith, is inconsistent with, in violation of, or reasonably could be expected to give rise to a violation of this Code.

The matter will be investigated and dealt with according to Paysign's Employee Handbook. Failure to report violations of the Employee Handbook will itself be considered a serious violation of this Code. It is Paysign's policy no retaliation or other adverse action will be taken against any employee for good-faith reports of Code violations. Persons who discriminate, retaliate, or harass an employee who provided a good-faith report may be subject to civil, criminal, and administrative penalties, as well as disciplinary action, up to and including termination of employment.

Managers set an example for other employees and are often responsible for directing the actions of others. Every manager and supervisor is expected to take necessary actions to ensure compliance with this Code, to provide guidance and assist employees in resolving questions concerning the Code and to permit employees to express any concerns regarding compliance with this Code. No one has the authority to order another employee to act in a manner contrary to this Code.

Any waivers of or amendments to this Code must be in writing and must be approved in advance by the Corporate Governance Committee of the board of directors. Waivers and amendments, and the reason therefore, shall be disclosed as required under applicable law and regulations. If employees are in doubt about the application of the Code, they should discuss the matter with their supervisor or HR.

The most current version of this Code will be distributed to all employees, posted, and maintained on Paysign's website, and filed as an exhibit to Paysign's next Annual Report on Form 10-K. Paysign's Annual Report on Form 10-K shall disclose the Code is maintained on the website and substantive amendments and waivers will also be posted on Paysign's website.

1.3 SCOPE

This policy applies to Paysign senior management, officers, employees, appointed agents, plus products and services offered by Paysign. For the purposes of this policy, "employee" means any person employed by Paysign, whether full time or part time, permanent or temporary, fixed purpose or fixed term.

2 COMPLIANCE WITH LAWS AND REGULATIONS

Employees must comply with all applicable laws and regulations that relate to their activities for and on behalf of Paysign. Paysign will not tolerate any violation of the law or unethical business dealing by any employee, including any payment for or other participation in an illegal act, such as bribery.

Paysign is committed to full compliance with the laws and regulations of the cities, states, and countries in which it operates. You must comply with all applicable laws, rules, and regulations in performing your duties for Paysign. Numerous federal, state, and local laws and regulations define and establish obligations with which Paysign, its employees, and agents must comply. Under certain circumstances, local country law may establish requirements that differ from this Code. You are expected to comply with all local country laws in conducting Paysign's business. If you violate these laws or regulations in performing your duties for Paysign, you not only risk individual indictment, prosecution, and penalties, —as well as civil actions and penalties—but also subject Paysign to the same risks and penalties. If you violate these laws in performing your duties for Paysign, you may be subject to immediate disciplinary action, including possible termination of your employment or affiliation with Paysign.

Employees must ensure their conduct cannot be interpreted as being in any way in contravention of applicable laws and regulations governing the operations of Paysign.

2.1 FOREIGN CORRUPT PRACTICES ACT

Paysign employees are expressly prohibited from directly or indirectly offering payment, promising to pay, or authorizing the payment of any money, or offering any gift or non-monetary offer or benefit, promising to give a gift or non-monetary offer or benefit, or authorizing the giving of anything of value to any foreign official or any foreign political party, official of any foreign political party, or candidate for governmental or political office for purposes of:

(i) Influencing any act or decision of that foreign official, political party, or candidate in his/her/its official capacity.

(ii) Inducing that foreign official, candidate, or political party to do or omit to do any act in violation of the lawful duty of that official, candidate, or party.

(iii) Securing any improper advantage.

(iv) Inducing that foreign official, candidate, or political party to use his/her/its influence with a foreign government or instrumentality to affect or influence any act or decision of that government or instrumentality, in order to assist Paysign or its employee in obtaining or retaining business for or with, or directing business to, Paysign.

Various countries also have laws that prohibit commercial bribery. Accordingly, these laws are not limited in scope to bribery of foreign officials and typically prohibit bribes or inducements to an individual or business to improperly influence decision-making. As such, it is Paysign's policy nothing of value should be provided to any person for the purpose of improperly obtaining or retaining business or otherwise gaining an improper business advantage. Violations of this policy are taken very seriously, as they can subject both Paysign and the individual to criminal and civil penalties, up to and including imprisonment.

2.2 COPYRIGHTED OR LICENSED MATERIAL

It is both illegal and unethical to engage in practices that violate copyright laws or licensing agreements. Paysign requires all employees respect the rights conferred by such laws and agreements and refrain from making unauthorized copies of protected materials, including printed matter, musical recordings, and computer software.

2.3 COMPETITIVE RELATIONSHIPS

It is unethical and unlawful to collaborate with competitors or their agents or representatives for the purpose of establishing or maintaining rates or prices at any particular level, or to collaborate in any way in the restraint of trade.

3 CONFLICTS OF INTEREST

Employees are expected to perform their duties conscientiously, honestly, and in accordance with the best interests of Paysign to optimize business objectives.

Employees must not use their positions or knowledge gained through their employment with Paysign for private or personal advantage or in such a manner that a conflict or an appearance of conflict arises between Paysign's interest and their personal interests. A conflict could arise where an employee's family (or a business with which the employee or family is associated) obtains a gain, advantage, or profit by virtue of the employee's position with Paysign or knowledge gained through that position.

Every employee must promptly inform Paysign of any business opportunities that come to the attention of the employee that relate to an existing or prospective business of Paysign.

If employees think a course of action they have pursued, are pursuing, or are contemplating pursuing may involve them in a conflict of interest situation or a perceived conflict of interest situation, they should immediately make all the facts known to their supervisor and HR.

3.1 OUTSIDE ACTIVITIES, EMPLOYMENT, AND DIRECTORSHIPS

We all share a very real responsibility to contribute to our local communities and Paysign encourages employees to participate in religious, charitable, educational, and civic activities. Employees should, however, avoid acquiring any business interest or participating in any activity outside Paysign that would create or appear to create:

(i) An excessive demand upon their time, attention, and energy, which would deprive Paysign of their best efforts on the job.

(ii) A conflict of interest; that is, an obligation, interest, or distraction that would interfere or appear to interfere with the independent exercise of judgment in Paysign's best interest.

Employees other than outside directors may not take up outside employment without the prior written approval of HR.

Employees who hold or have been invited to hold outside directorships should take particular care to ensure compliance with all provisions of this Code. When outside business directorships are being considered by employees other than outside directors, prior written approval must be obtained from the Chief Executive Officer of Paysign or the supervisor responsible for the division.

3.2 RELATIONSHIPS WITH CLIENTS AND SUPPLIERS

Paysign recognizes relationships with clients and suppliers give rise to many potential situations where conflicts of interest (real or perceived), may arise. Employees should ensure they are independent (and are seen to be independent) from any business organization having a contractual relationship with Paysign or providing goods or services to Paysign if such a relationship might influence or create the impression of influencing their decisions in the performance of their duties on behalf of Paysign. In such circumstances, employees should not invest in or acquire a financial interest directly or indirectly in such an organization.

3.3 GIFTS, HOSPITALITY, AND FAVORS

Conflicts of interest can arise where employees are offered gifts, hospitality, or other favors that might—or could be perceived to—influence their judgment in relation to business transactions such as the placing of orders and contracts.
An employee should not accept gifts, hospitality, or other favors from suppliers of goods or services to Paysign. However, the acceptance of the following would not be considered contrary to such policy:

(i) Advertising matter of limited commercial value.

(ii) Occasional business entertaining such as lunches, cocktail parties, or dinners.

(iii) Occasional personal hospitality such as tickets to sporting events or theatres.

Any bribe or attempted bribe must be reported to the employee's supervisor as soon as possible. It is the intention dealings with any supplier that offers bribes will be terminated.

Certain functions or operating areas may have more detailed rules governing the receipt of gifts, hospitality, or other favors.

In addition, no bribes of any kind should be made by any Paysign employee to any customer or potential customer to secure business.

Providing the occasional gifts to customers, as set out below, would not be considered contrary to such a policy:

(i) Advertising matter of limited commercial value.

(ii) Occasional business entertaining such as lunches, cocktail parties, or dinners.

(iii) Occasional personal hospitality such as tickets to sporting events or theatres.

3.4 PERSONAL INVESTMENTS

Paysign respects the right of all employees to make personal investment decisions as they see fit, as long as these decisions do not contravene any provisions of this Code, any applicable legislation, or any policies or procedures established by the various operating areas of Paysign, and provided these decisions are not made on the basis of material non-public information acquired by reason of an employee's connection with Paysign. Employees should not permit their personal investment transactions to have priority over transactions for Paysign and its clients.

When considering the application of this section, employees should ensure no investment decision made for their own account could reasonably be expected to influence adversely their judgment or decisions in the performance of their duties on behalf of Paysign.

Employees involved in performing investment activities on behalf of Paysign and those who by the nature of their duties or positions are exposed to price-sensitive information relating to Paysign are subject to additional rules governing personal investments. These may be imposed by the Securities Act of 1933, the Securities Exchange Act of 1934, the regulations governing any national securities exchange on which Paysign's securities are listed, and other regulatory bodies, industry associations and management. The rules include requirements for employees to:

(i) Obtain prior written approval for and to report on their personal investment activity and the investment activity of those persons with whom they have a close relationship.

(ii) Refrain from dealing in the shares of entities Paysign deals with during certain restricted periods, as well as Paysign subsidiaries and associates.

3.5 INSIDER INFORMATION AND INSIDER TRADING

Employees may receive information concerning Paysign or one of its affiliates, business partners or clients that is confidential and not generally known by the public. If that information is "material" (i.e., publication of that information is likely to affect the market price of the stock of the entity to which the information relates), then the employee has an ethical and legal obligation not to (a) act on that information (i.e., buy or sell stock based on that information), (b) disclose that information to others, or (c) advise others to buy or sell the stock of the entity to which that information relates, until such information becomes public. An employee's direct or indirect use of or sharing of such confidential, privileged, or otherwise proprietary business information of Paysign or its partners or clients for financial gain, including investment by the employee or the transmission of this information to others so they can use this information for their financial gain, constitutes insider trading, which is a criminal offense. Please refer to Paysign's Insider Trading Policy for more information.

3.6 REMUNERATION

No employee may receive commissions or other remuneration related to the sale of any product or service of Paysign, except as specifically provided under an individual's terms of employment or as specifically agreed with management. No member of Paysign's Audit Committee shall receive any compensation not permitted by the rules of the Securities and Exchange Commission (SEC), or the regulations of any national securities exchange on which Paysign's securities are listed, and other applicable law.

Employees may not receive any money or anything of value (other than Paysign's regular remuneration or other incentives) either directly or indirectly for negotiating, procuring, recommending, or aiding in any transaction made on behalf of Paysign, nor have any direct or indirect financial interest in such a transaction.

4 EMPLOYMENT EQUITY

Paysign supports employment equity in the workplace that seeks to identify, develop, and reward each employee who demonstrates the qualities of individual initiative, enterprise, hard work, and loyalty in their job. Paysign is an Equal Opportunity Employment employer and does not discriminate based on age, race, creed, color, national origin, sex, gender identity, sexual orientation, pregnancy, religion, veteran status, citizenship, military service, genetic information, disability, or any characteristic prohibited by law. This policy applies to Paysign's employees as well as its contractors, vendors, and suppliers.

All employees have the right to work in an environment free from any form of discrimination, directly or indirectly, on any arbitrary ground including race, gender, sex, ethnic or social origin, color, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status, or family responsibility. An employee should report any cases of actual or suspected discrimination to their supervisor or HR.

Employees with illness or disabilities may continue to work if they are able to continue to perform satisfactorily the essential duties of their jobs and do not present a safety or health hazard to themselves or others.

5 ENVIRONMENTAL RESPONSIBILITY

5.1 HEALTH AND SAFETY

Paysign is committed to taking every reasonable precaution to ensure a safe work environment for all employees.

Employees who become aware of circumstances relating to Paysign's operations or activities that pose a real or potential health or safety risk should report the matter to their supervisor and HR. It is Paysign's policy no retaliation or other adverse action will be taken against any employee for good-faith reports.

5.2 ENVIRONMENTAL MANAGEMENT

Paysign is committed to addressing the environmental impact of its business activities by integrating pollution control, waste management, and rehabilitation activities into operating procedures. Employees should give appropriate and timely attention to environmental issues.

6 POLITICAL SUPPORT

Paysign accepts the personal participation of its employees in the political process and respects their right to absolute privacy regarding personal political activity. Paysign will not attempt to influence any such activity provided there is no disruption to workplace activities and it does not contribute to industrial unrest. However, Paysign funds, goods, and/or services may not be used as contributions to political parties or their candidates and Paysign facilities must not be made available to candidates or campaigns unless specifically authorized.

7 PAYSIGN'S FUNDS AND PROPERTY

Paysign has developed several internal controls to safeguard its assets and imposes strict standards to prevent fraud and dishonesty. It is every employee's responsibility to implement, maintain, and enhance the effectiveness of the control environment in which they operate. All employees who have access to Paysign's funds in any form must always follow prescribed procedures for recording, handling, and protecting such funds. Operating areas may implement policies and procedures relating to the safeguarding of Paysign property, including computer software.

Employees must always ensure Paysign's funds and property are used only for legitimate Paysign business purposes. Where an employee requires Paysign funds to be spent, it is the employee's responsibility to use good judgment on Paysign's behalf and to ensure appropriate value and authorization is received for such expenditure. All payments made by or on behalf of Paysign for any purpose must be fully and accurately described in the documents and records supporting the payment. No false, improper, or misleading entries shall be made in the books and records of Paysign.

Complete and accurate information is to be given in response to inquiries from Paysign's Audit Committee and certified public accountants.

If employees become aware of any evidence Paysign funds or property may have been or are likely to be used in a fraudulent or improper manner, they should immediately and confidentially advise Paysign. It is Paysign's policy no retaliation or other adverse action will be taken against any employee for good-faith reports.

8 RECORD KEEPING

Accurate and reliable records of many kinds are necessary to meet Paysign's legal and financial obligations and to manage the affairs of Paysign.

Paysign's books and records should reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded revenues, expenses, assets, or liabilities are not permissible, and the employees responsible for accounting and record keeping functions are expected to be diligent in enforcing proper practices.

9 EMPLOYMENT MATTERS

9.1 SUPERVISION OF RELATIVES AND OTHERS

Close relatives and domestic partners shall not work directly or indirectly under the supervision of one another without prior written approval. "Close relative" means, but is not limited to, a spouse, sister, brother, sister-in-law, brother-in-law, father, mother, father-in-law, mother-in-law, stepparent, aunt, uncle, first cousin, child, stepchild, foster child, or grandparent. "Domestic partner" means, but is not limited to, husband, wife, or a person the employee currently resides with in an intimate, romantic, or sexual relationship. If such a situation should arise, it should be immediately brought to the attention of a direct manager of HR.

Paysign also requires employees disclose to HR the existence of an intimate, romantic, or sexual relationship between employees where there exists a direct chain of command supervisor/subordinate relationship. Decisions concerning such employees will be made on a case-by-case basis by HR.

9.2 RESTRICTIONS ON FORMER GOVERNMENT EMPLOYEES

Former U.S. government employees or U.S. military officers are generally prohibited from representing Paysign in matters in which the government has substantial interest and where the employee had prior responsibility. Retired senior government officials and regular military officers are further restricted from selling to, or in some instances, contacting their former agency or military service. The duration of these prohibitions and the matters to which they apply depend on the type of previous government employment. Paysign's legal department should be contacted to help identify which restrictions apply.

10 DEALING WITH OUTSIDE PERSONS AND ORGANIZATIONS

10.1 PROMPT COMMUNICATIONS

Paysign strives to achieve complete, accurate, fair, understandable, and timely communications with all parties with whom it conducts business, as well as government authorities and the public. All employees must take all steps necessary to assist Paysign in fulfilling its disclosure responsibilities. In addition, prompt and effective internal communication is encouraged.

A prompt, courteous, and accurate response should be made to all reasonable requests for information and other client communications. Any complaints should be dealt with in accordance with internal procedures established by various operating areas of Paysign and applicable laws.

10.2 MEDIA RELATIONS

In addition to everyday communications with outside persons and organizations, Paysign will, on occasion, be asked to express its views to the media on certain issues.

When communicating publicly on matters that involve Paysign business, employees must not presume to speak for Paysign on any matter, unless they are certain the views, they express are those of Paysign and it is Paysign's desire such views be publicly disseminated. Employees approached by the media should immediately contact the department or individual responsible for corporate communications.

When dealing with anyone outside Paysign, an employee, including public officials, must take care not to compromise the integrity or damage the reputation of any outside individual, business, or government body, or that of Paysign.

Generally, Paysign's position on public policy or industry issues will be dealt with by senior management of Paysign and existing policies in this regard must be adhered to. The text of the articles for publication, public speeches, and addresses about Paysign and its business should be reviewed in advance with the individual responsible for public relations.

Employees should separate their personal roles from Paysign's position when communicating on matters not involving Paysign business. They should be especially careful to ensure they are not identified with Paysign when pursuing personal or political activities, unless this identification has been specifically authorized in advance by Paysign.

11 PRIVACY AND CONFIDENTIALITY

In the regular course of business, Paysign accumulates a considerable amount of information and the following principles are to be observed.

11.1 OBTAINING AND SAFEGUARDING INFORMATION

Information necessary for Paysign's business should be reliable, accurate, and its confidentiality maintained. When personal information is needed, wherever possible, it should be obtained directly from the person concerned. Only reputable and reliable sources should be used to supplement this information.

Information should only be retained as long as it is needed or as required by law, and it is every employee's responsibility to ensure such information is physically secured and protected.

11.2 ACCESS TO INFORMATION

Any information with respect to any product, plan, or business transaction of Paysign or personal information regarding employees (including their salaries) must be kept strictly confidential ("Confidential Information") and must not be disclosed or used for improper purposes by any employee unless and until proper authorization for such disclosure has been obtained. Once authorization has been obtained, all information required by stakeholders—either on request or due to statutory requirements—must be accurately disclosed. In addition, operating areas may implement policies and procedures to prevent improper transmission within Paysign of material non-public information.

11.3 TERMINATION OF EMPLOYMENT

The obligation to preserve the confidentiality of Confidential Information acquired in the course of employment with Paysign does not end upon termination of employment. The obligation continues indefinitely until Paysign authorizes disclosure or until the Confidential Information legally enters the public domain.

Immediately upon the termination of employment for any reason, or when otherwise requested by Paysign, employees are required to return to Paysign all above-mentioned Confidential Information, including documents, information, and other property.

11.4 FORMER EMPLOYMENT

New employees will not be assigned to work where they might be required to use or disclose trade secrets or confidential information belonging to their former employers. New employees should not take away from their former place of employment any information that might be considered proprietary or confidential.

12 OBLIGATIONS OF EMPLOYEES

It is of paramount importance to Paysign that all disclosure in reports and documents Paysign files with or submits to the SEC and in other public communications made by Paysign is full, fair, accurate, timely, and understandable. You must take all steps available to assist Paysign in fulfilling these responsibilities consistent with your role within the Paysign. You are required to provide prompt and accurate answers to all inquiries made to you in connection with Paysign's preparation of its public reports and disclosure.

All employees must perform their duties diligently, effectively, and efficiently, and in particular:

- i. Support and assist Paysign to fulfill its commercial and ethical obligations and objectives as set out in this Code.
- ii. Avoid any waste of resources, including time.
- iii. Be committed to improve productivity, achieve the maximum quality standards, reduce ineffectiveness, and avoid unreasonable disruption of activities at work.
- iv. Commit to honoring their agreed terms and conditions of employment.
- v. Not act in any way that may jeopardize the shareholders' rights to a reasonable return on investment.
- vi. Act honestly and in good faith at all times and report any harmful activity they observe in the workplace.
- vii. Recognize fellow employees' rights to freedom of association and not intimidate fellow employees.
- viii. Pay due regard to environmental, public health, and safety conditions in and around the workplace.
- ix. Act within their powers and not carry on the business of Paysign recklessly.

The employee acknowledges Paysign shall be the owner of the copyright in any work eligible for copyright and created or executed by the employee, whether alone or with others, in the course and scope of employment.

All work created or executed by the employee and for which copyright exists shall, unless the employee established the contrary, be deemed to have been created or executed in the course and scope of employment with Paysign.

13 BREACH OF THIS POLICY

Employees are expected to comply with this policy to protect the privacy, confidentiality, and interests of Paysign, our customers, products, services, employees, partners, and other stakeholders.

Breach of this policy may be dealt with under our Disciplinary Procedure and, in serious cases, may be treated as gross misconduct leading to suspension and even termination.

14 REVIEW

This policy will be reviewed on at least an annual basis, and more often if deemed necessary by senior management. Following each review, the revised policy will be distributed by the BSA Officer as applicable.

15 APPROVAL

This policy is hereby approved by the board and this version supersedes and rescinds all other versions on this matter (see Version Control for approval status).

This is a controlled document and the electronic version posted in the company's official document repository is the controlled copy. This document should not be saved onto local or network drives, but should always be accessed via the document repository to ensure the latest version is being used.

16 GLOSSARY

Refer to the Abbreviations, Acronyms, and Terms list for a glossary of terms used in this document.

The content of this document is propriety and confidential information of Paysign, Inc. It is not intended to be distributed to any third party without the written consent of Paysign, Inc.

Exhibit 21

Subsidiaries of Registrant

3Pea Technologies, Inc., a Nevada corporation – 100% owned by Registrant

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3 (No. 333-230640 and No. 333-232741), and Form S-8 (No. 333-230632, No. 333-230634 and No. 333-233400), of Paysign, Inc. of our reports dated April 3, 2020, relating to our audit of the consolidated financial statements (which report expresses an unqualified opinion) and the effectiveness of the Company's internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of material weaknesses), of Paysign, Inc., which appear in the Annual Report on Form 10-K of Paysign, Inc. for the year ended December 31, 2019.

/s/ SQUAR MILNER LLP

Los Angeles, California
April 3, 2020

Exhibit 31.1

CERTIFICATION

I, Mark Newcomer, hereby certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2019 (the "report") of Paysign, Inc.;

(2) Based on my knowledge, this 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 report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2020

/s/ Mark Newcomer
Mark Newcomer
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Mark Attinger, hereby certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2019 (the "report") of Paysign, Inc.;

(2) Based on my knowledge, this 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 report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2020

/s/ Mark Attinger

Mark Attinger,
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Newcomer
Mark Newcomer,
Chief Executive Officer
(principal executive officer)

Date: April 3, 2020

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of his knowledge, that:

1. The Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report") of the Company complies in all material respects with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Attinger
Mark Attinger
Chief Financial Officer
(principal financial and accounting officer)

Date: April 3, 2020