

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

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020.

TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-30152

USIO, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

98-0190072

(I.R.S. Employer Identification No.)

3611 Paesanos Parkway, Suite 300, San Antonio, TX

(Address of principal executive offices)

78231

(Zip Code)

Registrant's telephone number, including area code (210) 249-4100

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

Title of each class	Trading symbol(s)	Name on each exchange on which registered
Common stock, par value \$0.001 per share	USIO	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

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 No

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 preceding 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging Growth company

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.

Indicate by check mark whether the registrant has filed a report and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2020, was \$20,800,000 based on 10,661,703 shares of the registrant's common stock held by non-affiliates on June 30, 2020 at the closing price of \$1.95 per share as reported on the Nasdaq Capital Market. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates.

As of March 18, 2021, the number of outstanding shares of the registrant's common stock was 25,030,668.

DOCUMENTS INCORPORATED BY REFERENCE: Items 10 (as to directors and Section 16(a) Beneficial Ownership Reporting Compliance), 11, 12, 13 and 14 of Part III will incorporate by reference information from the registrant's proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the registrant's 2021 Annual Meeting of Stockholders.

Usio, Inc.
FORM 10-K
For the Year Ended December 31, 2020
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FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report on Form 10-K and the documents incorporated herein by reference contain certain forward-looking statements as defined under the federal securities laws. Specifically, all statements other than statements of historical facts included in this Annual Report on Form 10-K regarding our financial performance, business strategy and plans and objectives of management for future operations and any other future events are forward-looking statements and based on our beliefs and assumptions. If used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties, and assumptions, including, but without limitation, those risks and uncertainties contained in the Risk Factors section of this Annual Report on Form 10-K and our other filings made with the SEC. Although we believe that our expectations are reasonable, we can give no assurance that such expectations will prove to be correct. Based upon changing conditions, any one or more of these events described herein as anticipated, believed, estimated, expected or intended may not occur. All prior and subsequent written and oral forward-looking statements attributable to our Company or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement. We do not intend to update any of the forward-looking statements after the date of this Annual Report to conform these statements to actual results or to changes in our expectations, except as required by law.

PART I

ITEM 1. BUSINESS.

General

Usio, Inc. was founded under the name Billserv.com, Inc. in July 1998 and incorporated in the State of Nevada. On June 26, 2019, we changed our corporate name from Payment Data Systems, Inc. to Usio, Inc. Our principal offices are located at 3611 Paesanos Parkway, Suite 300, San Antonio, TX 78231. Our telephone number is (210) 249-4100. Our website is located at www.usio.com. Information contained on our website does not constitute part of this report.

We provide integrated payment processing services to merchants and businesses, including all types of Automated Clearing House, or ACH, processing, credit, prepaid card and debit card-based processing services. We offer customizable prepaid cards companies use for expense management, incentives, refunds, claims and disbursements, unique forms of compensation like per diems, and more. We also offer prepaid cards to consumers for use as a tool to stay on budget, manage allowances and share money with family and friends. Usio Card platform supports Apple Pay®, Samsung Pay™ and Google Pay™. Our PIN-less debit product allows merchants to debit and credit accounts in real-time. In our over 20-year history, we have created a loyal customer base that relies on us for our convenient, secure, innovative and adaptive services and technology, and we have built long-standing and valuable relationships with premier banking institutions such as Fifth-Third Bank, Sunrise Bank, and Wells Fargo Bank.

Through our Akimbo Now technology we offer a comprehensive money disbursement platform that allows businesses to pay their contractors, employees, or other recipients by choosing between a prepaid debit Mastercard, real-time deposit to a checking account, traditional ACH, direct deposit or paper check.

With the acquisition of the assets of Information Management Solutions, LLC in December 2020, we now offer additional services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force.

Usio, Inc. We provide integrated electronic payment processing services to merchants and businesses, including credit and debit card-based processing services and transaction processing via the ACH network. The ACH network is a nationwide electronic funds transfer system that is regulated by the Federal Reserve and the National Automatic Clearing House Association, or NACHA, the electronic payments association, and provides for the clearing of electronic payments between participating financial institutions. Our ACH processing services enable merchants or businesses to both disburse and collect funds electronically using e-checks instead of traditional paper checks. An e-check is an electronic debit to a bank checking account that is initiated at the point-of-sale, on the Internet, over the telephone, or via a bill payment sent through the mail. E-checks are processed using the ACH network. We are one of seven companies that hold the prestigious NACHA certification for Third-Party Senders, and were the second company to receive the certification.

Our card-based processing services enable merchants to process both traditional card-present, or "swipe" transactions, as well as card-not-present transactions. A traditional card-present transaction occurs whenever a card holder physically presents a credit or debit card to a merchant at the point-of-sale. A card-not-present transaction occurs whenever the customer does not physically present a payment card at the point-of-sale and may occur over the Internet, mail, fax or telephone.

Our strategy is to drive growth through a leveraged, one to many, distribution model in the software development marketplace. Following the completion of the Singular Payments acquisition, we launched our payment facilitation, PayFac, platform called "PayFac-in-a-Box" in late 2018 targeting partnership opportunities with app and software developers in bill-centric verticals, such as legal, healthcare, property management, utilities and insurance. The PayFac-in-a-Box platform 'integration layer' offers a simple integration experience for technology companies who are looking to monetize payments within an existing base of downstream clients. The added value of offering our integration partners access to credit card, debit card, ACH and prepaid card issuance capabilities through a single vendor partner relationship in face-to-face, mobile and virtual payment acceptance environments provides a true single channel commerce experience through an application programming interface, API.

Our electronic payment processing may take place in a variety of forms and situations. For example, our capabilities allow merchants to convert a paper check to an e-check or receive card authorization at the point-of-sale, allow our merchants' respective customer service representatives to take e-check or card payments from their consumers by telephone, and to enable their consumers to make e-check or card payments directly through the use of a website or by calling an interactive voice response telephone system.

FiCentive, Inc. We provide prepaid card issuance services for corporate clients and consumers through our wholly-owned subsidiary, FiCentive, Inc. We develop and manage a variety of Mastercard-branded prepaid card program types, including consumer reloadable, consumer gift, incentive, promotional, general disbursement and corporate expense cards.

Usio Card: Through our December 2014 acquisition of the assets of Akimbo Financial, Inc., we also added a highly talented technical staff of industry subject matter experts and an innovative cardholder service platform including cardholder web and mobile applications. These cardholder web and mobile applications have been fully integrated into FiCentive's prepaid card core processor, and now support all program types and brands offered by FiCentive and its clients.

Output Solutions: On December 15, 2020, we acquired the assets of Information Management Solutions, LLC ("IMS") in the business of electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force. We bought an existing portfolio of customers with a significant revenue stream. This acquisition increased our ability to grow new revenue streams and allows us to reenter the electronic bill presentment and payment revenue stream. The success of the IMS will continue to depend on our ability to realize the anticipated growth opportunities. We cannot assure you that we will be able to realize the anticipated growth opportunities.

Our websites are www.usio.com, www.singularpayments.com, www.payfacinabox.com, www.singularbillpay.com, www.ficentive.com, www.akimbocard.com, and www.usiooutput.com. Information contained on our websites does not constitute part of this annual report.

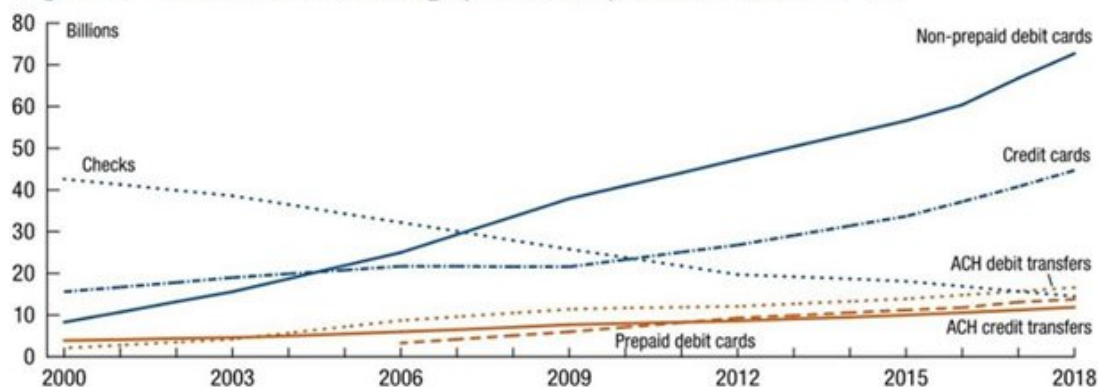
Industry Background

In the United States, the use of non-paper-based forms of payment, such as credit and debit cards, has risen steadily over the past several years. According to the 2019 Federal Reserve Payments Study (issued every three years), the estimated number of non-cash payments continue to increase at accelerated rates.

- The number of core non-cash payments, comprising debit card, credit card, ACH, and check payments, reached 174.2 billion in 2018, an increase of 30.6 billion from 2015. The value of these payments totaled \$97.04 trillion in 2018, an increase of \$10.25 trillion from 2015.
- ACH payments exhibited accelerating growth, increasing 6.0% by number and 7.2% by value from 2015 to 2018.
- In 2018, for the first time, the number of ACH payments (16.6 billion) exceeded the number of check payments (14.5 billion). In 2000, in contrast, the number of ACH payments was 2.1 billion compared to 42.6 billion check payments.
- Card payments continued to show robust growth from 2015 to 2018, collectively increasing 8.9% per year by number and 8.6% by value up from the 6.8% yearly rate of increase in the 2012 to 2015.
- Since 2015, total card payments - the sum of credit card, non-prepaid debit card and prepaid debit card payments - increased 29.7 billion to reach 131.2 billion payments by number and increased \$1.56 trillion to reach \$7.08 trillion by value in 2018.
- Within card payments, there was a surge in prepaid and non-prepaid debit card payments by number relative to credit card payments from 2015 to 2018, a change from previous reporting periods. Prepaid debit card payments had the highest growth rate, by number, at 10.5%, compared with 8.7% for non-prepaid debit card payments and 9.3% for credit card payments from 2015 to 2018.
- Remote payments continued to grow as a share of total general-purpose card payments. The number of remote payments increased 20.5% from 2015 to 2018, compared with in-person payments, which grew 5.8%. Over the same period, the value of remote payments increased 14.4%, compared to in-person payments, which increased 4.0%.
- Chip authenticated payments accounted for more than half of the value of in-person general-purpose card payments in 2018, compared with 2.0% in 2015.

Figure 1 (below) illustrates the overall growth in key non-cash metrics since the Federal Reserve Payments Study was first reported for the year 2000 and reflects the acceleration of growth in recent years.

Figure 1. Trends in noncash payments, by number, 2000–18



Note: All estimates are on a triennial basis. Card payments are also estimated for 2016 and 2017. Card payments include general-purpose and private-label versions. Prepaid debit card payments include general-purpose, private-label, and electronic benefits transfer (EBT) versions. Estimates for prepaid debit card payments are not displayed for 2000 and 2003 because only EBT was collected.

Source: 2019 Federal Reserve Payments Study

The growth of electronic commerce has made the acceptance of card-based and other electronic forms of payment a necessity for businesses, both large and small, in order to remain competitive. We believe that the electronic payment processing industry will continue to benefit from the following trends:

Favorable Demographics

As consumers age, we expect that they will continue to use the payment technology to which they have grown accustomed. More consumers are beginning to use card-based and other electronic payment methods for purchases at an earlier age. These consumers have witnessed the wide adoption of card products, technology innovations such as mobile phone payment applications, widespread adoption of the Internet and a significant increase in card not present transactions and on-line shopping during COVID-19 work from home mandates. As younger consumers comprise an increasing percentage of the population and as they enter the work force, we expect purchases using electronic payment methods will become a larger percentage of total consumer spending. We believe the increasing usage of smart phones as an instrument of payment will also create further opportunities for us in the future. We also believe that contact-less payments like Apple Pay®, Samsung Pay™ and Google Pay™ will increase payment processing opportunities for us.

Increased Electronic Payment Acceptance by Small Businesses

Small businesses are a vital component of the U.S. economy and are expected to contribute to the increased use of electronic payment methods. The lower costs associated with electronic payment methods are making these services more affordable to a larger segment of the small business market. In addition, we believe these businesses are experiencing increased pressure to accept electronic payment methods in order to remain competitive and to meet consumer expectations. As a result, many of these small businesses are seeking to provide customers with the ability to pay for merchandise and services using electronic payment methods, including those in industries that have historically accepted cash and checks as the only forms of payment for their merchandise and services.

Growth in Online Transactions

Market researchers expect continued growth in card-not-present transactions due to the steady growth of the Internet and electronic commerce. According to the U.S. Census Bureau, estimated retail e-commerce sales for 2019 were estimated at \$601.7 billion, an increase of approximately 14.9% from 2018.

Products and Services

All of our service offerings are supported by our systems' infrastructure that integrates certain proprietary components with processing systems outsourced to third-party providers to offer our customers a flexible and secure payment process. We utilize secure sockets layer architecture so that connections and information are secure from outside inspection. We also use 128-bit encryption for all electronic transactions that we process to make information unreadable as it passes over the Internet. Our systems' infrastructure allows us to work with our customers to build a customized electronic payment service offering tailored to the customer's specific needs. We have designed and implemented our integrated payment systems to function as gateways between our customers and our third-party processing providers. Our systems provide for interfaces with our customers through which payment data is captured electronically and transferred through the connections we have with our processing providers. Our systems also provide a data warehousing capability so that all payment data related to a customer can be stored in one place to facilitate efficient data retrieval and analysis. All confidential data stored within and outside the data warehouse is fully encrypted. We outsource our ACH transaction processing and card-based transaction processing to third-party providers. Our card-based processing system is capable of connecting with all of the major card-based processors in the United States.

Payment Processing. The components of our service offerings include all forms of ACH transaction processing, such as Represented Check, which is a consumer non-sufficient funds check that is presented for payment electronically rather than through the paper check collection system, and Accounts Receivable Check Conversion, which is a consumer paper check payment that is converted into an e-check. Our customers can initiate ACH transactions directly using an online terminal accessible through a website or we can initiate ACH transactions on their behalf. Our service offering also includes merchant account services for the processing of card-based transactions through the VISA, Mastercard, American Express, Discover, and JCB networks, including online terminal services accessed through a website or retail services accessed via a physical terminal. We offer a proprietary web-based customer service application that combines both ACH and card processing capabilities that allows companies to process one-time and recurring payments via e-checks or credit cards at the request of their consumers. In addition, we offer an Interactive Voice Response telephone system to companies that accept payments directly from consumers over the telephone using e-checks or credit cards.

Significant innovations to our payment systems have included launching a brand new client facing web application that allows customers to more easily manage their payments; an Apple® iOS Software Development Kit, or SDK, that enables developers to easily integrate payment acceptance into their applications; and a new PINless debit service that allows merchants to debit and credit accounts in real time.

In 2019, our platform expanded to include remotely created check, or RCC, processing. An RCC is a digital image of a paper item originated with proper authorization from consumer checking account information held on file, but without the consumer's original signature. Our RCC gateway allows our merchants to automate billing, payment acceptance and customer management. In addition, it provides visibility into the status of payments and accelerates cash flow. Merchants and lenders with high return rates can utilize remotely created checks as an ACH alternative. It reduces the chances of fraud by validating account information upfront and is compliant with the Uniform Commercial Code, Regulation CC, Regulation J and the Check 21 Act.

In 2020 (and into 2021), we are transitioning from a traditional data center to a cloud provider. The transition provides greater speed and capacity, allowing the Company to process transactions faster per second. We developed process improvements with a focus on new tools designed to grow sales while improving our internal reporting capabilities. On the client facing front, we developed enhancements to our hosted payment pages, enrollment and onboarding tools for resellers and monthly reporting and new transaction reporting. For ACH processing, we developed our direct connection terminal into the FED. Through this direct connection terminal, we control the entire data flow and allows a later window for data transmission.

Largely due to our NACHA certification, we obtained a sponsoring bank and implemented a direct connection into the Fed ACH system and the sole use of a bank routing number. This connection allows us to lower overall processing costs, offer later cut off times, speed up the boarding process for merchants, and increase oversight into our ACH processing traffic.

We will continue to enhance our service offerings to meet customer demands as they arise.

Prepaid and Incentive Card Issuance. We also provide a variety of prepaid and incentive card issuance services and operate a prepaid core processing platform. We are a program manager and have card issuance agreements with Sunrise Banks, N.A. and Metropolitan Commercial Bank. We develop and manage a variety of prepaid card program types, including consumer reloadable, consumer gift, incentive, promotional, general disbursement and corporate expense cards, primarily on behalf of our corporate clients and government entities. We exclusively issue Mastercard branded cards currently, but our platform also supports the issuance of Visa and Discover branded card programs. In addition, we design, develop and operate feature-rich cardholder web and mobile applications. These web and mobile applications can be branded and customized by corporate clients. In addition, our clients can also brand or white-label physical cards and card package materials, as well as digital cards stored in popular mobile wallets. Clients can order and load virtual and physical cards in bulk using a batch processing system available 24 hours a day, 7 days a week through the web or secure file transfer protocol, FTP. There are also more than 75 API endpoints available for direct client integrations. In addition to providing card issuance and money disbursement solutions to corporate clients, we issue general purpose consumer reloadable cards direct to consumers under the Akimbo and Stream card brands. These consumer card programs work as bank account alternatives or companion cards used for household budgets and allowances. Our card issuance platform is integrated to Mastercard's Digital Enablement Services, or MDES, enabling full control of card provisioning to all popular mobile wallets, including Apple Pay®, Google Pay™ and Samsung Pay™. This integration has allowed our platform to offer several unique features to both cardholders and our corporate clients, including in-app provisioning, customized mobile wallet branding, and the real-time delivery of and access to the digital card prior to the receipt of the corresponding physical card. In general, our proprietary, full-stack card issuance and processing platform provides us with several competitive advantages as compared to other program managers and prepaid card providers. Our platform offers several features unavailable with nearly any other prepaid card processors. In addition, the platform and the current size of our organization enables us to prototype and deploy custom solutions much quicker than the competition. This is highlighted by the fact that several large / Fortune 500 tech and payments companies currently use our platform for research and developments purposes.

Output Solutions. With the acquisition of the assets of Information Management Solutions, LLC in December 2020, we now offer additional services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force.

Relationships with Sponsors and Processors

We have agreements with several processors that provide to us, on a non-exclusive basis, transaction processing and transmittal, transaction authorization and data capture, and access to various reporting tools. In order to provide payment processing services for ACH transactions, we must maintain a relationship with an Originating Depository Financial Institution, or ODFI, in the ACH network because we are not a bank and therefore, we are not eligible to be an ODFI. For the ODFI portion of our ACH business, we have entered into agreements with the Fifth Third Bank, North American Banking Company, or NABC, Evolve Bank & Trust, Metropolitan Commercial Bank and TransPecos Banks. We are financially liable for all fees, fines, charge backs and losses related to our ACH processing merchant customers. We may also require cash deposits and other types of collateral from certain merchants to mitigate any such risk. Similarly, in order to provide payment-processing services for Visa, Mastercard and Discover transactions, we must be sponsored by a financial institution that is a principal member of the respective Visa, Mastercard and Discover card associations. Central Bank of St. Louis and Wells Fargo Bank have, respectively, sponsored us under the designations Third Party Processor, or TPP, and Independent Sales Organization, or ISO, with the Visa card association, and under the designations Third Party Servicer, or TPS, and Merchant Service Provider, or MSP, with the Mastercard card association. We have an agreement with TriSource Solutions, LLC and an agreement with Global Payments, Inc. through which their member banks, Central Bank of St. Louis and Wells Fargo Bank, sponsor us for membership in the Visa, Mastercard, American Express, and Discover card associations and settle card transactions for our merchants. These agreements may be terminated by the processor if we materially breach the agreements and we do not cure the breach within 30 days, or if we enter bankruptcy or file for bankruptcy. We also maintain a bank sponsorship agreement with Sunrise Banks, N.A. and Metropolitan Commercial Bank for our prepaid card programs. We are liable for any card-associated losses for cards that we issue that might incur a negative balance and we are liable for card association fines, fees and chargebacks.

Under our processing agreement with TriSource Solutions and Vantiv, we are financially liable for all fees, fines, chargebacks and losses related to our card processing merchant customers. Under our processing agreement with Global Payments, Inc., we are not financially liable for all fees, charge-backs and losses related to our card processing merchant customers, but we are liable for potential card association fines. If, due to insolvency or bankruptcy of our merchant customers, or for another reason, we are unable to collect from our merchant customers amounts that have been refunded to the cardholders because the cardholders properly initiated a charge-back transaction to reverse the credit card charges, we must bear the credit risk for the full amount of the card holder transaction. We utilize a number of systems and procedures to evaluate and manage merchant risk, such as obtaining approval of prospective merchants from our processor and sponsor bank, setting transaction limits and monitoring account activity. We may also require cash deposits and other types of collateral from certain merchants to mitigate any such risk. We maintain a reserve for losses resulting from card processing and related charge-backs. We estimate our potential loss for charge-backs by performing a historical analysis of our charge-back loss experience with similar merchants and considering other factors that could affect that experience in the future, such as the types of card transactions processed and nature of the merchant relationship with their consumers.

We are currently sponsored by Evolve Bank & Trust to access certain regional debit networks. Through this sponsorship, we created a new service in late 2016 to provide both the issuance of real time credits and debits to a debit card holder via a regional network without using a PIN. Regional networks are not affiliated with major credit card associations and operate independently. Through our sponsorship with Evolve Bank & Trust, we are financially liable for all fees, fines, charge backs and losses related to our PINless debit card processing for our merchant customers. We may also require cash deposits and other types of collateral from certain merchants to mitigate any such risk. The banking sponsor and each of the regional debit networks have the ability to terminate our access or anyone of our merchant's access to process payments without notice. If either case occurs, our revenue could be negatively affected. In January 2018, our old sponsor, Pueblo Bank and Trust, terminated their relationship with our gateway provider and as a result we stopped processing PINless debit transactions for a short period of time. We secured a relationship with Evolve Bank & Trust and have resumed processing PINless debit transactions. We are in the process of securing a second bank sponsor that will provide access for additional merchant networks.

We maintain an allowance for estimated losses resulting from the inability or failure of our merchant customers to make required payments for fees charged by us. Amounts due from customers may be deemed uncollectible because of merchant disputes, fraud, insolvency or bankruptcy. We determine the allowance based on an account-by-account review, taking into consideration such factors as the age of the outstanding receivable, historical pattern of collections and financial condition of the customer. We closely monitor extensions of credit and if the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make contractual payments, additional allowances may be required.

Sales and Marketing

We market and sell our ACH products and services primarily through non-exclusive resellers that act as an external sales force, with minimal direct investment in sales infrastructure and management, as well as direct contact by our sales personnel. Our direct sales efforts are coordinated by two sales executives and supported by other employees who function in sales capacities. Our primary market focus is on companies generating high volumes of electronic payment transactions. We tailor our sales efforts to reach this market by pre-qualifying prospective sales leads through direct contact or market research. Our sales personnel typically initiate contact with prospective customers that we identify as meeting our targeted customer profile.

On September 1, 2017, we acquired Singular Payments, LLC. Singular Payments was a credit card processing Independent Sales Organization, or ISO, comprised primarily of highly driven sales leaders and industry leaders. Through the Singular Payments acquisition, we also acquired an existing portfolio of customers with a significant revenue stream and a talented sales force with significant experience in the credit card industry.

We also market and sell our prepaid card program directly to government entities, corporations and to consumers through the Internet. A major initiative will be the packaging and cross selling of our platform of payment options across our portfolio of merchants. As a part of this major initiative, we will continue to analyze our sales and marketing efforts to optimize productivity, increase sales force effectiveness, broaden our reach through reseller initiatives and advantageous alliances and effectively optimize sales and marketing expenses while meeting our revenue and profit objectives.

With the acquisition of the assets of Information Management Solutions, LLC in December 2020, we now offer additional services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force and the ability to cross-sell existing service offerings to IMS customers and new Output Solutions services to existing Usio customers.

Customers

Our customers are merchants and businesses that use our Automated Clearing House and/or card-based processing services in order to provide their consumers with the ability to pay for goods and services without having to use cash or a paper check. These merchant customers operate in a variety of predominately retail industries and are under contract with us to exclusively use the services that we provide to them. Recent areas of customer focus have included system integrators, churches, charitable organizations, medical and dental clinics, doctor's offices, property management and homeowner associations, hospitality firms and municipalities. Most of our merchant customers have signed long-term contracts, generally with three-year terms, that provide for volume-based transaction fees. Our merchant accounts increased 30% to 4,984 customers at December 31, 2020 from 3,830 customers at December 31, 2019. Our customers are geographically dispersed throughout the United States.

No customer accounted for more than 10% of revenues in 2020 or 2019.

Competition

The payment processing industry is highly competitive. Many small and large companies compete with us in providing payment processing services and related services to a wide range of merchants. There are a number of large transaction processors, including Fiserv, Inc., Elavon Inc., WorldPay, Stripe and Square that serve a broad market spectrum from large to small merchants and provide banking, automatic teller machine, and other payment-related services and systems in addition to card-based payment processing. There are also a large number of smaller transaction processors that provide various services to small and medium-sized merchants. Many of our competitors have substantially greater capital resources than us and operate as subsidiaries of financial or bank holding companies, which may allow them on a consolidated basis to own and conduct depository and other banking activities that we do not have the regulatory authority to own or conduct. We believe that the principal competitive factors in our market include:

- quality of service;
- reliability of service;
- ability to evaluate, undertake and manage risk;
- ability to offer customized technology solutions;
- speed in implementing payment processes;
- price and other financial terms; and
- multi-channel payment capability.

We believe that our specific focus on providing integrated payment processing solutions to merchants, in addition to our keen understanding of the needs and risks associated with providing payment processing services electronically, gives us a competitive advantage over other competitors, which have a narrower market perspective, and over competitors of a similar or smaller size that may lack our experience and expertise in the electronic payments industry. Furthermore, we believe we present a competitive distinction through our internal technology to provide a single integrated payment warehouse that consolidates, processes, tracks and reports all payments regardless of payment source or channel. We also believe our customized technology solutions and high level of service provides a competitive advantage, particularly for smaller businesses that do not have large internal technology capabilities or the ability to comply with payment security regulations.

Our prepaid card offerings are competitive due to our proprietary systems and our ability to create and establish corporate-branded card programs in shorter time frames than our competitors. We also believe that our ten years of prepaid industry experience in processing and managing prepaid card programs is a competitive advantage over many of our competitors. We believe our connectivity and the ability to process via the contact-less networks of Apple Pay®, Samsung Pay™ and Google Pay™ are competitive advantages. We also believe that the Akimbo mobile application technology and advanced card holder websites provide a competitive advantage in securing both consumers and business clients that have a need for a card program for their customer base. We also believe we hold a significant competitive advantage over potential entrants into the prepaid industry as a result of the significant barrier in obtaining bank sponsorships for prepaid card program management and an even higher barrier for performing prepaid card processing.

Trademarks and Domain Names

We own federally registered trademarks on the marks “Payment Data Systems, Inc.,” “Akimbo,” “FiCentive Innovations in Prepaid Card Solutions,” “Don’t change your bank, just your card” and “ZBILL” and their respective designs.

Some of our material websites are www.usio.com, www.singularpayments.com, www.payfacinabox.com, www.singularbillpay.com, www.ficentive.com, www.akimbocard.com, and www.usiooutput.com.

We rely on a combination of copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements, and other intellectual property protection methods to protect our services and related products.

Patents

On January 11, 2008, we executed an agreement to sell selected patents and patent applications, including U.S. Patent No. 7,021,530, to PCT Software Data, LLC for net proceeds of approximately \$750,000. The patents and patent applications sold relate to bill payments made with debit and stored value cards. We retained a worldwide, non-exclusive license under the patents for use with all current and future customers.

Government Regulation

Our industry is highly regulated. Any new, or changes made to, U.S. federal, state and local laws, regulations, card network rules or other industry standards affecting our business may require significant development efforts or have an unfavorable impact to our financial results. Failure to comply with these laws and regulations may result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of services and/or the imposition of civil and criminal penalties, including fines. Certain of our services are also subject to rules set by various payment networks, such as Visa and Mastercard.

The Dodd-Frank Act

President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law on July 21, 2010. The Dodd-Frank Act caused significant structural reforms to the financial services industry. The Dodd-Frank Act regulates the fees charged or received by issuers for processing debit transactions and the transaction routing options available to merchants. The Dodd-Frank Act also established the Consumer Financial Protection Bureau (CFPB) to regulate consumer financial services, including many services offered to our customers. These rules clarify the regulatory prepaid landscape for consumer access to disclosures, fees and statements, error resolution, limited liability and overdrafts. Additionally, the Durbin Amendment to the Dodd-Frank Act provided that interchange fees that a card issuer or payment network receives or charges for debit transactions will now be regulated by the Federal Reserve and must be “reasonable and proportional” to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. In addition, the Durbin Amendment contains prohibitions on network exclusivity and merchant routing restrictions.

The Dodd-Frank Act caused interchange fees to be lowered on large bank-issued debit cards. The lowered interchange fees had a mild negative impact on our revenues and increased our earnings due to the fact that we were able to keep our prices constant with our merchants. If our competitors start to pass the extra margin into savings to their merchants, we may be forced to follow their actions and become exposed to lower earnings on the debit card transactions for large banks.

CARD Act

As an agent of, and third-party service provider to, our issuing banks, we are subject to indirect regulation and direct audit and examination by the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or FRB, and the Federal Deposit Insurance Corporation.

On March 23, 2010, the FRB issued a final rule implementing Title IV of the Credit Card Accountability, Responsibility, and Disclosure Act of 2009, or CARD Act, which imposes requirements relating to disclosures, fees and expiration dates that are generally applicable to gift certificates, store gift cards and general-use prepaid cards. We believe that our general purpose re-loadable prepaid cards, and the maintenance fees charged on our general purpose re-loadable cards, are exempt from the requirements under this rule, as they fall within an express exclusion for cards which are re-loadable and not marketed or labeled as a gift card or gift certificate. However, this exclusion is not available if the issuer, the retailer selling the card to a consumer or the program manager, promotes, even if occasionally, the use of the card as a gift card or gift certificate. As a result, we provide retailers with instructions and policies regarding the display and promotion of our general purpose re-loadable cards. However, it is possible that despite our instructions and policies to the contrary, a retailer engaged in offering our general purpose re-loadable cards to consumers could take an action with respect to one or more of the cards that would cause each similar card to be viewed as being marketed or labeled as a gift card, such as by placing our general purpose re-loadable cards on a display which prominently features the availability of gift cards and does not separate or otherwise distinguish our general purpose re-loadable cards from the gift cards. In such event, it is possible that such general purpose re-loadable cards would lose their eligibility for such exclusion to the CARD Act and its requirements, and therefore we could be deemed to be in violation of the CARD Act and the rule, which could result in the imposition of fines, the suspension of our ability to offer our general purpose re-loadable cards, civil liability, criminal liability, and the inability of our issuing banks to apply certain fees to our general purpose re-loadable cards, each of which would likely have a material adverse impact on our revenues.

In 2014, we resumed issuing gift cards. Any gift cards we issue will be governed by the CARD Act and other various regulations. Any violations with our gift card issuance could result in the imposition of fines, the suspension of our ability to offer our gift cards, civil liability, criminal liability, and the inability of our issuing banks to apply certain fees to our gift cards, each of which would likely have a material adverse impact on our revenues.

Anti-Money Laundering and Counter Terrorist Regulation

Our business is subject to U.S. federal anti-money laundering laws and regulations, including the Bank Secrecy Act (BSA), as amended by the USA PATRIOT Act of 2001, or collectively, the BSA. The BSA, among other things, requires money services businesses to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity and maintain transaction records. On September 29, 2017, the Financial Crimes Enforcement Network, or FinCEN, amended the Customer Due Diligence Rule, or CDD Rule, requiring the collection and verification of beneficial owners holding equal to or greater than 25% equity interest. The CDD Rule states that sole proprietorships-individual or spousal-and unincorporated associations are not legal entity customers as defined by the Rule, even though such businesses may file with the Secretary of State in order to register a trade name or establish a tax account. This is because neither a sole proprietorship nor an unincorporated association is a separate legal entity from the associated individual(s), and therefore beneficial ownership is not inherently obscured. The CDD Rule does not rely on the tax-exempt status of an entity as described in the Internal Revenue Code “IRC”. All nonprofit entities-whether or not tax-exempt-that are established as a nonprofit, or non-stock corporation, or similar entity that has been validly organized with the proper State authority are excluded from the ownership/equity prong of the requirement because nonprofit entities generally do not have ownership interests. As of May 2018, we are required to collect and verify beneficial owners holding equal to or greater than 25% equity interest based on rules promulgated by FinCEN.

We are also subject to certain economic and trade sanctions programs that are administered by the Treasury Department's Office of Foreign Assets Control, or OFAC, that prohibit or restrict transactions to or from or dealings with specified countries, their governments and, in certain circumstances, their nationals, narcotics traffickers, and terrorists or terrorist organizations.

Similar anti-money laundering, counter terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified on lists maintained by organizations similar to OFAC in several other countries and which may impose specific data retention obligations or prohibitions on intermediaries in the payment process.

Prepaid Services

Prepaid card programs managed by us are subject to various federal and state laws and regulations, which may include laws and regulations related to consumer and data protection, licensing, consumer disclosures, escheat, anti-money laundering, banking, trade practices and competition and wage and employment. As regulations evolve, or change, we may be required to obtain state licenses to expand our distribution network for prepaid cards, which licenses we may not be able to obtain. Furthermore, the CARD Act and the Federal Reserve's Regulation E impose requirements on general-use prepaid cards, store gift cards and electronic gift certificates. These laws and regulations are evolving, unclear and sometimes inconsistent and subject to judicial and regulatory challenge and interpretation, and therefore the extent to which these laws and rules have application to, and their impact on, us, financial institutions, merchants or others is in flux. At this time, we are unable to determine the impact that the clarification of these laws and their future interpretations, as well as new laws, may have on us, financial institutions, merchants or others in a number of jurisdictions. Prepaid services may also be subject to the rules and regulations of Visa®, Mastercard® and other payment networks with which we and the card issuers do business. The programs in place to process these products generally may be modified by the payment networks at their discretion and such modifications could also impact us, financial institutions, merchants and others.

Employees

As of December 31, 2020, we had 89 full-time employees. We are not a party to any collective bargaining agreements. We believe that our relations with our employees are very good.

Available Information

Our website is located at www.usio.com. We make available on our website, free of charge, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as applicable and as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission. Our website and the information contained therein or connected thereto are not intended to be incorporated into this annual report on Form 10-K.

You may also read and copy any materials we file with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and other information included in this annual report on Form 10-K. If any of the following risks actually occur, our business, financial condition or results of operations could be materially and adversely affected and you may lose some or all of your investment.

RISKS RELATED TO OUR BUSINESS

We could experience adverse financial effects due to strain on the global economic environment.

The ongoing COVID-19 pandemic has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, “shelter in place” and other governmental regulations, reduced consumer spending due to both job losses and other effects attributable to the COVID-19 pandemic. There remain many uncertainties as a result of the pandemic. As a result of the spread of COVID-19, economic uncertainties could continue to impact our operations. Any potential incremental financial impact is unknown at this time.

At this time, certain states are reducing mandated operating restrictions and efforts are underway to provide vaccinations to as many people as possible. During 2020 and early 2021 the government issued several rounds of COVID-19 relief and stimulus payments, and other programs to stimulate economic activity and facilitate an economic recovery.

Our business was initially adversely affected as doctor's offices, dental offices, veterinarian offices and non-bank consumer lending accounts which were ordered closed in connection with curbing the spread of the pandemic. As these doctors, dental and veterinarian offices re-opened, these businesses quickly recovered and returned to levels higher than pre-COVID. Consumer lending merchants were adversely affected by COVID relief payments made during the pandemic and the pause placed on past due amounts owed. The level of activity for consumer lending merchants has not returned to pre-COVID levels. We achieved a gain during COVID in our Prepaid business line, as we were able to work in conjunction with major cities across the U.S. to use our prepaid debit cards to facilitate the transfer of money via our debit cards from city foundations to the local residents in need of financial assistance.

The impacts and recovery from the COVID-19 pandemic are still a work in process. We were not impacted in the magnitude of other payment processors as our customer base had limited exposure to retail facing businesses. Within that framework, we will continue to monitor the overall impact on our operations and take necessary steps to ensure the safety of our employees and the well-being of our customers.

Loss of key resellers could reduce our revenue growth.

Our reseller sales channel, which purchases and resells our end-to-end services to its own portfolio of merchant customers, is a strong contributor to our revenue growth. If a reseller switches to another transaction processor, shuts down, becomes insolvent, or enters the processing business themselves, we may no longer receive new merchant referrals from the reseller, and we risk losing existing merchants that were originally enrolled by the reseller, all of which could negatively affect our revenues and earnings. In early 2021, we lost one of our largest ACH customers because it is going out of business. If we do not attract new customers or expand our relationships with other existing customers our revenues could be adversely affected.

We may need additional financing in the future. We may be unable to obtain additional financing or if we obtain financing it may not be on terms favorable to us. You may lose your entire investment.

Based on our current plans, we believe our existing cash and cash equivalents will be sufficient to fund our operating expense and capital requirements for at least 12 months, although we may need funds in the future. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. If we are unable to obtain additional funds on terms favorable to us, we may be required to cease or reduce our operating activities. If we must cease or reduce our operating activities, you may lose your entire investment.

We may be liable for employment taxes for vesting equity awards granted to employees in the past.

In the past we have granted equity awards, including restricted stock awards, to certain of our employees, including to our executive officers and directors. Upon vesting of these awards, we are liable for employment withholding taxes payable in cash. Some of these amounts may be substantial which may impact our business and results of operations.

We may not realize the opportunities from our acquisition of Information Management Solutions, LLC.

On December 15, 2020, we entered into an asset purchase agreement to purchase substantially all the assets of Information Management Solutions, LLC, a Texas limited liability company in the business of electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force. We bought an existing portfolio of customers with a significant revenue stream. This acquisition increased our ability to grow new revenue streams and allows the Company to reenter the electronic bill presentment and payment revenue stream. The success of the IMS acquisition will continue to depend on our ability to realize the anticipated growth opportunities. We cannot assure you that we will be able to realize the anticipated growth opportunities.

If our security applications are not adequate to address changing market conditions and customer concerns, we may incur significant losses and be unable to sell our services.

Our use of applications designed for premium data security and integrity to process electronic transactions may not be sufficient to address changing market conditions or the security and privacy concerns of existing and potential customers. If our security applications are breached and sensitive data is lost or stolen, we could incur significant costs to not only assess and repair any damage to our systems, but also to reimburse customers for losses that occur from the fraudulent use of the data. We may also be subject to fines and penalties from the credit card associations or regulatory agencies in the event of the loss of confidential account information. Further, adverse publicity raising concerns about the safety or privacy of electronic transactions, or widely reported breaches of our or another provider's security, have the potential to undermine consumer confidence in the technology and could have a materially adverse effect on our business.

If we do not adapt to rapid technological change, our business may fail.

Our success depends on our ability to develop new and enhanced services and related products that meet ever changing customer needs. However, the market for our services is characterized by rapidly changing technology, evolving industry standards, emerging competition and frequent new and enhanced software, service and related product introductions. In addition, the software market is subject to rapid and substantial technological change. To remain successful, we must respond to new developments in hardware and semiconductor technology, operating systems, programming technology and computer capabilities. In many instances, new and enhanced services, products and technologies are in the emerging stages of development and marketing are subject to the risks inherent in the development and marketing of new software, services and products. We may not successfully identify new service opportunities, develop and bring new and enhanced services and related products to market in a timely manner. Even if we do bring such services, products or technologies to market, they may not become commercially successful. Additionally, services, products or technologies developed by others may render our services and related products noncompetitive or obsolete. If we are unable, for technological or other reasons, to develop and introduce new services and products in a timely manner in response to changing market conditions or customer requirements, our business may fail.

We rely on our relationship with the Automated Clearing House network, and if the Federal Reserve rules were to change, our business could be adversely affected.

We have contractual relationships with Fifth Third Bank, North American Banking Company, or NABC, Evolve Bank & Trust, Metropolitan Commercial Bank and TransPecos Bank, which are Originating Depository Financial Institutions, or ODFI, in the ACH network. The ACH network is a nationwide batch-oriented electronic funds transfer system that provides for the interbank clearing of electronic payments for participating financial institutions. An Originating Depository Financial Institution is a participating financial institution that must abide by the provisions of the ACH Operating Rules and Guidelines. Through our relationships with Fifth Third Bank, Metropolitan Commercial Bank, NABC and Evolve Bank & Trust, we process payment transactions on behalf of our customers and their consumers by submitting payment instructions in a prescribed ACH format. We pay volume-based fees to Metropolitan Commercial Bank, Fifth Third Bank, Evolve Bank & Trust and NABC for debit and credit transactions processed each month, and pay fees for other transactions such as returns and notices of change to bank accounts. These fees are part of our agreed-upon cost structures with the banks. If the Federal Reserve rules were to introduce restrictions or modify access to the Automated Clearing House, our business could be materially adversely affected. Further, if either, two or all four of Fifth Third Bank, Metropolitan Commercial Bank, Evolve Bank & Trust and NABC were to cancel our respective contract with the bank, our business could be materially affected. At this time, we believe we could find and enter into additional agreements with other bank sponsors on similar contractual terms, but no assurances can be made.

If our third-party card processing providers or our bank sponsors fail to comply with the applicable requirements of Visa, Mastercard and Discover credit card associations, we may have to find a new third-party processing provider, which could increase our costs.

Substantially all of the card-based transactions we process involve the use of Visa, Mastercard or Discover credit cards. In order to provide payment-processing services for Visa, Mastercard and Discover transactions, we must be sponsored by a financial institution that is a principal member of the respective Visa, Mastercard and Discover card associations. Both Central Bank of St. Louis and Wells Fargo Bank have sponsored us under the designations Third Party Processor, or TPP, and Independent Sales Organization, or ISO, with the Visa card association, and under the designations Third Party Servicer, or TPS, and Merchant Service Provider, or MSP, with the Mastercard card association. We have agreements with TriSource Solutions, LLC, Card Connect / First Data Merchant Services Corp. and Global Payments Inc. through which their member banks, Central Bank of St. Louis and Wells Fargo Bank, sponsor us for membership in the Visa and Mastercard card associations, and settle card transactions for our merchants. If our third-party processing provider, TriSource Solutions, Card Connect or Global Payments, or our bank sponsors, Central Bank of St. Louis, Wells Fargo Bank or Evolve Bank & Trust fail to comply with the applicable requirements of the Visa, Mastercard, and Discover card associations, Visa, Mastercard or Discover could suspend or terminate the registration of our third-party processing provider. Also, our contracts with both of these third parties are subject to cancellation upon limited notice by either party. The cancellation of either contract, termination of their registration or any changes in the Visa, Mastercard or Discover rules that would impair the registration of our third-party processing provider could require us to stop providing such payment processing services if we are unable to enter into a similar agreement with another provider or sponsor at similar costs and upon similar contractual terms. Additionally, changing our bank sponsor could adversely affect our relationship with our merchants if the new sponsor provides inferior service or charges higher costs.

We have incurred substantial losses in the past and may incur additional losses in the future.

We reported a net loss of \$2.9 million and \$5.1 million for the years ended December 31, 2020 and December 31, 2019, respectively. Including these results, we have an accumulated deficit of \$65.1 million at December 31, 2020. Our future operating results are not certain and we may incur future operating losses.

We may need to raise additional capital to pursue product development initiatives and to penetrate additional markets for the sale of our products in the future. We believe that we have access to capital resources through possible public or private equity offerings, debt financings, corporate collaborations or other means. If we are unable to secure additional capital, we may be required to curtail our research and development initiatives and take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our obligations. These measures could cause significant delays in our efforts to expand our product offerings and customer base in the United States, which are critical to the realization of our business plan and to future operations.

Our prepaid card revenues from the sale of services to merchants that accept Mastercard cards are dependent upon our continued Mastercard registration and financial institution sponsorship and, in some cases, continued participation in certain payment networks.

In order to provide processing services for our Mastercard prepaid card program, we must be either a member of a payment network or be registered as a prepaid processor of Mastercard. Sunrise Banks, N.A. and Metropolitan Commercial Bank have sponsored us under the designations Third Party Servicer, or TPS, and Merchant Service Provider, or MSP, with the Mastercard card association. Registration as a prepaid processor is dependent upon us being sponsored by member clearing banks. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to be a member, either of which could prove to be difficult and/or more expensive. If we are unable to find a replacement financial institution to provide sponsorship or become a member of the association, we may no longer be able to provide prepaid processing services to our Mastercard customers, which would negatively impact our revenues and earnings.

If we fail to comply with the applicable requirements of the respective card networks, they could seek to fine us, suspend us or terminate our registrations.

In order to provide our transaction processing services, we are registered with Visa, Mastercard and Discover as service providers and transaction processors for member institutions and with other networks. As such, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by banks that own their stock and, in the case of Discover by the card's issuers, and some of those banks and issuers are our competitors with respect to these processing services. The termination of our registrations or our status as a service provider or transaction processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, operating results and financial condition. If a merchant or one of our resellers fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or one of our resellers, we could end up bearing such fines or penalties, resulting in lower earnings for us.

We are subject to extensive and complex federal and state regulation and new regulations and/or changes to existing regulations could adversely affect our business.

As an agent of, and third-party service provider to, our issuing banks, we are subject to indirect regulation and direct audit and examination by the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the FRB, and the Federal Deposit Insurance Corporation.

On March 23, 2010, the FRB issued a final rule implementing Title IV of the Credit Card Accountability, Responsibility, and Disclosure Act of 2009, or CARD Act, which imposes requirements relating to disclosures, fees and expiration dates that are generally applicable to gift certificates, store gift cards and general-use prepaid cards. We believe that our general-purpose re-loadable prepaid cards, and the maintenance fees charged on our general-purpose re-loadable cards, are exempt from the requirements under this rule, as they fall within an express exclusion for cards which are re-loadable and not marketed or labeled as a gift card or gift certificate. However, this exclusion is not available if the issuer, the retailer selling the card to a consumer or the program manager, promotes, even if occasionally, the use of the card as a gift card or gift certificate. As a result, we provide retailers with specific instructions and policies regarding the display and promotion of our general-purpose re-loadable cards. However, it is possible that despite our instructions and policies to the contrary, a retailer engaged in offering our general-purpose re-loadable cards to consumers could take an action with respect to one or more of the cards that would cause each similar card to be viewed as being marketed or labeled as a gift card, such as by placing our general-purpose re-loadable cards on a display which prominently features the availability of gift cards and does not separate or otherwise distinguish our general purpose re-loadable cards from the gift cards. In such event, it is possible that such general-purpose re-loadable cards would lose their eligibility for such exclusion to the CARD Act and its requirements, and therefore could be deemed to be in violation of the CARD Act and the rule, which could result in the imposition of fines, the suspension of our ability to offer our general-purpose re-loadable cards, civil liability, criminal liability, and the inability of our issuing banks to apply certain fees to our general-purpose re-loadable cards, each of which would likely have a material adverse impact on our revenues.

In 2014, we resumed issuing gift cards. Any gift cards we issue will be governed by the CARD act and other various regulations. Any violations with our gift card issuance could result in the imposition of fines, the suspension of our ability to offer our gift cards, civil liability, criminal liability, and the inability of our issuing banks to apply certain fees to our gift cards, each of which would likely have a material adverse impact on our revenues.

As the laws applicable to our business, and those of our distributors and issuing banks, change frequently, are often unclear and may differ or conflict between jurisdictions, ensuring compliance has become more difficult and costly. Any failure, or perceived failure, by us, our issuing banks or our distributors to comply with all applicable statutes and regulations could result in fines, penalties, regulatory enforcement actions, civil liability, criminal liability, and/or limitations on our ability to operate our business, each of which could significantly harm our reputation and have a material adverse impact on our business, results of operations and financial condition.

State and federal legislatures and regulatory authorities have become increasingly focused upon the regulation of the financial services industry and continue to adopt new legislation which could result in significant changes in the regulatory landscape for financial institutions, which could include our bank sponsors, and other financial services companies, such as our Company.

If our merchants or ISOs incur fines or penalties that we cannot collect from them, we could end up bearing the cost of fines or penalties.

In order to provide our transaction processing services, we are registered with Visa, Mastercard and Discover as service providers and transaction processors for member institutions and with other networks. As such, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by banks that own their stock and, in the case of Discover by the card's issuers, and some of those banks and issuers are our competitors with respect to these processing services. The termination of our registrations or our status as a service provider or transaction processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, operating results and financial condition. If a merchant or one of our resellers fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or one of our resellers, we could end up bearing such fines or penalties, resulting in lower earnings for us.

If we fail to comply with complex and expanding consumer protection regulations, our business could be adversely affected.

The establishment of the federal Consumer Financial Protection Bureau, or CFPB, will likely expose us to increased regulatory oversight and possibly more burdensome regulation that could have an adverse impact on our revenue and profits. On October 5, 2016, the CFPB issued a final rule to regulate certain prepaid accounts, or the Prepaid Account Rule. The Prepaid Account Rule mandates, among other things, extensive pre-purchase and post-purchase disclosures, expanded electronic billing statements, adherence to certain overdraft regulations for prepaid accounts that permit negative balances, and public posting of account agreements and submission to the CFPB which will then publish them on its website. The Prepaid Account Rule took effect on April 1, 2019, subject to certain exceptions. On January 25, 2018, the CFPB announced certain changes to the Prepaid Account Rule, including allowing the error resolution and liability limitations protections to apply prospectively, after a consumer's identity has been verified, and providing more flexibility to credit cards linked to digital wallets. On February 27, 2019, the CFPB also announced a streamline electronic submission system, or Collect, for prepaid account issuers to submit their prepaid account agreements, including fee information, to the CFPB. All prepaid account agreements offered as of April 1, 2019 must be uploaded to Collect by May 1, 2019. Thereafter, prepaid account issuers must make a submission to the CFPB within 30 days after a new agreement is offered, a previously submitted agreement is amended, or a previously submitted agreement is no longer offered. Compliance with these obligations may result in increased compliance costs for us, our issuing banks and our distributors, and may therefore have a negative impact on the profitability of our business.

Our card programs are subject to strict regulation under federal law regarding anti-money laundering and anti-terrorist financing. Failure to comply with such laws, or abuse of our card programs for purposes of money laundering or terrorist financing, could have a material adverse impact on our business.

Provisions of the USA PATRIOT Act, the Bank Secrecy Act and other federal law impose substantial regulation of financial institutions designed to prevent use of financial services for purposes of money laundering or terrorist financing. Increasing regulatory scrutiny of our industry with respect to money laundering and terrorist financing matters could result in more aggressive enforcement of such laws or more onerous regulation, which could have a material adverse impact on our business. In addition, abuse of our prepaid card programs for purposes of money laundering or terrorist financing, notwithstanding our efforts to prevent such abuse through our regulatory compliance and risk management programs, could cause reputational risk or other harm that would have a material adverse impact on our business.

Effective September 27, 2011, the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, or FinCEN, issued a final rule regarding the applicability of the Bank Secrecy Act's anti-money laundering provisions to prepaid products and other matters related to the regulation of money services businesses. This rule created additional obligations for entities, including our distributors, engaged in the provision and sale of certain prepaid products, including our prepaid debit cards, such as the obligation for sellers of prepaid debit cards to obtain identification information from the purchaser at the point-of-sale. Compliance with these obligations may result in increased compliance costs for us, our issuing banks and our distributors, and may therefore have a negative impact on the profitability of our business.

We are subject to the privacy requirements of the California Consumer Privacy Act.

The California Consumer Privacy Act of 2018, or CCPA, went into effect on January 1, 2020. The CCPA imposes expansive data privacy and data protection requirements for the data of California residents, and provides for significant penalties for non-compliance. The CCPA underwent multiple amendments prior to coming into effect and while enforcement actions may not be brought by the California attorney general until July 1, 2020 it remains unclear how various provisions of the CCPA will be interpreted and enforced. Further, on November 3, 2020, the California voters passed the California Privacy Rights and Enforcement Act, or CPRA, which replaces the CCPA effective January 1, 2023. The CPRA alters the scope of covered businesses, adds a new category of sensitive personal information and grants certain consumer rights, such as a right to opt out and a right to delete. The effects of this legislation potentially are far-reaching, however, and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to achieve compliance. The CCPA and the CPRA impose obligations that are new and burdensome, and we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant expenses in an effort to do so. Any failure, real or perceived, by us to comply with evolving regulatory requirements, interpretations, or orders, other local, state, federal, or international privacy, data protection, information security, or consumer protection-related laws and regulations, could cause our customers unease and materially and adversely affect our business.

Unauthorized disclosure of cardholder data, whether through breach of our computer systems or otherwise, could expose us to liability and protracted and costly litigation.

We collect and store personal identifiable information about our cardholders, including names, addresses, social security numbers, driver's license numbers and account numbers, and maintain a database of cardholder data relating to specific transactions, including account numbers, in order to process transactions and prevent fraud. As a result, we are required to comply with the privacy provisions of the Gramm-Leach-Bliley Act, various other federal and state privacy statutes and regulations, and the Payment Card Industry Data Security Standard, each of which is subject to change at any time. Compliance with these requirements is often difficult and costly, and our failure, or our distributors' failure, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability to our issuing banks and termination of our agreements with one or more of our issuing banks, each of which could have a material adverse effect on our financial position and/or operations. In addition, a significant breach could result in our Company being prohibited from processing transactions for any of the relevant card associations or network organizations, including Visa, Mastercard, American Express, Discover or regional debit networks, which would also have a significant material adverse impact on our financial position and/or operations.

Furthermore, if our computer systems are breached by unauthorized users, we may be subject to liability, including claims for unauthorized purchases with misappropriated bank card information, impersonation or similar fraud claims. We could also be subject to liability for claims relating to misuse of personal information, such as unauthorized marketing purposes, or failure to comply with laws governing notification of such breaches. These claims also could result in protracted and costly litigation. In addition, we could be subject to penalties or sanctions from the relevant card associations or network organizations.

If our efforts to protect the security of information about our customers, cardholders and vendors are unsuccessful, we may face additional costly government enforcement actions and private litigation, and our sales and reputation could suffer.

An important component of our business involves the receipt and storage of information about our cardholders and banking information. We have multiple programs and processes in place to detect and respond to data security incidents; however, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our vendors, contractors, and employees. If we, our customers, or our vendors experience significant data security breaches or fail to detect and appropriately respond to significant data security breaches, we could be exposed to government enforcement actions and private litigation. In addition, our cardholders and customers could lose confidence in our ability to protect their information, which could cause them to discontinue using our services.

If crypto-currency rules and regulations increase or the interest in trading in cryptocurrencies subsides, our revenues could decrease.

Various governmental and regulatory bodies, including legislative and executive bodies, in the United States may adopt new laws and regulations, or new interpretations of existing laws and regulations may be issued by such bodies or the judiciary, which may adversely impact the development of the crypto economy as a whole or our customers who operate in the crypto economy. Such legal and regulatory rules could have adverse effects on the crypto economy, in particular by changing how our customers operate their business, how their products and services are regulated, and what products or services they and or their competitors can offer, requiring changes to their compliance and risk mitigation measures, imposing new licensing requirements, or imposing a total ban on certain crypto asset transactions, as has occurred in certain jurisdictions in the past. These regulatory concerns could affect our customers in the crypto industry coupled with a subsiding of interest or enthusiasm for the crypto industry could adversely impact our payment processing volumes and revenues.

We will be liable for separation payments in case of change in control, termination without cause, non-renewal of the agreement, death, or disability under the respective employment agreements with our Chairman, Mr. Long and our President, Chief Executive Officer, and Chief Operating Officer, Mr. Hoch, which could have an adverse effect on our cash position and on our financial results.

Pursuant to our respective employment agreements, as amended, with Michael Long, Chairman, and Louis Hoch, President, Chief Executive Officer, and Chief Operating Officer, in the event of change in control, termination without cause, or non-renewal of the employment agreement, we will be liable for separation payments, equaling an amount of (a) 2.95 times the respective base salary and bonus payments, plus (b) a pro rata portion of the respective annual bonus based on the number of days elapsed in the year prior, plus (c) 2.0 times the respective base salary for non-competition, and (d) continuing other benefits. We estimate the cash disbursements over time to be \$1.5 to \$2.0 million each for the respective agreements with Mr. Long and Mr. Hoch.

In the case of termination of the agreement due to death of the executive, we will be liable for separation payments, equaling an amount of 2.95 times the respective base salary. The deferred compensation does not include amounts paid or accrued to executive for bonuses or bonus compensation, benefits or equity awards. Unpaid and unearned bonus compensation or bonus deferred compensation is forfeited. No deferred compensation will be due as long as we and/or an insurance company continues to pay executive's base salary, minus any monthly base salary already paid to the executive prior to his death pursuant to the executive's disability, to the executive's estate for a period of up to 36 months. If these continuing payments cease before 36 months, we will have to pay the executive's estate the deferred compensation minus any base salary payments within 30 days of the cessation. We estimate the cash disbursements over time to be approximately \$1.0 million each for the respective agreements with Mr. Long and Mr. Hoch. Further, all stock options issued to the executive and all restricted stock granted to executive shall continue on their established vesting schedule.

In the case of termination of the agreement due to disability without death, we will be liable for separation payments, equaling an amount of disability benefits constituting base salary for 3 years. We estimate the cash disbursement over time to be \$0.7 to \$0.8 million for each for the respective agreements with Mr. Long and Mr. Hoch. Unpaid and unearned bonus compensation or bonus deferred compensation is forfeited. Further, all stock options issued to the executive and all restricted stock granted to executive shall continue on their established vesting schedule. No further compensation will be due for compliance with the agreements' non-compete, non-solicitation and disparagement clauses.

Depending on when such an event might occur, it could have a substantial adverse effect on our operating capital and cash on hand. If our cash position is not sufficient, we may need to raise additional cash which could involve selling equity securities which would dilute our shareholders. In addition, the loss of our Chairman or Chief Executive Officer may adversely affect our business and results of operations.

We depend on Louis A. Hoch, our President, Chief Executive and Chief Operating Officer, and if he ceased to be active in our management, our business may not be successful.

Our success depends to a significant degree upon the continued contributions of our key management, marketing, service and related product development and operational personnel, including our President and Chief Executive and Chief Operating Officer, Louis A. Hoch. We entered into an employment agreement with Mr. Hoch in February 2007 and update his agreement as changes are required. The terms of the agreement prohibit the executive from competing with us for a period of two years from the executive's date of termination. Our business may not be successful if, for any reason, Mr. Hoch ceases to be active in our management.

If we lose key personnel or we are unable to attract, recruit, retain and develop qualified employees, our business, financial condition and results of operations may be adversely affected.

In order for us to successfully compete and grow, we must attract, recruit, retain and develop the necessary personnel who can provide the needed expertise and skills across the spectrum of our intellectual capital needs. The market for qualified personnel is highly competitive and we may not be successful in recruiting qualified personnel for needed skill sets or replacing current personnel who leave us. Failure to retain or attract key personnel and skill sets could have a material adverse effect on our business, financial condition and results of operations.

If our software fails, and we need to repair or replace it, or we become subject to warranty claims, our costs could increase.

Our software products could contain errors or "bugs" that could adversely affect the performance of services or damage a user's data. We attempt to limit our potential liability for warranty claims through technical audits and limitation-of-liability provisions in our customer agreements; however, these measures may not be effective in limiting our exposure to warranty claims. We have not experienced a significant increase in software errors or warranty claims. Despite the existence of various security precautions, our computer infrastructure may also be vulnerable to viruses or similar disruptive problems caused by our customers or third parties gaining access to our processing system.

We depend on the efficient and uninterrupted operation of our computer network systems, software, data center and telecommunications networks, as well as the systems and services of third parties. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorized entry, human error, and computer viruses or other defects. Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures or other difficulties could result in loss of revenue, loss of merchants, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, and/or diversion of technical and other resources. We perform the majority of our disaster recovery operations ourselves, though we utilize select third parties for some aspects of recovery. To the extent we outsource our disaster recovery, we are at risk of the vendor's unresponsiveness in the event of breakdowns in our systems.

Risks associated with reduced levels of consumer spending could adversely affect our revenues and earnings.

Significant portions of our revenue and earnings are derived from fees from processing consumer ACH, prepaid, credit, and debit card transactions. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A general reduction in consumer spending in the United States or in any other country where we do business could adversely affect our revenues and earnings.

Fraud by merchants or others could have an adverse effect on our operating results and financial condition.

We have potential liability for fraudulent bankcard, ACH and prepaid card transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant knowingly uses a stolen or counterfeit bankcard, card number or bank account to record a false sales transaction, processes an invalid bankcard, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeit and fraud. While we have systems and procedures designed to detect and reduce the impact of fraud, we cannot assure the effectiveness of these measures. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargebacks liability or cause us to incur other liabilities, including regulatory and association fines, penalties and harm to our reputation. Increases in chargebacks or other liabilities could have an adverse effect on our operating results and financial condition.

Increases in credit card network fees may result in the loss of customers or a reduction in our earnings.

From time to time, the card networks, including Visa, Mastercard, and Discover, increase the fees (interchange and assessment fees) that they charge processors such as us. We may attempt to pass these increases along to our merchant customers, but this strategy might result in the loss of those customers to our competitors who do not pass along the increases. If competitive practices prevent our passing along such increased fees to our merchant customers in the future, we may have to absorb all or a portion of such increases thereby increasing our operating costs and reducing our earnings.

We are subject to risks and write-offs resulting from fraudulent activities and losses from overdrawn cardholder accounts that could adversely impact our financial performance and results of operations.

Our prepaid cards expose us to threats involving the misuse of such cards, collusion, fraud, identity theft and systemic attacks on our systems. Although a large portion of fraudulent activity is addressed through the charge-back systems and procedures maintained by the card association networks, we are often responsible for other losses due to merchant and cardholder fraud. No system or procedures established to detect and reduce the impact of fraud are entirely effective. We recorded fraud losses of \$116,613 and \$147,362, respectively, in 2020 and 2019. We experienced a reduction in fraud accounts in 2020 as a result of implementing an invite-only platform to reduce the ability of fraudsters to enroll on the platform and create accounts. Although we actively devote efforts to effectively manage risk and prevent fraud, we could nevertheless experience future increases in fraud losses over our historical experience.

Our prepaid cardholders can in some circumstances incur charges in excess of the funds available in their accounts and are liable for the resulting overdrawn account balance. Although we generally decline authorization attempts for amounts that exceed the available balance in a prepaid cardholders account, the application of the card association networks' rules and regulations, the timing of the settlement of transactions and the assessment of subscription, maintenance or other fees can, among other things, result in overdrawn card accounts. As of December 31, 2020, our prepaid cardholders' overdrawn account balances totaled \$17,604.

Although we maintain reserves for fraud and other losses, our exposure to these types of risks may exceed our reserve levels for a variety of reasons, including our failure to predict the actual recovery rate, failure to effectively manage risk and failure to prevent fraud. Accordingly, our business, results of operations and financial condition could be materially and adversely affected to the extent that we incur losses resulting from overdrawn cardholder accounts and fraudulent activity that exceed our designated reserves or if we determine that it is necessary to increase our reserves substantially in order to address any increased recovery risk.

Our business strategy includes identifying businesses and assets to acquire, and if we cannot integrate acquisitions into our company successfully, we may have limited growth.

Our success partially depends upon our ability to identify and acquire undervalued businesses and merchant portfolios within our industry. Although we believe that there are companies and portfolios available for potential acquisition that might offer attractive business opportunities, we may not be able to make any acquisitions, and if we do make acquisitions, they may not be profitable. As a result, our business may not grow and regain profitability.

If we do not manage our growth, then we may not be able to regain or sustain profitability.

In order to manage our growth successfully, we will have to continue to improve our operational, management and financial systems and expand our work force. A significant increase in our customer base may necessitate the hiring of a significant number of additional personnel, qualified candidates for which, at the time needed, may be in short supply. In addition, the expansion and adaptation of our computer and administrative infrastructure will require substantial operational, management and financial resources. Although we believe that our current infrastructure is adequate to meet the needs of our customers in the foreseeable future, we may not be able to expand and adapt our infrastructure to meet additional demand on a timely basis, at a commercially reasonable cost, or at all. If our management is unable to manage growth effectively, hire needed personnel, expand and adapt our computer infrastructure and improve our operational, management, and financial systems and controls, we may not regain profitability.

If we do not manage our credit risks related to our merchant accounts, we may incur significant losses.

We rely on the Federal Reserve's Automated Clearing House system for electronic fund transfers and the Visa, Mastercard and Discover associations for settlement of payments by credit or debit card on behalf of our merchant customers. In our use of these established payment clearance systems, we generally bear the credit risks arising from returned transactions caused by insufficient funds, stop payment orders, closed accounts, frozen accounts, unauthorized use, disputes, customer charge backs, theft or fraud. Consequently, we assume the credit risk of merchant disputes, fraud, insolvency or bankruptcy in the event we attempt to recover funds related to such transactions from our customers. We have not experienced a significant increase in the rate of returned transactions or incurred any losses with respect to such transactions. We utilize a number of systems and procedures to manage and limit credit risks, but if these actions are not successful in managing such risks, we may incur significant losses.

We have adopted certain measures that may make it more difficult for a third party to acquire control of our Company.

Our Board of Director members are classified into three classes of directors serving staggered three-year terms. Such classification of the Board of Directors expands the time required to change the composition of the majority of directors and may discourage a proxy contest or other takeover bid for our company.

RISKS RELATED TO OUR INDUSTRY

The electronic commerce market is evolving and if it does not grow, we may not be able to sell sufficient services to make our business viable.

The electronic commerce market is a service industry that continues to grow significantly. If the electronic commerce market fails to grow or grows slower than anticipated, or if we, despite an investment of significant resources, are unable to adapt to meet changing customer requirements or technological changes in this emerging market, or if our services and related products do not maintain a proportionate degree of acceptance in this growing market, our business may not grow and could even fail. Additionally, the security and privacy concerns of existing and potential customers may inhibit the growth of the electronic commerce market in general, and our customer base and revenues, in particular. Similar to the emergence of the credit card and automatic teller machine industries, we and other organizations serving the electronic commerce market must educate users that electronic transactions use encryption technology and other electronic security measures that make electronic transactions more secure than paper-based transactions.

Changes in regulation of electronic commerce and related financial services industries could increase our costs and limit our business opportunities.

We believe that we are not required to be licensed by the Office of the Comptroller of the Currency, the Federal Reserve Board, or other federal or state agencies that regulate or monitor banks or other types of providers of electronic commerce services. It is possible that a federal or state agency will attempt to regulate providers of electronic commerce services, which could impede our ability to do business in the regulator's jurisdiction. Our business has also been affected by anti-terrorism legislation, such as the USA PATRIOT Act. Banking-related provisions of the USA PATRIOT Act have been implemented as additions to the banking rules regarding monetary instrument sales record keeping requirements and tracking of cash movements. In our capacity as an agent for Sunrise Banks, N.A. and Metropolitan Commercial Bank, the issuing banks for our prepaid card programs and in our capacity as an agent for Fifth Third Bank, Evolve Bank & Trust, Metropolitan Commercial Bank, NABC and TransPecos Bank, the sponsoring banks for our ACH services, we are required to comply with these rules. We are also required to implement a Customer Identification Program and establish an Anti-Money Laundering program and to report any suspected money laundering to the appropriate agencies. Our compliance with such regulations increases our responsibilities and costs associated with the administration of our debit card programs. We are also subject to various laws and regulations relating to commercial transactions, such as the Uniform Commercial Code, and may be subject to the electronic funds transfer rules embodied in Regulation E, promulgated by the Federal Reserve Board. Given the expansion of the electronic commerce market, the Federal Reserve Board might revise Regulation E or adopt new rules for electronic funds transfer affecting users other than consumers. Because of growth in the electronic commerce market, Congress has held hearings on whether to regulate providers of services and transactions in the electronic commerce market. It is possible that Congress or individual states could enact laws regulating the electronic commerce market. If enacted, such laws, rules and regulations could be imposed on our business and industry and could increase our costs or limit our business opportunities.

If we cannot compete successfully in our industry, we could lose market share and our costs could increase.

Portions of the electronic commerce market are becoming increasingly competitive. We expect to face growing competition in all areas of the electronic payment processing market. New companies could emerge and compete for merchants of all sizes. We expect competition to increase from both established and emerging companies and that such increased competition could lower our market share and increase our costs. Moreover, our current and potential competitors, many of whom have greater financial, technical, marketing and other resources than us, may respond more quickly than us to new or emerging technologies or could expand to compete directly against us in any or all of our target markets. Accordingly, it is possible that current or potential competitors could rapidly acquire market share. We may not be able to compete against current or future competitors successfully. Additionally, competitive pressures may increase our costs, which could lower our earnings, if any.

RISKS RELATED TO OUR COMMON STOCK

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

The market for our common stock is highly volatile. In 2020, our stock price fluctuated between \$0.75 and \$3.72. 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.

“Penny stock” rules may make buying or selling our securities difficult which may make our stock less liquid and make it harder for investors to buy and sell our shares.

Trading in our securities is subject to the SEC’s “penny stock” rules, and it is anticipated that trading in our securities will continue to be subject to the penny stock rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by these requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities.

If security or industry analysts publish reports that are interpreted negatively by the investment community, publish negative research reports about our business, cease coverage of our company or fail to regularly publish reports on us, our share price could decline.

The trading for our common stock depends, to some extent, on the research and reports that security or industry analyst publish about us, our business, our market and our competitors. We do not have any control over these analysts or the information contained in their reports. If one or more analysts publish reports that are interpreted negatively by the investment community or have a negative tone about our business, financial or operating performance or industry, our share price could decline. In addition, if a majority of our analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price to decline.

Additional stock issuances could result in significant dilution to our stockholders.

We may issue additional equity securities to raise capital, make acquisitions or for a variety of other purposes. Any such stock issuances will result in dilution to existing holders of our stock. We rely on equity-based compensation as an important tool in recruiting and retaining employees. The amount of dilution due to future equity-based compensation issued to our employees and other additional issuances could be substantial.

ITEM 2. PROPERTIES.

We entered into a lease in San Antonio, Texas commencing on May 1, 2018 for our headquarters and operations. The lease is for a period of 75 months and expires on July 31, 2024. The space leased ranges from 6,000 square feet to 10,535 square feet. Annual rents during the lease term will range from \$117,000 to \$232,000. Rental expense under the lease was \$136,713 and \$199,702 for the years ended December 31, 2020 and 2019, respectively.

We also entered into a lease in Nashville, Tennessee commencing on March 1, 2018 for our Nashville based sales organization. The lease is for a period of 62 months and expires on April 30, 2023. The space leased is 3,794 square feet. Annual rents during the lease term range from \$117,000 to \$122,000. Rental expense for the years ended December 31, 2020 and 2019 were \$81,474 and \$112,108, respectively.

On December 15, 2020, we assumed a lease in San Antonio, Texas as a part of the Information Management Solutions, LLC acquisition for our employees and warehouse operations. The lease has a remaining life of 45 months and expires on September 30, 2024. The space leased is 22,400 square feet. Annual rents during the lease term range from \$123,554 to \$133,703.

On January 1, 2021, we entered into a lease in Austin, Texas commencing on January 1, 2021 for our Austin technology organization. The lease is for a period of 25 months and expires on January 31, 2023. The space leased is 1,890 square feet. Annual rents during the lease term is \$55,755.

On March 15, 2021, we entered into a lease amendment to our existing lease in San Antonio, Texas commencing April 1, 2021 and expiring on September 30, 2024 running concurrently with the existing lease. The incremental space leased is 2,734 square feet. The incremental annual rent during the lease term ranges from \$56,047 to \$60,148.

We believe that our existing and new properties will be adequate to meet our needs through December 31, 2021.

ITEM 3. LEGAL PROCEEDINGS.

C2Go Note Receivable

Under a loan and security agreement dated February 2, 2016, we loaned the principal amount of \$200,000 to C2Go, Inc. with an interest rate of 10% per annum for a term of 18 months. The loan was secured by a first lien on all assets of C2Go. C2Go defaulted under the note by failing to repay the loan plus interest on August 2, 2017. On December 7, 2017, we entered into a note purchase and settlement agreement with C2Go and Mercury Investment Partners LLC. There are no assurances that we will be able to recover the remaining \$145,000 principal and there are no assurances there will be any assets for us to recover from our lien on all the assets of C2Go if payment in full of the obligation is not made. The loss reserve on the note receivable as of December 31, 2020 and 2019, was \$145,000 reflecting a "more likely than not" recognition threshold.

Vaden Landers

On January 19, 2021, we initiated a lawsuit in Bexar County, Texas against our former Chief Revenue Officer, Vaden Landers. In the lawsuit, which is styled: *Usio, Inc. v. Vaden Landers*, Cause No. 2021CI01069, 407th Judicial District Court, Bexar County, Texas, we allege that Mr. Landers violated the provisions of his employment agreement dated September 1, 2017 - specifically his non-compete obligations. The state court lawsuit only seeks injunctive relief against Landers. We also instituted an action before the American Arbitration Association on February 2, 2021.

Mr. Landers has refused to participate in the arbitration proceeding and has not filed an answer in the proceeding. Mr. Landers has answered the state court lawsuit, denying our allegations. Mr. Landers has also asserted counterclaim against us for breach of contract, tortious interference with contract and defamation. Mr. Landers seeks damages in excess of \$1,000,000. We deny Mr. Landers' allegations and do not believe that his counterclaims have any merit.

Through our investigation, we learned that Mr. Landers committed other violations of his employment agreement and intend to pursue those claims in arbitration. Both the state court litigation and the arbitration are in their initial stages and no discovery has been conducted by the parties.

Aside from the lawsuits described above, we may be involved in legal matters arising in the ordinary course of business from time to time. While we believe that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which we are or could become involved in litigation will not have a material adverse effect on our business, financial condition or results of operations.

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.

Market Information

Effective on June 26, 2019 we changed our corporate name from Payment Data Systems, Inc. to Usio, Inc. Our common stock is listed under the Nasdaq Capital Markets Exchange under the ticker symbol "USIO". Prior to that change, our common stock had been listed on the Nasdaq Capital Markets Exchange under the ticker symbol "PYDS" since August 11, 2015. Prior to that our common stock was quoted on the OTCQB, the OTC market tier for companies that are reporting with the SEC, and on the OTC Bulletin Board, or OTCBB, also under the ticker symbol "PYDS".

Holders

On March 18, 2021, 25,030,668 shares of our common stock were issued and outstanding. As of March 18, 2021, there were 3,886 stockholders of record of our common stock.

Dividends

We have never declared or paid cash or stock dividends, and we have no plans to pay any such dividends in the foreseeable future. Instead, we intend to reinvest our earnings, if any.

Securities Authorized for Issuance under Equity Compensation Plans

The information required to be disclosed by Item 201(d) of Regulation S-K, "Securities Authorized for Issuance Under Equity Compensation Plans," is incorporated herein by reference. Refer to Item 12 of Part III of this annual report on Form 10-K for additional information.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

Since September 30, 2020, we issued the following unregistered securities.

On December 15, 2020, we issued 945,599 warrants to purchase 945,599 shares of our common stock, \$0.001 par value per share, with an exercise price of \$4.23 per share to Information Management Solutions, LLC. The warrants vest in two installments of 315,200 on December 15, 2021 and December 15, 2022 and one installment of 315,199 on December 15, 2023. The warrants have a term of five years from vest.

On February 5, 2021, we issued 19,795 shares of common stock to University FanCards, LLC upon the cashless exercise of 30,000 warrants with an exercise price of \$2.00. The shares were valued at \$5.88 per share.

We relied on the Section 4(a)(2) exemption from securities registration under the federal securities laws for transactions not involving any public offering. No advertising or general solicitation was employed in offering the securities. The securities were issued to an accredited investor. The securities were offered for investment purposes only and not for the purpose of resale or distribution. The transfer thereof was appropriately restricted by us.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On November 2, 2016, we announced that our Board of Directors authorized the repurchase of up to \$1 million of our common stock from time to time on the open market, in block transactions, or in privately negotiated transactions. On January 9, 2018, the Board of Directors added an additional \$2 million to the buyback plan. The program began on November 16, 2016 and ended on September 29, 2019. At September 29, 2019 when the program ended, \$1,419,701 was available under the repurchase plan. The program was used for purchases of stock from employees and directors; and for open-market purchases through a broker. On November 7, 2019, the Board of Directors approved the renewal of the share buyback program. The Board approved a limit of \$1,420,000 which was rolled over from the prior buyback program with a three-year duration. The new buyback program terminates on the earliest of September 30, 2022, the date all funds have been exhausted, or the date the Board of Directors, at its sole discretion, terminates or suspends the program. The Board of Directors ratified share purchases between September 29, 2019 and November 7, 2019 and such share repurchases count against the newly approved dollar limit. \$1,120,409 were available at December 31, 2020 under this program. The following table shows our recent stock purchases under the buyback plan as of December 31, 2020:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1, 2020 to October 31, 2020	1,186	\$ 1.52	874,009	\$ 1,218,570
November 1, 2020 to November 30, 2020	62,296	\$ 1.58	936,305	\$ 1,120,409
Total	<u>63,482</u>			<u>\$ 1,120,409</u>

On January 6, 2019, we repurchased 11,860 shares for \$21,822 in a private transaction at the closing price on January 6, 2019 of \$1.84 per share from Tom Jewell, the Company's Chief Financial Officer, to cover his share of taxes.

On January 6, 2020, we repurchased 11,860 shares for \$20,636 in a private transaction at the closing price on January 6, 2020 of \$1.74 per share from Tom Jewell, the Company's Chief Financial Officer, to cover his share of taxes.

On November 1, 2020, we repurchased 54,756 shares for \$86,399 in a private transaction at the closing price of \$1.5779 on October 15, 2020 per share from Louis Hoch, the Company's Chief Executive Officer to cover his share of his taxes.

On January 6, 2021, we repurchased 11,860 shares for \$38,545 in a private transaction at the closing price on January 6, 2021 of \$3.25 per share from Tom Jewell, the Company's Chief Financial Officer, to cover his share of taxes.

ITEM 6. SELECTED FINANCIAL DATA.

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested 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 our consolidated financial statements and notes thereto, and other financial information included elsewhere in this annual report on Form 10-K. This report contains forward-looking statements. When used in this report, the words "anticipates," "suggests," "estimates," "plans," "projects," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would," "proposal," and similar expressions are intended to identify forward-looking statements. Actual results in future periods may differ materially from those expressed or implied in such forward-looking statements as a result of a number of factors, including, but not limited to, the risks discussed under the heading "Risk Factors" in this annual report on and elsewhere in this annual report on Form 10-K.

Overview

Usio, Inc. was founded under the name Billserv Com, Inc. in July 1998 and incorporated in the State of Nevada. On June 26, 2019, we changed our corporate name from Payment Data Systems, Inc. to Usio, Inc. Our principal offices are located at 3611 Paesanos Parkway, Suite 300, San Antonio, TX 78231. Our telephone number is (210) 249-4100. Our website is located at www.usio.com. Information contained on our website does not constitute part of this prospectus.

We provide integrated payment processing services to merchants and businesses, including all types of Automated Clearing House, or ACH, processing, credit, prepaid card and debit card-based processing services and statement preparation, presentment and mailing services.

We offer customizable prepaid cards companies use for expense management, incentives, refunds, claims and disbursements, unique forms of compensation like per diems, and more. We also offer prepaid cards to consumers for use as a tool to stay on budget, manage allowances and share money with family and friends. UsioCard platform supports Apple Pay®, Samsung Pay™ and Google Pay™. Our PIN-less debit product allows merchants to debit and credit accounts in real-time. In our over 20-year history, we have created a loyal customer base that relies on us for our convenient, secure, innovative and adaptive services and technology, and we have built long-standing and valuable relationships with premier banking institutions such as Fifth-Third Bank, Sunrise Bank, and Wells Fargo Bank.

Through our Akimbo Now technology we offer a comprehensive money disbursement platform that allows businesses to pay their contractors, employees, or other recipients by choosing between a prepaid debit Mastercard, real-time deposit to a checking account, traditional ACH, direct deposit or paper check.

With the acquisition of the assets of Information Management Solutions, LLC in December 2020, we now offer additional services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. Through the acquisition, we acquired new customers and their sales force.

We reported a net loss of \$2.9 million and \$5.1 million for the years ended December 31, 2020 and December 31, 2019, respectively. We have an accumulated deficit of \$65.1 million at December 31, 2020.

In 2020, we processed \$3.34 billion for all payment types, which was down by 5.6% from the record prior year volume of \$3.54 billion total dollars processed. Total transactions processed were up 19% to a record 18.2 million. ACH or electronic check transaction processing volumes for 2020 decreased by 12% compared to 2019. Returned check transactions decreased by 29% in 2020 compared to 2019. Credit card dollars processed in 2020 increased by 14% compared to 2019 and credit card transactions processed for 2020 increased by 58% compared to 2019. Both the credit card dollars and transactions processed represent all-time records for the Company. Prepaid card load volume increased by 162% and transaction volume increased by 97%.

To regain and sustain profitability, we must, among other things, continue to grow our top line revenues, grow and maintain our customer base, enhance and continue to refine existing and new successful marketing strategies, continue to maintain and upgrade our technology and transaction processing systems, provide superior customer service, respond to competitive developments, attract, retain and motivate qualified personnel, and respond to unforeseen industry developments and other factors.

We believe that our success will depend in large part on our ability to (a) aggressively drive top line growth, (b) add talented sales people, (c) add quality customers, (d) meet evolving customer requirements, (e) adapt to technological changes in an ever changing market, (f) be opportunistic in identifying and acquiring portfolios that expand or complement our existing customer base and (g) effectively manage our operating expenses as we aggressively scale the business. Our near-term objectives will be focused on aggressively driving top line growth and identifying and acquiring portfolios that complement and support our growth strategy. We will continuously assess the ability of our employees and other resources to achieve our targeted growth and continuously enhance our technology platform to drive our competitive advantage.

Critical Accounting Policies

General

Our management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to the reported amounts of revenues and expenses, bad debt, investments, intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions. We consider the following accounting policies to be critical because the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change or because the impact of the estimates and assumptions on financial condition or operating performance is material.

For a summary of critical accounting policies, please refer to the Notes to Consolidated Financial Statements, *Note 1. Description of Business and Summary of Significant Accounting Policies*.

Results of Operations

Revenues

Our revenues are principally derived from providing integrated electronic payment services to merchants and businesses, including credit and debit card-based processing services and transaction processing via the Automated Clearing House, or ACH, network, the program management and processing of prepaid debit cards.

With the acquisition of the assets of Information Management Solutions, LLC in December 2020, we now offer additional output solution services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions.

	Three Months Ended December 31,			
	2020	2019	\$ Change	% Change
ACH and complementary service revenue	\$ 2,391,256	\$ 2,314,021	\$ 77,235	3.3%
Credit card revenue	4,806,053	4,534,265	271,788	6.0%
Prepaid card services revenue	1,025,168	519,106	506,062	97.5%
Output solutions revenue	1,160,037	—	1,160,037	100.0%
Total Revenue	\$ 9,382,514	\$ 7,367,392	\$ 2,015,122	27.4%

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
ACH and complementary service revenue	\$ 8,471,705	\$ 9,343,974	\$ (872,269)	(9.3)%
Credit card revenue	19,453,501	17,329,322	2,124,179	12.3%
Prepaid card services revenue	3,166,580	1,527,239	1,639,341	107.3%
Output solutions revenue	1,160,037	—	1,160,037	100.0%
Total Revenue	\$ 32,251,823	\$ 28,200,535	\$ 4,051,288	14.4%

Total revenues for 2020 increased by 14.4% to \$32.3 million from \$28.2 million in 2019. The key drivers of the revenue growth were gains in our Prepaid business line associated with multiple contracts with major cities in the U.S. facilitating disbursements to individuals and families in need of financial assistance and, growth in our PayFac business line. 2020 also included one month of financial results from our acquisition of Information Management Solutions which we re-branded as Usio Output Solutions. Our ACH and complementary service revenues were down primarily as a result of the COVID pandemic and the adverse impact on our non-bank consumer lending business offset by gains in our PINless debit product.

Operating Expenses

Cost of services includes the cost of personnel dedicated to the creation and maintenance of connections to third-party payment processors and the fees paid to such third-party providers for electronic payment processing services. Through our contractual relationships with our payment processors and sponsoring banks, we process ACH and debit, credit or prepaid card transactions on behalf of our customers and their consumers. We pay volume-based fees for debit, credit, ACH and prepaid transactions initiated through these processors or sponsoring banks, and pay fees for other transactions such as returns, notices of change to bank accounts and file transmission. Cost of services expense was \$24.9 million and \$22.3 million for 2020 and 2019, respectively. Cost of services expenses increased by \$2.6 million, or 11.8%, in 2020 as compared to 2019 primarily due to increased transaction costs associated with our revenue growth.

Gross Profit

Gross profit is the net profit after deducting the cost of services. Gross profits were \$7.4 million and \$5.9 million for 2020 and 2019, respectively. Gross profit increased by \$1.4 million, or 24.0%, in 2020 as compared to 2019. The key drivers of the profit growth were incremental profits associated with revenue growth in our Prepaid, Credit Card and Output Solutions portfolios.

Stock-based Compensation

Stock-based compensation expense increased by \$0.2 million in 2020 to \$1.5 million from \$1.3 million in 2019. The increase in stock-based compensation was a result of the stock grants during 2019 and 2020. Our stock-based compensation expenses for 2020 and 2019 represented the amortization of deferred compensation expenses related to incentive stock grants to employees, officers and directors.

Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses increased to \$8.1 million in 2020 from \$7.7 million in 2019. The increase of \$0.4 million, or 5.7% represented continued investments in people and related expenses associated primarily with our support of payment facilitation and prepaid growth initiatives.

Depreciation and Amortization

Depreciation and amortization expense decreased to \$1.5 million in 2020 as compared to \$2.0 million in 2019. The decrease of \$0.5 million, or 24.9%, was primarily attributable to the full depreciation in 2019 of certain assets.

Other Income

Interest income decreased to \$59,392 in 2020 from \$81,790 in 2019 due to lower interest-bearing cash balances. Other income (expense) was \$902 for 2020, as compared to expense of \$32,653 for 2019. Other income and expense included \$813,500 of incremental income associated with the forgiveness of our U.S. Small Business Administration Payroll Protection Plan (PPP) loan in December, 2020.

Income Taxes

Income tax expense was \$23,109 in 2020 and \$101,888 in 2019. The income tax expense represents amounts incurred under the Texas margin tax and Tennessee franchise tax offset by refunds of federal taxes paid.

Net Income (Loss)

We reported a net loss of \$2.9 million and \$5.1 million for the years ended December 31, 2020 and December 31, 2019, respectively. The reduction in net loss was primarily related to our increased gross profits generated plus forgiveness of our PPP loan.

Liquidity and Capital Resources

At December 31, 2020, we had \$5.0 million of cash and cash equivalents, as compared to \$2.1 million of cash and cash equivalents at December 31, 2019.

We reported a net loss of \$2.9 million and \$5.1 million for the years ended December 31, 2020 and 2019, respectively. Additionally, we reported working capital of \$5.6 million and \$1.3 million at December 31, 2020 and 2019, respectively.

We received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration. Under the terms of the Note, we received total proceeds of \$813,500 bearing interest at a rate of 1% per annum with a maturity date of April 15, 2022. In addition, principal and interest payments will be deferred for the first ten months of the loan. The loan is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. We used the proceeds for payroll costs and other permitted expenses. Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES act, such as payroll costs, benefits, rent and utilities. Our loan forgiveness was approved in full by the U.S. Small Business Administration on December 14, 2020.

On July 1, 2020, Topline Capital Partners, LP purchased 1,796,407 unregistered shares of common stock at an offering price of \$1.67 per share in a private offering. The gross proceeds to us from the private offering were \$3.0 million.

On September 25, 2020, we entered into a placement agency agreement with Ladenburg Thalmann & Company Inc. for the issuance and sale of an aggregate of 4,705,883 shares of common stock at an offering price of \$1.70 per share in a public offering. We agreed to pay Ladenburg a cash fee of equal to \$0.12325 per share of common stock sold in the offering as well as legal fees and expenses of up to \$100,000. The net proceeds to us from the public offering were \$7.4 million, after deducting the offering expenses and fees payable by us.

On February 14, 2019, we entered into a placement agency agreement with Maxim Group LLC with respect to the issuance and sale of an aggregate of 769,230 shares of common stock at an offering price of \$2.60 per share in a public offering. We agreed to pay Maxim a cash fee of equal to 6% of the aggregate gross proceeds raised in the offering and legal fees and expenses of up to \$40,000. The net proceeds to us from the public offering were \$1.8 million, after deducting the offering expenses and fees payable by us. The proceeds were used for general corporate purposes and working capital.

Cash Flows

Net cash provided by operating activities totaled \$6.3 million for 2020 as compared to net cash used by operating activities of \$3.7 million in 2019. After adjusting for the impact of operating lease right-of-use assets, operating lease liabilities, prepaid card load obligations and merchant reserves included in the statement of cash flows, net cash used by operating activities was \$0.4 million and \$1.3 million for the year ended December 31, 2020 and 2019, respectively. The increase in net cash generated by operating activities in 2020 was primarily attributable to increases in our Prepaid card loads and customer deposits acquired with our 2020 acquisition of Information Management Solutions, LLC.

Net cash used by investing activities was \$6.8 million for 2020 and \$0.6 million in 2019. The increase in investing activities includes the cash payment to Information Managements Solutions, LLC of \$5.9 million associated with our acquisition and capitalization of internal-use software projects and other capital expenditures.

Net cash provided from financing activities for 2020 was \$10.0 million compared to cash from financing activities of \$1.7 million for 2019. The cash provided by financing activities were as a result of:

The \$10.0 million of proceeds from financing activities included \$813,500 from PPP Loan proceeds, gross proceeds of \$3.0 million from a private offering with Topline Capital Partners, LP and net proceeds of \$7.4 million from Ladenburg, Thalmann & Company, Inc. from a public offering (per below) and net of Forgiveness of the PPP Loan in the amount of \$813,500 and Treasury stock purchases of \$280,269.

We received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration. Under the terms of the Note, we received total proceeds of \$813,500 bearing interest at a rate of 1% per annum with a maturity date of April 15, 2022. In addition, principal and interest payments will be deferred for the first ten months of the loan. The loan is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. We used the proceeds for payroll costs and other permitted expenses. Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES act, such as payroll costs, benefits, rent and utilities. Our loan forgiveness was approved in full by the U.S. Small Business Administration on December 14, 2020.

On July 1, 2020, Topline Capital Partners, LP purchased 1,796,407 unregistered shares of common stock at an offering price of \$1.67 per share in a private offering. The gross proceeds to us from the private offering were \$3.0 million.

On September 25, 2020, we entered into a placement agency agreement with Ladenburg Thalmann & Company Inc. for the issuance and sale of an aggregate of 4,705,883 shares of common stock at an offering price of \$1.70 per share in a public offering. We agreed to pay Ladenburg a cash fee of equal to \$0.12325 per share of common stock sold in the offering as well as legal fees and expenses of up to \$100,000. The net proceeds to us from the public offering were \$7.4 million, after deducting the offering expenses and fees payable by us.

Overall, our cash position improved significantly as a result of financing activities completed in 2020.

The 2019 cash provided by financing activities was the result of a public offering which raised \$1.8 million in net proceeds. On February 14, 2019, we entered into a placement agency agreement with Maxim Group LLC with respect to the issuance and sale of an aggregate of 769,230 shares of common stock at an offering price of \$2.60 per share in a public offering. We agreed to pay Maxim Group, LLC a cash fee of equal to 6% of the aggregate gross proceeds raised in the offering and legal fees and expenses of up to \$40,000. The net proceeds to us from the public offering were \$1.8 million, after deducting the offering expenses and fees payable by us. We used the funds for general corporate purposes and working capital.

Material Trends and Uncertainties

The ongoing COVID-19 pandemic has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, “shelter in place” and other governmental regulations, reduced consumer spending due to both job losses and other effects attributable to the COVID-19 pandemic. There remain many uncertainties as a result of the pandemic. As a result of the spread of COVID-19, economic uncertainties could continue to impact our operations. Any potential incremental financial impact is unknown at this time.

At this time, certain states are reducing mandated operating restrictions and efforts are underway to provide vaccinations to as many people as possible. The government has issued several rounds of COVID-19 relief and stimulus payments and other programs to stimulate economic activity and facilitate an economic recovery.

Our business was initially adversely affected as doctors offices, dental offices, veterinarian offices and non-bank consumer lending accounts were ordered closed in connection with curbing the spread of the pandemic. As these doctors, dental and veterinarian offices re-opened, these businesses quickly recovered and returned to levels higher than pre-COVID. Consumer lending merchants were adversely affected by COVID relief payments made during the pandemic and the pause placed on past due amounts owed. The level of activity for consumer lending merchants has not returned to pre-COVID levels. We did receive a gain during COVID in our prepaid business line, as we were able to work in conjunction with major cities across the U.S. to use our prepaid debit cards to facilitate the transfer of money via our debit cards from city foundations to the local residents in need of financial assistance.

The impacts and recovery from the COVID-19 pandemic are still a work in process. We were not impacted in the magnitude of other payment processors as our customer base had limited exposure to retail facing businesses. With that framework, we will continue to monitor the overall impact on our operations and take necessary steps to ensure the safety of our employees and customers.

We continue to monitor the impact of the COVID-19 pandemic closely.

Warrants

On August 21, 2018, we issued to University Fancards, LLC warrants to purchase 150,000 shares of our common stock. 30,000 warrants vested immediately upon the date on which the first financial transaction was processed on a card account issued under the prepaid agreement, which occurred on October 5, 2018. 120,000 warrants vest annually over 4 years in 30,000 warrant increments beginning on July 31, 2019 and becoming fully vested on July 31, 2022. The exercise price for the 30,000 warrants that vested immediately on October 5, 2018 was \$1.80 per share. The exercise price for the remaining 120,000 warrants will be the lesser of \$2.00 per share or 120% of the market price of our common stock on the vesting date of the warrant.

On August 12, 2020, we issued 27,051 shares of common stock to University FanCards, LLC in a cashless exercise at \$3.46 per common share in exchange for 60,000 warrants exercised by FanCards, LLC. On February 5, 2021, we issued 19,795 shares of common stock to University FanCards, LLC in a cashless exercise at \$5.88 per common share in exchange for 30,000 warrants exercised by FanCards, LLC.

On December 15, 2020, we issued to Information Management Solutions, LLC warrants to purchase 945,599 shares of our common stock, \$0.001 par value per share, with an exercise price of \$4.23 per share. The warrants were valued using the Black-Scholes option pricing model. Assumptions used were as follows: (i) the fair value of the underlying stock was \$0.58; (ii) the risk-free interest rate is 0.09%; (iii) the contractual life is 5 years; (iv) the dividend yield of 0%; and (v) the volatility is 59.9%. The fair value of the warrants amounted to \$552,283 and will be recorded as an increase in the customer list asset and have a term of five years from time of vest.

Loan and Security Agreement with C2Go, Inc.

Under a loan and security agreement dated February 2, 2016, we loaned the principal amount of \$200,000 to C2Go, Inc. with an interest rate of 10% per annum for a term of 18 months. The loan was secured by a first lien on all assets of C2Go. C2Go defaulted under the note by failing to repay the loan plus interest on August 2, 2017. On December 7, 2017, we entered into a note purchase and settlement agreement with C2Go and Mercury Investment Partners LLC.

There are no assurances that we will be able to recover the remaining \$145,000 principal and there are no assurances there will be any assets for us to recover from its lien on all the assets of C2Go if payment in full of the obligation is not made. The loss reserve on the note receivable as of December 31, 2020 and 2019, was \$145,000 reflecting a "more likely than not" recognition threshold.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Usio, Inc. and Subsidiaries

San Antonio, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Usio, Inc. and Subsidiaries (collectively referred to as the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' equity and cash flows, for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis of Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As a part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Intangible Assets – Customer Lists

Description of the Matter

As of December 31, 2020, the Company had intangible assets relating to acquired customer lists which are recorded at their cost basis net of accumulated amortization. On at least an annual basis, the company performs an analysis of the carrying value of these customer lists to evaluate the assets for impairment. The customer list is amortized over a five-year term and no impairment has been recognized on the customer list portfolios since their acquisition. We identified the customer list valuation as a critical audit matter because of the significant estimates and forward-looking assumptions used which could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

To test the fair value of the Company's customer list intangible assets, our audit procedures included, among others, evaluating the Company's valuation model, evaluating the method and significant assumptions used, and testing the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We also evaluated whether the key factors considered in the evaluation were consistent with evidence obtained in other areas of the audit.

Deferred Tax Assets – Valuation Allowance

Description of the Matter

The Company recognizes deferred tax assets to the extent that it is expected that these assets are more likely than not to be realized. The Company evaluates the realizability of the deferred tax assets, and to the extent that the Company estimates that it is more likely than not that a benefit will not be realized, the carrying amount of the deferred tax assets is reduced with a valuation allowance. We identified the valuation of deferred tax assets as a critical audit matter because of the significant judgments made by management in projecting future taxable income.

How We Addressed the Matter in Our Audit

Our audit procedures related to projected future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized included the evaluation of the reasonableness of management's projected future taxable income. We compared the estimates to historical earnings and evaluated the inputs and assumptions used by management for developing future forecasts.

/s/ ADKF, P.C.

ADKF, P.C.
San Antonio, Texas
March 29, 2021

We have served as the Company's auditor since 2004.

USIO, INC.
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Cash and cash equivalents	\$ 5,011,132	\$ 2,137,580
Accounts receivable, net	2,863,638	1,274,001
Settlement processing assets	43,558,442	38,906,780
Prepaid card load assets	7,610,242	528,434
Customer deposits	1,305,296	—
Inventory	176,466	—
Prepaid expenses and other	301,755	183,575
Current assets before merchant reserves	<u>60,826,971</u>	<u>43,030,370</u>
Merchant reserves	8,265,555	10,016,904
Total current assets	<u>69,092,526</u>	<u>53,047,274</u>
Property and equipment, net	3,105,926	1,557,521
Other assets:		
Intangibles, net	6,035,761	2,676,427
Deferred tax asset	1,394,000	1,394,000
Operating lease right-of-use assets	2,671,266	2,480,902
Other assets	368,078	404,055
Total other assets	<u>10,469,105</u>	<u>6,955,384</u>
Total Assets	<u>\$ 82,667,557</u>	<u>\$ 61,560,179</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 851,349	\$ 419,849
Accrued expenses	1,463,944	1,360,551
Operating lease liabilities, current portion	346,913	356,184
Settlement processing obligations	43,558,442	38,906,780
Prepaid card load obligations	7,610,242	528,434
Customer deposits	1,305,296	—
Deferred revenues	66,572	123,529
Current liabilities before merchant reserve obligations	<u>55,202,758</u>	<u>41,695,327</u>
Merchant reserve obligations	8,265,555	10,016,904
Total current liabilities	<u>63,468,313</u>	<u>51,712,231</u>
Non-current liabilities:		
Operating lease liabilities, non-current portion	2,495,883	2,279,613
Total liabilities	<u>65,964,196</u>	<u>53,991,844</u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; -0- shares issued and outstanding in 2020 and 2019	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized; 26,260,776 and 18,224,577 issued and 24,974,995 and 17,104,998 outstanding in 2020 and 2019 (see Note 12)	194,692	186,656
Additional paid-in capital	89,659,433	77,055,273
Treasury stock, at cost; 1,285,781 and 1,119,579 shares in 2020 and 2019 (see Note 12)	(2,165,721)	(1,885,452)
Deferred compensation	(5,926,872)	(5,636,154)
Accumulated deficit	(65,058,171)	(62,151,988)
Total stockholders' equity	<u>16,703,361</u>	<u>7,568,335</u>
Total Liabilities and Stockholders' Equity	<u>\$ 82,667,557</u>	<u>\$ 61,560,179</u>

The accompanying notes are an integral part of these consolidated financial statements.

USIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Revenues	\$ 32,251,823	\$ 28,200,535
Cost of services	24,875,930	22,251,325
Gross profit	<u>7,375,893</u>	<u>5,949,210</u>
Selling, general and administrative:		
Stock-based compensation	1,475,328	1,292,419
Other expenses	8,139,219	7,697,267
Depreciation and Amortization	1,518,214	2,022,520
Total operating expenses	<u>11,132,761</u>	<u>11,012,206</u>
Operating (loss)	(3,756,868)	(5,062,996)
Other income:		
Interest income	59,392	81,790
PPP Loan forgiveness	813,500	—
Other income (expense)	902	(32,653)
Other income and (expense), net	<u>873,794</u>	<u>49,137</u>
(Loss) before income taxes	(2,883,074)	(5,013,859)
Income taxes	23,109	101,888
Net (Loss)	<u>\$ (2,906,183)</u>	<u>\$ (5,115,747)</u>
(Loss) Per Share		
Basic (loss) per common share:	\$ (0.19)	\$ (0.39)
Diluted (loss) per common share:	\$ (0.19)	\$ (0.39)
Weighted average common shares outstanding (see Note 12)		
Basic	15,428,798	12,958,067
Diluted	15,428,798	12,958,067

The accompanying notes are an integral part of these consolidated financial statements.

USIO, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid - In Capital	Treasury Stock	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2018	17,129,680	\$ 185,561	\$74,568,627	\$(1,813,546)	\$ (6,270,675)	\$(57,036,241)	\$ 9,633,726
Issuance of common stock, public offering	769,230	769	1,793,136	—	—	—	1,793,905
Issuance of common stock, employees, restricted	175,000	175	272,825	—	(273,000)	—	—
Issuance of common stock under equity incentive plan	156,667	157	397,999	—	—	—	398,156
Reversal of deferred compensation amortization that did not vest	(6,000)	(6)	(13,254)	—	13,260	—	—
Warrant compensation cost	—	—	35,940	—	—	—	35,940
Deferred compensation amortization	—	—	—	—	894,261	—	894,261
Purchase of treasury stock	—	—	—	(71,906)	—	—	(71,906)
Net (loss) for the year	—	—	—	—	—	(5,115,747)	(5,115,747)
Balance at December 31, 2019	18,224,577	\$ 186,656	\$77,055,273	\$(1,885,452)	\$ (5,636,154)	\$(62,151,988)	\$ 7,568,335
Issuance of common stock under equity incentive plan	1,956,858	1,958	2,556,087	—	(1,937,620)	—	620,425
Warrant compensation cost	—	—	588,224	—	—	—	588,224
Cashless warrant exercise	27,051	27	(27)	—	—	—	—
Reversal of deferred compensation amortization that did not vest	(450,000)	(450)	(791,550)	—	594,900	—	(197,100)
Issuance of common stock, public offering	4,705,883	4,705	7,253,222	—	—	—	7,257,927
Issuance of common stock, private offering	1,796,407	1,796	2,998,204	—	—	—	3,000,000
Deferred compensation amortization	—	—	—	—	1,052,002	—	1,052,002
Purchase of treasury stock	—	—	—	(280,269)	—	—	(280,269)
Net (loss) for the year	—	—	—	—	—	(2,906,183)	(2,906,183)
Balance at December 31, 2020	<u>26,260,776</u>	<u>\$ 194,692</u>	<u>\$89,659,433</u>	<u>\$(2,165,721)</u>	<u>\$ (5,926,872)</u>	<u>\$(65,058,171)</u>	<u>\$ 16,703,361</u>

The accompanying notes are an integral part of these consolidated financial statements.

USIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operating Activities		
Net (loss)	\$ (2,906,183)	\$ (5,115,747)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation	518,214	1,022,520
Amortization	1,000,000	1,000,000
Provision for loss on note receivable	—	108,750
Non-cash stock-based compensation	1,475,328	1,292,419
Amortization of warrant costs	35,943	35,940
Changes in operating assets and liabilities:		
Accounts receivable	(905,901)	(59,646)
Prepaid expenses and other	(80,923)	(81,853)
Operating lease right-of-use assets	(190,364)	(2,480,902)
Other assets	35,977	(97,298)
Inventory	(8,328)	—
Accounts payable and accrued expenses	534,893	619,505
Operating lease liabilities	206,999	2,635,797
Prepaid card load obligations	7,081,808	(7,045)
Merchant reserves	(1,751,349)	(2,628,899)
Customer deposits	1,305,296	—
Deferred revenue	(56,957)	103,529
Deferred rent	—	(79,748)
Net cash provided (used) by operating activities	<u>6,294,453</u>	<u>(3,732,678)</u>
Investing Activities		
Purchases of property and equipment	(855,394)	(647,383)
Purchase of Information Management Solutions, LLC (IMS)	(5,907,408)	—
Net cash (used) by investing activities	<u>(6,762,802)</u>	<u>(647,383)</u>
Financing Activities		
Proceeds from PPP Loan Program	813,500	—
Forgiveness of PPP Loan	(813,500)	—
Proceeds from public offering, net of expenses	7,257,925	1,793,905
Proceeds from private offering	3,000,000	—
Purchases of treasury stock	(280,269)	(71,906)
Net cash provided by financing activities	<u>9,977,656</u>	<u>1,721,999</u>
Change in cash, cash equivalents, prepaid card loads, customer deposits and merchant reserves	9,509,307	(2,658,062)
Cash, cash equivalents, prepaid card loads, customer deposits and merchant reserves, beginning of year	<u>12,682,918</u>	<u>15,340,980</u>
Cash, Cash Equivalents, Prepaid Card Load Assets, Customer Deposits and Merchant Reserves, End of Year	\$ 22,192,225	\$ 12,682,918
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ —	\$ —
Income taxes	93,525	82,206
Non-cash transactions:		
Issuance of stock warrants in exchange for purchase of IMS	552,283	—
Issuance of deferred stock compensation	1,937,620	273,000

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 1. Description of Business and Summary of Significant Accounting Policies

Organization: Usio, Inc., along with its subsidiaries, FiCentive, Inc., a Nevada corporation, and Zbill, Inc., a Nevada corporation, provides integrated electronic payment services, including credit and debit card-based processing services and transaction processing via the Automated Clearing House, or ACH network to billers and retailers. The company also has an additional wholly-owned subsidiary, Usio Output Solutions, Inc., which is the entity for the Output Solutions operations. In addition, the Company operates various product websites, such as www.akimbocard.com, www.payfacinabox.com, and www.singularpayments.com.

Principles of Consolidation and Basis of Presentation: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: Revenue consists primarily of fees generated through the electronic processing of payment transactions and related services. Revenue is recognized during the period in which the transactions are processed or when the related services are performed. The Company complies with ASC 606-10 and reports revenues at gross as a principal versus net as an agent. Although some of the Company's processing agreements vary with respect to specific credit risks, the Company has determined for each agreement it is acting in the principal role. Merchants may be charged for these processing services at a bundled rate based on a percentage of the dollar amount of each transaction and, in some instances, additional fees are charged for each transaction. Certain merchant customers are charged a flat fee per transaction, while others may also be charged miscellaneous fees, including fees for chargebacks or returns, monthly minimums, and other miscellaneous services. Revenues derived from electronic processing of credit, debit, and prepaid card transactions that are authorized and captured through third-party networks are reported gross of amounts paid to sponsor banks as well as interchange and assessments paid to credit card associations. Certain card distributors remit payment of fees earned 45 days after the end of the processing period. Prepaid card distributors have payment terms of 30 days following the end of the month. Sales taxes billed are reported directly as a liability to the taxing authority and are not included in revenue. Usio Output Solutions, Inc. provides bill preparation, presentment and mailing services. Revenue from Output solutions is recognized when the related services are performed for printing and delivered to USPS for postage.

	Year Ended December 31,			
	2020	2019	\$ Change	% Change
ACH and complementary service revenue	\$ 8,471,705	\$ 9,343,974	\$ (872,269)	(9.3)%
Credit card revenue	19,453,501	17,329,322	2,124,179	12.3%
Prepaid card services revenue	3,166,580	1,527,239	1,639,341	107.3%
Output solutions revenue	1,160,037	—	1,160,037	100.0%
Total Revenue	\$ 32,251,823	\$ 28,200,535	\$ 4,051,288	14.4%

Deferred Revenues: The Company records deferred revenues when it receives payments or issues invoices in advance of transferring control of promised goods or services to a customer. The advance consideration received from a customer is deferred until the Company provides the customer that product or service. At December 31, 2020 and 2019, the deferred revenues totaled \$66,572 and \$123,529.

The deferred revenue balances are as follows:

	2020	2019
Deferred revenues, beginning of period	\$ 123,529	\$ 20,000
Deferred revenues, end of period	66,572	123,529
Revenue recognized in the period from amounts included in deferred revenues at the beginning of the period	\$ 56,957	\$ 20,000

Cash and Cash Equivalents: Cash and cash equivalents includes cash and other money market instruments. The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Settlement Processing Assets and Obligations: Settlement processing assets and obligations represent intermediary balances arising in our settlement process for merchants.

Prepaid Card Load Assets: The Company maintains pre-funding accounts for its customers to facilitate prepaid card loads as initiated by our customer. These prepaid card load assets are carried on the Company's balance sheet with a corresponding liability.

Customer Deposits: The Company holds customer deposits primarily for postage expenses to ensure the Company is not out of pocket for amounts billed daily by the United States Postal Service. These customer deposits are carried on the Company's balance sheet with a corresponding liability.

Merchant Reserves: The Company has merchant reserve requirements associated with Automated Clearing House, or ACH transactions. The merchant reserve assets are carried on the Company's balance sheet with a corresponding liability. Merchant Reserves are set for each merchant. Funds are collected from each merchant and held as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. While this cash is not restricted in its use, the Company believes that designating this cash to collateralize Merchant Reserves strengthens its fiduciary standing with the Company's member sponsors and is in accordance with the guidelines set by the card networks.

The reconciliation of cash and cash equivalents to cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves is as follows for each period presented:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves:		
Cash and cash equivalents	\$ 2,137,580	\$ 2,159,698
Prepaid card load assets	528,434	535,479
Customer deposits	—	—
Merchant reserves	10,016,904	12,645,803
Total	<u>\$ 12,682,918</u>	<u>\$ 15,340,980</u>
Ending cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves:		
Cash and cash equivalents	\$ 5,011,132	\$ 2,137,580
Prepaid card load assets	7,610,242	528,434
Customer deposits	1,305,296	—
Merchant reserves	8,265,555	10,016,904
Total	<u>\$ 22,192,225</u>	<u>\$ 12,682,918</u>

Accounts Receivable/Allowance for Estimated Losses: Accounts receivable are reported as outstanding principal net of an allowance for doubtful accounts of \$205,522 and \$123,165 at December 31, 2020 and 2019, respectively.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability or failure of its customers to make required payments. The Company determines the allowance based on an account-by-account review, taking into consideration such factors as the age of the outstanding balance, historical pattern of collections and financial condition of the customer. Past losses incurred by the Company due to bad debts have been within its expectations. If the financial condition of its customers deteriorates, resulting in an impairment of their ability to make contractual payments, additional allowances might be required. Estimates for bad debt losses are variable based on the volume of transactions processed and could increase or decrease accordingly. The Company normally does not charge interest on accounts receivable.

Inventory: Inventory is stated at the lower of cost or net realizable value. At December 31, 2020, inventory consisted primarily of printing and paper supplies used for Output solutions.

Property and Equipment: Property and equipment are stated at cost. Depreciation and amortization are computed on a straight-line method over the estimated useful lives of the related assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the estimated useful lives or remaining lease period. Expenditures for maintenance and repairs are charged to expense as incurred.

Accounting for Internal Use Software: The Company capitalizes the costs associated with software developed and / or software obtained for internal use. The software is capitalized when both the preliminary project stage is complete, and the software being developed is placed-in service. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project, and (iii) interest costs incurred, when material, while developing internal-use software. The Company ceases capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended purpose. For the years ended December 31, 2020 and December 31, 2019, the Company capitalized \$759,923 and \$518,785, respectively.

Concentration of Credit Risk: Financial instruments that potentially expose the Company to credit risk consist of cash and cash equivalents, and accounts receivable. The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is \$250,000. Accounts receivables potentially subject the Company to concentrations of credit risk. The Company's customer base operates in a variety of industries and is geographically dispersed. The Company closely monitors extensions of credit. Estimated credit losses have been recorded in the consolidated financial statements. Recent credit losses have been within management's expectations. No customer accounted for more than 10% of revenues in 2020 or 2019.

Fair Value of Financial Instruments: Cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings are reflected in the accompanying consolidated financial statements at cost, which approximates fair value because of the short-term maturity of these instruments.

Impairment of Long-Lived Assets and Intangible Assets: The Company reviews periodically, on at least an annual basis, the carrying value of its long-lived assets and intangible assets and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, is less than the carrying amount, an impairment loss is recognized.

Reserve for Processing Losses: If, due to insolvency or bankruptcy of one of the Company's merchant customers, or for any other reason, the Company is not able to collect amounts from its card processing, credit card, ACH or merchant prepaid customers that have been properly "charged back" by the customer or if a prepaid cardholder incurs a negative balance, the Company must bear the credit risk for the full amount of the transaction. The Company may require cash deposits and other types of collateral from certain merchants to minimize any such risk. In addition, the Company utilizes a number of systems and procedures to manage merchant risk. ACH, prepaid and credit card merchant processing loss reserves are primarily determined by performing a historical analysis of our loss experience and considering other factors that could affect that experience in the future, such as the types of transactions processed and nature of the merchant relationship with its consumers and the Company with its prepaid card holders. This reserve amount is subject to the risk that actual losses may be greater than our estimates. The Company has not incurred any significant processing losses to date. Estimates for processing losses vary based on the volume of transactions processed and could increase or decrease accordingly. The Company evaluates its risk for such transactions and estimates its potential processing losses based primarily on historical experience and other relevant factors. At December 31, 2020 and 2019, respectively, the Company's reserve for processing losses was \$515,199 and \$506,153, respectively.

Advertising Costs: Advertising is expensed as incurred. The Company incurred approximately \$59,000 and \$114,000 in advertising costs in 2020 and 2019, respectively.

Income Taxes: Deferred tax assets and liabilities are recorded based on difference between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets are computed with the presumption that they will be realizable in future periods when taxable income is generated. Predicting the ability to realize these assets in future periods requires a great deal of judgment by management. U.S. generally accepted accounting principles prescribe a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. Income tax benefits that meet the "more likely than not" recognition threshold should be recognized. Goodwill is amortized over 15 years for tax purposes.

As with all businesses, the Company's tax returns are subject to periodic examination. The Company's federal returns for the past four years remain open to examination. The Company is subject to the Texas margin tax and Tennessee franchise tax. Management is not aware of any tax positions that would have a significant impact on its financial position.

The Company has approximately \$39.4 million of net operating loss carryforwards. However, the Company cannot predict with reasonable certainty whether all of the available net operating loss carryforwards will be realized in future periods. Accordingly, a valuation allowance has been provided to reduce the net deferred tax assets to \$1.4 million. Management does not anticipate a significant change in the assessment and will review the deferred tax asset balance at December 31, 2021, or earlier as events may warrant.

Stock-Based Compensation: The Company recognizes as compensation expense all share-based payment awards made to employees and directors, including grants of stock options and warrants, based on estimated fair values. Fair value is generally determined based on the closing price of the Company's common stock on the date of grant.

401(k) Plan: The Company has a defined contribution plan, or 401(k) Plan, pursuant to Section 401(k) of the Internal Revenue Code. All eligible full and part-time employees of the Company who meet certain age requirements may participate in the 401(k) Plan. Participants may contribute between 1% and 15% of their pre-tax compensation, but not in excess of the maximum allowable under the Code. The 401(k) Plan allows for discretionary and matching contributions by the Company. In 2020, the Company matched 100% of employee contributions up to 3% and 50% of the employee contribution over 3% with a maximum employer contribution of 5%. The Company made matching contributions of \$152,835 and \$126,436 in 2020 and 2019, respectively.

Earnings (Loss) Per Share: Basic and diluted (loss) per common share are calculated by dividing earnings by the weighted average number of common shares outstanding during the period.

Recently Adopted Accounting Pronouncements: In February 2016, the FASB issued, "*Leases (Topic 842)*." This update requires that a lessee recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with terms of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. Similar to previous guidance, the update continues to differentiate between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. The updated guidance leaves the accounting for leases by lessors largely unchanged from existing GAAP. The guidance became effective for the Company on January 1, 2019. As a lessee, this standard primarily impacted the Company's accounting for leased facilities and office equipment, for which the Company recognized right of use assets of \$2,688,412 and a corresponding lease liability of \$2,775,259 on the Company's consolidated balance sheet on January 1, 2019.

The Company adopted these provisions on January 1, 2019 using the optional transition method that permits the Company to apply the new disclosure requirements in 2019 and continue to present comparative period information as required under FASB ASC Topic 840, "Leases." The Company did not have a cumulative-effect adjustment to the opening balance of retained earnings at the date of adoption. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed it to exclude leases with an initial term of 12 months or less from the right-of-use assets and liabilities. Adoption of the standards had no impact on the Company's results of operations or liquidity.

If the Company determines that an arrangement is or contains a lease, the Company recognizes a right-of-use (ROU) asset and lease liability at the commencement date of the lease. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expenses for lease payments are recognized on a straight-line basis over the lease term.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation* which expands the scope of current guidance to include all share-based payment arrangements related to the acquisition of goods or services from both non-employees and employees. The guidance is effective for the Company for all fiscal years beginning after December 15, 2018. The Company adopted the new standard on January 1, 2019. The adoption of the new standard did not result in a change to the previously presented financial statements.

New Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in Topic 326 replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Topic 326 is effective for fiscal years beginning after December 25, 2022, including interim periods within those fiscal years for smaller reporting companies. The Company does not expect the adoption of the amendments in ASU 2016-13 to have a significant effect on its financial position and the results of its operations when such amendment is adopted.

Accounting standards that have been issued or proposed by the FASB, the SEC or other standard setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Note 2. Acquisition of Information Management Solutions, LLC.

On December 15, 2020, the Company entered into an asset purchase agreement to purchase substantially all the assets of Information Management Solutions, LLC ("IMS"), a Texas limited liability company in the business of electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions. The total purchase price consideration consisted of a cash payment of \$5,907,408 at closing and warrant considerations valued at \$552,283. The warrants were comprised of 945,599 unregistered warrants to purchase shares of common stock of Usio, Inc., or 945,599 shares of common stock, \$0.001 par value per share, with an exercise price of \$4.23 per share.

The final number of warrants was determined by dividing \$2,000,000 by the 5-day weighted average closing price for the four trading days preceding the closing date and the closing day, or \$2.115 per share. The exercise price of the warrants was determined by multiplying the 5-day weighted average closing price by the number 2. The warrants vest in three equal installments on the first, second and third anniversary of the closing date and have a term of five years from vest.

The purchase price was allocated to the net assets acquired based upon their estimated fair values as follows:

	Estimated Fair Value	Estimated Useful Life (in years)
Accounts receivable	\$ 683,736	
Inventory	168,138	
Fixed assets	1,211,225	5
Prepaid expenses	29,849	
Other assets	7,408	
Customer list	3,807,052	5
Total Cash Consideration	<u>\$ 5,907,408</u>	
Customer list	<u>\$ 552,283</u>	
Total Warrant Consideration	<u>\$ 552,283</u>	
Total Purchase Price	<u>\$ 6,459,691</u>	

The 2020 consolidated statement of operations includes 1 month of IMS operations, which is approximately \$1.2 million of revenue and \$0.6 million of gross profit.

Unaudited Pro Forma Information

The Company estimates that the revenues and net income for the periods below that would have been reported if the IMS acquisition would have taken place on the first day of the Company's 2019 calendar year would be as follows and includes pro-forma adjustments to normalize results in line with future operating performance:

	2020	2019
Revenues	\$ 45,184,678	\$ 41,809,997
Gross Profit	9,251,517	8,099,868
Net (Loss)	(3,127,387)	(4,909,074)
Income per share:		
Basic	<u>\$ (0.17)</u>	<u>\$ (0.28)</u>
Diluted	<u>\$ (0.17)</u>	<u>\$ (0.28)</u>

Amounts set forth above are not necessarily indicative of the results that would have been obtained had the IMS acquisition had taken place on the first day of the Company's 2019 calendar year or of the results that may be achieved by the combined enterprise in the future.

Note 3. Note Receivable**C2Go Note Receivable**

Under a loan and security agreement dated February 2, 2016, we loaned the principal amount of \$200,000 to C2Go, Inc. with an interest rate of 10% per annum for a term of 18 months. The loan was secured by a first lien on all assets of C2Go. C2Go defaulted under the note by failing to repay the loan plus interest on August 2, 2017. On December 7, 2017, we entered into a note purchase and settlement agreement with C2Go and Mercury Investment Partners LLC.

There are no assurances that we will be able to recover the remaining \$145,000 principal and there are no assurances there will be any assets for us to recover from its lien on all the assets of C2Go if payment in full of the obligation is not made. The loss reserve on the note receivable as of December 31, 2020 and 2019, was \$145,000 reflecting a "more likely than not" recognition threshold.

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Software	\$ 5,724,971	\$ 4,951,648
Equipment	2,137,364	891,838
Furniture and fixtures	492,347	444,576
Leasehold improvements	170,583	170,583
Total property and equipment	8,525,265	6,458,645
Less: accumulated depreciation	(5,419,339)	(4,901,124)
Net property and equipment	\$ 3,105,926	\$ 1,557,521

Note 5. Intangibles

Akimbo Financial, Inc. Acquisition (2015)

On December 22, 2014, we acquired substantially all of the assets of Akimbo Financial, Inc. The intangibles acquired in the acquisition consist of the customer list and contracts at cost of \$396,824 (net of accumulated amortization of \$396,824 at December 31, 2020) and goodwill of \$9,759. The intangible asset was fully amortized as of December 31, 2017. The fair value of the customer list and contracts was calculated using the net present value of the projected gross profit to be generated by the customer list over a period of 36 months beginning in January 2015 and was amortized over 3 years at \$163,139 annually.

Goodwill was determined based on the purchase price paid over the assets acquired and has an indefinite life, which is tested for impairment annually.

Singular Payments, LLC Acquisition (2017)

On September 1, 2017, we acquired all of the membership interest of Singular Payments, LLC. The intangibles acquired in such acquisition consist of customer list assets of \$5,000,000 at cost (net of accumulated amortization of \$3,333,333 at December 31, 2020). The fair value of the customer list was calculated using the net present value of the projected gross profit to be generated by the customer list over 60 months beginning in September 2017 and ending in August 2022. Amortization expense in 2020 and 2019 was \$1,000,000. Annual amortization expense will be \$1,000,000 per year through the year 2021 and \$666,667 in the year 2022.

Information Management Solutions, LLC Acquisition (2020)

On December 15, 2020, we acquired substantially all of assets of Information Management Solutions, LLC. The intangibles acquired in such acquisition consist of customer list assets of \$4,359,335 at cost. The fair value of the customer list was calculated using the net present value of the projected gross profit to be generated by the customer list over 60 months beginning in January 2021 and ending in December 2025. Annual amortization expense will be \$871,867 per year through the year 2025.

Note 6. Valuation Accounts

Valuation and allowance accounts included the following at December 31:

	Balance Beginning of Year	Net Charged to Costs and Expenses	Transfers	Net Write-Off	Balance End of Year
2020					
Allowance for doubtful accounts	\$ 123,165	\$ 96,000	\$ —	\$ (13,643)	\$ 205,522
Reserve for processing losses	506,153	132,000	—	(122,954)	515,199
2019					
Allowance for doubtful accounts	\$ 55,212	\$ 89,613	\$ —	\$ (21,660)	\$ 123,165
Reserve for processing losses	374,153	132,000	—	—	506,153

Note 7. PPP Loan

The Company received funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration. Under the terms of the Note, the Company received total proceeds of \$813,500 bearing interest at a rate of 1% per annum with a maturity date of April 15, 2022. In addition, principal and interest payments will be deferred for the first ten months of the loan. The loan is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The Company used the proceeds for payroll costs and other permitted expenses. Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES act, such as payroll costs, benefits, rent and utilities.

The Company's loan forgiveness was approved in full by the U.S. Small Business Administration on December 14, 2020 and is accounted for as income in 2020 under FASB ASC 470.

Note 8. Accrued Expenses

Accrued expenses consisted of the following balances at December 31:

	2020	2019
Accrued commissions	\$ 373,154	\$ 530,908
Reserve for processing losses	515,199	506,153
Other accrued expenses	225,412	92,385
Accrued taxes	132,363	99,850
Accrued salaries	217,816	131,255
Total accrued expenses	<u>\$ 1,463,944</u>	<u>\$ 1,360,551</u>

Note 9. Operating Leases

The Company leases approximately 10,535 square feet of office space for its San Antonio, TX executive offices and operations. Rental expense under the operating lease was \$136,713 and \$199,702 for the years ended December 31, 2020 and 2019, respectively. The lease expires on July 31, 2024.

The Company leases approximately 3,794 square feet of office space for its Nashville, Tennessee sales offices and operations. Rental expense under the operating lease was \$81,474 and \$112,108 for the years ended December 31, 2020 and 2019, respectively. The lease expires on April 30, 2023.

The Company assumed a lease in San Antonio, Texas as a part of the Information Management Solutions, LLC acquisition for its Output Solutions employees and warehouse operations. The lease has a remaining life of 45 months and expires on September 30, 2024. The space leased is 22,400 square feet. Annual rents during the lease term range from \$123,554 to \$133,703.

On January 1, 2021, the Company entered into a lease in Austin, Texas commencing on January 1, 2021 for its Austin technology organization. The lease is for a period of 25 months and expires on January 31, 2023. The space leased is 1,890 square feet. Annual rents during the lease term is \$55,755.

On March 15, 2021, the Company entered into a lease amendment to the existing lease in San Antonio, Texas commencing April 1, 2021 and expiring on September 30, 2024 running concurrently with the existing lease. The incremental space leased is 2,734 square feet. The incremental annual rent during the lease term ranges from \$56,047 to \$60,148.

The Company also leased select computer equipment for a period of 36 months beginning in May, 2016. The lease expired in April, 2019. Additionally, the Company has various copier equipment with leases that have not expired. Rental expense under the operating lease was \$12,729 and \$25,000 for the years ended December 31, 2020 and 2019, respectively.

The weighted average remaining lease term is 6.86 years. The weighted average discount rate is 4.52%

The Company recognized total operating lease expense of approximately \$360,000 and \$450,000 for the years ended December 31, 2020 and 2019, respectively. In 2020, the operating lease expense of \$360,000 consisted of \$245,000 of fixed operating expense and \$115,000 of interest expense.

The maturities of lease liabilities are as follows at December 31, 2020:

	Year ended December 31,
2021	\$ 349,913
2022	479,023
2023	488,802
2024	447,645
2025	353,990
Thereafter	1,112,689
Total minimum lease payments	<u>3,232,062</u>
Less imputed interest	(389,266)
Total lease liabilities	<u>\$ 2,842,796</u>

Note 10. Related Party TransactionsLouis Hoch

During the year ended December 31, 2020 and 2019, the Company purchased \$9,885.72 and \$13,831, respectively, of corporate imprinted sportswear, promotional items and caps from Angry Pug Sportswear. Louis Hoch, President and Chief Executive Officer is a 50% owner of Angry Pug Sportswear.

Miguel Chapa

During the year ended December 31, 2020 and 2019, the Company received \$0 and \$6,665 in revenue from Lush Rooftop. Miguel Chapa, a former member of the Board of Directors, was an owner in Lush Rooftop. Louis Hoch, President and Chief Executive Officer, was an owner in Lush Rooftop. The relationship with Lush Rooftop ended in September, 2019 when the business was sold.

During the year ended December 31, 2020 and 2019, respectively, the Company received \$3,219 and \$24,363 in revenue from BLVD Bar and Lounge. Miguel Chapa, a former member of the Board of Directors, was an owner in BLVD Bar and Lounge. Louis Hoch, President and Chief Executive Officer, was also an owner in BLVD Bar and Lounge. In May 2020, Mr. Chapa and Mr. Hoch sold all their interests in BLVD.

Officers and Directors

On January 6, 2019, the Company repurchased 11,860 shares for \$21,822 in a private transaction at the closing price on January 6, 2019 from employees to cover the respective employee's share of taxes for shares that vested on that day for Tom Jewell, Chief Financial Officer to cover taxes.

On January 6, 2020, the Company repurchased 11,860 shares of common stock for \$20,636 at the closing price on January 6, 2020 from Tom Jewell, the Company's Chief Financial Officer to cover taxes.

On January 6, 2021, the Company repurchased 11,860 shares for \$38,545 in a private transaction at the closing price on January 6, 2021 of \$3.25 per share from Tom Jewell, the Company's Chief Financial Officer, to cover his share of taxes.

The Company granted 1,444,000 shares of common stock with a 10-year vesting period and 103,000 restricted stock units (RSUs) with a 3-year vesting period to employees and Directors as a performance bonus on April 1, 2020 at an issue price of \$1.08 per share. Executive officers and Directors included in the grant were Louis Hoch (300,000 shares), Tom Jewell (200,000 shares), Blaise Bender (10,000 RSUs), Brad Rollins (30,000 RSUs) and Miguel Chapa (30,000 RSUs).

As approved by the Company's Compensation Committee, on November 1, 2020, the Company issued 136,891 shares of common stock to Mr. Louis Hoch, the Company's Chief Executive Officer, valued at \$216,000 at the closing price of \$1.5779 per share from October 15, 2020 in satisfaction of the terms of the additional bonus of the employment agreement. As part of the transaction, on November 1, 2020, the Company repurchased 54,756 shares at the closing price of \$1.5779 on October 15, 2020 from Mr. Hoch to cover withholding taxes due.

Note 11. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax asset are as follows at December 31:

	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 8,277,000	\$ 10,753,000
Depreciation and amortization	827,000	668,000
Non-cash compensation	(225,000)	(69,000)
Other	49,000	46,000
Valuation Allowance	(7,534,000)	(10,004,000)
Deferred tax asset	<u>\$ 1,394,000</u>	<u>\$ 1,394,000</u>

Management has reviewed its net deferred asset position, and due to the history of operating losses has determined that the application of a valuation allowance at December 31, 2020 and 2019 is warranted. If applicable, the Company would recognize interest expense and penalties related to uncertain tax positions in interest expense. As of December 31, 2020, the Company had not accrued any interest or penalties related to uncertain tax provisions.

The Company has net operating loss carryforwards for tax purposes of approximately \$39.4 million. Net operating loss carryforwards prior to 2017 are available to offset taxable income of future periods and begin to expire in 2021. Effective for tax years ending in 2018 or later, net operating losses cannot be carried back but can be carried forward to future tax years indefinitely, subject to annual limitations for utilization. Approximately \$0.5 million of the total net operating loss is subject to an IRS Section 382 limitation from 1999.

The tax provision for federal and state income tax is as follows for the years ended December 31:

	2020	2019
Current provision:		
Federal	\$ —	\$ —
State	118,057	101,888
	<u>118,057</u>	<u>101,888</u>
Deferred provision:		
Federal expense	—	—
	<u>—</u>	<u>—</u>
Expense for income taxes	<u>\$ 118,057</u>	<u>\$ 101,888</u>

The reconciliation of federal income tax computed at the U.S. federal statutory tax rates to total income tax expense is as follows for the years ended

December 31:

	2020	2019
Income tax (benefit) at 21%	\$ (610,000)	\$ (1,074,000)
Change in valuation allowance	(2,470,000)	1,102,000
Permanent and other differences	3,080,000	(28,000)
Alternative minimum tax and state taxes	118,057	101,888
	<u>118,057</u>	<u>101,888</u>
Income tax expense	<u>\$ 118,057</u>	<u>\$ 101,888</u>

Note 12. Stock Options, Incentive Plans, Stock Awards, and Employee Benefit Plan

Stock Option Plans: The Company's 2015 Equity Incentive Plan provides for the grant of incentive stock options as defined in Section 422 of the Internal Revenue Code and the grant of Stock Options, Restricted Stock, Restricted Stock Units, Performance Awards, or other Awards to employees, non-employee directors, and consultants. The Board of Directors has authorized 5,000,000 shares of common capital stock for issuance under the 2015 Equity Incentive Plan, including automatic increases provided for in the 2015 Equity Incentive Plan through fiscal year 2025. The number of shares of common stock reserved for issuance under the 2015 Equity Incentive Plan will automatically increase, with no further action by the stockholders, on the first business day of each fiscal year during the term of the 2015 Equity Incentive Plan, beginning January 1, 2016, in an amount equal to 5% of the issued and outstanding shares of common stock on the last day of the immediately preceding year, or such lesser amount if so determined by the Board or the Plan Administrator. During 2020, the Company granted 1,634,000 shares of stock to several employees as incentive compensation or new-hire bonuses. During 2020, the Company issued 332,267 restricted stock units to employees as a new hire bonus and directors.

Treasury Stock: The Company also purchased 121,867 shares of common stock with a value of \$227,766 to cover the employee's share of tax liabilities related to the vesting of common stock and restricted stock units.

Stock Awards: The Company has granted restricted stock awards to its employees at different periods from 2005 through 2020. The majority of the shares granted to those employees vest 10 years from the grant date and are forfeited in the event that the recipient's employment relationship with the Company is terminated prior to vesting.

During 2020, a portion of the restricted stock awards were granted, but not issued and are not listed as outstanding in the financial statements for 2020.

Stock-based compensation expense related to stock and restricted stock awards was \$1,475,328 for 2020 and \$1,292,419 for 2019.

A summary of stock awards outstanding and 2020 activities are as follows:

Stock Awards	Shares	Weighted Average Exercise Price	Weighted Average Contractual Remaining Life	Aggregate Intrinsic Value
Outstanding, December 31, 2019	4,023,780	\$ 2.25		
Granted	1,634,000	1.20		
Vested	(106,667)	—		
Forfeited	(450,000)	—		
Outstanding, December 31, 2020	5,101,113	\$ 1.96	6.94	\$ 0.71
Expected to Vest after December 31, 2020	5,101,113	\$ 1.96	6.94	\$ 0.71

As of December 31, 2020, there were \$5,926,872 of unrecognized compensation costs related to the un-vested share-based compensation arrangements granted. The cost is expected to be recognized over the weighted average remaining contractual life of 6.94 years.

The aggregate intrinsic value represents the difference between the weighted average exercise price and the closing price of the Company's stock on December 31, 2020, or \$2.67.

Employee Stock Purchase Plan: The Company established the 1999 Employee Stock Purchase Plan ("ESPP") under the requirements of Section 423 of the Internal Revenue Code to allow eligible employees to purchase the Company's common stock at regular intervals. Participating employees may purchase common stock through voluntary payroll deductions at the end of each participation period at a purchase price equal to 85% of the lower of the fair market value of the common stock at the beginning or the end of the participation period. The Company issued -0- shares from the ESPP in 2020 and 2019, respectively. The ESPP is no longer active.

Stock Warrants: On August 21, 2018, the Company issued University Fancards, LLC a warrant to purchase 150,000 shares of the Company's common stock. 30,000 warrants vested immediately upon the date on which the first financial transaction was processed on a card account issued under the prepaid agreement, which occurred on October 5, 2018. 120,000 warrants vest annually over 4 years in 30,000 warrant increments beginning on July 31, 2019 and becoming fully vested on July 31, 2022. The exercise price for the 30,000 warrants that vested immediately on October 5, 2018 was \$1.80 per share. The exercise price for the remaining 120,000 warrants will be the lesser of \$2.00 per share or one hundred and twenty percent (120%) of the market price of the Company's common stock on the vesting date of the warrant. The warrants were valued using the Black-Scholes option pricing model. Assumptions used were as follows: (i) the fair value of the underlying stock was \$0.94 for the 30,000 warrants and \$0.90 for the 120,000 warrants; (ii) the risk-free interest rate is 2.77%; (iii) the contractual life is 5 years; (iv) the dividend yield of 0%; and (v) the volatility is 64.6%. The fair value of the warrants amounted to \$135,764 and will be amortized over the life of the warrants as a reduction of revenues. The reduction of revenues recorded for the year ended December 31, 2020 and 2019 was \$35,943 and \$35,940, respectively.

On August 12, 2020, the Company issued 27,051 shares of common stock to University FanCards, LLC in a cashless exercise at \$3.46 per common share in exchange for 60,000 warrants exercised by FanCards, LLC. On February 5, 2021, the Company issued 19,795 shares of common stock to University FanCards, LLC in a cashless exercise at \$5.88 per common share in exchange for 30,000 warrants exercised by FanCards, LLC.

On December 15, 2020, the Company issued to Information Management Solutions, LLC warrants to purchase 945,599 unregistered warrants to purchase shares of Usio, Inc. or 945,599 shares of our common stock, \$0.001 par value per share, with an exercise price of \$4.23. The warrants were valued using the Black-Scholes option pricing model. Assumptions used were as follows: (i) the fair value of the underlying stock was \$0.58; (ii) the risk-free interest rate is 0.09%; (iii) the contractual life is 5 years; (iv) the dividend yield of 0%; and (v) the volatility is 59.9%. The fair value of the warrants amounted to \$552,283 and will be recorded as an increase in the customer list asset and have a term of five years from time of vest.

Note 13. Net (Loss) per Share

Basic (loss) per share (EPS) was computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS differs from basic EPS due to the assumed conversion of potentially dilutive options that were outstanding during the period. The following is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for net (loss).

	2020	2019
Numerator:		
Numerator for basic and diluted earnings per share, net (loss) available to common shareholders	\$ (2,906,183)	\$ (5,115,747)
Denominator:		
Denominator for basic (loss) per share, weighted average shares outstanding	15,428,798	12,958,067
Effect of dilutive securities-stock options and restricted awards	—	—
Denominator for diluted (loss) per share, adjusted weighted average shares and assumed conversion	15,428,798	12,958,067
Basic (loss) per common share	\$ (0.19)	\$ (0.39)
Diluted (loss) per common share and common share equivalent	\$ (0.19)	\$ (0.39)

The awards and options to purchase shares of common stock that were outstanding at December 31, 2020 and 2019 that were not included in the computation of diluted (loss) per share because the effect would have been anti-dilutive, are as follows:

	Year Ended December 31,	
	2020	2019
Anti-dilutive awards and options	4,946,222	4,023,780

Note 14. Concentration of Credit Risk and Significant Customers

The Company has no significant off-balance sheet or concentrations of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements. The Company currently maintains the majority of its cash and cash equivalent balance with one financial institution. No customers account for more than 10% of the revenues of the company.

Note 15. Legal Proceedings**C2Go Note Receivable**

Under a loan and security agreement dated February 2, 2016, we loaned the principal amount of \$200,000 to C2Go, Inc. with an interest rate of 10% per annum for a term of 18 months. The loan was secured by a first lien on all assets of C2Go. C2Go defaulted under the note by failing to repay the loan plus interest on August 2, 2017. On December 7, 2017, we entered into a note purchase and settlement agreement with C2Go and Mercury Investment Partners LLC.

There are no assurances that we will be able to recover the remaining \$145,000 principal and there are no assurances there will be any assets for us to recover from its lien on all the assets of C2Go if payment in full of the obligation is not made. The loss reserve on the note receivable as of December 31, 2020 and 2019, was \$145,000 reflecting a "more likely than not" recognition threshold.

Vaden Landers

On January 19, 2021, the Company initiated a lawsuit in Bexar County, Texas against its former Chief Revenue Officer, Vaden Landers. In the lawsuit, which is styled: *Usio, Inc. v. Vaden Landers*, Cause No. 2021CI01069, 407th Judicial District Court, Bexar County, Texas, the Company alleges that Mr. Landers violated the provisions of his employment agreement dated September 1, 2017 - specifically that Mr. Landers violated his non-compete obligations. The state court lawsuit only seeks injunctive relief against Mr. Landers. The Company also instituted an action before the American Arbitration Association on February 2, 2021.

Mr. Landers has refused to participate in the arbitration proceeding and has not filed an answer in the proceeding. Mr. Landers has answered the state court lawsuit, denying the Company's allegations. Mr. Landers has also asserted counterclaim against the Company for breach of contract, tortious interference with contract and defamation. Mr. Landers seeks damages in excess of \$1,000,000. The Company denies Mr. Landers' allegations and does not believe that his counterclaims have any merit.

Through its investigation, the Company has learned that Mr. Landers committed other violations of his employment agreement and intends to pursue those claims in arbitration. Both the state court litigation and the arbitration are in their initial stages and no discovery has been conducted by the parties.

Aside from the lawsuits described above, the Company may be involved in legal matters arising in the ordinary course of business from time to time. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is or could become involved in litigation will not have a material adverse effect on our business, financial condition or results of operations.

Note 16. COVID-19

The ongoing COVID-19 pandemic has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, "shelter in place" and other governmental regulations, reduced consumer spending due to both job losses and other effects attributable to the COVID-19 pandemic. There remain many uncertainties as a result of the pandemic. As a result of the spread of COVID-19, economic uncertainties could continue to impact our operations. Any potential incremental financial impact is unknown at this time.

At this time, certain states are reducing mandated operating restrictions and efforts are underway to provide vaccinations to as many people as possible. During 2020 and 2021, government issued several rounds of COVID-19 relief and stimulus payments and other programs to stimulate economic activity and facilitate an economic recovery.

The Company's business was initially adversely affected as doctors offices, dental offices, veterinarian offices and non-bank consumer lending accounts were ordered closed in connection with curbing the spread of the pandemic. As these doctors, dental and veterinarian offices re-opened, these businesses quickly recovered and returned to levels higher than pre-COVID. Consumer lending merchants were adversely affected by COVID relief payments made during the pandemic and the pause placed on past due amounts owed. The level of activity for consumer lending merchants has not returned to pre-COVID levels. We received a gain during COVID in our prepaid business line, as we were able to work in conjunction with major cities across the U.S. to use our prepaid debit cards to facilitate the transfer of money via our debit cards from city foundations to the local residents in need of financial assistance.

The impacts and recovery from the COVID-19 pandemic are still a work in process. We were impacted in the magnitude of other payment processors as our customer base had limited exposure to retail facing businesses. With that framework, we will continue to monitor the overall impact on our operations and take necessary steps to ensure the safety of our employees and the well being of our customers.

Note 17. Subsequent Events

On January 6, 2021, the Company repurchased 11,860 shares of common stock for \$20,636 at the closing price on January 6, 2021 from Tom Jewell, the Company's Chief Financial Officer to cover taxes.

In early January, 2021, the Company's largest ACH customer went bankrupt and stopped processing transactions. The customer represented 15% of our total ACH volume in 2020 and 1.12% of revenue for the Company. The volume loss has been more than offset by organic growth from existing ACH clients to the extent the Company processed more ACH transactions in January 2021 than in January 2020 and the Company will process more ACH transactions in the first quarter of 2021 as compared to the same period in 2020.

On January 1, 2021, the Company entered into a lease in Austin, Texas commencing on January 1, 2021 for its Austin technology organization. The lease is for a period of 25 months and expires on January 31, 2023. The space leased is 1,890 square feet. Annual rents during the lease term is \$55,755.

On February 5, 2021, the Company issued 19,795 shares of common stock to University FanCards, LLC in a cashless exercise at \$5.88 per common share in exchange for 30,000 warrants exercised by FanCards, LLC.

On March 15, 2021, the Company entered into a lease amendment to the existing lease in San Antonio, Texas commencing April 1, 2021 and expiring on September 30, 2024 running concurrently with the existing lease. The incremental space leased is 2,734 square feet. The incremental annual rent during the lease term ranges from \$56,047 to \$60,148.

On March 20, 2021, the Company entered into a debit arrangement to finance \$165,996 for the purchase of an Output Solutions sorter. The loan is for a period of 36 months with a maturity date of March 20, 2024. The repayment amount is for 35 months at \$4,901.79 per month and a final payment of \$4,901.88. Annual payments are \$58,821. The financing is at an interest rate of 3.95%.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and, our Chief Financial Officer, 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 amended, or the Exchange Act as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2020 are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures include components of our internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance that the control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for our Company. 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. Our management conducted an assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2020 based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 the definitive proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2020, or the 2021 Proxy Statement.

Item 405 of Regulation S-K requires the disclosure of, based upon our review of the forms submitted to us during and with respect to our most recent fiscal year, any known failure by any director, officer, or beneficial owner of more than ten percent of any class of our securities, or any other person subject to Section 16 of the Exchange Act, or reporting person, to file timely a report required by Section 16(a) of the Exchange Act. This disclosure is contained in the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2021 Proxy Statement.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our code of ethics was filed as Exhibit 14.1 to our quarterly report on Form 10-Q for the quarter ended June 30, 2015 on August 14, 2015. We will provide a copy of our code of ethics to any person without charge, upon request. Requests should be addressed to: Usio, Inc., Attn: Investor Relations Department, 3611 Paesanos Parkway, Suite 300, San Antonio, Texas 78231.

Procedure for Nominating Directors

We have not made any material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

We consider recommendations for director candidates from our directors, officers, employees, stockholders, customers and vendors. Stockholders wishing to nominate individuals to serve as directors may submit such nominations, along with a nominee's qualifications, to our Board of Directors at Usio, Inc., 3611 Paesanos Parkway, Suite 300, San Antonio, Texas, 78231, and the Board of Directors will consider such nominee. The Board of Directors selects the director candidates slated for election. We have a designated Nominations and Corporate Governance Committee, which reviews and make recommendations to the Board of Directors with respect to proposed director candidates.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

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 the 2021 Proxy Statement.

The information required to be disclosed by Item 201(d) of Regulation S-K, “Securities Authorized for Issuance Under Equity Compensation Plans,” appears under the caption “Equity Compensation Plan Information” in the 2021 Proxy Statement and such information is incorporated by reference into this report.

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

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to the 2021 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Consolidated Financial Statements.

The following documents are filed in Part II, Item 8 of this annual report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2020 and 2019

Consolidated Statements of Operations for the years ended December 31, 2020 and 2019

Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2020 and 2019 Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules.

All financial statement schedules have been omitted as they are not required, not applicable, or the required information is otherwise included.

(a)(3) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Articles of Incorporation (included as exhibit 3.1 to the Form 10-KSB filed March 31, 2006, and incorporated herein by reference).
3.2	Amendment to the Amended and Restated Articles of Incorporation (included as exhibit A to the Schedule 14C filed April 18, 2007, and incorporated herein by reference).
3.3	Certificate of Change Filed Pursuant to NRS 78.209 (included as exhibit 3.1 to the Form 8-K filed July 23, 2015, and incorporated herein by reference).
3.4	Certificate of Amendment of Restated Articles of Incorporation of Usio, Inc., as amended, effective June 26, 2019 (included as exhibit 3.1 to the Form 8-K filed July 1, 2019, and incorporated herein by reference).
3.5	Amended and Restated By-laws (included as exhibit 3.2 to the Form 10-KSB filed March 31, 2006, and incorporated herein by reference).
3.6	Amendment to the Amended and Restated By-laws (included as exhibit A to Schedule 14C filed April 18, 2007, and incorporated herein by reference).
10.1	Employment Agreement between the Company and Michael R. Long, dated February 27, 2007 (included as exhibit 10.1 to the Form 8-K filed March 2, 2007, and incorporated herein by reference).
10.2	Employment Agreement between the Company and Louis A. Hoch, dated February 27, 2007 (included as exhibit 10.2 to the Form 8-K filed March 2, 2007, and incorporated herein by reference).
10.3	First Amendment to Employment Agreement between the Company and Michael R. Long, dated November 12, 2009 (included as exhibit 10.15 to the Form 10-Q filed November 16, 2009, and incorporated herein by reference).
10.4	First Amendment to Employment Agreement between the Company and Louis A. Hoch, dated November 12, 2009 (included as exhibit 10.16 to the Form 10-Q filed November 16, 2009, and incorporated herein by reference).
10.5	Second Amendment to Employment Agreement between the Company and Michael R. Long, dated April 12, 2010 (included as exhibit 10.16 to the Form 10-K filed April 15, 2010, and incorporated herein by reference).
10.6	Second Amendment to Employment Agreement between the Company and Louis A. Hoch, dated April 12, 2010 (included as exhibit 10.17 to the Form 10-K filed April 15, 2010, and incorporated herein by reference).
10.7	Bank Sponsorship Agreement between the Company and University National Bank, dated August 29, 2011 (included as exhibit 10.18 to the Form 10-K filed April 3, 2012, and incorporated herein by reference).
10.8	Third Amendment to Employment Agreement between the Company and Michael R. Long, dated January 14, 2011 (included as exhibit 10.19 to the Form 10-K filed April 3, 2012, and incorporated herein by reference).
10.9	Third Amendment to Employment Agreement between the Company and Louis A. Hoch, dated January 14, 2011 (included as exhibit 10.20 to the Form 10-K filed April 3, 2012, and incorporated herein by reference).
10.10	Fourth Amendment to Employment Agreement between the Company and Michael R. Long, dated July 2, 2012 (included as exhibit 10.18 to the Form 10-Q filed August 20, 2012, and incorporated herein by reference).

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- 10.11 [Fourth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated July 2, 2012 \(included as exhibit 10.19 to the Form 10-Q filed August 20, 2012, and incorporated herein by reference\).](#)
- 10.12 [Asset Purchase Agreement between the Company and Akimbo Financial, Inc., dated December 22, 2014 \(included as exhibit 10.1 to the Form 8-K filed December 24, 2014, and incorporated herein by reference\).](#)
- 10.13 [Bank Sponsorship Agreement between the Company and Metropolitan Commercial Bank, dated December 11, 2014 \(included as exhibit 10.26 to the Form 10-K filed March 30, 2015, and incorporated herein by reference\).](#)
- 10.14 [Loan and Security Agreement between C2Go, Inc., as Debtor, and FiCentive, Inc., as Lender, dated February 2, 2016 \(included as exhibit 10.1 to the Form 8-K filed February 8, 2016, and incorporated herein by reference\).](#)
- 10.15† [Prepaid Card Marketing and Processing Agreement between FiCentive, Inc. and C2Go, Inc., dated February 2, 2016 \(included as exhibit 10.2 to the Form 8-K filed February 8, 2016, and incorporated herein by reference\).](#)
- 10.16 [Fifth Amendment to Employment Agreement between the Company and Michael R. Long, dated August 3, 2016 \(included as exhibit 10.1 to the Form 8-K filed August 9, 2016, and incorporated herein by reference\).](#)
- 10.17 [Fifth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated August 3, 2016 \(included as exhibit 10.2 to the Form 8-K filed August 9, 2016, and incorporated herein by reference\).](#)
- 10.18 [Sixth Amendment to Employment Agreement between the Company and Michael R. Long, dated September 8, 2016 \(included as exhibit 10.1 to the Form 8-K filed September 14, 2016, and incorporated herein by reference\).](#)
- 10.19 [Sixth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated September 8, 2016 \(included as exhibit 10.2 to the Form 8-K filed September 14, 2016, and incorporated herein by reference\).](#)
- 10.20 [Employment Agreement between the Company and Tom Jewell, dated January 6, 2017 \(included as exhibit 10.1 to the Form 8-K filed January 6, 2017, and incorporated herein by reference\).](#)
- 10.21 [Independent Director Agreement between the Company and Brad Rollins, dated May 5, 2017 \(included as exhibit 10.1 to the Form 8-K, filed May 11, 2017, and incorporated herein by reference\).](#)

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- 10.22† [Membership Interest Purchase Agreement among the Company, Singular Payments, LLC and Vaden Landers, dated September 1, 2017 \(included as exhibit 10.1 to the Form 8-K, filed September 8, 2017, and incorporated herein by reference\).](#)
- 10.23 [Employment Agreement between the Company and Vaden Landers, dated September 1, 2017 \(included as exhibit 10.2 to the Form 8-K, filed September 8, 2017, and incorporated herein by reference\).](#)
- 10.24 [First Amendment to Employment Agreement between the Company and Tom Jewell, dated November 27, 2017 \(included as exhibit 10.1 to the Form 8-K, filed November 28, 2017, and incorporated herein by reference\).](#)
- 10.25 [Settlement Agreement among C2Go, Inc., FiCentive, Inc. and Mercury Investment Partners LLC, dated December 7, 2017 \(included as exhibit 10.42 to the Form 10-K filed March 30, 2018, and incorporated herein by reference\).](#)
- 10.26 [Lease Agreement between the Company and Blauers Paesanos Parkway LP, dated February 9, 2018 \(included as exhibit 10.43 to the Form 10-K filed March 30, 2018, and incorporated herein by reference\).](#)
- 10.27 [Lease Agreement between the Company and RP Circle 1 Building, LLC, dated December 11, 2017 \(included as exhibit 10.44 to the Form 10-K filed March 30, 2018, and incorporated herein by reference\).](#)
- 10.28 [Second Amendment to Employment Agreement between the Company and Tom Jewell, dated November 28, 2018 \(included as exhibit 10.1 to the Form 8-K filed November 28, 2018, and incorporated herein by reference\).](#)
- 10.29 [Placement Agency Agreement between the Company and Maxim Group, LLC, dated February 12, 2019 \(included as exhibit 10.1 to the Form 8-K filed February 13, 2019, and incorporated herein by reference\).](#)
- 10.30 [Share Purchase Agreement among the Company, Sabby Healthcare Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd., dated February 12, 2019 \(included as exhibit 10.2 to the Form 8-K filed February 13, 2019, and incorporated herein by reference\).](#)
- 10.31 [Independent Director Agreement between the Company and Blaise Bender, dated April 1, 2019 \(included as exhibit 10.2 to the Form 8-K filed April 3, 2019, and incorporated herein by reference\).](#)
- 10.32+ [Securities Purchase Agreement between Company and Topline Capital Partners, L.P. dated July 1, 2020 \(included as exhibit 10.1 and incorporated by reference\)](#)
- 10.33 [2015 Equity Incentive Plan \(included as Appendix B to the Definitive Proxy Statement on Schedule 14A filed on June 5, 2015 and incorporated herein by reference\)](#)
- 10.34 [Warrant Agreement between the Company and University FanCards, LLC dated August 21, 2018 \(included as exhibit 10.41 to the form 10-Q filed on November 12, 2020, and incorporated by reference\)](#)
- 10.35 [Independent Director Agreement dated August 29, 2020, by and between the Company and Ernesto Beyer \(included as exhibit 10.1 to the Form 8-K filed on August 31, 2020, and incorporated by reference\)](#)
- 10.36 [Underwriting Agreement between the Company and Ladenburg Thalmann & Co., Inc. as representative, dated September 23, 2020 \(included as exhibit 1.1 to the Form 8-K filed on September 25, 2020, and incorporated herein by reference\)](#)
- 10.37 [Third Amendment to the Employment Agreement between the Company and Tom Jewell, effective October 12, 2020 \(included as exhibit 10.1 to the Form 8-K filed on October 28, 2020, and incorporated herein by reference\)](#)
- 10.38+ [Asset Purchase Agreement between the Company and Information Management Solutions, LLC dated December 15, 2020 \(included as exhibit 10.2 to the Form 8-K filed on December 18, 2020, and incorporated herein by reference\)](#)
- 10.39+ [Warrant Agreement between the Company and Information Management Solutions, LLC dated December 15, 2020, \(included as exhibit 10.2 to the Form 8-K filed on December 18, 2020, and incorporated herein by reference\)](#)
- 10.40 [Lease agreement between Information Management Systems, LLC and Industrial Properties Corp. dated June 16, 2011 \(filed herewith\).](#)
- 10.41 [First amendment to lease between Information Management Systems, LLC and Industrial Properties Corp. dated April 4, 2013 \(filed herewith\).](#)
- 10.42 [Second amendment to lease between Information Management Systems, LLC and Industrial Properties Corp. dated March 5, 2018 \(filed herewith\).](#)
- 10.43 [Third amendment to lease between the Company as successor to Information Management Systems, LLC and ICON IPC TX Property Owner Pool 6 West/Southwest, LLC, dated December 22, 2020 \(filed herewith\).](#)
- 10.44 [Lease agreement between the Company and Smartyfi, LLC for Austin offices dated January 1, 2021 \(filed herewith\).](#)
- 10.45 [First amendment to lease between the Company and Paesanos Office Building, LLC for San Antonio offices dated March 15, 2021 \(filed herewith\).](#)
- 14.1 [Code of Ethics \(included as exhibit 14.1 to the Form 10-Q filed August 14, 2015, and incorporated herein by reference\).](#)
- 16.1 [Letter from Ernst and Young LLP to the Securities and Exchange Commission dated February 10, 2004 \(included as exhibit 16 to the Form 8-K filed February 11, 2004, and incorporated herein by reference\).](#)

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21.1	Subsidiaries of the Company (filed herewith).
23.1	Consent of ADKF, P.C. (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer and the /Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document (filed herewith).
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	XBRL Taxonomy Presentation Linkbase Document (filed herewith).

† Confidential treatment has been granted for portions of this agreement.

+ The schedules to the exhibit have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish copies of any such schedules to the SEC upon request.

Copies of the above exhibits not contained herein are available to any stockholder, upon written request to: Chief Financial Officer, Usio, Inc., 3611 Paesanos Parkway, Suite 300, San Antonio, TX 78231.

ITEM 16. FORM 10-K SUMMARY

None.

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, thereunto duly authorized.

Usio, Inc.

Date: March 30, 2021

By: /s/ Louis A. Hoch
Louis A. Hoch
Chief Executive Officer
(Principal Executive Officer)

Date: March 30, 2021

By: /s/ Tom Jewell
Tom Jewell
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 in the capacities and on the dates indicated.

Date: March 30, 2021

By: /s/ Michael R. Long
Michael R. Long
Chairman of the Board

Date: March 30, 2021

By: /s/ Tom Jewell
Tom Jewell
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 30, 2021

By: /s/ Louis A. Hoch
Louis A. Hoch
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Date: March 30, 2021

By: /s/ Blaise Bender
Blaise Bender
Director

Date: March 30, 2021

By: /s/ Ernesto Beyer
Ernesto Beyer
Director

Date: March 30, 2021

By: /s/ Bradley Rollins
Bradley Rollins
Director



INDUSTRIAL PROPERTIES
CORPORATION



July 7, 2011

Mr. Henry Minten
Information Management Solutions, L.L.C.
2422 Freedom Drive
San Antonio, Texas 78217

Dear Henry:

I have enclosed a fully executed copy of the Lease Agreement between Industrial Properties Corporation, Landlord, and Information Management Solutions, L.L.C., Tenant, for space at 2416 Brockton Drive, Suite 105, in San Antonio.

Please retain this copy for your records.

In accordance with Section 14 of said Lease, please remit a copy of your company's certificate of liability insurance for our records. Please send the certificate to the following address:

Ms. Mary Beth Hawbaker
Industrial Properties Corporation
16479 Dallas Parkway, Suite 500
Addison, Texas 75001

Please note that the following entities need to be named as additional insureds on said certificate:

- Industrial Properties Corporation
- GE Capital Corporation
- Metropolitan Life Insurance Company

Should you have any questions or need any additional information, please call me at 512.835.7262.

Thank you for your assistance with this transaction.

Sincerely,

Andrew M. Swanson
Leasing Manager

AMS:sea

enclosure

LEASE AGREEMENT

[TEXAS]

This Lease Agreement (this "**Lease**") is made and entered into by and between **INDUSTRIAL PROPERTIES CORPORATION**, a Texas corporation ("**Landlord**") and **INFORMATION MANAGEMENT SOLUTIONS, L.L.C.**, a Texas limited liability company ("**Tenant**");

1. **Premises and Term.** In consideration of the obligation of Tenant to pay Rent as provided in this Lease, and in consideration of the other terms, provisions, and covenants of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord premises delineated on Exhibit A attached hereto and incorporated herein (the "**Premises**") in the building (the "**Building**") located on the real property described on Exhibit B attached hereto and incorporated herein (the "**Land**") in Bexar County, Texas, more particularly described as follows:

Approximately 16,000 square feet of space located at 2416 Brockton Drive, Suite 105, San Antonio, Texas 78217

To have and to hold the Premises, subject to the terms and provisions of this Lease, for a term (the "**Term**") commencing on October 1, 2011 (the "**Commencement Date**") and ending 60 full calendar months thereafter. If this Lease is executed before the Premises become vacant or otherwise available and ready for occupancy, or if any present tenant or occupant of the Premises holds over and Landlord cannot deliver possession of the Premises by the originally scheduled Commencement Date, Landlord shall not be deemed to be in default under this Lease, and Tenant agrees to accept possession of the Premises at such time as Landlord is able to deliver the same; Landlord hereby waives payment of Rent for the period prior to its delivery of possession of the Premises to Tenant. Landlord will not be liable to Tenant if Landlord does not deliver possession of the Premises to Tenant on the Commencement Date. Landlord's non-delivery of possession of the Premises to Tenant on the Commencement Date will not affect this Lease or the obligations of Tenant under this Lease. However, the Commencement Date will be delayed until possession of the Premises is delivered to Tenant and the Term will be extended for a period equal to the delay in delivery of possession of the Premises to Tenant. If delivery of possession of the Premises to Tenant is delayed, Landlord and Tenant shall, upon such delivery, execute an amendment to this Lease setting forth the revised Commencement Date and expiration date of the Term. If Tenant occupies the Premises before the Commencement Date, Tenant's occupancy of the Premises will be subject to all of the provisions of this Lease. By taking possession of the Premises, Tenant shall be deemed to have acknowledged that it has inspected the Premises and accepts the Premises in their then present condition, and as suitable for the purpose for which the Premises are leased. Tenant further acknowledges that Landlord has made no representations as to the repair or condition of the Premises, nor promises to alter, remodel, or improve the Premises, except those expressly set forth in this Lease. Notwithstanding anything to the contrary in the foregoing, Tenant and any of its agents, contractors or employees, shall be permitted to enter the Premises and use Tenant's designated parking area and truck court after the date of execution of this Lease by both Landlord and Tenant, and prior to the Commencement Date, with no obligation to pay Rent, but subject to all other covenants, terms and conditions of the Lease (including, without limitation, all insurance and indemnity requirements), for the sole purpose of performing construction in the Premises and installing Tenant's furniture and equipment.

2. **Rent.**

2.1. As used in this Lease, "**Rent**" means "**Base Rent**" (defined in **Section 2.2**) and "**Additional Rent**" (defined in **Section 3**). In the event Tenant fails to pay any installment of Rent hereunder as and when such installment is due, Tenant shall be obligated to pay to Landlord (without the necessity of a demand therefor by Landlord) a late charge in an amount equal to fifteen percent (15%) of such installment. The late charge is in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner.

2.2. Tenant agrees to pay to Landlord rent for the Premises, without deduction, set off, or abatement, for the Term, \$5,600.00 per month (the "**Base Rent**"). The initial monthly installment of Base Rent is

due and payable upon execution of this Lease and will be applied to the first calendar month of the Term; subsequent monthly installments of Base Rent are due and payable in advance without demand on or before the first day of each succeeding calendar month during the Term. If the Commencement Date occurs on a date other than the first day of a calendar month, there shall be due and payable on the Commencement Date an additional amount equal to that portion of the Base Rent (prorated on a daily basis) attributable to the number of days from the Commencement Date to the end of the calendar month during which the Commencement Date falls.

2.3. If any check tendered to Landlord by Tenant under this Lease is dishonored for any reason, Tenant shall pay to Landlord an amount equal to the amount Landlord has been required to pay to its bank as a result of such dishonor. If any two or more Rent payments by check are dishonored or returned unpaid, thereafter Landlord may, at Landlord's sole option, upon written notice to Tenant, require that all future payments of Rent for the remaining Term must be made by cash, certified check, cashier's check, official bank check, money order, or automatic electronic funds transfer ("**Good Funds**"). Any acceptance by Landlord of a payment for Rent by Tenant's personal or corporate check thereafter will not be construed as a waiver of Landlord's right to insist upon payment by Good Funds as set forth herein.

3. **Tenant's Obligation to Pay Reimbursable Expenses as Additional Rent.** In addition to the Base Rent payable under Section 2.2, Tenant shall pay to Landlord as Additional Rent the Reimbursable Expenses (as herein defined), as adjusted from time to time, as set forth in Section 3. For purposes of this Lease, the following terms shall have the herein indicated meanings:

3.1. "**Reimbursable Expenses**" means "**Tenant's Share**" of "**Taxes**" and "**Operating Costs**" (as all such terms are herein defined).

3.2. The term "**Tenant's Share**" means a fraction (expressed as a percentage to two decimal places), the numerator of which is the floor area (in square feet) of the Premises and the denominator of which is the aggregate leaseable floor area (in square feet) in all buildings (including the Building) now or hereafter situated on the Land as of the first day of January for the relevant calendar year. Landlord and Tenant hereby stipulate that Tenant's Share is 55.56 % as of the Commencement Date.

3.3. "**Operating Costs**" means, for each calendar year (or portion thereof) during the Term, the aggregate of all costs, expenses, and liabilities of every kind or nature paid or incurred by Landlord in connection with the ownership, operation and maintenance of the "**Project**" (being the Building and Land, together with driveways, parking facilities, loading dock areas, roadways and any other similar improvements and easements associated with the foregoing or operation thereof) including but not limited to the following costs determined in accordance with generally accepted accounting principles consistently applied. (A) property management fees and expenses that are related to the Project; (B) all supplies and materials used in the operation, maintenance, repair, replacement, and security of the Project; (C) cost of all utilities (including fuel, gas, electricity, water, sewer, and other services) for the common areas and other non-tenant areas of the Project (e.g., mechanical, electrical and telecommunications rooms) as reasonably determined by Landlord; (D) repairs, replacements, and general maintenance of the Project including but not limited to paving and parking areas, roads, roof repairs (Landlord is responsible for replacement of the roof as provided in Section 7), alleys and driveways, trash collection, sweeping and removal of trash for the common areas, mowing and snow removal, landscaping and exterior painting, the cost of maintaining utility lines, fire sprinklers and fire protection systems, exterior lighting, and mechanical and plumbing systems serving the Project and, to the extent the following items serve more than one tenant in the Project, dock doors, drains and sump pumps; (E) service, maintenance and management contracts for the operation, maintenance, management, repair, replacement, and security of the Project (including but not limited to alarm service, window cleaning, and elevator maintenance); (F) costs of professional services rendered for the general benefit of the Project; (G) environmental insurance or environmental management fees; (H) the cost of any insurance deductibles for insurance required to be maintained by Landlord; (I) insurance expenses; and (J) costs for improvements made to the Project which, although capital in nature, are expected to reduce the normal operating costs (including but not limited to all utility costs) of the Project, as amortized using a commercially reasonable interest rate over the time period reasonably estimated by Landlord to recover the costs thereof taking into consideration the anticipated cost savings, as determined by Landlord using its good faith, commercially reasonable judgment, as well as capital improvements made in order to comply with any Law hereafter promulgated by any governmental authority or any new interpretations of any Law hereafter rendered with respect to any existing Law,

as amortized using a commercially reasonable interest rate over the useful economic life of such improvements as determined by Landlord in its reasonable discretion. As used in this Lease, the term "Law" refers to any federal, state, and local laws, ordinances, rules and regulations, court orders, governmental directives, governmental orders and all interpretations of the foregoing, and all restrictive covenants affecting this Lease or the Project. If the Project is part of an industrial park complex (the "Complex"), Operating Costs and Taxes (defined herein) for the Complex may be prorated among the Project and the other buildings of the Complex, as reasonably determined by Landlord.

Operating Costs shall not include costs for (i) capital improvements made to the Project, other than capital improvements described in **Section 3.3(J)** and except for items which are generally considered maintenance and repair items, such as painting of common areas, and the like; (ii) repair, replacements and general maintenance paid by proceeds of insurance or by Tenant or other third parties; (iii) interest, amortization or other payments on loans to Landlord; (iv) depreciation; (v) leasing commissions; (vi) legal expenses for services, other than those that benefit the Project tenants generally (e.g., tax disputes); (vii) Taxes; and (viii) renovating or otherwise improving space for occupants of the Project or vacant space in the Project.

3.4. "Taxes" means all taxes, assessments, and governmental charges or fees whether federal, state, county or municipal, and whether they be by taxing districts or authorities presently taxing or by others, subsequently created or otherwise, and any other taxes and assessments (including but not limited to non-governmental assessments for common charges under a restrictive covenant or other private agreement that are not treated as part of Operating Costs) now or hereafter attributable to the Project (or its operation), excluding, however, penalties and interest thereon and federal and state taxes on income (if the present method of taxation changes so that in lieu of or in addition to the whole or any part of any Taxes, there is levied on Landlord a capital tax directly on the rents received therefrom or a margin tax, franchise tax, assessment, or charge based, in whole or in part, upon such rents for the Project, then all such taxes, assessments, or charges, or the part thereof so based, shall be deemed to be included within the term "Taxes" for purposes hereof). Taxes shall include the costs of consultants retained in an effort to lower Taxes and all costs incurred in disputing any taxes or in seeking to lower the tax valuation of the Project. For property tax purposes, Tenant waives all rights to protest or appeal the appraised value of the Premises, as well as the Project, and all rights to receive notices of reappraisal, as set forth in Sections 41.413 and 42.015 of the Texas Tax Code. If applicable, Landlord may, in its sole discretion, allocate in a reasonable manner the values of multiple properties carried by taxing authorities on a single tax account.

3.5. Landlord may make a good faith estimate of Tenant's Share of Reimbursable Expenses to be due by Tenant for any calendar year or part thereof during the Term. During each calendar year or partial calendar year of the Term, Tenant shall pay to Landlord, in advance concurrently with each monthly installment of Base Rent, an amount equal to the estimated Tenant's Share of Reimbursable Expenses for such calendar year or part thereof divided by the number of months therein. During the first year of the Term, Tenant shall pay to Landlord the sum of \$1,558.00 per month in advance, as Landlord's initial estimate of Tenant's Share of Reimbursable Expenses, which amount includes \$475.00 per month as Landlord's estimate of Tenant's Share of Operating Costs and \$1,083.00 per month as Landlord's estimate of Tenant's Share of Taxes. From time to time, Landlord may estimate and re-estimate the amount of Tenant's Share of Reimbursable Expenses to be due by Tenant and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Tenant's Share of Reimbursable Expenses payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of Tenant's Share of Reimbursable Expenses as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment as herein provided when actual Reimbursable Expenses are available for each calendar year.

3.6. By April 1 of each calendar year, or as soon thereafter as practicable, Landlord shall furnish to Tenant a statement of Reimbursable Expenses for the previous year (the "Reimbursable Expenses Statement"). If Tenant's estimated payments of Operating Costs or Taxes under this **Section 3** for the year covered by the Reimbursable Expenses Statement exceed Tenant's Share of such items as indicated in the Reimbursable Expenses Statement, then Landlord shall promptly credit or reimburse Tenant for such excess; likewise, if Tenant's estimated payments of Operating Costs or Taxes under this **Section 3** for such year are less than Tenant's Share of such items as indicated in the Reimbursable Expenses and Tax Statement, then Tenant shall promptly pay Landlord such deficiency.

3.7. Landlord's books and records with regard to Reimbursable Expenses are available for inspection by Tenant at Landlord's offices during Landlord's regular business hours.

4. **Deposit.** Upon execution of this Lease, Tenant shall pay to Landlord the sum of \$7,158.00 (the "**Security Deposit**"), which sum shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's covenants and obligations under this Lease, it being expressly understood and agreed that the Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon the occurrence of any "**Event of Default**," as herein defined, by Tenant, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by law, use the Security Deposit to make good any arrears of Rent and any other damage, injury, expense, or liability caused by the event of default; and Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. If no Event of Default has occurred and is continuing, Landlord will refund to Tenant any remaining balance of the Security Deposit within the time required by applicable Law. Notwithstanding anything contained in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute Rent for the purposes of this Lease and for purposes of section 502(b)(6) (or comparable provision of any future bankruptcy law) of the Federal Bankruptcy Code, 11 U.S.C. Sections 101 et seq. (the "**Bankruptcy Code**").

5. **Disclaimer of Warranties.** By execution of this Lease, Tenant acknowledges and agrees that except as expressly set forth in this Lease, neither Landlord nor any officer, partner, agent, employee, or representative of Landlord makes or has made any warranties or representations of any kind or character, express or implied, with respect to the Premises, the Building or the Project, or any portion thereof, its physical condition, income to be derived therefrom, or expenses to be incurred with respect thereto, its fitness or suitability for any particular use, or any other matter or thing relating to or affecting the same. There are no oral agreements, warranties, or representations collateral to or affecting the Premises, the Building or the Project, or any portion thereof, except as may be otherwise expressly set forth in this Lease. Landlord and Tenant each hereby agrees that the Premises are leased in their AS IS, WHERE IS condition with any and all latent or patent defects. Tenant, by execution of this Lease, expressly agrees that Landlord has not made and does not make any warranties with respect to the Premises upon which an action under the Texas Deceptive Trade Practices Act could be based.

6. **Use.** The Premises shall be used, to the extent permitted by applicable Law, only for general office purposes and to the extent applicable, for receiving, storing, shipping, document imaging, laser printing, mailing services and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto (the "**Permitted Use**"). Tenant shall continuously occupy and use the Premises only for the Permitted Use and shall comply with all Laws relating to this Lease and/or the use, condition, access to, and occupancy of the Premises or any portion of the Project and will not commit waste, overload the Building's Structure or the Building's Systems or subject the Premises to use that would damage the Premises. As used herein, the term "**Building's Structure**" means the Building's exterior walls, roof, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams; "**Building's Systems**" means the Building's life-safety, plumbing, electrical and mechanical systems. Notwithstanding anything in this Lease to the contrary, as between Landlord and Tenant, (a) Tenant shall bear the risk of complying with Title III of the Americans With Disabilities Act of 1990, any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such laws, as amended from time to time (the "**Disabilities Acts**") in the Premises, and (b) Landlord shall bear the risk of complying with the Disabilities Acts in the common areas of the Building, other than compliance that is necessitated by the use of the Premises for other than the Permitted Use or as a result of any alterations or additions, including but not limited to any initial tenant improvement work, made by or on behalf of Tenant, any assignee claiming by, through or under Tenant, any subtenant claiming by, through or under Tenant; and any of their respective agents, contractors, employees, licensees, guests and invitees ("**Tenant Parties**") (which risk and responsibility shall be borne by Tenant). The Premises shall not be used for any use which is disreputable, creates extraordinary fire hazards, or results in an increased rate of insurance on the Building, or for the storage of any Hazardous Materials (except as provided in Section 17 hereof). Tenant shall not install within the Premises nor use in the Premises any equipment or fixtures which might be reasonably expected due to excess weight, vibration or any other characteristic, to damage the Premises or the Building. Outside storage is prohibited without Landlord's prior written consent. If, because of a Tenant Party's acts or because Tenant vacates the Premises, the rate of insurance on

the Building or its contents increases, then such acts shall be an Event of Default, Tenant shall pay to Landlord the amount of such increase on demand, and acceptance of such payment shall not waive any of Landlord's other rights. Tenant shall conduct its business and control each other Tenant Party so as not to create any nuisance (including but not limited to emission of odors, fumes or excess noise) or unreasonably interfere with other tenants or Landlord in its management of the Building.

7. **Landlord's Maintenance Obligations.** This Lease is intended to be a net lease; accordingly, Landlord's maintenance obligations are limited to the repair and / or replacement of the Building's Structure. Landlord shall not be responsible for (a) any such work until Tenant notifies Landlord of the need therefor in writing or (b) alterations to the Building's Structure required by applicable Law because of Tenant's use of the Premises (which alterations shall be made by Tenant at its sole cost and expense). The Building's Structure does not include windows, glass or plate glass, doors or overhead doors, special fronts, or office entries, dock bumpers, dock plates or levelers, loading areas and docks, and loading dock equipment, all of which shall be maintained by Tenant. Landlord's liability for any defects, repairs, replacement or maintenance for which Landlord is specifically responsible for under this Lease shall be limited to the cost of performing the work. Additionally, Landlord shall maintain the parking areas, and other common areas of the Building, including driveways, alleys, landscape and grounds surrounding the Premises and utility lines in a good condition, consistent with the operation of a bulk warehouse/industrial or service center facility, including maintenance, repair, and replacement of the exterior of the Building (including but not limited to painting), landscaping, sprinkler systems, and any items normally associated with the foregoing. All costs in performing the work described in the foregoing sentence shall be included in Operating Costs. Tenant shall promptly notify Landlord in writing of any work required to be performed under this Section 7, and Landlord shall not be responsible for performing such work until Tenant delivers to Landlord such notice. Notwithstanding anything to the contrary contained herein, Landlord shall, in its sole and absolute discretion, determine the appropriate remedial action required of it to satisfy its maintenance obligations hereunder (e.g., Landlord shall, in its sole discretion, determine whether, and to the extent, repairs or replacements are the appropriate remedial action).

8. **Insurance and Taxes.**

8.1. Subject to Tenant's obligation to pay to Landlord Tenant's Share of the Reimbursable Expenses, Landlord covenants and agrees to maintain standard fire and extended coverage insurance covering the Building (exclusive of any of Tenant's fixtures, furnishings, and equipment attached thereto or located thereon) in an amount not less than the replacement cost thereof.

8.2. Subject to Tenant's obligation to pay to Landlord Tenant's Share of the Reimbursable Expenses, Landlord agrees to pay before they become delinquent all Taxes; provided, however, Landlord may (in its own name or in the name of both Landlord and Tenant as Landlord may deem appropriate) dispute and contest the same, and in such case such disputed item need not be paid until finally adjudged to be valid and any right to appeal has lapsed. At the conclusion of such contest, Landlord shall pay the items contested to the extent that they are held valid, together with all items, court costs, interest, and penalties relating thereto. If the Taxes levied against the Premises are increased as a result of any alterations, additions, or improvements made by Tenant or by Landlord at the request of Tenant, Tenant shall pay to Landlord upon demand, as Additional Rent, the amount of the increase and continue to pay the increase during the Term.

9. **Improvements; Alterations; Tenant's Maintenance and Repair Obligations.**

9.1. **Improvements; Alterations; Signs.** Improvements to the Premises shall be installed at Tenant's expense only in accordance with plans and specifications which have been previously submitted to and approved in writing by Landlord. Tenant shall not paint or install lighting or decorations, signs, window or door lettering, or advertising media of any type visible from the exterior of the Premises without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. Tenant shall have no right to install signs upon the exterior of the Building or elsewhere at the Project except as approved in writing by Landlord in its sole and absolute discretion. All signs must be constructed and affixed in compliance with Laws. All alterations, additions, and improvements shall be constructed, maintained, and used by Tenant, at its risk and expense, in accordance with all Laws; Landlord's consent to or approval of any alterations, additions or improvements (or the plans therefor) shall not constitute a representation or warranty by Landlord, nor Landlord's

acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable Laws, and Tenant shall be solely responsible for ensuring all such compliance.

9.2. **Repairs; Maintenance.** Tenant shall maintain the Premises in a clean, safe, and operable condition, and shall not permit or allow to remain any waste or damage to any portion of the Premises. Additionally, Tenant, at its sole expense, shall repair, replace and maintain in good condition and in accordance with all Laws and the equipment manufacturer's suggested service programs, all portions of the Premises, Tenant's Off-Premises Equipment and all areas, improvements and systems exclusively serving the Premises including but not limited to loading docks, sump pumps, dock wells, dock equipment and loading areas, dock doors, dock seals, overhead doors, dock levelers and similar leveling equipment, plumbing, water, fire sprinkler system, and sewer lines up to points of common connection, entries, doors, ceilings, windows, interior walls, and the interior side of demising walls, and heating, ventilation and air conditioning systems, and other building and mechanical systems serving the Premises. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. The term "**Tenant's Off-Premises Equipment**" means any of Tenant's equipment or other property that may be located on or about the Project (other than inside the Premises). Landlord may perform Tenant's maintenance obligations at Tenant's cost. Tenant shall repair or replace, subject to Landlord's direction and supervision, any damage to the Building caused by a Tenant Party. If Tenant fails to make such repairs or replacements within 15 days after the occurrence of such damage, then Landlord may make the same at Tenant's cost. If any such damage occurs outside of the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage. The cost of all maintenance, repair or replacement work performed by Landlord under this Section 9 shall be paid by Tenant to Landlord within 30 days after Landlord has invoiced Tenant therefor.

9.3. **Performance of Work.** All work described in this Section 9 shall be performed only by Landlord or by contractors and subcontractors approved in writing by Landlord. Tenant shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Landlord, Landlord's property management company and Landlord's asset management company as additional insureds against such risks, in such amounts, and with such companies as Landlord may reasonably require. Tenant shall provide Landlord with the identities, mailing addresses and telephone numbers of all persons performing work or supplying materials prior to beginning such construction and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable Laws. All such work shall be performed in accordance with all Laws and in a good and workmanlike manner so as not to damage the Building (including but not limited to the Premises, the Building's Structure and the Building's Systems). All such work which may affect the Building's Structure or the Building's Systems must be approved by the Building's engineer of record, if any, at Tenant's expense and, at Landlord's election, must be performed by Landlord's usual contractor for such work. All work affecting the roof of the Building must be performed by Landlord's roofing contractor, and no such work will be permitted if it would void or reduce the warranty on the roof.

9.4. **Mechanic's Liens.** All work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party shall be deemed authorized and ordered by Tenant only, and Tenant shall not permit any mechanic's liens to be filed against the Premises or the Project in connection therewith. Upon completion of any such work, Tenant shall deliver to Landlord final lien waivers from all contractors, subcontractors and materialmen who performed such work. If such a lien is filed, then Tenant shall, within ten days after Landlord has delivered notice of the filing thereof to Tenant (or such earlier time period as may be necessary to prevent the forfeiture of the Premises, the Project or any interest of Landlord therein or the imposition of a civil or criminal fine with respect thereto), either (1) pay the amount of the lien and cause the lien to be released of record, or (2) diligently contest such lien and deliver to Landlord a bond or other security reasonably satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim, and any amounts so paid, including but not limited to expenses and interest, shall be paid by Tenant to Landlord within ten days after Landlord has invoiced Tenant therefor. Landlord and Tenant acknowledge and agree that their relationship is and shall be solely that of "landlord-tenant" (thereby excluding a relationship of "owner-contractor," "owner-agent" or other similar relationships). Accordingly, all materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Tenant, any contractor or subcontractor of Tenant or any other Tenant Party for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Premises, at any time from the date hereof until the end of the Term, are hereby charged with notice that they look exclusively to Tenant to obtain payment for same. Nothing herein shall be deemed a consent by Landlord to any

liens being placed upon the Premises, the Project or Landlord's interest therein due to any work performed by or for Tenant or deemed to give any contractor or subcontractor or materialman any right or interest in any funds held by Landlord to reimburse Tenant for any portion of the cost of such work. Tenant shall defend, indemnify and hold harmless Landlord and its agents and representatives from and against all claims, demands, causes of action, suits, judgments, damages and expenses (including but not limited to attorneys' fees) in any way arising from or relating to the failure by any Tenant Party to pay for any work performed, materials furnished, or obligations incurred by or at the request of a Tenant Party. This indemnity provision shall survive termination or expiration of this Lease.

9.5. **Janitorial Services.** Tenant, at its sole expense, shall provide its own janitorial services to the Premises and shall maintain the Premises in a clean and safe condition. Tenant shall procure adequate dumpsters and/or other trash and garbage receptacles for the Premises and shall store all trash and garbage within such receptacles in the area designated from time to time by Landlord and shall, at its sole expense, arrange for the regular pickup of such trash and garbage at times, and pursuant to reasonable regulations, established by Landlord from time to time.

10. **Inspection.** Landlord and Landlord's agents and representatives shall have the right to enter and inspect the Premises at any time during reasonable business hours for the purpose of (i) ascertaining the condition of the Premises, (ii) in order to make such repairs as may be required to be made by Landlord under the terms of this Lease and (iii) for the purpose of showing the Premises and the Building to prospective purchasers. During the period that is six (6) months prior to the end of the Term hereof, Landlord and Landlord's agents and representatives shall have the right to enter the Premises at any time during reasonable business hours for the purpose of showing the Premises to prospective tenants and shall have the right to erect on the Premises a sign indicating that the Premises are for sale or lease.

11. **Utilities.** Landlord agrees to provide such water, electricity, telephone, and other utility service connections into the Premises as may be presently in place. Tenant shall pay all charges incurred for any utility services used on or from the Premises and any maintenance charges for utilities, shall be responsible for any costs associated in any manner with any additional utility connections to the Premises which Tenant may require, and shall furnish all electric light bulbs and tubes. Such payments shall be made directly to the supplier of any utility separately metered (or submetered) to the Premises, or to Landlord if any such utilities are not separately submetered or metered. Landlord shall calculate the cost of Tenant's portion of any such utilities on such equitable basis as may be determined by Landlord with respect to any such utilities. Tenant shall pay to Landlord within 30 days after receipt of an invoice therefor, the cost of such service, based on rates charged by the utility company furnishing such service, including but not limited to all fuel adjustment charges, demand charges and taxes. Unless otherwise required by law, Landlord is the party entitled to designate utility and telecommunication service providers to the Building. Landlord shall in no event be liable for any interruption or failure of utility or telecommunication services on the Premises.

12. **Assignment and Subletting.** Tenant shall not, without the prior written consent of Landlord, (a) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (b) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (c) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant, (d) sublet any portion of the Premises, (e) grant any license, concession, or other right of occupancy of any portion of the Premises, or (f) permit the use of the Premises by any parties other than Tenant (any of the events listed in Section 12(a) through 12(f) being a "**Transfer**"). Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address of the proposed transferee and any entities and persons who own, control or direct the proposed transferee; reasonably satisfactory information about its business and business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Tenant shall reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to a Transfer. No Transfer shall release Tenant from its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. Tenant shall pay to Landlord, immediately upon receipt thereof, the excess of (1) all compensation received by Tenant for a Transfer less the costs reasonably incurred by Tenant with unaffiliated third

parties (i.e., brokerage commissions and tenant finish work) in connection with such Transfer (such costs shall be amortized on a straight-line basis over the term of the Transfer in question) over (2) the Rent allocable to the portion of the Premises covered thereby.

13. Fire and Casualty Damage.

13.1. If the Premises should be damaged or destroyed by fire, tornado, or other casualty, Tenant shall give immediate written notice thereof to Landlord.

13.2. If the Premises or the Building should be totally destroyed by fire, tornado, or other casualty, or if either should be so damaged that rebuilding or repairs cannot be completed within 200 days after the date upon which Landlord is notified by Tenant of such damage, this Lease shall terminate and the Rent shall be abated during the unexpired portion of this Lease, effective upon the date of the occurrence of such damage.

13.3. If the Premises or the Building should be damaged by fire, tornado, or other casualty, but only to such extent that rebuilding or repairs can be completed within 200 days after the date upon which Landlord is notified by Tenant of such damage, this Lease shall not terminate, but Landlord shall, at its sole cost and expense, proceed with reasonable diligence to rebuild and repair such Building to substantially the condition in which it existed prior to such damage, except that (i) Landlord shall not be required to so rebuild or repair if less than twelve (12) months remain in the Term hereof after the expiration of such 200-day period, (ii) Landlord shall not be required to rebuild, repair, or replace any part of the partitions, fixtures, and other improvements which may have been placed on the Premises by Tenant, and (iii) so long as Landlord has complied with the provisions hereof relating to insurance coverage, Landlord shall not be obligated to expend any funds in excess of available insurance proceeds attributable to such damage in rebuilding the Premises. If the Premises are untenable in whole or in part following such damage, the Rent payable hereunder during the period the Premises are untenable shall be reduced to such extent as may be fair and reasonable under all of the circumstances. In the event that Landlord should fail to complete such repairs and rebuilding within 200 days after the date upon which Landlord is notified by Tenant of such damage, Tenant may, at its option, terminate this Lease by delivering written notice of termination to Landlord within thirty (30) days after the expiration of such 200-day period, as Tenant's exclusive remedy, whereupon all rights and obligations hereunder shall cease and terminate.

13.4. Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant, whereupon all rights and obligations hereunder shall cease as of the date of the occurrence of such damage. Notwithstanding the foregoing, Landlord shall use commercially reasonable efforts to cause its lender to allow Landlord to use the insurance proceeds to repair the Premises and/or Building.

13.5. Any insurance which may be carried by Landlord or Tenant against loss or damage to the buildings and other improvements situated on the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

14. Insurance; Waivers; Subrogation; Indemnity.

14.1. **Tenant's Insurance.** Effective as of the Commencement Date, and continuing throughout the Term, Tenant shall maintain the following insurance policies: (1) commercial general liability insurance in amounts of \$2,000,000 per occurrence or, following the expiration of the initial Term, such other amounts as Landlord may from time to time reasonably require, insuring Tenant, Landlord, Landlord's property management company, Landlord's asset management company (if any) and, if requested in writing by Landlord, Landlord's agents, Landlord's mortgagee and their respective Affiliates against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises, (2) All Risk/Special Form Property insurance covering the full value of Tenant's property and improvements, and other property (including property of others) in the Premises or the Project (including but not limited to Tenant's Off-Premises Equipment), (3) contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Tenant's commercial general liability insurance policy), and (4) worker's compensation insurance. The term "**Affiliate**" means any person or entity which, directly

or indirectly, through one or more intermediaries, controls is controlled by, or is under common control with the party in question. Tenant's insurance shall provide primary coverage to Landlord when any policy issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish to Landlord certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder at least ten days prior to the earlier of the Commencement Date or the date Tenant enters or occupies the Premises, and at least 15 days prior to each renewal of said insurance, and Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least 30 days before cancellation or a material change of any such insurance policies. All such insurance policies shall be in form, and issued by companies with a Best's rating of A-IX or better, reasonably satisfactory to Landlord. If Tenant fails to comply with the foregoing insurance requirements or to deliver to Landlord the certificates or evidence of coverage required herein, Landlord, in addition to any other remedy available pursuant to this Lease or otherwise, may, but shall not be obligated to, obtain such insurance and Tenant shall pay to Landlord on demand the premium costs thereof, plus an administrative fee of 15% of such cost.

14.2. **No Subrogation; Waiver of Property Claims.** Landlord and Tenant each waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is recovered under any insurance policy of the types described in this Section 14 that covers the Project, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against under the terms hereof, **regardless of whether the negligence of the other party caused such Loss (defined below)**. Additionally, Tenant waives any claim it may have against Landlord for any Loss to the extent such Loss is caused by a terrorist act. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against the other party. Notwithstanding any provision in this Lease to the contrary, Landlord, its agents, employees and contractors shall not be liable to Tenant or to any party claiming by, through or under Tenant for (and Tenant hereby releases Landlord and its servants, agents, contractors, employees and invitees from any claim or responsibility for) any damage to or destruction, loss, or loss of use, or theft of any property of any Tenant Party located in or about the Project, caused by casualty, theft, fire, third parties or any other matter or cause, **regardless of whether the negligence of any party caused such loss in whole or in part**. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, any property of any Tenant Party located in or about the Project.

14.3. **Indemnity.** Subject to Section 14.2, Tenant shall defend, indemnify, and hold harmless Landlord (including without limitation all its affiliates, subsidiaries and associated companies, successors and assigns) and its representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including but not limited to reasonable attorneys' fees) arising from any injury to or death of any person or the damage to or theft, destruction, loss or loss of use of, any property or inconvenience (a "Loss") (1) occurring in or on the Project (including but not limited to the Premises) to the extent caused by the negligence or willful misconduct of any Tenant Party or (2) arising out of the use of the Premises or the installation, operation, maintenance, repair or removal of any property of any Tenant Party located in or about the Project, including but not limited to Tenant's Off-Premises Equipment, except to the extent the Loss arises from the negligence or willful misconduct of Landlord.

15. **Condemnation.**

15.1. If the whole or any substantial part of the Premises or the Building or Land upon which the Premises are located should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or conveyed in lieu thereof (a "**Taking**"), this Lease shall terminate and the Rent shall be abated during the unexpired portion of this Lease, effective as of the date of such Taking. For the purposes hereof "substantial part of the Premises" shall be deemed to mean such portion of the Premises the loss of which would, in Landlord's reasonable opinion, materially lessen the usefulness of the Premises to Tenant for the purposes for which Tenant is then using the Premises.

15.2. If less than a substantial part of the Premises or the Building or Land upon which the Premises becomes subject to a permanent Taking, this Lease shall not terminate, but the Rent payable hereunder during the unexpired portion of this Lease shall be reduced on a reasonable basis as to the portion of the Premises rendered untenable by the Taking.

15.3. In the event of any such Taking, Landlord shall receive the entire award or other compensation for the Land, Building and other improvements taken; however, Tenant may separately pursue a claim (provided it will not reduce Landlord's award) against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business and other claims it may have.

16. **Holding Over.** Should Tenant, or any of its successors in interest, hold over the Premises, or any part thereof, after the expiration of the Term, as the Term may be renewed or extended, unless otherwise agreed in writing, such holding over shall constitute and be construed as creating a month-to-month tenancy only, terminable at the will of Landlord, at a rental equal to the greater of (a) the then fair market rental value of the Premises or (b) the total rental payable for the last month of the Term plus fifty percent (50%) of such amount, payable in full on the first day on which Tenant holds over and on the first day of each month thereafter during such holdover period. The inclusion of the preceding sentence shall not be construed as Landlord's permission for Tenant to hold over. In addition, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including but not limited to reasonable attorney's fees) and liability resulting from such holdover, including but not limited to any claims made by any succeeding tenant founded upon Tenant's failure to vacate the Premises upon expiration of the Term, as it may be renewed or extended, and any lost profits to Landlord resulting therefrom.

17. **Environmental Requirements.**

17.1. **Prohibition against Hazardous Materials.** Except for Hazardous Materials contained in products used by Tenant in *de minimis* quantities for ordinary cleaning and office purposes, Tenant shall not, nor shall it permit or cause any party to, bring any Hazardous Materials upon the Premises or in the Project or transport, store, use, generate, manufacture, dispose, or release any Hazardous Materials on or from the Premises or the Project without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and all requirements of this Lease. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture, or release of Hazardous Materials on the Premises or in the Project. Tenant shall promptly notify Landlord of any spill, release, discharge or disposal of Hazardous Materials at, on, under or from the Premises or Property in violation of any Environmental Requirements, and Tenant shall promptly deliver to Landlord a copy of any notice of violation relating to the Premises or the Project of any Environmental Requirement.

17.2. **Environmental Requirements.** The term "**Environmental Requirements**" means all Laws regulating or relating to health, safety, or environmental conditions at, on, in, under, or about the Premises or the Project or the environment or natural resources, including but not limited to the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Clean Water Act; the Toxic Substances Control Act and all state and local counterparts thereto, and any common or civil law obligations including but not limited to nuisance or trespass, and any other requirements of **Section 22** and **Exhibit C** of this Lease. The term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant that is or could be regulated under any Environmental Requirement or that may adversely affect human health or the environment, including but not limited to any solid or hazardous waste, hazardous substance, asbestos, petroleum (including but not limited to crude oil or any fraction thereof, natural gas, synthetic gas, polychlorinated biphenyls (PCBs), and radioactive material). For purposes of Environmental Requirements, to the extent authorized by law, Tenant is and shall be deemed to be the responsible party, including but not limited to the "owner" and "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises or the Project by a Tenant Party and the wastes, by-products, or residues generated, resulting, or produced therefrom.

17.3. **Removal of Hazardous Materials.** Tenant, at its sole cost and expense, shall remove all Hazardous Materials stored, disposed of or otherwise released by a Tenant Party onto or from the Premises or the Project, in a manner and to a level satisfactory to Landlord in its sole discretion, but in no event to a level and in a manner less than that which complies with all Environmental Requirements and does not limit any future uses of the Premises or the Project or require the recording of any deed restriction or notice regarding the Premises or the Project. Tenant shall perform such work at any time during the period of this Lease upon written request by Landlord or, in the absence of a specific request by Landlord, before Tenant's right to possession of the Premises terminates or expires. If Tenant fails to perform such work within the time period specified by Landlord or before

Tenant's right to possession terminates or expires (whichever is earlier), Landlord may at its discretion, and without waiving any other remedy available under this Lease (including without limitation **Section 19.3**) or at law or equity (including but not limited to an action to compel Tenant to perform such work), perform such work at Tenant's cost. Tenant shall pay all costs incurred by Landlord in performing such work within ten days after Landlord's request therefor. Such work performed by Landlord is on behalf of Tenant and Tenant remains the owner, generator, operator, transporter, and/or arranger of the Hazardous Materials for purposes of Environmental Requirements. Tenant agrees not to enter into any agreement with any person, including but not limited to any governmental authority, regarding the removal of Hazardous Materials that have been disposed of or otherwise released onto or from the Premises or the Project without the written approval of the Landlord.

17.4. Indemnity.

17.4.1. Tenant's Indemnity. Tenant shall indemnify, defend, and hold Landlord (including without limitation all its affiliates, subsidiaries and associated companies, successors and assigns) harmless from and against any and all losses (including but not limited to diminution in value of the Premises or the Project and loss of rental income from the Project), liabilities (INCLUDING BUT NOT LIMITED TO ANY STRICT LIABILITY), claims, demands, actions, suits, damages (including but not limited to punitive damages), expenses (including but not limited to remediation, removal, repair, corrective action, or cleanup expenses), and costs (including but not limited to actual attorneys' fees, consultant fees or expert fees and removal or management of any asbestos brought into the Premises or the Project or disturbed in breach of the requirements of this **Section 17**, regardless of whether such removal or management is required by Law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials or any breach of the requirements under this **Section 17** by a Tenant Party regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this **Section 17** shall survive any expiration or termination of this Lease.

17.5. Inspections and Tests. Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this **Section 17**, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant. Tenant shall promptly notify Landlord of any communication or report that Tenant makes to any governmental authority regarding any possible violation of Environmental Requirements or release or threat of release of any Hazardous Materials onto or from the Premises or the Project. Tenant shall, within five days of receipt thereof, provide Landlord with a copy of any documents or correspondence received from any governmental agency or other party relating to a possible violation of Environmental Requirements or claim or liability associated with the release or threat of release of any Hazardous Materials onto or from the Premises or the Project. Upon request, Tenant shall provide Landlord with an inventory of Hazardous Materials located at, on or in the Premises and copies of any Material Safety Data Sheet in Tenant's possession required by any Environmental Requirement or related to any Hazardous Material.

17.6. Tenant's Financial Assurance in the Event of a Breach. In addition to all other rights and remedies available to Landlord under this Lease or otherwise, Landlord may, in the event of a breach of the requirements of this **Section 17** that is not cured within 30 days following notice of such breach by Landlord, require Tenant to provide financial assurance (such as insurance, escrow of funds or third party guarantee) in an amount and form satisfactory to Landlord. The requirements of this **Section 17** are in addition to and not in lieu of any other provision in this Lease. Tenant's obligations under this **Section 17** shall also apply to the areas where Tenant's Off-Premises Equipment is located.

18. Events of Default. Each of the following events shall be deemed to be an "**Event of Default**" by Tenant under this Lease:

18.1. The failure of Tenant to pay any installment of Rent payable under this Lease, or failure to perform or discharge any other obligation or liability of Tenant under this Lease requiring the payment of money, when such payment is due.

18.2. Tenant's becoming insolvent or making a transfer in fraud of creditors or an assignment for the benefit of creditors.

18.3. The filing by Tenant of a petition under any section or chapter of the Bankruptcy Code or under any present or future bankruptcy, insolvency, or similar law or statute of the United States or any state thereof heretofore or hereinafter enacted; or the filing of such a petition against Tenant involuntarily if such petition is not withdrawn or otherwise removed within sixty (60) days of its being filed; or the adjudication of Tenant as bankrupt or insolvent in proceedings filed against Tenant thereunder.

18.4. The appointment of a receiver, trustee, or custodian for, or the taking possession by such a receiver, trustee, or custodian of, all or substantially all of the assets of Tenant.

18.5. Abandonment or vacation by Tenant of any substantial portion of the Premises.

18.6. Failure by Tenant to procure, maintain and deliver to Landlord evidence of the insurance policies and coverages required by **Section 14.1** of this Lease.

18.7. Failure by Tenant to pay and release of record or diligently contest and bond around any mechanic's lien filed against the Premises or the Project for any work performed, materials furnished or obligation incurred by or at the request of Tenant within the time and manner required by **Section 9.4**.

18.8. Failure by Tenant to comply with any term, provision, or covenant of this Lease or to discharge any obligation or liability under this Lease not involving the payment of money, and the failure to cure any such failure within fifteen (15) days after written notice thereof to Tenant, provided that if such default is not susceptible to cure within fifteen (15) days, Tenant shall be deemed to have cured such default if Tenant has commenced efforts to cure such default within such fifteen (15) day period and diligently pursues and completes such curative actions within a reasonably prompt period of time thereafter.

19. **Remedies.** Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any one or more of the following actions:

19.1. **Termination of Lease.** Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (1) all Rent accrued hereunder through the date of termination, (2) all amounts due under **Section 19.3**, and (3) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "**Prime Rate**" as published on the date this Lease is terminated by *The Wall Street Journal*, Southwest Edition, in its listing of "**Money Rates**" minus one percent, minus (B) the then present fair rental value of the Premises for such period, similarly discounted;

19.2. **Termination of Possession.** Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued hereunder to the date of termination of possession, (2) all amounts due from time to time under **Section 19.1**, and (3) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting all costs incurred by Landlord in reletting the Premises. Landlord shall not be obligated to relet the Premises before leasing other portions of the Building. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers

written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this **Section 19.2**. If Landlord elects to proceed under this **Section 19.2**, it may at any time elect to terminate this Lease under **Section 19.1**;

19.3. **Perform Acts on Behalf of Tenant.** Perform any act Tenant is obligated to perform under the terms of this Lease (and enter upon the Premises in connection therewith if necessary) in Tenant's name and on Tenant's behalf, without being liable for any claim for damages therefor, and Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease (including, but not limited to, collection costs and legal expenses), an administrative fee equal to 15% of such expenses, plus interest on such expenses and fees at the Default Rate;

19.4. **Suspension of Services.** Suspend any services required to be provided by Landlord hereunder without being liable for any claim for damages therefor; or

19.5. **Alteration of Locks.** Additionally, with or without notice, and to the extent permitted by Law, Landlord may alter locks or other security devices at the Premises to deprive Tenant of access thereto, and Landlord shall not be required to provide a new key or right of access to Tenant.

20. **Payment by Tenant; Non-Waiver; Cumulative Remedies.**

20.1. **Payment by Tenant.** Upon any Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including but not limited to court costs and reasonable attorneys' fees and expenses) in (1) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5) performing Tenant's obligations which Tenant failed to perform, and (6) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the default. To the full extent permitted by law, Landlord and Tenant agree the federal and state courts of the state in which the Premises are located shall have exclusive jurisdiction over any matter relating to or arising from this Lease and the parties' rights and obligations under this Lease.

20.2. **No Waiver.** Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

20.3. **Cumulative Remedies.** Any and all remedies set forth in this Lease: (1) shall be in addition to any and all other remedies Landlord may have at law or in equity, (2) shall be cumulative, and (3) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future. Additionally, Tenant shall defend, indemnify and hold harmless Landlord, Landlord's Mortgagee and their respective representatives and agents from and against all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including but not limited to reasonable attorneys' fees) arising from Tenant's failure to perform its obligations under this Lease.

21. **Mortgages.** Tenant accepts this Lease subject and subordinate to any and all mortgages and/or deeds of trust now or at any time hereafter constituting a lien or charge upon the Premises or the improvements situated thereon or any portion thereof. Tenant shall at any time hereafter on demand execute any instruments, releases or other documents which may be required by any mortgagee for the purpose of subjecting and subordinating this Lease to the lien of any such mortgage. With respect to any mortgages and/or deeds of trust at any time hereafter created which constitute a lien or charge upon the Premises or the improvements situated thereon, Landlord agrees to request the holder of such mortgage to enter into a non-disturbance and attornment agreement with Tenant providing for such lender to honor this Lease and Tenant's interest in the Premises so long as Tenant is

not in default hereunder. However, Landlord makes no warranty that any such agreement is obtainable, and Tenant's obligation to subordinate this Lease to any such mortgage shall not be dependent upon the execution of any such agreement.

22. **Rules and Regulations.** Tenant shall comply with the rules and regulations of the Project which are attached hereto as Exhibit C, as amended from time to time by Landlord. Tenant shall be responsible for the compliance with such rules and regulations by each Tenant Party.

23. **Personal Property Taxes.** Tenant shall be liable for all taxes levied or assessed against personal property, furniture, or fixtures placed by Tenant in the Premises or in or on the Building or Project.

24. **Notices.** Each provision of this instrument or of any applicable governmental laws, ordinances, regulations, and other requirements with reference to the sending, mailing, or delivery of any notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing, or delivery of any notice or the making of any payment by Tenant to Landlord shall be deemed to be complied with when and if the following steps are taken:

24.1. All Rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address for payment of Rent hereinbelow set forth or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith.

24.2. All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address hereinbelow set forth, or at such other address as Tenant may specify from time to time by written notice delivered in accordance herewith.

24.3. Any notice or document required or permitted to be delivered hereunder (collectively called "**Notices**") must be in writing to be effective. Any Notice, other than a payment, which shall be deemed received only when actually received, that is addressed to the party for whom it is intended at its address specified for the receipt of Notices (which is currently the address set forth below) will be deemed to have been given or made, whether actually received or not, on the second Business Day after the date it is deposited in the United States mail, postage prepaid, certified, return receipt requested. Any party may change its address for the receipt of Notices by Notice in accordance with this Section 24. Notices given otherwise than in accordance with this Section 24, including but not limited to Notices given by facsimile or e-mail, will be effective upon receipt. The current addresses of the parties for Notices are as follows:

LANDLORD: Address for Payment of Rent: Industrial Properties Corporation
c/o Bank of America
P.O. Box 849904
Dallas, Texas 75284-9904

Address for Notices and All Other Correspondence: Industrial Properties Corporation
16479 Dallas Parkway, Suite 500
Addison, Texas 75001
Attention: Lee Halford, Jr.
Telephone: 972.447.2500
Telecopy: 972.447.2659

TENANT: Information Management Solutions, L.L.C.
2416 Brockton Drive, Suite 105
San Antonio, Texas 78217
Attention: Henry Minten
Telephone: 210.826.4994
Telecopy: 210.826.2676

If and when included within the term "**Landlord**," as used in this instrument, there are more than one person, firm, or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address for the receipt of notices and payments to Landlord; if and when included within the term "**Tenant**," as used in this instrument, there are more than one person, firm, or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address for the receipt of notices and payments to Tenant. All parties included within the terms "Landlord" and "Tenant," respectively, shall be bound by notices given in accordance with the provisions of this Section 24 to the same effect as if each had received such notice.

25. **Miscellaneous.**

25.1. **Gender.** Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural and vice versa, unless the context otherwise requires.

25.2. **Successors and Assigns.** The terms, provisions, covenants, and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, legal representatives, successors, and permitted assigns, except as otherwise herein expressly provided.

25.3. **Captions.** The captions are inserted in this Lease for convenience only and in no way define, limit, or describe the scope or intent of this Lease, or any provision hereof, nor in any way affect the interpretation of this Lease.

25.4. **Estoppel Certificates.** Tenant agrees, within ten (10) days after request of Landlord, to deliver to Landlord, or Landlord's designee, an estoppel certificate stating that this Lease is in full force and effect, the date to which Rent has been paid, the unexpired Term, and such other matters pertaining to this Lease as may be reasonably requested by Landlord.

25.5. **Financial Statements.** Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably required by Landlord to verify the net worth of Tenant, or any assignee, or subtenant of Tenant. In addition, Tenant shall deliver to any lender designated by Landlord any financial statements required by the lender to facilitate the financing or refinancing of the Building and Land. Tenant represents and warrants to Landlord that each financial statement is a true, complete, and accurate statement as of the date of the statement. Landlord acknowledges that such financial statements are to remain confidential, and may not be disclosed by Landlord to anyone, by any manner or means, directly or indirectly, without Tenant's prior written consent; however, Landlord may disclose such financial statements to its attorneys, accountants, employees and existing or prospective financial partners and lenders who may require such information provided same are advised by Landlord of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure) in strict compliance with this paragraph. If Tenant requests, at any time, Landlord and its Representatives will promptly (a) return to the Tenant all copies of any financial statements in its possession and (b) destroy all notes, studies, reports, memoranda and other documents prepared by Landlord or its Representatives that contain or reflect any confidential information of the Tenant. Landlord shall be liable for any disclosures made in violation of this Section by Landlord or by any entity or individual to whom the financial statements are disclosed or made available by Tenant.

25.6. **Written Modifications.** This Lease may not be altered, changed, or amended except by an instrument in writing executed by Landlord and Tenant.

25.7. **Entire Agreement.** This instrument, including all Exhibits and Riders which are attached hereto, constitutes the entire agreement between Landlord and Tenant. No prior written or prior or contemporaneous oral statements, promises, or representations shall be binding.

25.8. **Severability.** If any provision of this Lease shall ever be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Lease, but such other provisions shall continue in full force and effect.

25.9. **Governing Law.** This Lease shall be construed and enforced in accordance with the laws of the state in which the Premises are located.

25.10. **Interpretation.** The parties acknowledge that each party and its counsel has reviewed and had the opportunity to negotiate revisions to this Lease, and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any amendments, annexes, or exhibits hereto.

25.11. **Time is of the Essence.** It is expressly agreed by the parties hereto that time is of the essence with respect to this Lease.

25.12. **Landlord's Default.** In the event of any act or omission by Landlord which would give Tenant the right to damages from Landlord or the right to terminate this Lease by reason of a constructive or actual eviction from all or part of the Premises or otherwise, Tenant shall not sue for such damages or exercise any such right to terminate until (a) it shall have given written notice of such act or omission to Landlord and to the holder(s) of the indebtedness or other obligations secured by any mortgage or deed of trust affecting the Premises, if the name and address of such holder(s) shall have previously been furnished to Tenant; and (b) a reasonable period of time for remedying such act or omission shall have elapsed following the giving of such notice, during which time Landlord and such holder(s) or either of them, their agents, or employees, shall be entitled to enter upon the Premises and do therein whatever may be necessary to remedy such act or omission.

25.13. **Landlord Transfer.** Landlord may transfer any portion of the Project and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder arising after the date of transfer, provided that the assignee assumes in writing Landlord's obligations hereunder arising from and after the transfer date.

25.14. **Landlord's Liability.** The liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of this Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency. The provisions of this Section shall survive any expiration or termination of this Lease. Additionally, Tenant hereby waives its statutory lien under Section 91.004 of the Texas Property Code.

25.15. **Force Majeure.** Other than for Tenant's obligations under this Lease that can be performed by the payment of money (e.g., payment of Rent and maintenance of insurance), whenever a period of time is herein prescribed for action to be taken by either party hereto, such party shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, terrorist acts or activities, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such party.

25.16. **Brokerage.** Neither Landlord nor Tenant has dealt with any broker or agent in connection with the negotiation or execution of this Lease, other than Olson Properties, Inc. ("**Tenant's Broker**"), whose commission shall be paid by Landlord pursuant to a separate written agreement. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, liens and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

25.17. **Waiver of Jury Trial.** TO THE MAXIMUM EXTENT PERMITTED BY LAW, LANDLORD AND TENANT EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE ARISING OUT OF OR WITH RESPECT TO THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

25.18. **Water or Mold Notification.** To the extent Tenant or its agents or employees discover any water leakage, water damage or mold in or about the Premises or Project, Tenant shall promptly notify Landlord thereof in writing.

25.19. **Joint and Several Liability.** If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease. All unperformed obligations of Tenant hereunder not fully performed at the end of the Term shall survive the end of the Term, including but not limited to payment obligations with respect to Rent and all obligations concerning the condition and repair of the Premises.

25.20. **Telecommunications.** Tenant and its telecommunications companies, including but not limited to local exchange telecommunications companies and alternative access vendor services companies, shall have no right of access to and within the Building, for the installation and operation of telecommunications systems, including voice, video, data, Internet, and any other services provided over wire, fiber optic, microwave, wireless, and any other transmission systems ("**Telecommunications Services**"), for part or all of Tenant's telecommunications from the Building to any other location without Landlord's prior written consent. All providers of Telecommunications Services shall be required to comply with the rules and regulations of the Building, applicable Laws and Landlord's policies and practices for the Building. Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services and that Landlord shall have no liability to any Tenant Party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services.

25.21. **Confidentiality.** Tenant acknowledges that the terms and conditions of this Lease are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent; however, Tenant may disclose the terms and conditions of this Lease to its attorneys, accountants, employees and existing or prospective financial partners provided same are advised by Tenant of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure). Tenant shall be liable for any disclosures made in violation of this Section by Tenant or by any entity or individual to whom the terms of and conditions of this Lease were disclosed or made available by Tenant. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure.

25.22. **Security Service.** Tenant acknowledges and agrees that, while Landlord may (but shall not be obligated to) patrol the Building, Landlord is not providing any security services with respect to the Premises or Tenant's Off-Premises Equipment and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any area where Tenant's Off-Premises Equipment is located or any other breach of security with respect to the Premises or Tenant's Off-Premises Equipment.

25.23. **Prohibited Persons and Transactions.** Tenant represents and warrants to Landlord that Tenant is currently in compliance with and shall at all times during the Term (including any extension thereof) remain in compliance with the regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including but not limited to those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including but not limited to the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto.

25.24. **Determination of Charges.** Landlord and Tenant agree that each provision of this Lease for determining charges and amounts payable by Tenant (including but not limited to provisions regarding Additional Rent and Tenant's Proportionate Share of Taxes and Operating Costs) is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

25.25. **Quiet Enjoyment.** Provided Tenant has performed all of its obligations hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or

any party claiming by, through, or under Landlord, but not otherwise, subject to the terms and conditions of this Lease.

25.26. **Recording.** Tenant shall not record this Lease or any memorandum of this Lease without the prior written consent of Landlord, which consent may be withheld or denied in the sole and absolute discretion of Landlord, and any recordation by Tenant shall be a material breach of this Lease. Tenant grants to Landlord a power of attorney to execute and record a release releasing any such recorded instrument of record that was recorded without the prior written consent of Landlord.

26. **Surrender of Premises.** No act by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the expiration or termination of this Lease, Tenant shall deliver to Landlord the Premises with all improvements located therein in good repair and condition, free of Hazardous Materials placed on the Premises during the Term, broom-clean condition, reasonable wear and tear excepted, and shall deliver to Landlord all keys to the Premises. Provided that Tenant has performed all of its obligations hereunder, Tenant may remove all unattached trade fixtures, furniture, and personal property placed in the Premises or elsewhere in the Building by Tenant (but Tenant may not remove any such item which was paid for, in whole or in part, by Landlord or any wiring or cabling unless Landlord requires such removal). Additionally, at Landlord's option, Tenant shall remove such alterations, additions, improvements, trade fixtures, personal property, equipment, wiring, conduits, cabling, and furniture (including but not limited to Tenant's Off-Premises Equipment) as Landlord may request together with all signs affixed by Tenant to the exterior of the Building or elsewhere at the Project (as well as lettering installed by Tenant on sign panels installed by Landlord); however, Tenant shall not be required to remove any addition or improvement to the Premises or the Project if Landlord has specifically agreed in writing that the improvement or addition in question need not be removed. Tenant shall repair all damage caused by such removal. All items not so removed shall, at Landlord's option, be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items. The provisions of this Section 26 shall survive the end of the Term.

27. **Parking.** Tenant shall have the non-exclusive right, in common with other tenants of the Building to use such parking spaces associated with the Building as are allocated to Tenant by Landlord. Landlord shall use its reasonable discretion in allocating parking spaces to the tenants of the Building, taking into consideration all factors Landlord deems relevant, including but not limited to the density and type (e.g., office or industrial) of use conducted by the tenants of the Building in their respective premises. Landlord reserves the right to initiate steps to control the parking utilization through gates, access cards, hang-tags or other means as appropriate. Initially, Tenant shall have the non-exclusive right to use up to 25 vehicular parking spaces. Parking spaces will be available to Tenant without charge during the initial Term. Landlord shall not be responsible for enforcing Tenant's parking rights against third parties.

28. **Back-Up Power Generator.** During the Term of this Lease, Tenant shall be permitted to install a back-up power generator for the Premises. Landlord and Tenant shall mutually agree upon the location of the generator. Upon termination of the lease, Tenant will be required to remove the generator and restore the Premises as provided for in Section 26 of this Lease.

29. **Landlord's Lien.** Upon written request from Tenant, Landlord shall execute a Subordination of Landlord's Lien in favor of Tenant's lender in the form attached hereto as Exhibit F.

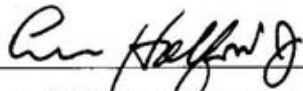
30. **List of Exhibits.** All exhibits and attachments attached hereto are incorporated herein by this reference.

- Exhibit A - Outline of Premises
- Exhibit B - Description of the Land
- Exhibit C - Building Rules and Regulations
- Exhibit D - Tenant Finish-Work: Allowance
- Exhibit E - Renewal Option
- Exhibit F - Form of Subordination of Landlord's Lien

EXECUTED the 16th day of June, 2011.

LANDLORD:

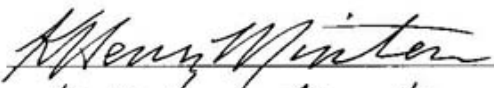
INDUSTRIAL PROPERTIES CORPORATION, a Texas corporation

By: 
LEE HALFORD, Jr
Printed Name

Its: VICE PRESIDENT
Title

TENANT:

INFORMATION MANAGEMENT SOLUTIONS, L.L.C., a Texas limited liability company

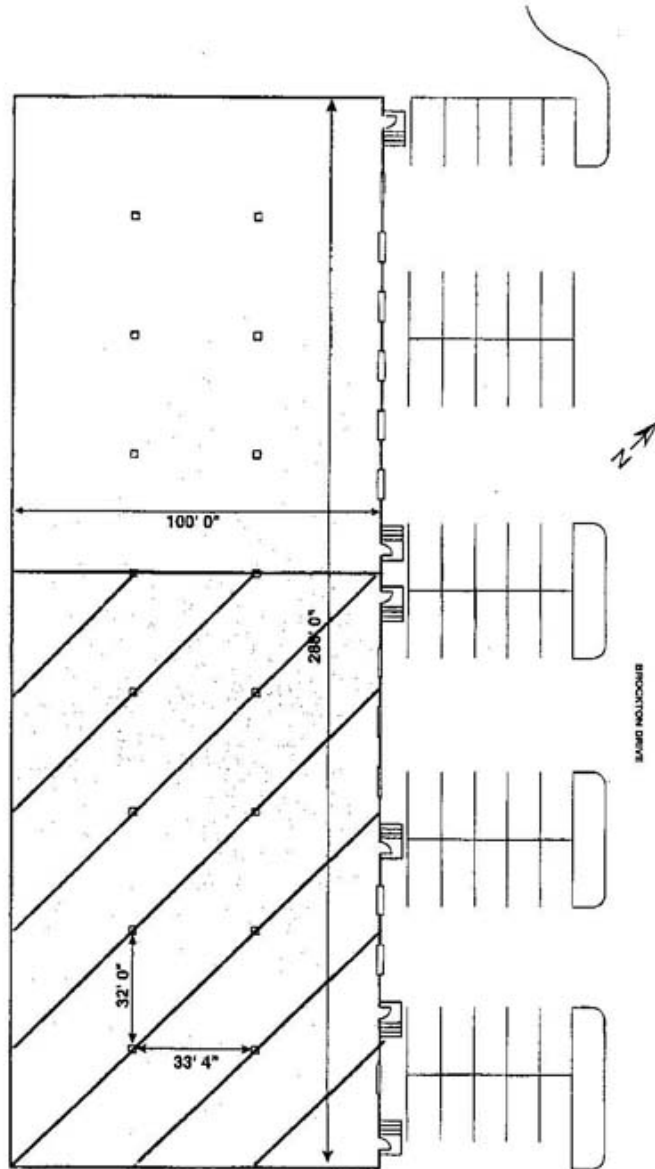
By: 
K. Henry Minten
Printed Name

Its: President
Title

EXHIBIT A

PREMISES

2416 BROCKTON DRIVE
BROADWAY BUSINESS PARK • SAN ANTONIO, TEXAS



INDUSTRIAL PROPERTIES
CORPORATION

AUSTIN • DALLAS • SAN ANTONIO

EXHIBIT B

LAND

3.563 ACRES OF LAND SITUATED IN THE CITY OF SAN ANTONIO, BEXAR COUNTY, TEXAS, BEING LOT 10, NCB 14088, BROCKTON COMMERCIAL SUBDIVISION, A SUBDIVISION OF RECORD IN VOLUME 7100, PAGE 206 OF THE DEED AND PLAT RECORDS OF BEXAR COUNTY, TEXAS; SAID 3.563 ACRES BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING, AT A SET ½ INCH IRON ROD IN THE NORTHWESTERLY RIGHT-OF-WAY LINE OF BROADWAY AVENUE (110' R.O.W.), BEING THE COMMON EASTERLY CORNER OF LOT 9, NCB 14088 MISSOURI PACIFIC INDUSTRIAL PARK, A SUBDIVISION OF RECORD IN BOOK 6200, PAGE 159 OF SAID DEED AND PLAT RECORDS AND SAID LOT 10;

THENCE, N 48° 35' 28" W, LEAVING THE NORTHWESTERLY RIGHT-OF-WAY LINE OF BROADWAY AVENUE, ALONG THE COMMON LINE OF SAID LOT 9 AND SAID LOT 10, A DISTANCE OF 992.40 FEET TO A SET ½ INCH IRON ROD AT THE SOUTHEASTERLY CORNER OF THE REMAINING PORTION OF LOT 22 BROCKTON COMMERCIAL SUBDIVISION, A SUBDIVISION OF RECORD IN VOLUME 8200, PAGE 212 OF SAID DEED AND PLAT RECORDS;

THENCE, N 41° 24' 37" E, ALONG THE COMMON LINE OF SAID REMAINING PORTION OF LOT 22 AND SAID LOT 10, A DISTANCE OF 122.33 FEET TO A SET ½ INCH IRON ROD IN THE SOUTHERLY RIGHT-OF-WAY LINE OF BROCKTON DRIVE (60' R.O.W.);

THENCE, ALONG THE SOUTHERLY RIGHT-OF-WAY LINE BROCKTON DRIVE (60' R.O.W.), THE FOLLOWING COURSES AND DISTANCES:

SOUTHEASTERLY, ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 70.00 FEET, A CENTRAL ANGLE OF 72° 20' 16", AN ARC LENGTH OF 88.38 FEET AND A CHORD BEARING: S 67° 04' 20" E, A DISTANCE OF 82.62 FEET TO A SET ½ INCH IRON ROD;

SOUTHEASTERLY, ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 25.00 FEET, A CENTRAL ANGLE OF 54° 34' 38", AN ARC LENGTH OF 23.81 FEET AND A CHORD BEARING: S 75° 52' 55" E, A DISTANCE OF 22.92 FEET TO A SET ½ INCH IRON ROD;

S 48° 35' 21" E, A DISTANCE OF 870.77 FEET TO A SET ½ INCH IRON ROD;

SOUTHERLY, ALONG THE ARC OF A CURVE TO THE RIGHT HAVING A RADIUS OF 25.00 FEET, A CENTRAL ANGLE OF 90° 53' 52", AN ARC LENGTH OF 39.66 FEET AND A CHORD BEARING: S 03° 08' 25" E, A DISTANCE OF 35.63 FEET TO A SET ½ INCH IRON ROD AT THE SOUTHWESTERLY CORNER OF THE INTERSECTION OF BROCKTON DRIVE AND BROADWAY AVENUE;

THENCE, S 42° 18' 31" W, ALONG THE NORTHWESTERLY RIGHT -OF-WAY LINE OF BROADWAY AVENUE, A DISTANCE OF 133.63 FEET TO THE **POINT OF BEGINNING**, CONTAINING AN AREA OF 3.563 ACRES (155,199 SQ. FT.) OF LAND, MORE OR LESS.

EXHIBIT C

BUILDING RULES AND REGULATIONS

1. The following rules and regulations shall apply to the Premises, the Building, the parking areas associated therewith, and the appurtenances thereto:

2. Sidewalks, doorways, vestibules, halls, stairways, loading dock areas and associated overhead doors, and other similar areas (each, to the extent applicable to the Project) shall not be obstructed by tenants or used by any tenant for purposes other than ingress and egress to and from their respective leased premises and for going from one to another part of the Building.

3. Plumbing (including but not limited to outside drains and sump pumps), fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or deposited therein. Damage resulting to any such fixtures or appliances from misuse by a tenant or its agents, employees or invitees, shall be paid by such tenant.

4. No signs, advertisements or notices shall be painted or affixed on or to any windows or doors or other part of the Building visible from the exterior of the Premises without the prior written consent of Landlord. Except as consented to in writing by Landlord or in accordance with Tenant's building standard improvements, no draperies, curtains, blinds, shades, screens or other devices shall be hung at or used in connection with any window or exterior door or doors of the Premises. No awning shall be permitted on any part of the Premises. Tenant shall not place anything against or near glass partitions or doors, or windows which might appear unsightly from outside the Premises.

5. Landlord may prescribe weight limitations and determine the locations for safes and other heavy equipment or items, which shall in all cases be placed in the Building so as to distribute weight in a manner acceptable to Landlord which may include the use of such supporting devices as Landlord may require. All damages to the Building caused by the installation or removal of any property of a tenant, or done by a tenant's property while in the Building, shall be repaired at the expense of such tenant.

6. Tenant shall not make or permit any vibration or improper, objectionable or unpleasant noises or odors in the Building or otherwise interfere in any way with other tenants or persons having business with them. Tenant shall not introduce, disturb or release asbestos or PCB's into or from the Premises.

7. Tenant shall not keep in the Building any flammable or explosive fluid or substance. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises without the prior written consent of Landlord. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Building.

8. Landlord will not be responsible for lost or stolen personal property, money or jewelry from tenant's leased premises or public or common areas regardless of whether such loss occurs when the area is locked against entry or not.

9. Tenant shall not conduct any activity on or about the Premises or Building which will draw pickets, demonstrators, or the like.

10. All vehicles are to be currently licensed, in good operating condition, parked for business purposes having to do with Tenant's business operated in the Premises, parked within designated parking spaces, one vehicle to each space. No vehicle shall be parked as a "billboard" vehicle in the parking lot. Any vehicle parked improperly may be towed away. Tenant, Tenant's agents, employees, vendors and customers who do not operate or park their vehicles as required shall subject the vehicle to being towed at the expense of the owner or driver.

11. No tenant may enter into phone rooms, electrical rooms, mechanical rooms, or other service areas of the Building unless accompanied by Landlord or the Building manager.

12. No birds or animals (other than seeing-eye dogs) shall be brought into or kept in, on or about any tenant's premises. No portion of any tenant's premises may at any time be used or occupied as sleeping or lodging quarters.

13. Unless otherwise agreed in writing by Landlord, each tenant must contract for the removal of trash and other debris from its premises and provide a dumpster or other suitable trash receptacle adjacent to its premises for removal of trash; no trash or other debris may be left outside any tenant's receptacle.

14. Tenant shall not permit storage outside the Premises or dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.

15. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises.

16. Tenant will not permit any Tenant Party to bring onto the Project any handgun, firearm or other weapons of any kind, illegal drugs or, unless expressly permitted by Landlord in writing, alcoholic beverages.

EXHIBIT D

TENANT FINISH WORK: ALLOWANCE

Supplemental Tenant Allowance. Landlord shall provide to Tenant a one-time construction allowance not to exceed \$20,000.00 (the "**Supplemental Tenant Allowance**") to be applied, in accordance with the terms of this Exhibit, toward the total actual, third-party costs incurred by Tenant in performing any improvement or alteration in accordance with Section 9 of the Lease Agreement. No advance of the Supplemental Tenant Allowance shall be made by Landlord until Landlord has received evidence that is reasonably satisfactory to Landlord and that demonstrates that (1) the work has been completed in compliance with Section 9 of the Lease Agreement and (2) Tenant has paid for the entire cost of the work using Tenant's own funds (which evidence shall include final and unconditional lien waivers from all applicable contractors and subcontractors and that are in form and substance satisfactory to Landlord). Within 30 days after Landlord has received such evidence, Landlord shall pay Tenant the lesser of (A) the actual amount of the cost of the work or (B) the amount of the Supplemental Tenant Allowance. Notwithstanding the foregoing, Landlord shall not be obligated to pay the Supplemental Tenant Allowance (i) while any lien related to any portion of the work remains outstanding, (ii) while any default by Tenant exists (beyond any applicable notice and cure period), or (iii) on or after the October 31, 2011.

EXHIBIT E

RENEWAL OPTION

Provided that Tenant is not in default under the terms of the Lease, either at the time of its exercise of the option herein provided or at the end of the Term, Tenant shall have a one (1) option to extend the Lease Term for a period of five (5) years at the end of the Term. The option must be exercised by Tenant giving Landlord written notice in accordance with the notice provisions of the Lease of its intention to exercise such option not less than one hundred eighty (180) days nor more than two hundred seventy (270) days prior to the end of the term.

For the option period exercised by Tenant in accordance herewith, the Lease shall be deemed extended and shall be continued in full force and effect with respect to every applicable term and condition contained therein, except that the Base Rent payable with respect to the Premises for such option period shall be as follows:

The Base Rent for the renewal term shall be based on the then prevailing rental rates and terms for properties of equivalent quality, size, utility and location, with the length of the Term, and credit standing of the Tenant, to be taken into account. Notwithstanding the foregoing, the Base Rent for the renewal term shall not be less than \$5,600.00 per month nor more than \$6,720.00 per month.

Upon notification from Tenant of the exercise of this renewal option, Landlord shall, within fifteen (15) days thereafter, notify Tenant in writing of the proposed Base Rent for the renewal term; Tenant shall, within fifteen (15) days following receipt of same, notify Landlord in writing of the acceptance or rejection of the proposed Base Rent. In the event of rejection of the proposed Base Rent by Tenant, the Base Rent for the renewal term shall be determined as follows:

Within fifteen (15) days following notification of rejection, Landlord and Tenant shall each appoint a disinterested and qualified real estate brokerage or appraisal professional (the "professional" or "professionals"). If these two professionals cannot agree upon a Base Rent within thirty (30) days following their appointment, the two professionals shall forthwith select a third disinterested and qualified professional, and the decision of any two professionals shall be binding. The professionals shall make notification in writing of this decision to Landlord and Tenant within thirty (30) days following the selection of the third professional. Landlord and Tenant shall bear the expense of the professional appointed by each, and the expense of the third professional shall be shared equally by both parties.

In the event Tenant fails to exercise such option within the time and in the manner provided herein, such option, and all subsequent options (if any), shall be deemed waived by Tenant and shall not be exercisable thereafter. The option provided herein is for the sole benefit of Tenant and may not be exercised by any subtenant or assignee of Tenant, regardless of whether Landlord has consented to or approved such subletting or assignment.

EXHIBIT F

FORM OF SUBORDINATION OF LANDLORD'S LIEN

This SUBORDINATION OF LANDLORD'S LIEN (the "**Agreement**") is made this ____ day of _____, _____, by and between **INDUSTRIAL PROPERTIES CORPORATION**, a Texas corporation, whose address is c/o GE Real Estate, 16479 Dallas Parkway, Suite 500, Dallas, Texas 75001-2512, Attention: Asset Management and Legal Department ("**Landlord**"), and **BROADWAY BANK** whose address is 1177 N.E. Loop 410 San Antonio, Texas 78209. Attention: _____ ("**Lender**").

RECITALS:

A. Landlord or its predecessor-in-title, as landlord, and **INFORMATION MANAGEMENT SOLUTIONS, L.L.C.**, a Texas limited liability company, as tenant ("**Tenant**"), entered into that certain Lease Agreement (the "**Lease**") dated _____, 2011, as amended, for the following described premises (the "**Premises**"):

Approximately 16,000 square feet of space located at 2416 Brockton Drive, Suite 105, San Antonio, Texas 78217 (the "**Property**").

B. Lender has supplied or advanced or has agreed to supply or advance funds to Tenant utilizing the fixtures, equipment, inventory and/or personal property described on Exhibit A of Subordination of Landlord's Lien attached hereto and made a part hereof as collateral for such advances (the "**Collateral**"), and Tenant has granted or agreed to grant to Lender a continuing lien and security interest in the Collateral; provided, however, in no event shall the Collateral be deemed to include building fixtures (such as plumbing, lighting and HVAC systems). Lender has requested that Landlord subordinate its landlord's lien in the Collateral located at the Premises to the liens or security interests securing Tenant's obligation to pay certain indebtedness to Lender, and Landlord has consented to such subordination on the terms and conditions hereof.

AGREEMENT:

NOW, THEREFORE, in consideration of TEN AND NO/100 DOLLARS (\$10.00) cash and other good and valuable consideration, Landlord and Lender agree as follows:

1. Except as limited in this Agreement, Landlord subordinates to the security interest of Lender any and all liens, claims or other rights which Landlord may have in or to the Collateral by virtue of the Lease or which may arise by operation of law, equity, or otherwise.

2. The subordination by Landlord of its landlord's lien rights shall not prevent Landlord from exercising any and all rights under the Lease so long as Lender's prior rights in the Collateral are recognized.

3. The subordination provided herein shall be effective only to the extent of the indebtedness owed to Lender by Tenant and secured by its lien.

4. Subject to the requirements set forth in Section 5 below, Landlord agrees that Lender, through its authorized representatives or agents, may enter upon the Premises from time to time for the purpose of inspecting or removing any or all of the Collateral and Landlord shall not hinder or prevent Lender from taking any such action; provided, however, that nothing in this Section 4 shall entitle Lender to occupy the Premises for or during any time that Tenant is not entitled to occupy the Premises pursuant to the Lease. The subordination granted herein is expressly conditioned upon the removal of the Collateral from the Premises by Lender within thirty (30) days following notice to Lender by Landlord of its desire that Lender remove the Collateral, provided, however, in the event Lender is prevented from removing the Collateral within such 30-day period as the result of the order of any court of competent jurisdiction or the filing by Tenant of a petition in bankruptcy, then Lender shall not be required to remove the Collateral until thirty (30) days after the court order is dissolved, the bankruptcy stay is lifted, or Lender otherwise obtains the right to remove

the Collateral. Failure to remove the Collateral in the time provided for herein shall render such subordination null and void.

5. Lender's right to enter the Premises for the purpose of inspecting the Collateral or removing the Collateral therefrom is subject to (i) Lender's providing Landlord with at least forty-eight (48) hours' prior written notice of its intent to enter the Premises and inspect or remove the Collateral, (ii) the requirement that any such entry and inspection or removal shall be during normal business hours or at a time otherwise reasonably acceptable to Landlord, shall be at Lender's risk and expense, and shall be accomplished within the time periods set forth in Section 4 of this Agreement, and (iii) Lender's using due care in inspecting or removing the Collateral and not causing damage to the Premises or other portions of the Property as a result thereof. Should Lender cause any damage to the Premises or other portions of the Property during such inspection and/or removal of the Collateral, Landlord may cause such repairs to be performed at the expense of Lender. Payment for the actual cost of such repairs undertaken by Landlord shall be due within ten (10) days of written notice to Lender of the amount due, with an itemized invoice. Landlord reserves the right to accompany Lender during any inspection of the Collateral or removal thereof from the Premises.

6. This agreement places no obligation upon Landlord, and Lender shall indemnify, defend, and hold harmless Landlord from and against any claim, loss, cost or damage based on damage to property and injury to persons resulting or claimed to have resulted from any entry by Lender or its authorized representatives or agents, or any other exercise of Lender's rights with respect to the Collateral.

7. In the event that pursuant to its remedies, Lender takes possession of the Collateral located at the Premises, then commencing with the date Lender takes possession Lender agrees to pay to Landlord rental for the Premises at the rental rate set forth in the Lease and to comply with all other terms and provisions of the Lease.

8. Lender shall not conduct any liquidation or other sale of the Collateral from the Premises.

9. All notices and communications required or permitted hereunder shall be in writing and shall be: (i) personally delivered; (ii) delivered by overnight courier; or (iii) sent by registered or certified mail, return receipt requested, sent to the addresses described above, or at such other addresses as may be provided in writing to the parties hereto.

10. If there is any litigation relating to or arising out of this Agreement, the party or parties determined to be prevailing shall be entitled to recover reasonable legal fees and costs in connection with such action from the non-prevailing party or parties.

11. This Agreement contains the entire understanding among the parties. Any modification shall be effective only if in writing and signed by all parties.

12. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective heirs, representatives, successors and assigns.

THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES WILL BE GOVERNED BY THE LAWS OF THE STATE WHERE THE PREMISES IS LOCATED WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES. THIS AGREEMENT IS PERFORMABLE IN AND EXCLUSIVE VENUE FOR ANY ACTION BROUGHT WITH RESPECT HERETO SHALL LIE IN THE STATE COURT FOR THE COUNTY IN WHICH THE PREMISES IS LOCATED, OR, IF APPLICABLE, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT IN WHICH THE PREMISES IS LOCATED, WITHOUT REGARD TO CONFLICTS IN LAW.

EXECUTED to be effective on the date recited above.

LENDER:

BROADWAY BANK

By: _____

Name: _____

Title: _____

LANDLORD:

INDUSTRIAL PROPERTIES CORPORATION,
a Texas corporation

By: _____
Lee Halford, Jr., Vice-President

**EXHIBIT A OF SUBORDINATION OF LANDLORD'S LIEN
COLLATERAL**



INDUSTRIAL PROPERTIES
TEXAS, LLC

April 11, 2013

Mr. Henry Minten
Information Management Solutions, L.L.C.
2416 Brockton Drive
San Antonio, Texas 78217

Dear Henry:

I have enclosed a fully executed copy of the First Amendment to Lease between Industrial Properties Texas, LLC, Landlord, and Information Management Solutions, L.L.C., Tenant, for space at 2420 and 2422 Brockton Drive in San Antonio.

Please retain this copy for your records.

Should you have any questions or need any additional information, please call me at 512.835.7262.

Thank you for your assistance with this transaction.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Swanson".

Andrew M. Swanson
Leasing Manager

AMS:sea

enclosure

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "**Amendment**") is made as of April 4, 2013, 2013 by and between INDUSTRIAL PROPERTIES TEXAS, LLC, a Delaware limited liability company ("**Landlord**"), and INFORMATION MANAGEMENT SOLUTIONS, L.L.C., a Texas limited liability company ("**Tenant**").

RECITALS:

A. Landlord and Tenant entered into that Lease Agreement dated June 16, 2011, (the "**Lease**"), relating to approximately 16,000 rentable square feet (the "**Original Premises**") at 2416 Brockton Drive, Suite 105, San Antonio, Texas (the "**Property**").

B. Tenant desires that 2420 Brockton Drive and 2422 Brockton Drive containing approximately 6,400 rentable square feet in the Building be added to the Original Premises and that the Lease be appropriately amended and Landlord is willing to do the same on the following terms and conditions.

C. All capitalized terms used in this Amendment shall have the meanings given to them in the Lease, as amended hereby, unless otherwise defined herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby amend the Lease on the terms hereof effective as of the date hereof, notwithstanding anything to the contrary contained therein:

1. In addition to the Original Premises, Landlord shall lease to Tenant, and Tenant shall lease from Landlord approximately 6,400 square feet at 2420 Brockton Drive and 2422 Brockton Drive (the "**Expansion Space**"). From and after April 1, 2013 (the "**Expansion Space Commencement Date**"), the term "Premises," as used in the Lease, shall be and include the Original Premises and the Expansion Space, which shall collectively consist of 22,400 square feet, as more particularly described on Exhibit A attached hereto. The lease of the Expansion Space shall be for the same Lease Term and other terms and conditions as the Lease, as modified by this Amendment.

2. From and after the Expansion Space Commencement Date, Tenant's Proportionate Share shall be 77.78%, and the Lease is hereby revised accordingly.

3. From and after the Expansion Space Commencement Date, Tenant agrees to pay to Landlord Base Rent for the Premises (Original Premises and Expansion Space), without deduction, set off, or abatement, in the following amounts:

<u>Lease Period</u>	<u>Monthly Base Rent</u>
4/1/13 - 9/30/16	\$8,113.00
10/1/16 - 9/30/18	\$8,374.00

Tenant agrees to pay the Base Rent in equal monthly installments at the place provided in the Lease on the first (1st) day of each month, in advance (subject to adjustment in accordance with the other provisions of the Lease), plus all applicable taxes thereon, together with all other amounts due under the terms of the Lease.

4. Beginning April 1, 2013, the monthly installments of Tenant's Proportionate Share of Operating Costs and Taxes shall be as follows:

Additional Rent:	
Tenant's Proportionate Share of Operating Costs:	\$1,534.00
Tenant's Proportionate Share of Taxes:	\$979.00

Tenant acknowledges and agrees that the foregoing amounts are estimates only and that such amounts shall be adjusted in accordance with the terms of the Lease (as amended by this Amendment).

5. Upon execution of this Lease Amendment, Tenant shall deliver to Landlord an additional Security Deposit of \$3,404.00. After delivery of the additional Security Deposit, the total amount of the Security Deposit held by Landlord shall be \$10,562.00.

6. Tenant hereby acknowledges that Tenant has inspected the Expansion Space and agrees to accept the same "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements, except as may be expressly provided otherwise in this Amendment.

7. Tenant represents and warrants to Landlord that Tenant has not dealt with any real estate agent or broker in connection with this Amendment other than Olson Properties, Inc., that this agreement was not brought about or procured through the use or instrumentality of any other agent or broker, and that all negotiations with respect to the terms of this agreement were conducted between Landlord and Tenant. Tenant covenants and agrees to indemnify and hold Landlord harmless from and against any and all claims for commissions and other compensation made by any agent or agents and/or broker or brokers, other than those described above, based on any dealing between Tenant and any agent or agents and/or broker or brokers claiming by and through Tenant, together with all costs and expenses incurred by Landlord in resisting such claims (including, without limitation, reasonable attorneys' fees).

8. Except as modified by this Amendment, the Lease and all the terms, covenants, conditions and agreements thereof are hereby in all respects ratified, confirmed and approved. Tenant hereby affirms that on the date hereof no breach or default by either party has occurred and that the Lease, and all of its terms, conditions, covenants, agreements and provisions, except as hereby modified, are in full force and effect with no defenses or offsets thereto, and Tenant hereby releases Landlord of and from all liabilities, claims, controversies, causes of action and other matters of every nature which, through the date hereof, have or might have arisen out of or in any way in connection with the Lease and/or the Premises demised thereunder.

9. This Amendment contains the entire understanding between the parties with respect to the matters contained herein. No representations, warranties, covenants or agreements have been made concerning or affecting the subject matter of this agreement, except as are contained herein and in the Lease.

10. This Amendment may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification or discharge is sought.

11. Except as modified by this Amendment, the Lease shall remain unchanged and shall continue in full force and effect.

12. Tenant hereby represents and warrants to Landlord that this Amendment (and each term and provision hereof) has been duly and appropriately authorized by Tenant through proper written corporate action and approval, and no additional consent, agreement or approval is required with respect hereto.

13. Exhibit E to the Lease is hereby deleted and shall be replaced with the Renewal Option as provided for in Exhibit C to this Amendment.

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Amendment as of the date and year first above written.

LANDLORD:

INDUSTRIAL PROPERTIES TEXAS, LLC,
a Delaware limited liability company

By: Lee Hallford
Name: LEE HALLFORD, Jr
Title: Vice President
Landlord Date: April 4, 2013

TENANT:

INFORMATION MANAGEMENT SOLUTIONS, L.L.C.,
a Texas limited liability company

By: K. Henry Minten
Name: K. Henry Minten
Title: President

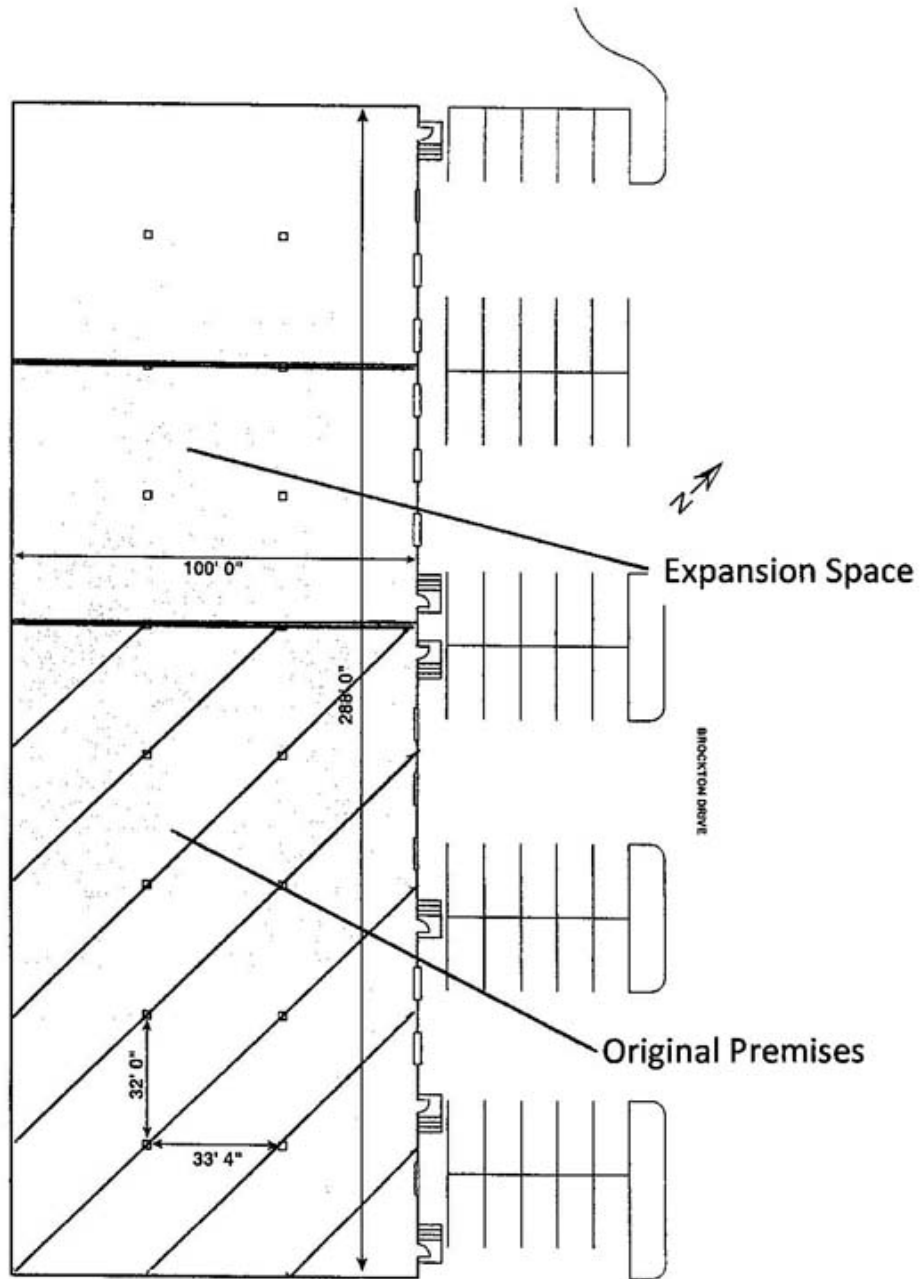
Exhibit A - Premises

Exhibit B - Tenant Finish Work

EXHIBIT A
PREMISES
(SEE ATTACHED)

2416 BROCKTON DRIVE

BROADWAY BUSINESS PARK • SAN ANTONIO, TEXAS



INDUSTRIAL PROPERTIES

EXHIBIT A to FIRST AMENDMENT TO LEASE
2416 Brockton Drive, San Antonio, Texas/Information Management Solutions

EXHIBIT B

TENANT FINISH WORK: WORK OF LIMITED SCOPE (NO PLANS)

1. **Acceptance of Premises.** Except as set forth in this Exhibit, Tenant accepts the Premises in their "AS-IS" condition on the date that the Lease is entered into.

2. **Scope of Work.** Landlord, at its expense, shall perform the following work in the Premises (the "**Work**"):
 - Provide and install one Rite-Hite model, dock lift with a capacity of 6,000 lbs. Leveler to be hydraulically operated. Lift to be installed on the exterior of the building on a concrete pad.

3. **No Warranties.** LANDLORD MAKES NO EXPRESS OR IMPLIED WARRANTIES IN CONNECTION WITH ANY WORK TO BE PERFORMED BY LANDLORD IN THE PREMISES.

EXHIBIT C

RENEWAL OPTION

Provided that Tenant is not in default under the terms of the Lease, either at the time of its exercise of the option herein provided or at the end of the Term, Tenant shall have a one (1) option to extend the Lease Term for a period of three (3) years at the end of the Term. The option must be exercised by Tenant giving Landlord written notice in accordance with the notice provisions of the Lease of its intention to exercise such option not less than one hundred eighty (180) days nor more than two hundred seventy (270) days prior to the end of the term.

For the option period exercised by Tenant in accordance herewith, the Lease shall be deemed extended and shall be continued in full force and effect with respect to every applicable term and condition contained therein, except that the Base Rent payable with respect to the Premises for such option period shall be as follows:

The Base Rent for the renewal term shall be based on the then prevailing rental rates and terms for properties of equivalent quality, size, utility and location, with the length of the Term, and credit standing of the Tenant, to be taken into account. Notwithstanding the foregoing, the Base Rent for the renewal term shall not be less than \$8,374.00 per month nor more than \$9,408.00 per month.

Upon notification from Tenant of the exercise of this renewal option, Landlord shall, within fifteen (15) days thereafter, notify Tenant in writing of the proposed Base Rent for the renewal term; Tenant shall, within fifteen (15) days following receipt of same, notify Landlord in writing of the acceptance or rejection of the proposed Base Rent. In the event of rejection of the proposed Base Rent by Tenant, the Base Rent for the renewal term shall be determined as follows:

Within fifteen (15) days following notification of rejection, Landlord and Tenant shall each appoint a disinterested and qualified real estate brokerage or appraisal professional (the "professional" or "professionals"). If these two professionals cannot agree upon a Base Rent within thirty (30) days following their appointment, the two professionals shall forthwith select a third disinterested and qualified professional, and the decision of any two professionals shall be binding. The professionals shall make notification in writing of this decision to Landlord and Tenant within thirty (30) days following the selection of the third professional. Landlord and Tenant shall bear the expense of the professional appointed by each, and the expense of the third professional shall be shared equally by both parties.

In the event Tenant fails to exercise such option within the time and in the manner provided herein, such option, and all subsequent options (if any), shall be deemed waived by Tenant and shall not be exercisable thereafter. The option provided herein is for the sole benefit of Tenant and may not be exercised by any subtenant or assignee of Tenant, regardless of whether Landlord has consented to or approved such subletting or assignment.



March 22, 2018

Information Management Solutions, LLC
2416 Brockton Street
Suite 105
San Antonio, TX 78217

RE: Information Management Solutions, LLC BU # 66403 Second Amendment
2416 Brockton Street, Suite 105, San Antonio, TX

To Whom it Concerns;

Enclosed please find for your records an original version of your recently executed document. If you have any questions or concerns, please contact Deanne Meyer, the Property Manager referenced below. Thank you.

Sincerely,

Kelly Wysocki
Assistant Vice President - Lease Administration
Office (312) 940-5301
KRoder@glprop.com

CC: Lease File:
Deanne Meyer - CBRE
Property Manager
Phone #: 210-253-6093

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Amendment") is made this 5 day of MARCH, 2018, by and between ICON IPC TX PROPERTY OWNER POOL 6 WEST/SOUTHWEST, LLC, a Delaware limited liability company ("Landlord"), and INFORMATION MANAGEMENT SOLUTIONS, L.L.C., a Texas limited liability company ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are party to that certain Lease Agreement, dated as of June 16, 2011 (the "Original Lease"), as amended by that certain First Amendment to Lease, dated as of April 4, 2013 (the "First Amendment", and collectively with the Original Lease, the "Lease", as may be further amended or modified from time to time), pursuant to which Landlord leases to Tenant certain premises consisting of approximately 22,400 square feet of space with a common address of 2416 Brockton Street, Suite 105, San Antonio, Texas 78217, as more particularly described in the Lease (the "Premises"), and located in the Project commonly known as 2416 Brockton Street. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Lease.

WHEREAS, Landlord and Tenant stipulate and agree that the Term is scheduled to expire on September 30, 2018;

WHEREAS, Landlord and Tenant desire to extend the Term for an additional sixty (60) full calendar months from such expiration date and to amend the terms and conditions of the Lease as hereinafter provided.

AGREEMENT:

NOW, THEREFORE, in consideration of ten dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, and the mutual covenants set forth herein, the parties hereto agree as follows:

1. **Incorporation of Recitals.** The foregoing recitals are hereby incorporated in this Amendment and made a part hereof by this reference.

2. **Extension of Term.** The Term is hereby extended for a period of sixty (60) full calendar months, commencing as of October 1, 2018 (the "Extended Term Commencement Date") and expiring on September 30, 2023 (the "Extended Term"). From and after the date hereof, the "Term" shall be deemed to include the Extended Term.

3. **Base Rent.** Effective as of the Extended Term Commencement Date, the monthly Base Rent for the Premises payable by Tenant to Landlord during the Extended Term is as follows:

<u>From:</u>	<u>To:</u>	<u>Base Rent (per month)</u>
October 1, 2018	September 30, 2019	\$9,800.00
October 1, 2019	September 30, 2020	\$10,045.00
October 1, 2020	September 30, 2021	\$10,296.13
October 1, 2021	September 30, 2022	\$10,553.53
October 1, 2022	September 30, 2023	\$10,817.37

Except as otherwise set forth in this Amendment, all other terms and conditions with respect to the payment of Base Rent, Taxes, Operating Costs, or any other sums due and payable by Tenant under the Lease shall remain as set forth thereunder.

4. **AS-IS Condition; Tenant's Work.**

(a) **AS-IS Condition.** Tenant hereby acknowledges and agrees that it has accepted the Premises as of the date hereof, and will continue to accept the Premises as of the Extended Term Commencement Date, in AS-IS, WHERE-IS condition without any representation or warranty of any kind made by Landlord in favor of Tenant.

(b) **Tenant's Work.** Notwithstanding the foregoing subsection (a), Tenant may complete the work set forth on Exhibit A attached hereto in accordance with the terms and conditions set forth on such exhibit.

5. **Insurance.** Effective solely with respect to the period from and after the Extended Term Commencement Date, Section 14.1 of the Original Lease is hereby amended and restated in its entirety as follows:

"14.1 **Tenant's Insurance.** Tenant, at its sole cost and expense, shall maintain during the Term the following insurance: (1) commercial general liability insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of \$1,000,000 primary per occurrence and \$2,000,000 annual aggregate; and in the event property of Tenant's invitees or customers are kept in, or about the, Premises, Tenant shall maintain warehouse's legal liability or bailee customers insurance for the full value of the property of such invitees or customers as determined by the warehouse contract between Tenant and its customer; (2) special cause of loss form property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by or on behalf of Tenant, and shall include coverage for damage or other loss caused by fire or other peril, including vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage or stoppage of pipes, and explosion, and providing business interruption coverage for a period of one year; (3) workers' compensation insurance as required by the state in which the Premises is located and in amounts as may be required by applicable statute and shall include a waiver of subrogation in favor of Landlord; (4) employers liability insurance of at least \$1,000,000; (5) business automobile liability insurance having a combined single limit of not less than \$1,000,000 per occurrence insuring Tenant against liability arising out of the ownership maintenance or use of any owned, hired or nonowned automobiles; and (6) an umbrella liability policy or excess liability policy having a limit of not less than \$3,000,000, which policy shall be in "following form" and shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. Such umbrella liability policy or excess liability policy shall include coverage for additional insureds. Any company writing any of Tenant's insurance shall have an A.M. Best rating of not less than A-VIII and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). All commercial general liability and, if applicable, warehouse's legal liability or bailee customers insurance policies shall (a) name Tenant as a named insured and Landlord, its property manager, and other designees of Landlord as the interest of such designees shall appear, as additional insureds; and (b) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and non-contributing with Tenant's insurance. The limits and types of insurance maintained by Tenant shall not limit Tenant's liability under this Lease. Tenant shall provide Landlord with certificates of such insurance as required under this Lease prior to the date hereof, and thereafter upon renewals prior to the expiration of the insurance coverage. Such certificates shall be on forms currently designated "ACORD 25" (Certificate of Liability Insurance) and "ACORD 28" (Evidence of Commercial Property Insurance) or the equivalent. Attached to the ACORD 25 (or equivalent) there shall be an endorsement naming Landlord, its property manager, and other designees of Landlord as additional insureds, and attached to the ACORD 28 (or equivalent) there shall be an endorsement designating Landlord as a loss payee with respect to Tenant's property insurance on any Tenant-insured improvements, and each such endorsement shall be binding on Tenant's insurance company. Acceptance by Landlord of delivery of any certificates of insurance does not constitute approval or agreement by Landlord that the insurance requirements of this section have been met, and failure of Landlord to identify a deficiency from evidence provided will not be construed as a waiver of Tenant's obligation to maintain such insurance. In the event any of the insurance policies required to be carried by Tenant under this Lease shall be cancelled prior to the expiration date of such policy, or if Tenant receives notice of any cancellation of such insurance policies from the insurer prior to the

expiration date of such policy, Tenant shall: (i) immediately deliver notice to Landlord that such insurance has been, or is to be, cancelled, (ii) shall promptly replace such insurance policy in order to assure no lapse of coverage shall occur, and (iii) shall deliver to Landlord a certificate of insurance for such policy.”

6. **Notice.** Section 24.3 of the Original Lease is hereby deleted in its entirety and replaced with the following:

“24.3 All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand delivery addressed to the parties at their addresses set forth below. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery.

Tenant:

Information Management Solutions, LLC
2416 Brockton St, Suite 105
San Antonio, TX 78217

Landlord:

c/o GLP US Management LLC
Two North Riverside Plaza, Suite 2350
Chicago, IL 60606
Attention: Lease Administration

With a copy to:

c/o GLP US Management LLC
2808 Longhorn Boulevard, Suite 308
Austin, TX 78758
Attention: Regional Director

Either party may by notice given aforesaid change its address for all subsequent notices.”

7. **Limitation of Liability.** Any obligation or liability whatsoever of Landlord which may arise at any time under the Lease or any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of, its trustees, directors, shareholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

8. **Renewal Option.** For the avoidance of doubt, Exhibit E to the Original Lease and Exhibit C to the First Amendment are null and void and of no further force and effect. Tenant shall have a one-time renewal option on the terms and conditions as set forth on Exhibit B attached hereto.

9. **Right of First Refusal.** Tenant shall have a one-time right of first refusal in accordance with the terms and conditions set forth on Exhibit C attached hereto.

10. **Roof.** Notwithstanding anything to the contrary in the Lease, Landlord may elect, in its sole discretion and from time to time, to install (or permit the installation of) telecommunication equipment, solar equipment and panels, and any other equipment for any other uses on the roof of the Premises.

11. **OFAC.** Tenant hereby represents and warrants that, to the best of its knowledge, neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury (“OFAC”); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: “List of Specially Designated Nationals and Blocked Persons.” If the foregoing representation is untrue at

any time during the Term, an Event of Default will be deemed to have occurred, without the necessity of notice to the defaulting party.

12. **Tenant's Broker.** Tenant represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction other than CBRE. Tenant agrees to indemnify and hold Landlord harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this leasing transaction.

13. **No Offer.** Submission of this Amendment by Landlord is not an offer to enter into this Amendment, but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord and Tenant have fully executed and delivered this Amendment.

14. **Authority.** Tenant represents and warrants to Landlord that Tenant has been and is qualified to do business in the state in which the Premises is located, that the entity has the full right and authority to enter into this Amendment, and that all persons signing on behalf of the entity were authorized to do so by appropriate actions.

15. **Severability.** If any clause or provision of this Amendment is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Amendment shall not be affected thereby. It is also the intention of the parties to this Amendment that in lieu of each clause or provision of this Amendment that is illegal, invalid or unenforceable, there be added, as a part of this Amendment, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

16. **Counterparts and Delivery.** This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Amendment. Execution copies of this Amendment may be delivered by facsimile or email, and the parties hereto agree to accept and be bound by facsimile signatures or scanned signatures transmitted via email hereto, which signatures shall be considered as original signatures with the transmitted Amendment having the binding effect as an original signature on an original document. Notwithstanding the foregoing, Tenant shall, upon Landlord's request, deliver original copies of this Amendment to Landlord at the address set forth in such request. Neither party may raise the use of a facsimile machine or scanned document or the fact that any signature was transmitted through the use of a facsimile machine or email as a defense to the enforcement of this Amendment.

17. **Conflict; Ratification.** Insofar as the specific terms and provisions of this Amendment purport to amend or modify or are in conflict with the specific terms, provisions and exhibits of the Lease, the terms and provisions of this Amendment shall govern and control. Landlord and Tenant hereby agree that (a) this Amendment is incorporated into and made a part of the Lease, (b) any and all references to the Lease hereinafter shall include this Amendment, and (c) the Lease, and all terms, conditions and provisions of the Lease, are in full force and effect as of the date hereof, except as expressly modified and amended hereinabove.


[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly authorized, executed and delivered as of the day and year first set forth above.

LANDLORD:


ICON IPC TX PROPERTY OWNER POOL 6
WEST/SOUTHWEST, LLC,
a Delaware limited liability company

By: GLP US Management LLC,
a Delaware limited liability company,
as agent for Landlord

By: 
Name: Ryan D. Keathley
Title: SVP - Regional Director

TENANT:

INFORMATION MANAGEMENT SOLUTIONS, L.L.C.,
a Texas limited liability company,

By: 
Name: K. Henry Minten
Title: President

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EXHIBIT A

TENANT'S WORK

(a) **Tenant's Work.** Landlord shall contribute up to a maximum amount of \$44,800.00 (the "Allowance") towards Tenant's alterations and improvements to the Premises as specified below (collectively, the "Tenant's Work"):

1. General cosmetic upgrades to the Premises as may be agreed upon between Landlord and Tenant and provided that, in all cases, any such alterations or improvements will become permanently affixed to the Premises, directly benefit the Building, and be completed in accordance with final plans and specifications approved by Landlord in accordance with the terms of the Lease.

(b) **Landlord's Approval; Tenant's Obligations.** The Tenant's Work shall be subject to the terms of Section 9 of the Original Lease. In addition to obtaining Landlord's consent as and when required pursuant to Section 9 of the Original Lease, Tenant shall obtain Landlord's prior written consent for any of the Tenant's Work for which Tenant will seek reimbursement from the Allowance. In all cases, Tenant shall deliver plans and specifications for the Tenant's Work, and any other documentation reasonably requested by Landlord, to Landlord for approval prior to commencing any of the Tenant's Work. All of the Tenant's Work shall be constructed and undertaken in a good and workmanlike manner and in compliance with Law, and Tenant shall perform, at its expense, any alteration or modification required by any Law as a result of the Tenant's Work. Landlord may monitor the construction of the Tenant's Work, subject to the obligation to provide prior notice to Tenant of any entry onto the Premises (except in the case of emergency, in which case no prior notice is required). In the event the scope of work requested by Tenant is such that Landlord elects to engage a third-party architect, engineer, or other similar consultant or professional to review such proposed work, Tenant shall reimburse Landlord for its actual, reasonable out-of-pocket costs in reviewing plans and specifications and in monitoring the construction for compliance with such approved plans and specifications. Landlord's right to approve the Tenant's Work and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that the Tenant's Work complies with any Law. In addition, Landlord may collect a construction management fee in an amount which shall be calculated based upon the scope of the Tenant's Work as described herein and any additional work requested by Tenant and agreed to by Landlord, taking into account costs generally payable for similar services within the market area in which the Building is located, and such fee shall be paid, in part or in whole, from the Allowance with any amount not covered by the Allowance to be paid by Tenant directly to Landlord (or, at Landlord's election, to Landlord's property manager). Landlord shall provide Tenant with a good faith estimated cost of the expected construction management fee; provided, however, Tenant hereby agrees and acknowledges that the estimated cost of such fee is an estimate only and Landlord makes no guaranty or warranty that such estimate will be accurate.

(c) **Allowance.** The Allowance may be used only for the hard costs and Eligible Soft Costs (as hereinafter defined) of construction of the Tenant's Work pursuant to the approved plans and specifications. "Eligible Soft Costs" shall be deemed to be costs and expenses incurred by Tenant which are directly and primarily related to the Tenant's Work and which relate solely to the work of any architect, space planner, engineer, or similar construction professional or which are direct payments made to applicable authorities for permitting and license fees; provided, however, that in no event shall the Eligible Soft Costs exceed fifteen percent (15%) of the total Allowance or be used for services provided in connection with the negotiation of the Amendment. For the avoidance of doubt, Eligible Soft Costs shall expressly exclude any financing costs, attorneys' fees, or other costs and expenses not expressly permitted hereunder. In no event will the Allowance be used to pay for moving or storage expenses or furniture, racking, equipment, cabling, telephone systems or any other item of personal property which is not intended to be permanently affixed to the Premises. Payment of the Allowance shall be made by Landlord to Tenant within thirty (30) days following the last to occur of: (i) completion of the Tenant's Work, (ii) Landlord's receipt of Tenant's invoice substantiating the costs related thereto, (iii) Landlord's receipt of final lien waivers from all contractors and subcontractors who performed the Tenant's Work, and (iv) Landlord's receipt of a copy of the final permit approved by the applicable governing authority for any work which requires the same. Landlord shall be under no obligation to pay for any of the Tenant's Work in excess of the Allowance. Further, the Allowance shall only be available for Tenant's use for work performed and submitted for reimbursement in

accordance with the terms of this exhibit on or prior to October 31, 2018, at which time Tenant hereby waives any and all rights to any unused portion of the Allowance.

EXHIBIT B

RENEWAL OPTION

Tenant shall have one (1) option to renew the Term (the "Renewal Option") on the following terms and conditions:

(a) Provided that as of the date of the receipt of the Renewal Notice (as hereinafter defined) by Landlord and the Renewal Commencement Date (as hereinafter defined), (i) Tenant is the tenant named on the Lease as of the Extended Term Commencement Date, (ii) Tenant actually occupies all of the Premises, and (iii) no default exists, or would exist but for the passage of time or the giving of notice, or both, then Tenant shall have the right to extend the Term for an additional term of sixty (60) months (the "Renewal Term") commencing on the day following the expiration of the Extended Term (the "Renewal Commencement Date"). Tenant shall give Landlord written notice (the "Renewal Notice") of its election to renew the Term in accordance with the terms hereof at least nine (9) months, but not more than twelve (12) months, prior to the scheduled expiration date of the Extended Term.

(b) The Base Rent payable by Tenant to Landlord during the Renewal Term shall be the greater of (i) the Base Rent applicable to the last year of the Extended Term, and (ii) the then-prevailing market rate for comparable space in comparable buildings in the vicinity of the Property taking into account the size of the Premises, the length of the renewal term, market escalations, and the credit of Tenant. The Base Rent shall not be reduced by reason of any costs or expenses saved by Landlord by reason of Landlord's not having to find a new tenant for such premises (including, without limitation, brokerage commissions, costs of improvements, rent concessions or lost rental income during any vacancy period).

(c) Landlord shall notify Tenant of its determination of the Base Rent (which shall be made in Landlord's sole discretion) for the Renewal Term, and Tenant shall advise Landlord in writing of any objection within ten (10) days of receipt of Landlord's notice. Failure to respond within the ten (10) day period shall constitute Tenant's acceptance of such Base Rent. If Tenant objects, Landlord and Tenant shall commence negotiations to attempt to agree upon the Base Rent for a period of up to fifteen (15) days after Landlord's receipt of Tenant's objection notice. If the parties cannot agree, each acting in good faith but without any obligation to agree, on the Base Rent on or before the end of such fifteen (15) day period, then Tenant's exercise of the Renewal Option shall be deemed withdrawn and the Lease shall expire or terminate in accordance with its terms.

(d) The determination of the Base Rent does not reduce Tenant's obligation to pay or reimburse Landlord for Taxes, Operating Costs, or any other sums due and payable by Tenant under the Lease, and Tenant shall reimburse and pay Landlord as set forth in the Lease with respect to such items with respect to the Premises during the Renewal Term.

(e) Except for the Base Rent for the Renewal Term as determined above, Tenant's occupancy of the Premises during the Renewal Term shall be on the same terms and conditions as are in effect immediately prior to the expiration of the Extended Term; provided, however, Tenant shall have no further right to any allowances, credits or abatements or any options to expand, contract, renew, terminate or extend the Lease.

(f) If Tenant does not give the Renewal Notice within the period set forth above, the Renewal Option shall automatically terminate. Time is of the essence as to the giving of the Renewal Notice.

(g) Landlord shall have no obligation to refurbish or otherwise improve the Premises for the Renewal Term. The Premises shall be tendered on the Renewal Commencement Date in "as-is" condition.

(h) If the Lease is extended for the Renewal Term, then, promptly after the determination of Base Rent in accordance with the terms of this exhibit, Landlord shall prepare and Tenant shall execute an amendment to the Lease confirming the extension of the Term and the other provisions applicable thereto.

(i) If Tenant exercises its right to renew the term of the Lease for the Renewal Term pursuant to this exhibit and the parties execute the amendment, the term "Term" as used in the Lease shall be construed to include, when practicable, the Renewal Term except as provided in subparagraph (e) above.

EXHIBIT C

RIGHT OF FIRST REFUSAL

(a) "Offered Space" shall mean all or a portion of approximately 6,400 square feet of space commonly described as 2416 Brockton Street, Suite 101, San Antonio, Texas 78217, as shown on Exhibit C-1 attached hereto.

(b) Provided that as of the date of the giving of Offer Notice (as defined in Paragraph (c) below), (i) Tenant is the tenant named on the Lease as of the Extended Term Commencement Date, (ii) Tenant actually occupies all of the Premises, and (iii) no default exists, or would exist but for the passage of time or the giving of notice, or both, if, at any time during the Term, Landlord intends to enter into a lease (the "Proposed Lease") for all or a portion of the Offered Space with a third party (other than the tenant or occupant in the Offered Space (or its affiliate), or any party that has a right to the Offered Space, as of the date hereof) (the "Proposed Tenant"), then Landlord shall first offer to Tenant the right to lease such Offered Space upon all the terms and conditions of the Proposed Lease.

(c) Such offer shall be made by Landlord to Tenant in a written notice (the "Offer Notice") which offer shall designate the space being offered and shall specify the terms for such Offered Space which shall be the same as those set forth in the Proposed Lease.

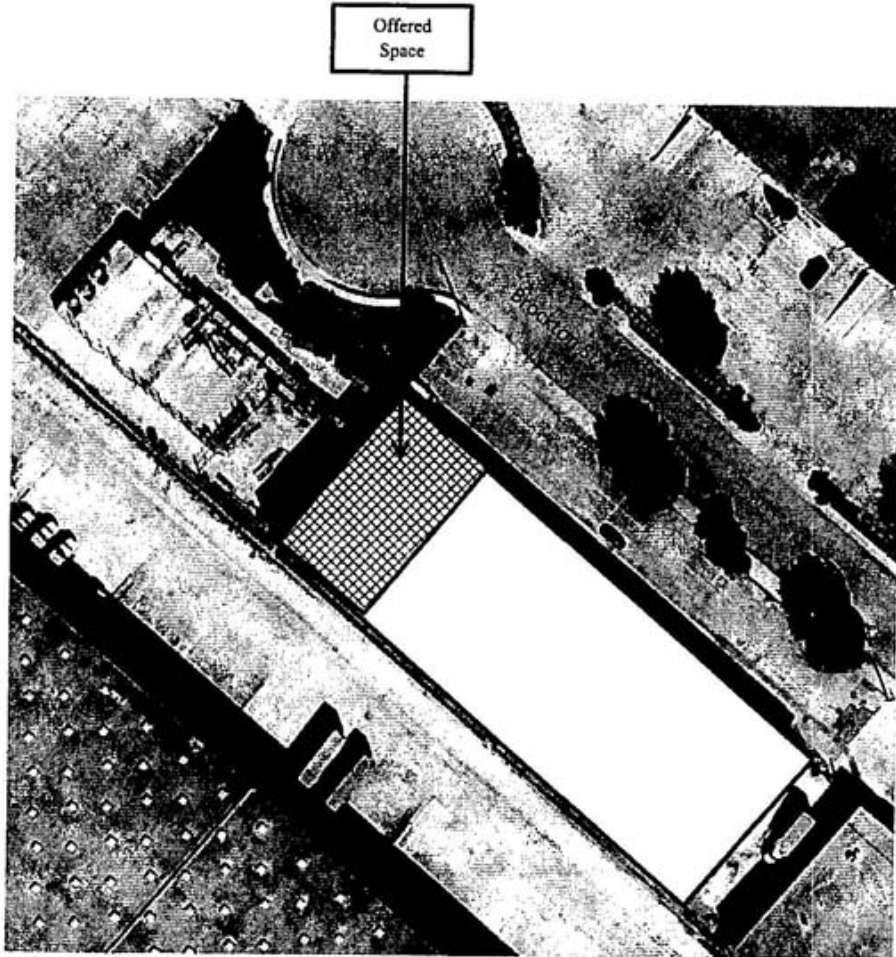
Tenant may accept the offer set forth in the Offer Notice by delivering to Landlord an unconditional acceptance (the "Tenant's Notice") of such offer within five (5) business days after delivery by Landlord of the Offer Notice to Tenant. Time shall be of the essence with respect to the giving of Tenant's Notice. If Tenant does not unconditionally accept, proposes a counteroffer to, or fails to timely accept an offer made by Landlord pursuant to the provisions of this exhibit with respect to the Offered Space designated in the Offer Notice, Landlord shall be under no further obligation with respect to such space by reason of this exhibit. In order to send the Offer Notice, Landlord does not need to have negotiated a complete lease with the Proposed Tenant but may merely have agreed upon the material economic terms for the Proposed Lease, and Tenant must make its decision with respect to the Offered Space as long as it has received a description of such material economic terms.

(d) Tenant must accept all Offered Space offered by Landlord at any one time if it desires to accept any such Offered Space and may not exercise its right with respect to only part of such Offered Space. In addition, if Landlord desires to lease more than just the Offered Space to one tenant, Landlord may offer to Tenant pursuant to the terms hereof all such space which Landlord desires to lease, and Tenant must exercise its rights hereunder with respect to all such space and may not insist on receiving an offer for just the Offered Space. In the event Tenant exercises its rights to the Offered Space as provided herein, Landlord shall deliver to Tenant a lease agreement for such Offered Space with the same terms of the Proposed Lease and Tenant shall execute such lease agreement and return to Landlord within ten (10) days of receipt of such lease agreement.

(e) If Tenant at any time declines or accepts any Offered Space offered by Landlord, Tenant shall be deemed to have irrevocably waived all further rights under this exhibit with respect to all of the Offered Space (regardless of whether only a portion of the Offered Space was included in the Offer Notice), and Landlord shall be free to lease the Offered Space to the Proposed Tenant including on terms which may be less favorable to Landlord than those set forth in the Proposed Lease or to any future tenant on the terms and conditions as Landlord may desire.

EXHIBIT C-1

OFFERED SPACE



THIRD AMENDMENT TO LEASE AGREEMENT

This Third Amendment to Lease Agreement (this "**Amendment**") is dated as of 12/22/2020, 2020, between ICON IPC TX PROPERTY OWNER POOL 6 WEST/SOUTHWEST, LLC, a Delaware limited liability company ("**Landlord**"), and PDS ACQUISITION, CORP., a Nevada corporation ("**Tenant**").

RECITALS:

- A. Landlord and Tenant are party to that certain Lease Agreement dated June 16, 2011 (the "**Original Lease**"). The Original Lease, as amended by a First Amendment to Lease dated April 4, 2013, and a Second Amendment to Lease Agreement dated March 5, 2018 (the "**Second Amendment**"), is referred to herein as the "**Lease**". Pursuant to the terms of the Lease, Tenant is currently leasing Suite 105, containing approximately 22,400 rentable square feet (the "**Premises**"), in the building located at 2416 Brockton Drive, San Antonio, Texas 78217 (the "**Building**"). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.
- B. Tenant desires to extend the Term for a period of twelve (12) months, and Landlord has agreed to such extension on the terms and conditions contained herein.

AGREEMENTS:

For valuable consideration, whose receipt and sufficiency are acknowledged, Landlord and Tenant agree as follows:

- Extension of Term.** The Term is hereby extended for a period of twelve (12) months, such that it expires at 5:00 p.m., San Antonio, Texas time, on September 30, 2024 (the "**Expiration Date**"), on the terms and conditions of the Lease, as modified hereby.
- Base Rent.** Beginning October 1, 2023 (the "**Renewal Date**"), the Base Rent shall be the following amounts for the following periods of time:

<u>From:</u>	<u>To:</u>	<u>Monthly Installment of Base Rent:</u>
October 1, 2023	September 30, 2024	\$11,141.89

- Condition of Premises.** Tenant hereby accepts the Premises in their "**AS-IS**" condition, and Landlord shall have no obligation for any construction or finish-out allowance or providing to Tenant any other tenant inducement.
- Confidentiality.** Except as may be required by any reporting entity due to Tenant or Tenant's affiliates being a public company, Tenant acknowledges the terms and conditions of the Lease (as amended hereby) are to remain confidential for Landlord's benefit and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent. The consent by Landlord to any disclosures shall not be deemed to be a waiver on the part of Landlord of any prohibition against any future disclosure.
- HVAC.** Tenant shall enter into a regularly scheduled preventive maintenance/service contract ("**Service Contract**") with a maintenance contractor reasonably acceptable to Landlord for

servicing all heating ventilation, and air conditioning systems and equipment inside or exclusively serving the Premises (collectively, the "**HVAC System**"), which Service Contract shall comply with the requirements set forth on **Exhibit A** attached hereto.

6. **Options.** Except for the Renewal Option set forth in **Exhibit B** to the Second Amendment, all option rights granted to Tenant, if any, contained in the Lease, including, without limitation, options to extend or renew the term of the Lease or to expand the Premises or to terminate the Lease, are hereby deleted and are of no force and effect.

7. **Limitation of Liability.** In addition to any other limitations of Landlord's liability as contained in the Lease, as amended to date, the liability of Landlord (and its partners, shareholders or members) to Tenant (or any person or entity claiming by, through or under Tenant) for any default by Landlord under the terms of the Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Building shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building, and Landlord (and its partners, shareholders or members) shall not be personally liable for any deficiency.

8. **Brokerage.** Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with the negotiation or execution of this Amendment other than Site Selection Group LLC, representing Tenant, whose commissions shall be paid by Landlord pursuant to separate written agreements. Tenant and Landlord shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

9. **Determination of Charges.** Landlord and Tenant agree that each provision of the Lease (as amended by this Amendment) for determining charges and amounts payable by Tenant is commercially reasonable and, as to each such charge or amount, constitutes a statement of the amount of the charge or a method by which the charge is to be computed for purposes of Section 93.012 of the Texas Property Code.

10. **Prohibited Persons and Transactions.** Tenant represents and warrants to Landlord that Tenant is currently in compliance with and shall at all times during the Term (including any extension thereof) remain in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated Nationals and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action relating thereto.

11. **Ratification.** Tenant hereby ratifies and confirms its obligations under the Lease accruing after the date (the "**Assumption Date**") of that certain Assignment and Assumption of Lease between Information Management Solutions, LLC, a Texas limited liability company ("**Prior Tenant**") and Tenant, and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and in full force and effect, (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant, (c) except as expressly provided for in this Amendment, all tenant finish-work allowances provided to Tenant under the Lease or otherwise, if any, have been paid in full by Landlord to Tenant, and Landlord has no further obligations with respect thereto, and (d) there are no defaults by Tenant and no event has occurred or situation exists which would, with the passage of time, constitute a default by Tenant under the Lease.

12. **Release of Prior Tenant.** Landlord hereby releases Prior Tenant for obligations under this Lease first accruing after the Assumption Date.

13. **Binding Effect; Governing Law.** Except as modified hereby, the Lease shall remain in full effect and this Amendment shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall prevail. This Amendment shall be governed by the laws of the State in which the Premises are located.

14. **Counterparts.** This Amendment may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

15. **Notices to Tenant.** Tenant's address for notices and general correspondence pursuant to the Lease shall be (or at such other places as Tenant may hereafter designate in writing:

PDS Acquisition, Corp.
Attn: Mr. Louis Hoch, President and CEO
3611 Paesanos Parkway, Suite 300
San Antonio, TX 78231

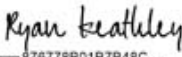
16. **Electronic Signatures.** This Amendment may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. For these purposes, "electronic signature" shall mean electronically scanned and transmitted versions (e.g., via pdf file) of an original signature, or signatures electronically inserted and verified by software such as Adobe Sign.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

This Amendment is executed on the respective dates set forth below, but for reference purposes this Amendment shall be dated as of the date first above written. If the execution date is left blank, this Amendment shall be deemed executed as of the date first written above.

LANDLORD:

**ICON IPC TX PROPERTY OWNER POOL 6
WEST/SOUTHWEST, LLC, a Delaware limited liability company**

DocuSigned by:

By: _____
Name: Ryan Keathley
Title: Authorized Signatory

TENANT:

**PDS ACQUISITION, CORP.,
a Nevada corporation**

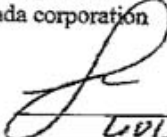
By: 
Name: Louis A. Hocht
Title: President, CEO

EXHIBIT A

SERVICE CONTRACT

The Service Contract for the HVAC System must include the following: The service contract must become effective within thirty (30) days following the date of this Amendment, and service visits must be performed on at least a quarterly basis unless otherwise agreed in writing by Landlord. The maintenance contract must include the following services:

- a. Adjust belt tension;
- b. Lubricate all moving parts, as necessary;
- c. Inspect and adjust all temperature and safety controls;
- d. Check refrigeration system for leaks and operation;
- e. Check refrigeration system for moisture;
- f. Inspect compressor oil level and crank case heaters;
- g. Check head pressure, suction pressure and oil pressure;
- h. Inspect air filters and replace when necessary;
- i. Check space conditions;
- j. Check condensate drains and drain pans and clean, if necessary;
- k. Inspect and adjust all valves;
- l. Check and adjust dampers; and
- m. Run machine through complete cycle.



COMMERCIAL LEASE

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Initialed for Identification by Landlord: _____, _____, and Tenant: _____

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COMMERCIAL LEASE

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1. PARTIES: The parties to this lease are:

Landlord: Smartyfi, LLC _____; and
Tenant: Usio, Inc _____

2. LEASED PREMISES:

A. Landlord leases to Tenant the following described real property, known as the "leased premises," along with all its improvements (Check only one box):

(1) **Multiple-Tenant Property:** Suite or Unit Number 132 containing approximately 1890 square feet of rentable area in Fourth& (project name) at 1800 E 4 ST Unit 132 (address) in Austin, TX (city), Travis (county), Texas, which is legally described on attached Exhibit _____ or as follows: UNT COMMERCIAL MASTER UNIT 132 FOURTH & MASTER CONDOMINIUMS AMD PLUS 1.74 % INT IN COM AREA

(2) **Single-Tenant Property:** The real property containing approximately _____ square feet of rentable area at: _____ (address) in _____ (city), _____ (county), Texas, which is legally described on attached Exhibit _____ or as follows: _____

B. If Paragraph 2A(1) applies:
(1) "Property" means the building or complex in which the leased premises are located, inclusive of any common areas, drives, parking areas, and walks; and
(2) the parties agree that the rentable area of the leased premises may not equal the actual or useable area within the leased premises and may include an allocation of common areas in the Property. The rentable area will will not be adjusted if re-measured.

3. TERM:

A. **Term:** The term of this lease is 25 months and 0 days, commencing on: January 1, 2021 (Commencement Date) and ending on January 31, 2023 (Expiration Date).

B. **Delay of Occupancy:** If Tenant is unable to occupy the leased premises on the Commencement Date because of construction on the leased premises to be completed by Landlord that is not substantially

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complete or a prior tenant's holding over of the leased premises, Landlord will not be liable to Tenant for such delay and this lease will remain enforceable. In the event of such a delay, the Commencement Date will automatically be extended to the date Tenant is able to occupy the Property and the Expiration Date will also be extended by a like number of days, so that the length of this lease remains unchanged. If Tenant is unable to occupy the leased premises after the 90th day after the Commencement Date because of construction on the leased premises to be completed by Landlord that is not substantially complete or a prior tenant's holding over of the leased premises, Tenant may terminate this lease by giving written notice to Landlord before the leased premises become available to be occupied by Tenant and Landlord will refund to Tenant any amounts paid to Landlord by Tenant. This Paragraph 3B does not apply to any delay in occupancy caused by cleaning or repairs.

- C. Certificate of Occupancy: Unless the parties agree otherwise, Tenant is responsible for obtaining a certificate of occupancy for the leased premises if required by a governmental body.

4. RENT AND EXPENSES:

- A. Base Monthly Rent: On or before the first day of each month during this lease, Tenant will pay Landlord base monthly rent as described on attached Exhibit _____ or as follows:

Dates		Rate per rentable square foot <i>(optional)</i>		Base Monthly Rent \$
From	To	\$ Monthly Rate	\$ Annual Rate	
01/01/2021	01/31/2023	2.46 / rsf / month	29.50 / rsf / year	29.50
		/ rsf / month	/ rsf / year	
		/ rsf / month	/ rsf / year	
		/ rsf / month	/ rsf / year	
		/ rsf / month	/ rsf / year	

- B. Additional Rent: In addition to the base monthly rent, Tenant will pay Landlord all other amounts, as provided by the attached *(Check all that apply)*:

- (1) Commercial Lease Addendum for Expense Reimbursement (TXR-2103)
- (2) Commercial Lease Addendum for Percentage Rent (TXR-2106)
- (3) Commercial Lease Addendum for Parking (TXR-2107)
- (4) _____

All amounts payable under the applicable addenda are deemed to be "rent" for the purposes of this lease.

- C. First Full Month's Rent: The first full monthly rent is due on or before January 1, 2021

- D. Prorated Rent: If the Commencement Date is on a day other than the first day of a month, Tenant will pay Landlord as prorated rent, an amount equal to the base monthly rent multiplied by the following fraction: the number of days from the Commencement Date to the first day of the following month divided by the number of days in the month in which this lease commences. The prorated rent is due on or before the Commencement Date.

- E. Place of Payment: Tenant will remit all amounts due to Landlord under this lease to the following person at the place stated or to such other person or place as Landlord may later designate in writing:

Name: **Smartyfi, LLC**
 Address: **14312 LAURINBURG DR Austin TX 78717**

- F. Method of Payment: Tenant must pay all rent timely without demand, deduction, or offset, except as permitted by law or this lease. If Tenant fails to timely pay any amounts due under this lease or if any

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check of Tenant is returned to Landlord by the institution on which it was drawn, Landlord after providing written notice to Tenant may require Tenant to pay subsequent amounts that become due under this lease in certified funds. This paragraph does not limit Landlord from seeking other remedies under this lease for Tenant's failure to make timely payments with good funds.

- G. **Late Charges:** If Landlord does not actually receive a rent payment at the designated place of payment within 5 days after the date it is due, Tenant will pay Landlord a late charge equal to ~~40%~~ ^{5%} of the amount due. In this paragraph, the mailbox is not the agent for receipt for Landlord. The late charge is a cost associated with the collection of rent and Landlord's acceptance of a late charge does not waive Landlord's right to exercise remedies under Paragraph 20.
- H. **Returned Checks:** Tenant will pay \$ 350.00 for each check Tenant tenders to Landlord which is returned by the institution on which it is drawn for any reason, plus any late charges until Landlord receives payment.

5. SECURITY DEPOSIT:

- A. Upon execution of this lease, Tenant will pay \$ 7,087.00 to Landlord as a security deposit.
- B. Landlord may apply the security deposit to any amounts owed by Tenant under this lease. If Landlord applies any part of the security deposit during any time this lease is in effect to amounts owed by Tenant, Tenant must, within 10 days after receipt of notice from Landlord, restore the security deposit to the amount stated.
- C. Within 60 days after Tenant surrenders the leased premises and provides Landlord written notice of Tenant's forwarding address, Landlord will refund the security deposit less any amounts applied toward amounts owed by Tenant or other charges authorized by this lease.

6. TAXES: Unless otherwise agreed by the parties, Landlord will pay all real property ad valorem taxes assessed against the leased premises.

7. UTILITIES:

A. The party designated below will pay for the following utility charges to the leased premises and any connection charges for the utilities. *(Check all that apply.)*

	<u>N/A</u>	<u>Landlord</u>	<u>Tenant</u>
(1) Water	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(2) Sewer	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(3) Electric	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(4) Gas	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(5) Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(6) Internet	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(7) Cable	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(8) Trash	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(9) Property Management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(10) All other utilities	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

B. The party responsible for the charges under Paragraph 7A will pay the charges directly to the utility service provider. The responsible party may select the utility service provider except that if Tenant selects the provider, any access or alterations to the Property or leased premises necessary for the utilities may be made only with Landlord's prior consent, which Landlord will not unreasonably withhold. If Landlord incurs any liability for utility or connection charges for which Tenant is responsible to pay

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and Landlord pays such amount, Tenant will immediately upon written notice from Landlord reimburse Landlord such amount.

C. **Notice:** Tenant should determine if all necessary utilities are available to the leased premises and are adequate for Tenant's intended use.

D. **After-Hours HVAC Charges:** "HVAC services" means heating, ventilating, and air conditioning of the leased premises. (Check one box only.)

(1) Landlord is obligated to provide the HVAC services to the leased premises only during the Property's operating hours specified under Paragraph 9C.

(2) Landlord will provide the HVAC services to the leased premises during the operating hours specified under Paragraph 9C for no additional charge and will, at Tenant's request, provide HVAC services to the leased premises during other hours for an additional charge of \$ _____ per hour. Tenant will pay Landlord the charges under this paragraph immediately upon receipt of Landlord's invoice. Hourly charges are charged on a half-hour basis. Any partial hour will be rounded up to the next half hour. Tenant will comply with Landlord's procedures to make a request to provide the additional HVAC services under this paragraph.

(3) Tenant will pay for the HVAC services under this lease.

8. INSURANCE:

A. During all times this lease is in effect, Tenant must, at Tenant's expense, maintain in full force and effect from an insurer authorized to operate in Texas:

(1) public liability insurance naming Landlord as an additional insured with policy limits on an occurrence basis in a minimum amount of: (check only (a) or (b) below)

(a) \$1,000,000; or

(b) \$2,000,000.

If neither box is checked the minimum amount will be \$1,000,000.

(2) personal property damage insurance for the business operations being conducted in the leased premises and contents in the leased premises in an amount sufficient to replace such contents after a casualty loss; and

(3) business interruption insurance sufficient to pay 12 months of rent payments;

B. Before the Commencement Date, Tenant must provide Landlord with a copy of insurance certificates evidencing the required coverage. If the insurance coverage is renewed or changes in any manner or degree at any time this lease is in effect, Tenant must, not later than 10 days after the renewal or change, provide Landlord a copy of an insurance certificate evidencing the renewal or change.

C. If Tenant fails to maintain the required insurance in full force and effect at all times this lease is in effect, Landlord may:

(1) purchase insurance that will provide Landlord the same coverage as the required insurance and Tenant must immediately reimburse Landlord for such expense; or

(2) exercise Landlord's remedies under Paragraph 20.

D. Unless the parties agree otherwise, Landlord will maintain in full force and effect insurance for: (1) fire and extended coverage in an amount to cover the reasonable replacement cost of the improvements of the Property; and (2) any public liability insurance in an amount that Landlord determines reasonable and appropriate.

E. If there is an increase in Landlord's insurance premiums for the leased premises or Property or its contents that is caused by Tenant, Tenant's use of the leased premises, or any improvements made by or for Tenant, Tenant will, for each year this lease is in effect, pay Landlord the increase immediately

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after Landlord notifies Tenant of the increase. Any charge to Tenant under this Paragraph 8E will be equal to the actual amount of the increase in Landlord's insurance premium.

9. USE AND HOURS:

- A. Tenant may use the leased premises for the following purpose and no other: Regular business use

_____.
- B. Unless otherwise specified in this lease, Tenant will operate and conduct its business in the leased premises during business hours that are typical of the industry in which Tenant represents it operates.
- C. The Property maintains operating hours of *(specify hours, days of week, and if inclusive or exclusive of weekends and holidays)*: 24 hours a day 7 days a week during the period of this lease and any extensions.
_____.

10. LEGAL COMPLIANCE:

- A. Tenant may not use or permit any part of the leased premises or the Property to be used for:
 - (1) any activity which is a nuisance or is offensive, noisy, or dangerous;
 - (2) any activity that interferes with any other tenant's normal business operations or Landlord's management of the Property;
 - (3) any activity that violates any applicable law, regulation, zoning ordinance, restrictive covenant, governmental order, owners' association rules, tenants' association rules, Landlord's rules or regulations, or this lease;
 - (4) any hazardous activity that would require any insurance premium on the Property or leased premises to increase or that would void any such insurance;
 - (5) any activity that violates any applicable federal, state, or local law, including but not limited to those laws related to air quality, water quality, hazardous materials, wastewater, waste disposal, air emissions, or other environmental matters;
 - (6) the permanent or temporary storage of any hazardous material; or
 - (7) _____.
- B. "Hazardous material" means any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, solvent, or oil as defined by any federal, state, or local environmental law, regulation, ordinance, or rule existing as of the date of this lease or later enacted.
- C. Landlord does not represent or warrant that the leased premises or Property conform to applicable restrictions, zoning ordinances, setback lines, parking requirements, impervious ground cover ratio requirements, and other matters that may relate to Tenant's intended use. Tenant must satisfy itself that the leased premises may be used as Tenant intends by independently investigating all matters related to the use of the leased premises or Property. Tenant agrees that it is not relying on any warranty or representation made by Landlord, Landlord's agent, or any broker concerning the use of the leased premises or Property.

11. SIGNS:

- A. Tenant may not post or paint any signs or place any decoration outside the leased premises or on the Property without Landlord's written consent. Landlord may remove any unauthorized sign or decorations, and Tenant will promptly reimburse Landlord for its cost to remove any unauthorized sign or decorations.

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- B. Any authorized sign must comply with all laws, restrictions, zoning ordinances, and any governmental order relating to signs on the leased premises or Property. Landlord may temporarily remove any authorized sign to complete repairs or alterations to the leased premises or the Property.
- C. By providing written notice to Tenant before this lease ends, Landlord may require Tenant, upon move-out and at Tenant's expense, to remove, without damage to the Property or leased premises, any or all signs or decorations that were placed on the Property or leased premises by or at the request of Tenant. Any signs or decorations that Landlord does not require Tenant to remove and that are fixtures, become the property of the Landlord and must be surrendered to Landlord at the time this lease ends.

12. ACCESS BY LANDLORD:

- A. During Tenant's normal business hours Landlord may enter the leased premises for any reasonable purpose, including but not limited to purposes for repairs, maintenance, alterations, and showing the leased premises to prospective tenants or purchasers. Landlord may access the leased premises after Tenant's normal business hours if: (1) entry is made with Tenant's permission; or (2) entry is necessary to complete emergency repairs. Landlord will not unreasonably interfere with Tenant's business operations when accessing the leased premises.
- B. During the last 90 days of this lease, Landlord may place a "For Lease" or similarly worded sign on the leased premises.

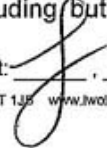
13. MOVE-IN CONDITION: Tenant has inspected the leased premises and accepts it in its present (as-is) condition unless expressly noted otherwise in this lease or in an addendum. Landlord and any agent have made no express or implied warranties as to the condition or permitted use of the leased premises or Property.

14. MOVE-OUT CONDITION AND FORFEITURE OF TENANT'S PERSONAL PROPERTY:

- A. At the time this lease ends, Tenant will surrender the leased premises in the same condition as when received, except for normal wear and tear. Tenant will leave the leased premises in a clean condition free of all trash, debris, personal property, hazardous materials, and environmental contaminants.
- B. If Tenant leaves any personal property in the leased premises after Tenant surrenders possession of the leased premises, Landlord may: (1) require Tenant, at Tenant's expense, to remove the personal property by providing written notice to Tenant; or (2) retain such personal property as forfeited property to Landlord.
- C. "Surrender" means vacating the leased premises and returning all keys and access devices to Landlord. "Normal wear and tear" means deterioration that occurs without negligence, carelessness, accident, or abuse.
- D. By providing written notice to Tenant before this lease ends, Landlord may require Tenant, upon move-out and at Tenant's expense, to remove, without damage to the Property or leased premises, any or all fixtures that were placed on the Property or leased premises by or at the request of Tenant. Any fixtures that Landlord does not require Tenant to remove become the property of the Landlord and must be surrendered to Landlord at the time this lease ends.

15. MAINTENANCE AND REPAIRS:

- A. Cleaning: Tenant must keep the leased premises clean and sanitary and promptly dispose of all garbage in appropriate receptacles. Landlord Tenant will provide, at its expense, janitorial services to the leased premises that are customary and ordinary for the property type. Tenant will maintain any grease trap on the Property which Tenant uses, including but not limited to periodic



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emptying and cleaning, as well as making any modification to the grease trap that may be necessary to comply with any applicable law.

- B. Repairs of Conditions Caused by a Party: Each party must promptly repair a condition in need of repair that is caused, either intentionally or negligently, by that party or that party's guests, patrons, invitees, contractors or permitted subtenants.
- C. Repair and Maintenance Responsibility: Except as otherwise provided by this Paragraph 15, the party designated below, at its expense, is responsible to maintain and repair the following specified items in the leased premises (if any). The specified items must be maintained in clean and good operable condition. If a governmental regulation or order requires a modification to any of the specified items, the party designated to maintain the item must complete and pay the expense of the modification. The specified items include and relate only to real property in the leased premises. Tenant is responsible for the repair and maintenance of its personal property. *(Check all that apply.)*

	N/A	Landlord	Tenant
(1) Foundation, exterior walls, roof, and other structural components	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(2) Glass and windows	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(3) Fire protection equipment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) Fire sprinkler systems	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(5) Exterior & overhead doors, including closure devices, molding, locks, and hardware	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(6) Grounds maintenance, including landscaping and irrigation systems	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(7) Interior doors, including closure devices, frames, molding, locks, and hardware	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(8) Parking areas and walks	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(9) Plumbing systems, drainage systems and sump pumps	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(10) Electrical systems, mechanical systems	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(11) Ballast and lamp replacement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(12) Heating, Ventilation and Air Conditioning (HVAC) systems	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(13) HVAC system replacement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(14) Signs and lighting:			
(a) Pylon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) Facia	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) Monument	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) Door/Suite	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(e) Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15) Extermination and pest control, excluding wood-destroying insects.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(16) Fences and Gates	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17) Storage yards and storage buildings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(18) Wood-destroying insect treatment and repairs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(19) Cranes and related systems	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(20)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22) All other items and systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Repair Persons: Repairs must be completed by trained, qualified, and insured repair persons.

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- E. **HVAC Service Contract:** If Tenant maintains the HVAC system under Paragraph 15C(12), Tenant is is not required to maintain, at its expense, a regularly scheduled maintenance and service contract for the HVAC system. The maintenance and service contract must be purchased from a HVAC maintenance company that regularly provides such contracts to similar properties. If Tenant fails to maintain a required HVAC maintenance and service contract in effect at all times during this lease, Landlord may do so and Tenant will reimburse Landlord for the expense of such maintenance and service contract or Landlord may exercise Landlord's remedies under Paragraph 20.
- F. **Common Areas:** Landlord will maintain any common areas in the Property in a manner as Landlord determines to be in the best interest of the Property. Landlord will maintain any elevator and signs in the common area. Landlord may change the size, dimension, and location of any common areas, provided that such change does not materially impair Tenant's use and access to the leased premises. Tenant has the non-exclusive license to use the common areas in compliance with Landlord's rules and regulations. Tenant may not solicit any business in the common areas or interfere with any other person's right to use the common areas. This paragraph does not apply if Paragraph 2A(2) applies.
- G. **Notice of Repairs:** Tenant must promptly notify Landlord of any item that is in need of repair and that is Landlord's responsibility to repair. All requests for repairs to Landlord must be in writing.
- H. **Failure to Repair:** Landlord must make a repair for which Landlord is responsible within a reasonable period of time after Tenant provides Landlord written notice of the needed repair. If Tenant fails to repair or maintain an item for which Tenant is responsible within 10 days after Landlord provides Tenant written notice of the needed repair or maintenance, Landlord may: (1) repair or maintain the item, without liability for any damage or loss to Tenant, and Tenant must immediately reimburse Landlord for the cost to repair or maintain; or (2) exercise Landlord's remedies under Paragraph 20.

16. ALTERATIONS:

- A. Tenant may not alter (including making any penetrations to the roof, exterior walls or foundation), improve, or add to the Property or the leased premises without Landlord's written consent. Landlord will not unreasonably withhold consent for the Tenant to make reasonable non-structural alterations, modifications, or improvements to the leased premises.
- B. Tenant may not alter any locks or any security devices on the Property or the leased premises without Landlord's consent. If Landlord authorizes the changing, addition, or rekeying of any locks or other security devices, Tenant must immediately deliver the new keys and access devices to Landlord.
- C. If a governmental order requires alteration or modification to the leased premises, the party obligated to maintain and repair the item to be modified or altered as designated in Paragraph 15 will, at its expense, modify or alter the item in compliance with the order and in compliance with Paragraphs 16A and 17.
- D. Any alterations, improvements, fixtures or additions to the Property or leased premises installed by either party during the term of this lease will become Landlord's property and must be surrendered to Landlord at the time this lease ends, except for those fixtures Landlord requires Tenant to remove under Paragraph 11 or 14 or if the parties agree otherwise in writing.

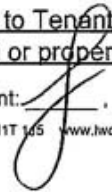
17. LIENS: Tenant may not do anything that will cause the title of the Property or leased premises to be encumbered in any way. If Tenant causes a lien to be filed against the Property or leased premises, Tenant will within 20 days after receipt of Landlord's demand: (1) pay the lien and have the lien released of record; or (2) take action to discharge the lien. Tenant will provide Landlord a copy of any release Tenant obtains pursuant to this paragraph.

18. LIABILITY: To the extent permitted by law, Landlord is NOT responsible to Tenant or Tenant's employees, patrons, guests, or invitees for any damages, injuries, or losses to person or property caused by:

(TXR-2101) 4-1-14

Initialed for Identification by Landlord: _____, _____, and Tenant: _____

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1800 E 4 ST Unit 132

Commercial Lease concerning: Austin, TX, 78702

- A. an act, omission, or neglect of: Tenant; Tenant's agent; Tenant's guest; Tenant's employees; Tenant's patrons; Tenant's invitees; or any other tenant on the Property;
- B. fire, flood, water leaks, ice, snow, hail, winds, explosion, smoke, riot, strike, interruption of utilities, theft, burglary, robbery, assault, vandalism, other persons, environmental contaminants, or other occurrences or casualty losses.

19. INDEMNITY: Each party will indemnify, defend, and hold the other party harmless from any property damage, personal injury, suits, actions, liabilities, damages, cost of repairs or service to the leased premises or Property, or any other loss caused, negligently or otherwise, by that party or that party's employees, patrons, guests, or invitees.

20. DEFAULT:

- A. If Landlord fails to comply with this lease within 30 days after Tenant notifies Landlord of Landlord's failure to comply, Landlord will be in default and Tenant may seek any remedy provided by law. If, however, Landlord's non-compliance reasonably requires more than 30 days to cure, Landlord will not be in default if the cure is commenced within the 30-day period and is diligently pursued.
- B. If Landlord does not actually receive at the place designated for payment any rent due under this lease within 5 days after it is due, Tenant will be in default. If Tenant fails to comply with this lease for any other reason within 10 days after Landlord notifies Tenant of its failure to comply, Tenant will be in default.
- C. If Tenant is in default, Landlord may, with at least 3 days written notice to Tenant: (i) terminate this lease, or (ii) terminate Tenant's right to occupy the leased premises without terminating this lease and may accelerate all rents which are payable during the remainder of this lease or any renewal period. Landlord will attempt to mitigate any damage or loss caused by Tenant's breach by using commercially reasonable means. If Tenant is in default, Tenant will be liable for:
 - (1) any lost rent;
 - (2) Landlord's cost of reletting the leased premises, including brokerage fees, advertising fees, and other fees necessary to relet the leased premises;
 - (3) repairs to the leased premises for use beyond normal wear and tear;
 - (4) all Landlord's costs associated with eviction of Tenant, such as attorney's fees, court costs, and prejudgment interest;
 - (5) all Landlord's costs associated with collection of rent such as collection fees, late charges, and returned check charges;
 - (6) cost of removing any of Tenant's equipment or fixtures left on the leased premises or Property;
 - (7) cost to remove any trash, debris, personal property, hazardous materials, or environmental contaminants left by Tenant or Tenant's employees, patrons, guests, or invitees in the leased premises or Property;
 - (8) cost to replace any unreturned keys or access devices to the leased premises, parking areas, or Property; and
 - (9) any other recovery to which Landlord may be entitled under this lease or under law.

21. ABANDONMENT, INTERRUPTION OF UTILITIES, REMOVAL OF PROPERTY, AND LOCKOUT: Chapter 93 of the Texas Property Code governs the rights and obligations of the parties with regard to: (a) abandonment of the leased premises; (b) interruption of utilities; (c) removal of Tenant's property; and (d) "lock-out" of Tenant.

22. HOLDOVER: If Tenant fails to vacate the leased premises at the time this lease ends, Tenant will become a tenant-at-will and must vacate the leased premises immediately upon receipt of demand from Landlord. No holding over by Tenant, with or without the consent of Landlord, will extend this lease. Tenant will

(TXR-2101) 4-1-14

Initialed for Identification by Landlord: _____, _____, and Tenant:  _____

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1800 E 4 ST Unit 132

Commercial Lease concerning: Austin, TX, 78702

indemnify Landlord and any prospective tenants for any and all damages caused by the holdover. Rent for any holdover period will be 150% of the base monthly rent plus any additional rent calculated on a daily basis and will be immediately due and payable daily without notice or demand.

~~23. LANDLORD'S LIEN AND SECURITY INTEREST: To secure Tenant's performance under this lease, Tenant grants to Landlord a lien and security interest against all of Tenant's nonexempt personal property that is in the leased premises or on the Property. This lease is a security agreement for the purposes of the Uniform Commercial Code. Landlord may file a financing statement to perfect Landlord's security interest under the Uniform Commercial Code.~~

24. ASSIGNMENT AND SUBLETTING: Landlord may assign this lease to any subsequent owner of the Property. Tenant may not assign this lease or sublet any part of the leased premises without Landlord's written consent. An assignment of this lease or subletting of the leased premises without Landlord's written consent is voidable by Landlord. If Tenant assigns this lease or sublets any part of the leased premises, Tenant will remain liable for all of Tenant's obligations under this lease regardless if the assignment or sublease is made with or without the consent of Landlord.

25. RELOCATION:

- A. By providing Tenant with not less than 90 days advanced written notice, Landlord may require Tenant to relocate to another location in the Property, provided that the other location is equal in size or larger than the leased premises then occupied by Tenant and contains similar leasehold improvements. Landlord will pay Tenant's reasonable out-of-pocket moving expenses for moving to the other location. "Moving expenses" means reasonable expenses payable to professional movers, utility companies for connection and disconnection fees, wiring companies for connecting and disconnecting Tenant's office equipment required by the relocation, and printing companies for reprinting Tenant's stationary and business cards. A relocation of Tenant will not change or affect any other provision of this lease that is then in effect, including rent and reimbursement amounts, except that the description of the suite or unit number will automatically be amended.
- B. Landlord may not require Tenant to relocate to another location in the Property without Tenant's prior consent.

26. SUBORDINATION:

- A. This lease and Tenant's leasehold interest are and will be subject, subordinate, and inferior to:
 - (1) any lien, encumbrance, or ground lease now or hereafter placed on the leased premises or the Property that Landlord authorizes;
 - (2) all advances made under any such lien, encumbrance, or ground lease;
 - (3) the interest payable on any such lien or encumbrance;
 - (4) any and all renewals and extensions of any such lien, encumbrance, or ground lease;
 - (5) any restrictive covenant affecting the leased premises or the Property; and
 - (6) the rights of any owners' association affecting the leased premises or Property.
- B. Tenant must, on demand, execute a subordination, attornment, and non-disturbance agreement that Landlord may request that Tenant execute, provided that such agreement is made on the condition that this lease and Tenant's rights under this lease are recognized by the lien-holder.

27. ESTOPPEL CERTIFICATES & FINANCIAL INFORMATION:

- A. Within 10 days after receipt of a written request from Landlord, Tenant will execute and deliver to Landlord an estoppel certificate that identifies the terms and conditions of this lease.

(TXR-2101) 4-1-14

Initialed for Identification by Landlord: _____, _____, and Tenant: _____

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1800 E 4 ST Unit 132

Commercial Lease concerning: Austin, TX, 78702

- B. Within 30 days after receipt of a written request from Landlord, Tenant will provide to Landlord Tenant's current financial information (balance sheet and income statement). Landlord may request the financial information no more frequently than once every 12 months.

28. CASUALTY LOSS:

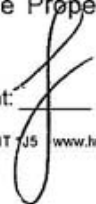
- A. Tenant must immediately notify Landlord of any casualty loss in the leased premises. Within 20 days after receipt of Tenant's notice of a casualty loss, Landlord will notify Tenant if the leased premises are less than or more than 50% unusable, on a per square foot basis, and if Landlord can substantially restore the leased premises within 120 days after Tenant notifies Landlord of the casualty loss.
- B. If the leased premises are less than 50% unusable and Landlord can substantially restore the leased premises within 120 days after Tenant notifies Landlord of the casualty, Landlord will restore the leased premises to substantially the same condition as before the casualty. If Landlord fails to substantially restore within the time required, Tenant may terminate this lease.
- C. If the leased premises are more than 50% unusable and Landlord can substantially restore the leased premises within 120 days after Tenant notifies Landlord of the casualty, Landlord may: (1) terminate this lease; or (2) restore the leased premises to substantially the same condition as before the casualty. If Landlord chooses to restore and does not substantially restore the leased premises within the time required, Tenant may terminate this lease.
- D. If Landlord notifies Tenant that Landlord cannot substantially restore the leased premises within 120 days after Tenant notifies Landlord of the casualty loss, Landlord may: (1) choose not to restore and terminate this lease; or (2) choose to restore, notify Tenant of the estimated time to restore, and give Tenant the option to terminate this lease by notifying Landlord within 10 days.
- E. If this lease does not terminate because of a casualty loss, rent will be reduced from the date Tenant notifies Landlord of the casualty loss to the date the leased premises are substantially restored by an amount proportionate to the extent the leased premises are unusable.

29. CONDEMNATION: If after a condemnation or purchase in lieu of condemnation the leased premises are totally unusable for the purposes stated in this lease, this lease will terminate. If after a condemnation or purchase in lieu of condemnation the leased premises or Property are partially unusable for the purposes of this lease, this lease will continue and rent will be reduced in an amount proportionate to the extent the leased premises are unusable. Any condemnation award or proceeds in lieu of condemnation are the property of Landlord and Tenant has no claim to such proceeds or award. Tenant may seek compensation from the condemning authority for its moving expenses and damages to Tenant's personal property.

30. ATTORNEY'S FEES: Any person who is a prevailing party in any legal proceeding brought under or related to the transaction described in this lease is entitled to recover prejudgment interest, reasonable attorney's fees, and all other costs of litigation from the nonprevailing party.

31. REPRESENTATIONS:

- A. Tenant's statements in this lease and any application for rental are material representations relied upon by Landlord. Each party signing this lease represents that he or she is of legal age to enter into a binding contract and is authorized to sign the lease. If Tenant makes any misrepresentation in this lease or in any application for rental, Tenant is in default.
- B. Landlord is not aware of any material defect on the Property that would affect the health and safety of an ordinary person or any environmental hazard on or affecting the Property that would affect the



1800 E 4 ST Unit 132

Commercial Lease concerning: Austin, TX, 78702

health or safety of an ordinary person, except: n/a

- C. Each party and each signatory to this lease represents that: (1) it is not a person named as a Specially Designated National and Blocked Person as defined in Presidential Executive Order 13224; (2) it is not acting, directly or indirectly, for or on behalf of a Specially Designated and Blocked Person; and (3) is not arranging or facilitating this lease or any transaction related to this lease for a Specially Designated and Blocked Person. Any party or any signatory to this lease who is a Specially Designated and Blocked person will indemnify and hold harmless any other person who relies on this representation and who suffers any claim, damage, loss, liability or expense as a result of this representation.

32. BROKERS:

A. The brokers to this lease are:

Principal Broker: eXp Realty

Cooperating Broker: Site Selection Group

Agent: Ashton Reis
Address: 9600 Great Hills Trail #150w
Austin TX 78759

Agent: Michael Raeshide
Address: 8235 Douglas Ave., Suite 500, Dallas, TX 75225

Phone & Fax: (512)850-8617

Phone & Fax: (214)271-0610-

E-mail: ashtonreis@gmail.com

E-mail: Mraeshide@siteselectiongroup.com

License No.: _____

License No.: _____

Principal Broker: (Check only one box)

Cooperating Broker represents Tenant.

- represents Landlord only.
- represents Tenant only.
- is an intermediary between Landlord and Tenant.

B. Fees:

- (1) Principal Broker's fee will be paid according to: (Check only one box).
 - (a) a separate written commission agreement between Principal Broker and:
 - Landlord Tenant.
 - (b) the attached Commercial Lease Addendum for Broker's Fee (TXR-2102).
- (2) Cooperating Broker's fee will be paid according to: (Check only one box).
 - (a) a separate written commission agreement between Cooperating Broker and:
 - Principal Broker Landlord Tenant.
 - (b) the attached Commercial Lease Addendum for Broker's Fee (TXR-2102).

33. ADDENDA: Incorporated into this lease are the addenda, exhibits and other information marked in the Addenda and Exhibit section of the Table of Contents. If Landlord's Rules and Regulations are made part of this lease, Tenant agrees to comply with the Rules and Regulations as Landlord may, at its discretion, amend from time to time.

34. NOTICES: All notices under this lease must be in writing and are effective when hand-delivered, sent by mail, or sent by facsimile transmission to:

Landlord at: Smartyfi, LLC
Address: 14312 LAURINBURG DR Austin TX 78717

(TXR-2101) 4-1-14

Initialed for Identification by Landlord: _____, _____, and Tenant:  _____

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Commercial Lease concerning: Austin, TX, 78702

Phone: (512)732-1749 Fax: _____

and a copy to: _____

Address: _____

Phone: _____ Fax: _____

Landlord also consents to receive notices by e-mail at: ravi@nuevesolutions.com

Tenant at the leased premises,

and a copy to: Usio, Inc

Address: _____

Phone: _____ Fax: _____

Tenant also consents to receive notices by e-mail at: _____

35. SPECIAL PROVISIONS:

Tenant will be provided with 10 keys to the unit and 2 key fobs for the property. Tenant will pay first \$1000 of any HVAC repairs. Included in this agreement are COMMERCIAL LEASE ADDENDUM FOR EXPENSE REIMBURSEMENT, COMMERCIAL LEASE ADDENDUM FOR PARKING, COMMERCIAL LEASE ADDENDUM FOR EXTENSION OF TERM, Exhibit A, and garage plans

36. AGREEMENT OF PARTIES:

- A. Entire Agreement: This lease contains the entire agreement between Landlord and Tenant and may not be changed except by written agreement.
- B. Binding Effect: This lease is binding upon and inures to the benefit of the parties and their respective heirs, executors, administrators, successors, and permitted assigns.
- C. Joint and Several: All Tenants are jointly and severally liable for all provisions of this lease. Any act or notice to, or refund to, or signature of, any one or more of the Tenants regarding any term of this lease, its renewal, or its termination is binding on all Tenants.
- D. Controlling Law: The laws of the State of Texas govern the interpretation, performance, and enforcement of this lease.
- E. Severable Clauses: If any clause in this lease is found invalid or unenforceable by a court of law, the remainder of this lease will not be affected and all other provisions of this lease will remain valid and enforceable.
- F. Waiver: Landlord's delay, waiver, or non-enforcement of acceleration, contractual or statutory lien, rental due date, or any other right will not be deemed a waiver of any other or subsequent breach by Tenant or any other term in this lease.

(TXR-2101) 4-1-14

Initialed for Identification by Landlord: _____, _____, and Tenant: _____, _____

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1800 E 4 ST Unit 132

Commercial Lease concerning: Austin, TX, 78702

- G. Quiet Enjoyment: Provided that Tenant is not in default of this lease, Landlord covenants that Tenant will enjoy possession and use of the leased premises free from material interference.
- H. Force Majeure: If Landlord's performance of a term in this lease is delayed by strike, lock-out, shortage of material, governmental restriction, riot, flood, or any cause outside Landlord's control, the time for Landlord's performance will be abated until after the delay.
- I. Time: Time is of the essence. The parties require strict compliance with the times for performance.

Brokers are not qualified to render legal advice, property inspections, surveys, engineering studies, environmental assessments, tax advice, or compliance inspections. The parties should seek experts to render such services. READ THIS LEASE CAREFULLY. If you do not understand the effect of this Lease, consult your attorney BEFORE signing.

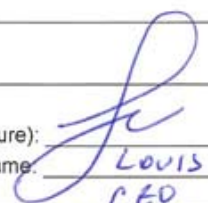
Landlord: Smartyfi, LLC

Tenant: Usio, Inc

By: Ravi Ram Kallepalli

By: _____

By (signature): _____
Printed Name: Ravi Ram Kallepalli
Title: _____ Date: _____

By (signature): 
Printed Name: LOUIS HOCIT
Title: CEO Date: 12/21/2017

By: _____

By: _____

By (signature): _____
Printed Name: _____
Title: _____ Date: _____

By (signature): _____
Printed Name: _____
Title: _____ Date: _____



COMMERCIAL LEASE ADDENDUM FOR EXPENSE REIMBURSEMENT

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ADDENDUM TO THE COMMERCIAL LEASE BETWEEN THE UNDERSIGNED PARTIES CONCERNING THE LEASED PREMISES AT 1800 E 4 ST Unit 132, Austin, TX, 78702

In addition to rent stated in the lease, Tenant will pay Landlord the additional rent described in this addendum. Tenant will pay the additional rent each month at the time the base-monthly rent in the lease is due.

A. Definitions:

- (1) "Tenant's pro rata share" is 100.000 %.
- (2) "CAM" means all of Landlord's expenses reasonably incurred to maintain, repair, operate, manage, and secure the Property (for example, security, lighting, painting, cleaning, decorations, utilities, trash removal, pest control, promotional expenses, and other expenses reasonably related the Property's operations); CAM does not include capital expenditures, interest, depreciation, tenant improvements, insurance, taxes, or brokers' leasing fees Notwithstanding the foregoing, CAM does include the amortized costs incurred by Landlord in making capital improvements or other modifications to the Property to the extent such improvements or modifications reduce CAM overall. These costs will be amortized over the useful life of the improvement or modification on a straight-line basis; however, in no event will the charge for such amortization included in CAM exceed the actual reduction in CAM achieved by the improvements and modifications.
- (3) "Insurance" means Landlord's costs to insure the leased premises and the Property including but not limited to insurance for casualty loss, general liability, and reasonable rent loss.
- (4) "Taxes" means the real property ad valorem taxes assessed against the leased premises and Property inclusive of all general and special assessments and surcharges.
- (5) "Structural" means all of Landlord's expenses reasonably incurred to maintain, repair, and replace the roof, foundation, exterior walls, load bearing walls and other structural components of the Property.

B. Method: The additional rent will be calculated under the following method:

Note: "CAM" does not include taxes and insurance costs.

- (1) Base-year expenses: Each month Tenant will pay Tenant's pro rata share of the projected monthly expenses for the Property that exceed the amount of the monthly base-year expenses for the calendar year _____ for: taxes; insurance; CAM; structural; and _____.
- (2) Expense-stop: Each month Tenant will pay Tenant's pro rata share of the projected monthly expenses for the Property that exceed \$ _____ per square foot per year for: taxes; insurance; CAM; structural; and _____.
- (3) Net: Each month Tenant will pay Tenant's pro rata share of the projected monthly expenses for the Property for: taxes; insurance; CAM; structural; and _____.

C. Projected Monthly Expenses: On or about December 31 of each calendar year, Landlord will project the applicable monthly expenses (those that Tenant is to pay under this addendum) for the following calendar year and will notify Tenant of the projected expenses. The projected expenses are based on Landlord's estimates of such expenses. The actual expenses may vary.

(TXR-2103) 1-26-10 Initialed for Identification by Landlord: _____, _____, and Tenant: 

Expense Reimbursement Addendum concerning 1800 E 4 ST Unit 132, Austin, TX, 78702

Notice: The applicable projected expenses at the time which the above-referenced lease commences are shown in the table below. The total area of the Property presently used by Landlord for calculating expense reimbursements is 1890 rentable square feet (including any add on factor for common areas).

Projected Expenses			
\$ Monthly Rate		\$ Annual Rate	
1.29	/ rsf / month	15.50	/ rsf / year

D. **Reconciliation:** Within a reasonable time after the end of each calendar year, Landlord will notify Tenant of the actual costs of the applicable expenses (those that Tenant is to pay under this addendum) for the previous year. If the actual costs of the applicable expenses exceed the amounts paid or owed by Tenant for the previous year, Tenant must pay the deficient amount to Landlord within 30 days after Landlord notifies Tenant of the deficient amount. If the actual costs of the applicable expenses are less than the amounts paid by Tenant for the previous year, Landlord will refund the excess to Tenant or will credit the excess to Tenant's next rent payment. Tenant may audit or examine those items in Landlord's records that relate to Tenant's obligations under this addendum. Landlord will promptly refund to Tenant any overpayment revealed by an audit or examination. If the audit or examination reveals an error of more than 5% over the amounts Landlord collected in a calendar year from Tenant under this addendum, Landlord will pay the reasonable cost of the audit or examination. Landlord may not seek a deficiency from Tenant under this paragraph if Landlord fails to timely provide the required notice.

E. **Special Provisions:**

CAM shall not include franchise, gift, transfer, gross receipts, inheritance/estate, or income taxes imposed on Landlord; Landlord's general corporate overhead and general administrative expenses; Landlord's legal, risk management, corporate and/or partnership accounting and legal costs, mortgages, debt costs or other financing charges; bad debt loss, rent loss or any reserves thereof; any cost relating to the marketing, solicitation, negotiation and execution of leases of space, including, without limitations, promotional and advertising expenses, commissions, finders fees, accounting, legal and other professional fees and expenses related to the negotiation and preparation of any lease, license, sublease or other such document; costs of design, plans, permits, licenses, inspection, utilities, construction and clean up of tenant improvements to the Premises or the premises of other tenants; any fines, penalties, late charges, liquidated damages or interest charges; reserves of any kind. The Projected NNN Expenses are not increase by more than 7.5% annually.

Landlord: Smartyfi, LLC

By: Ravi Ram Kallepalli

By (signature): _____

Printed Name: Ravi Ram Kallepalli

Title: Owner

By: _____

By (signature): _____

Printed Name: _____

Title: _____

Tenant: Usio, Inc

By: _____

By (signature): _____

Printed Name: LOUIS HOLT

Title: president / CEO

By: _____

By (signature): _____

Printed Name: _____

Title: _____



COMMERCIAL LEASE ADDENDUM FOR EXTENSION OF TERM

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ADDENDUM TO THE COMMERCIAL LEASE BETWEEN THE UNDERSIGNED PARTIES CONCERNING THE LEASED PREMISES AT 1800 E 4 ST Unit 132, Austin, TX, 78702

- A. At Tenant's option, Tenant may extend the term of above-referenced lease for 5 additional term(s) of 36 months each. The first additional term commences upon the expiration of the term stated in the lease and any subsequent additional term commences upon the expiration of the then applicable extended term.
- B. Tenant may exercise Tenant's option(s) to extend under Paragraph A only by providing written notice to Landlord at least 180 days before the end of the then current term of the lease.
- C. Tenant may not exercise Tenant's option(s) to extend under Paragraph A if the lease is terminated before Tenant exercises its option to extend or Tenant is in breach of the lease at the time Tenant exercises its option to extend.
- D. During the additional term(s), all provisions of the lease will continue as in effect immediately before the extension(s) commences except the base monthly rent during the additional term(s) will be:
(Check (1), (2) or (3) only.)

(1)

Dates		Rate per rentable square foot (optional)		Base Monthly Rent \$
From	To	\$ Monthly Rate	\$ Annual Rate	
		/rsf/month	/rsf/year	
		/rsf/month	/rsf/year	
		/rsf/month	/rsf/year	
		/rsf/month	/rsf/year	
		/rsf/month	/rsf/year	

- (2) adjusted to reflect increases in the Consumer Price Index for "All Urban Consumers, U.S. City Average, All Items", issued by the Bureau of Labor Statistics of the U.S. Department of Labor. The adjustment will be determined by multiplying the base monthly rent for the last month of the lease by the following fraction: (i) the numerator will be the published index number for January in the year the additional term commences; and (ii) the denominator will be the published index number for January in the year in which the original lease term commences.
 - (3) the prevailing rental rate on the 45th day before the additional term commences for premises of comparable size, quality, condition, improvements, utility, location, and length of term for tenant's of similar credit standing as Tenant.
- E. If Paragraph D(3) applies and the parties do not agree on the amount of the prevailing rental rate for the additional term before the 30th day before the additional term commences, each party will employ a state-certified appraiser and deliver the appraiser's written opinion of the prevailing rental rate to the other

(TXR-2104) 1-26-10

Initialed for Identification by Landlord: _____, _____, and Tenant: _____

Page 1 of 2

1800 E 4 ST Unit 132
Addendum for Extension Option concerning Austin, TX, 78702

party not later than the 15th day before the additional term commences. If the appraisers' opinions do not vary by more than 10%, the prevailing rental rate will be the average of the two opinions. If the appraisers' opinions vary by more than 10%, the appraisers will jointly select a third appraiser whose fees will be shared equally by the parties. If a third appraiser is engaged, the prevailing rental rate will be the average of the two opinions that are closest in amount. If either party fails to employ or timely deliver an appraiser's opinion as required by this paragraph, the opinion rendered by the appraiser employed by the other party will determine the prevailing rental rate.

F. Special Provisions:

Landlord: Smartyfi, LLC

By: Ravi Ram Kallepalli

By (signature): _____

Printed Name: Ravi Ram Kallepalli

Title: Owner

By: _____

By (signature): _____

Printed Name: _____

Title: _____

Tenant: Usio, Inc

By: _____

By (signature): 

Printed Name: Louis Hault

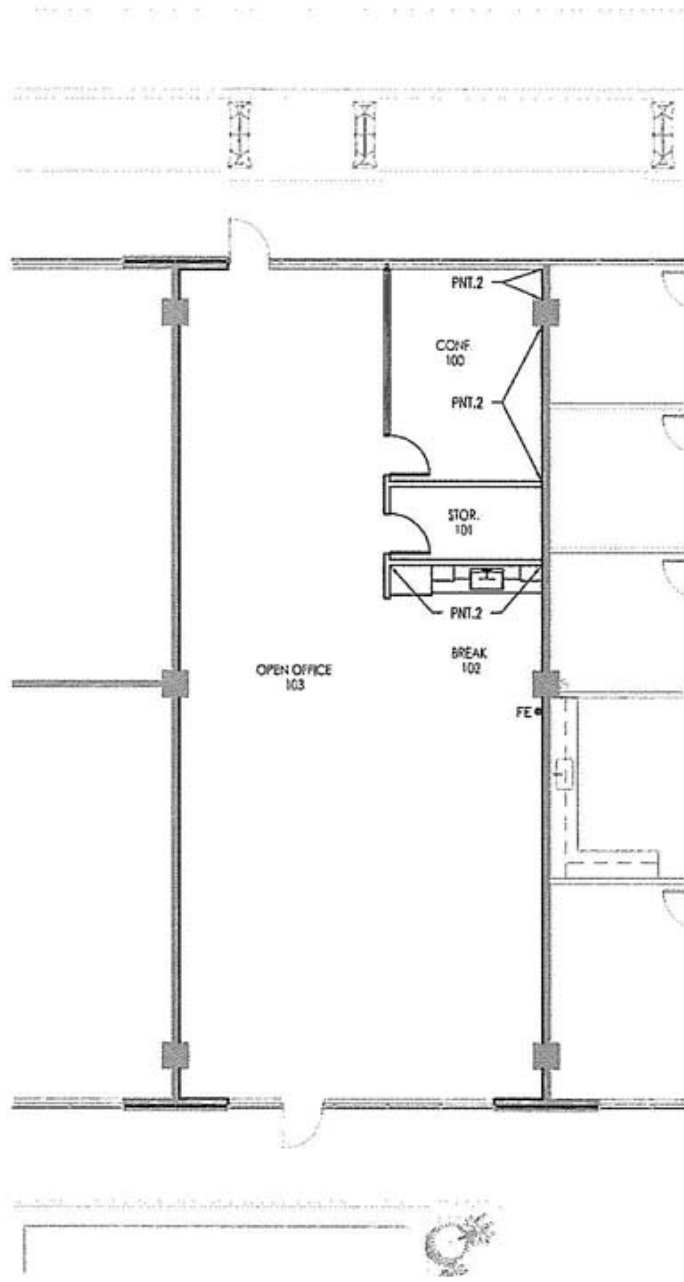
Title: president of LLC

By: _____

By (signature): _____

Printed Name: _____

Title: _____





COMMERCIAL LEASE ADDENDUM FOR PARKING

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ADDENDUM TO THE COMMERCIAL LEASE BETWEEN THE UNDERSIGNED PARTIES CONCERNING THE LEASED PREMISES AT 1800 E 4 ST Unit 132, Austin, TX, 78702

A. Parking Type:

- (1) Common Parking: Tenant and Tenant's employees may park no more than _____ vehicles on the Property in the common parking areas located on the Property.
(2) Restricted Common Parking for Tenants: Tenant and Tenant's employees may park no more than _____ vehicles on the Property in the areas restricted for use by tenants of the Property.
(3) Assigned Parking: Tenant's assigned parking areas are identified as follows:
(a) 4 assigned spots (assigned spot numbers are 10,11,75,76) and 2 unassigned spots. Assigned parking will be free of charge during the lease term and any extensions.
(b) as shown on the attached Exhibit A

- B. In addition to any other rent, Tenant will pay, on or before the first day of each month during the term of the above-referenced lease, \$ \$0 as rent for the parking areas.
C. Tenant may not assign, sublet, or trade any parking space or parking area.
D. Tenant may not use any parking spaces or areas on the Property to store any vehicle, boats, trailers motor homes, storage containers, or any other personal property.
E. Tenant's guests, patrons, or invitees may park only in those areas designated by Landlord for Tenant's guests, patrons, or invitees.
F. Landlord may, but is not obligated to, institute controlled-access systems to the parking areas, including but not limited to systems such as vehicle identification stickers, license numbers, or controlled-access devices. At the time the lease ends, Tenant must return all access devices to Landlord and pay the amounts in (2) and (3) below if Tenant fails to return an access device. If Landlord issues controlled-access devices to Tenant, Tenant will:
(1) promptly report any lost device to Landlord;
(2) reimburse Landlord its cost to replace the lost access device; and
(3) pay Landlord a service fee of \$ _____ for each lost access device.

(TXR-2107) 1-26-10

Initialed for Identification by Landlord: _____, _____, and Tenant: _____

Page 1 of 2

Parking Addendum concern 1800 E 4 ST Unit 132, Austin, TX, 78702

G. If Tenant fails to timely pay the rent stated in Paragraph B, Landlord may: (i) exercise Landlord's remedies under the default provisions of the lease; or (ii) terminate Tenant's access to the restricted or assigned parking areas by providing Tenant with not less than 5 days written notice of Landlord's intent to terminate Tenant's access. If Landlord terminates Tenant's access to the parking areas under this paragraph, the parking areas will be deemed to be released by Tenant for all purposes and Landlord may assign or lease the parking areas to others.

H. Special Provisions:

Per email from the on-site property manager in Exhibit A, Tenant will be allowed overflow parking in the first floor of the parking garage near the "bike racks" as well as the parking space on the ramp going up the garage.

Landlord: Smartyfi, LLC

By: Ravi Ram Kallepalli

By (signature): _____

Printed Name: Ravi Ram Kallepalli

Title: Owner

By: _____

By (signature): _____

Printed Name: _____

Title: _____

Tenant: Usio, Inc

By: _____

By (signature): 

Printed Name: LOUIS HOLT

Title: pres. dot CEO

By: _____

By (signature): _____

Printed Name: _____

Title: _____

Logan Chancellor

to me

Oct 8, 2020, 10:32 AM

Our overflow parking spots are located on the first floor of the parking garage near the bike rack as well as the parking spaces along the first ramp that is going up as soon as you enter the parking garage.

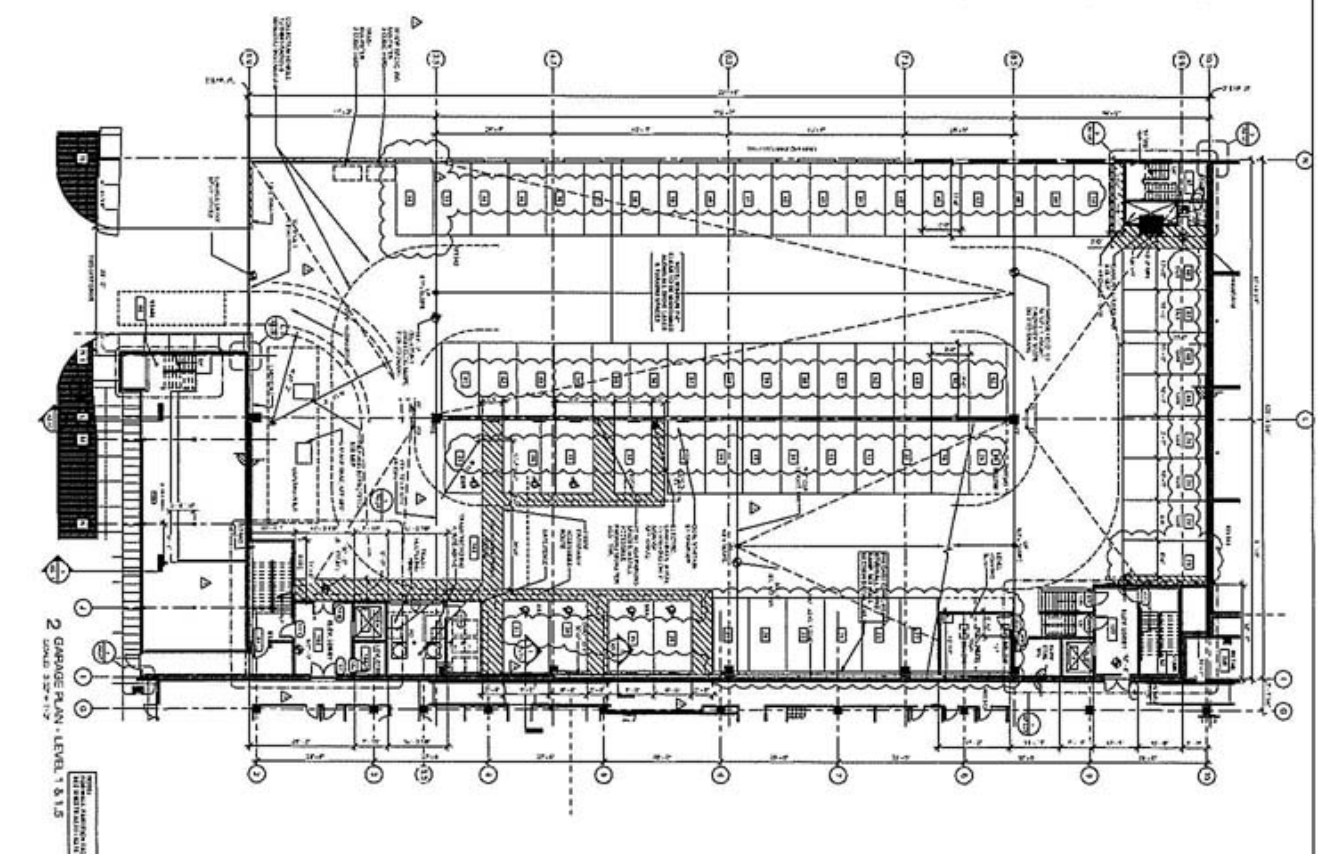
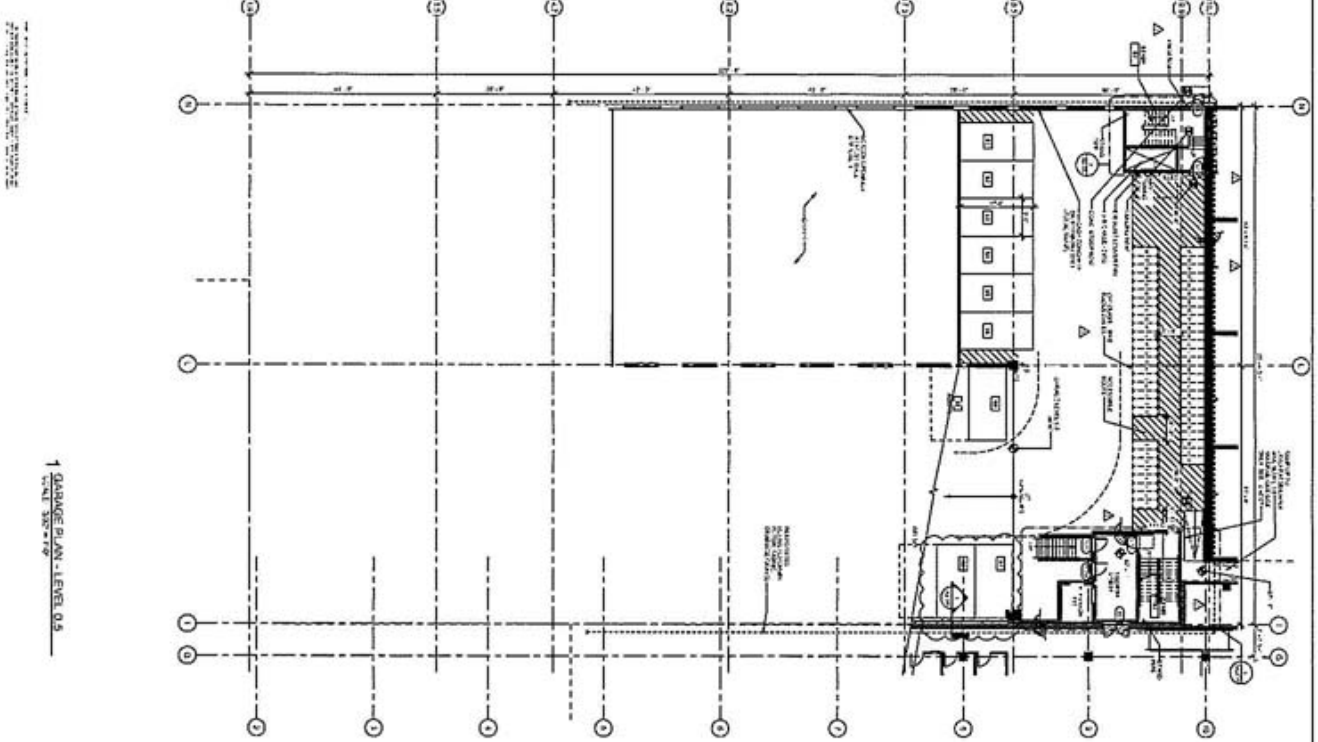
On Thu, Oct 8, 2020 at 9:36 AM Logan Chancellor <lloganfourth@gmail.com> wrote:
I apologize for just seeing this! Let me find out real quick and email you back.

On Thu, Oct 8, 2020 at 9:34 AM Ashton Reis <ashtonreis@gmail.com> wrote:
What do you think?  

On Mon, Oct 5, 2020 at 3:59 PM Ashton Reis <ashtonreis@gmail.com> wrote:
Goof Afternoon Logan,

I hope you're having a great day! I have a couple questions for you. I know we have 4 reserved parking spots and 2 unreserved spots. How does it work if as a prospective tenant grows, what if they need additional spots. Is there any overflow type parking that is available? It looks like nobody's ever in the parking garage. Is that area open to park in?

Exhibit A
1800 E 5th St Suite 132 Lease
Email from onsite property
manager



Chicon Mixed Use
New mixed-use development
1800 East 4th St., Austin TX 78702

DATE: 06/15/15
DRAWN BY: [Name]
CHECKED BY: [Name]

A2.31

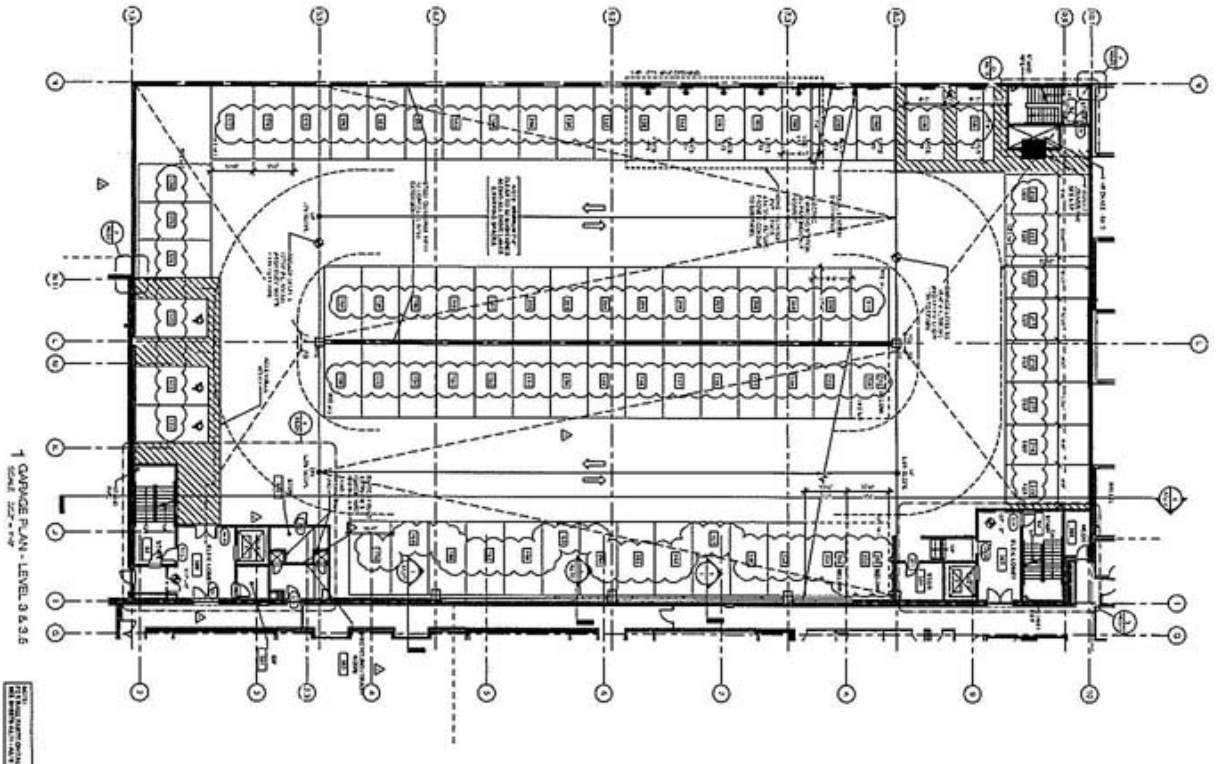
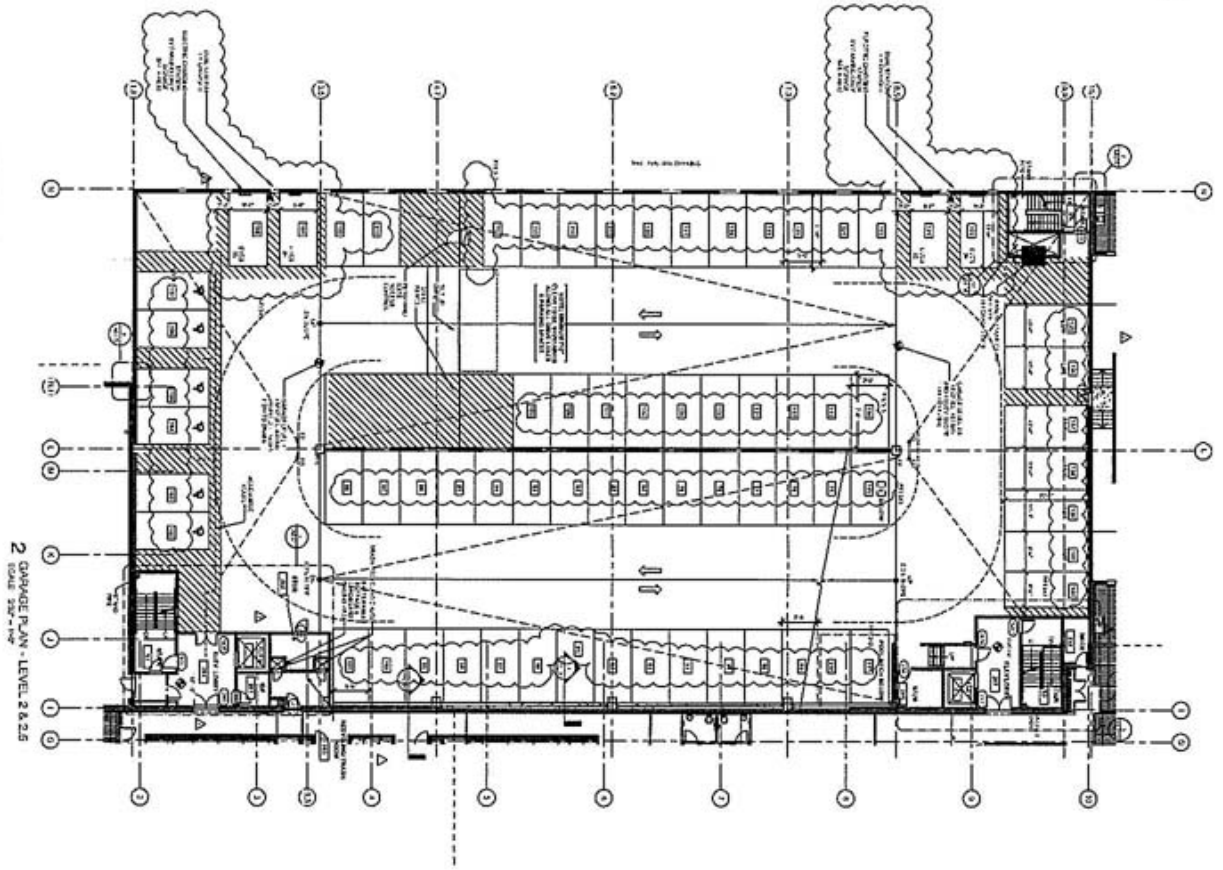
REVISIONS:

NO.	DESCRIPTION	DATE

APPROVED: [Signature]

DATE: 06/15/15

SCALE: 3/8" = 1'-0"



UNLIMITED PARKING
 15000 SQ. FT.
 DATE: 08/21/18

Chicon Mixed Use
 New mixed-use development
 1850 East 4th St., Austin TX 78702

PREPARED BY: [unreadable]
 CHECKED BY: [unreadable]
 DATE: [unreadable]

PREPARED BY: [unreadable]
 CHECKED BY: [unreadable]
 DATE: [unreadable]

A2.32

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement ("First Amendment") is entered into this 15th Day of March, 2021 ("Effective Date") by and between Paesanos Office Building LLC, successor in interest to Blauners Paesanos Parkway LP., hereinafter referred to as "Landlord", and USIO, Inc. (formerly known as Payment Data Systems, Inc.), hereinafter referred to as "Tenant".

WITNESSETH:

Whereas, Tenant and Landlord have entered into that certain Lease Agreement dated February 9, 2018 ("Existing Lease"), for premises containing approximately 10,535 square feet of rentable area ("Original Premises") located at 3611 Paesanos Parkway, Suite #300, San Antonio, Texas; and

Whereas, Landlord and Tenant agree that the Existing Lease remains in Full Force and Effect and that Landlord and Tenant desire to extend the term of the Existing Lease and modify certain of its terms and conditions as set forth below.

Now, therefore, the parties hereto agree that the Existing Lease is amended as follows:

1. Expansion Space: Tenant will add Suite #200 totaling 2,734 square feet of rentable area ("Expansion Space") to the Existing Premises, such that as of the Expansion Commencement Date the total square feet shall hereinafter total 13,269 square feet of rentable area (with the Existing Premises and Expansion Space collectively called the "Entire Premises").
2. Expansion Commencement Date: Landlord will agree to complete all of Landlord Work as described in Section 4 prior to April 1st, 2021 ("Expansion Commencement Date"), provided that if for any reason Landlord is unable to deliver possession of the Expansion Space to Tenant before the anticipated Expansion Commencement Date, this First Amendment shall not be void or voidable, nor shall Landlord be liable to Tenant for any damage resulting from Landlord's inability to deliver such possession. However, Tenant shall not be obligated to pay the Base Rent or Additional Rent that Tenant is required to pay for the Expansion Space until such possession of the Expansion Space has been delivered to Tenant by Landlord.
3. Rent Schedule: Subject to any changes as may be required elsewhere in this First Amendment, the Exhibit "A" to Commercial Lease is hereby replaced effective as of the Expansion Commencement Date with the Exhibit A to First Amendment, which for clarification does include two months' Base Rent only abatement for the Entire Premises and an extension of the Lease Term through September 30, 2024.
4. Landlord Work: Landlord will provide the following at Landlord's cost within the Expansion Space:
 - o Install new flooring throughout including new carpet throughout and new tile in reception and conference room, with the intent of reasonably matching the carpet and tile to Tenant's Original Premises
 - o New paint.
5. Prior Access: Tenant will be provided access to the Expansion Space as soon as Landlord's Work is complete in accordance with Section 2 of this First Amendment for the purpose of installing its furniture, cabling, computers and other equipment for the preparation of opening this space.
6. Parking: Tenant will be provided additional Common Parking in the same ratio of 4 vehicles per 1,000 square feet of rentable area on the Property for the Expansion Space. In addition Tenant will be allocated four (4) additional Assigned Parking spaces free of charge during the Lease Term as designated in Exhibit B of this First Amendment. These parking spaces and the existing Assigned Parking will be

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designated and painted by Landlord's representatives as "USIO Reserved".

7. Storage Space: Landlord will allow the Tenant use of vacant space for storage of Tenant Items at no cost ("Storage"). Tenant will maintain the space as any other lease space and will vacate the space if Landlord leases the space with Landlord providing Seven (7) days' notice. Should Tenant still require such Storage, then Landlord will provide other space for Tenant's use and consideration if Landlord has space available.
8. Estoppel. As of the date of this First Amendment, there are no defaults by Tenant and no event has occurred or situation exists which would, with the passage of time, constitute a default by Tenant under the Lease. The parties acknowledge and agree that as of the date hereof, there are no amounts of Base Rent and Additional Rent owing to Landlord. Landlord and Tenant have no dispute with respect to any payment of Base Rent and/or any other payment due under the Lease heretofore made by Tenant. Tenant as of the date hereof is in possession of the entire Premises; and Landlord is satisfied with the condition of the same and Tenant has fully and properly fulfilled all of its obligations under the Existing Lease.
9. Brokers. Landlord and Tenant each represents that, except for Site Selection Group LLC ("Tenant's Broker") and Kuyrkendall & Company Inc. ("Landlord's Broker"), collectively "Brokers" it has dealt with no broker, agent or other person in connection with this First Amendment and that no broker, agent or person (other than Brokers) brought about this Lease, and each party shall indemnify and hold the other harmless from and against any and all claims, losses, costs or expenses (including reasonable attorneys' fees and expenses) by any broker, agent or person (other than Brokers) claiming a commission or other form of compensation. Landlord agrees to pay the Tenant's Broker a fee calculated as four percent (4%) of the new Expansion Space lease consideration of this First Amendment for services related to this First Amendment within thirty (30) days after execution of this First Amendment.
10. Binding. All of the terms and conditions of this First Amendment shall extend to and be binding upon the heirs, successors and/or assigns of the parties hereto.
11. Other Terms. Except as specifically extended and modified by this First Amendment, all other terms and conditions of the Existing Lease shall remain in full force and effect during the Lease Term.

LANDLORD:
Paesanos Office Building LLC

TENANT:
USIO Inc.

BY: Sanjay Misra
NAME: Sanjay Misra
TITLE: Member

BY: Louis Hoch
NAME: Louis Hoch
TITLE: CEO

Exhibit A

USIO Base Rent Schedule

INITIAL PREMISES – 10,535 SF

EXPANSION PREMISES – 2,734

TOTAL PREMISES – 13,269 SF

PERIOD	ANNUAL RENT	MONTHLY RENT	BASE RENT PSF
04/01/21 – 05/31/21	-0-		
06/01/21 – 07/31/21	\$272,014.50	\$22,667.88	\$20.50
08/01/21 – 07/31/22	\$278,649.00	\$23,220.75	\$21.00
08/01/22 – 07/31/23	\$285,283.50	\$23,773.63	\$21.50
08/01/23 – 07/31/24	\$291,918.00	\$24,326.50	\$22.00
08/01/24 – 09/30/24	\$291,918.00	\$24,326.50	\$22.00

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Usio, Inc.

Subsidiaries of the Registrant

<u>Subsidiary Legal Name</u>	<u>Jurisdiction of Incorporation</u>
FiCentive, Inc.	Nevada
ZBILL, Inc.	Nevada
Usio Output Solutions, Inc.	Nevada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-206521, No. 333-221184, and No. 333-231645) of our report dated March 29, 2021, with respect to the consolidated financial statements of Usio, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2020.

We further consent to our designation as an expert in accounting and auditing.

/s/ ADKF, P.C.
ADKF, P.C.
San Antonio, Texas
March 29, 2021

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

I, Louis A. Hoch, certify that:

1. I have reviewed this Annual Report on Form 10-K of Usio, Inc. for the year ended December 31, 2020;
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. As the registrant's certifying officer, I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. As the registrant's certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses 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: March 30, 2021

By: /s/ Louis A. Hoch
Louis A. Hoch
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

I, Tom Jewell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Usio, Inc. for the year ended December 31, 2020;
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. As the registrant's certifying officer, I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. As the registrant's certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses 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: March 30, 2021

By: /s/ Tom Jewell
Tom Jewell
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

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 officers of Usio, Inc., a Nevada corporation (the "Company"), do hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2021

By: /s/ Louis A. Hoch
Louis A. Hoch
Chief Executive Officer
(Principal Executive Officer)

Date: March 30, 2021

By: /s/ Tom Jewell
Tom Jewell
Chief Financial Officer
(Principal Financial and Accounting Officer)