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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 000-31671

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

Nevada (State or other jurisdiction of incorporation or organization)	87-0613716 (I.R.S. Employer Identification No.)

2190 Dividend Drive
Columbus, Ohio 43228
(Address of principal executive offices)

(614) 921-8170
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.001 per share	INLX	None

Securities registered pursuant to Section 12(g) of the Act:Common Stock, $0.001 par value

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]
		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 checkmark whether the registrant has filed a report on 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 [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **$6,333,549**.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.**2,823,072 shares of common stock, par value $0.001 per share, were outstanding as of March 26, 2021.**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the registrant's fiscal year ended December 31, 2020, are incorporated by reference in Part III hereof.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated into this report by reference contain, and we may from time to time make, forward-looking statements. From time to time in the future, we may make additional forward-looking statements in presentations, at conferences, in press releases, in other reports and filings and otherwise. Forward-looking statements are all statements other than statements of historical fact, including statements that refer to plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections, prospects, expectations or other characterizations of future events or performance, and assumptions underlying the foregoing. The words "may," "could," "should," "would," "will," "project," "intend," "continue," "believe," "anticipate," "estimate," "forecast," "expect," "plan," "potential," "opportunity," "scheduled," "goal," "target," and "future," variations of such words, and other comparable terminology and similar expressions and references to future periods are often, but not always, used to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about the following:

- our prospects, including our future business, revenues, expenses, net income, earnings per share, margins, profitability, cash flow, cash position, liquidity, financial condition and results of operations, backlog of orders and revenue, our targeted growth rate, our goals for future revenues and earnings, and our expectations about realizing the revenues in our backlog and in our sales pipeline;

- the potential impact of the recent Coronavirus disease ("COVID-19") on our business and results of operations;

- the effects on our business, financial condition and results of operations of current and future economic, business, market and regulatory conditions, including the current economic and market conditions and their effects on our customers and their capital spending and ability to finance purchases of our products, services, technologies and systems;

- the effects of fluctuations in sales on our business, revenues, expenses, net income, earnings per share, margins, profitability, cash flow, capital expenditures, liquidity, financial condition and results of operations;

- our products, services, technologies and systems, including their quality and performance in absolute terms and as compared to competitive alternatives, their benefits to our customers and their ability to meet our customers' requirements, and our ability to successfully develop and market new products, services, technologies and systems;

- our markets, including our market position and our market share;

- our ability to successfully develop, operate, grow and diversify our operations and businesses;

- our business plans, strategies, goals and objectives, and our ability to successfully achieve them;

- the sufficiency of our capital resources, including our cash and cash equivalents, funds generated from operations, availability of borrowings under our credit and financing arrangements and other capital resources, to meet our future working capital, capital expenditure, lease and debt service and business growth needs;

- the value of our assets and businesses, including the revenues, profits and cash flow they are capable of delivering in the future;

- the effects on our business operations, financial results, and prospects of business acquisitions, combinations, sales, alliances, ventures and other similar business transactions and relationships;
- industry trends and customer preferences and the demand for our products, services, technologies and systems; and
- the nature and intensity of our competition, and our ability to successfully compete in our markets.

Any forward-looking statements we make are based on our current plans, intentions, objectives, goals, targets, strategies, hopes, beliefs, projections and expectations, as well as assumptions made by and information currently available to management. Forward-looking statements are not guarantees of future performance or events, but are subject to and qualified by substantial risks, uncertainties and other factors, which are difficult to predict and are often beyond our control. Forward-looking statements will be affected by assumptions and expectations we might make that do not materialize or that prove to be incorrect and by known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed, anticipated or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, those described in "Risk Factors" as well as other risks, uncertainties and factors discussed elsewhere in this report, in documents that we include as exhibits to or incorporate by reference in this report, and in other reports and documents we from time to time file with or furnish to the SEC. In light of these risks and uncertainties, you are cautioned not to place undue reliance on any forward-looking statements that we make.

Any forward-looking statements contained in this report speak only as of the date of this report, and any other forward-looking statements we make from time to time in the future speak only as of the date they are made. We undertake no duty or obligation to update or revise any forward-looking statement or to publicly disclose any update or revision for any reason, whether as a result of changes in our expectations or the underlying assumptions, the receipt of new information, the occurrence of future or unanticipated events, circumstances or conditions or otherwise.

PART I

ITEM 1. BUSINESS

Company Overview

Intellinetics, Inc., formerly known as GlobalWise Investments, Inc. ("Intellinetics"), is a Nevada holding company incorporated in 1997, with two wholly-owned subsidiaries: (i) Intellinetics, Inc., an Ohio corporation ("Intellinetics Ohio") and (ii) Graphic Sciences, Inc., a Michigan corporation ("Graphic Sciences," together with Intellinetics Ohio and Intellinetics, the "Company," "we," "us" and "our"). Intellinetics Ohio was incorporated in 1996, and on February 10, 2012, Intellinetics Ohio became the sole operating subsidiary of Intellinetics as a result of a reverse merger and recapitalization. On March 2, 2020, Intellinetics purchased Graphic Sciences, Inc.

The Company is a document services and solutions software company serving both the small-to-medium business and governmental sectors. Company products and services are provided through two reporting segments: Document Management and Document Conversion. The Company's Document Management segment consists primarily of solutions involving our software platform, which allows customers to capture and manage all documents across operations such as scanned hard-copy documents and all digital documents including those from Microsoft Office 365, digital images, audio, video and emails. The Company's Document Conversion offerings provide assistance to clients as a part of their overall document strategy to convert documents from one medium to another, predominantly paper to digital, including migration to our software solutions, as well as long-term storage and retrieval services. The Company's solutions create value for customers by making it easy to connect business-critical documents to the people who need them by making them easy to find, while also being secure and compliant with the customers' audit requirements.

Customers obtain use of the Company's software by either purchasing it for installation onto their equipment, referred to as a "premise" model, or by accessing the platform via the Internet, referred to as a "cloud-based," "software as a service," or "SaaS" model. The Company continues to see increases in its provision of SaaS-based customer activation, and this migration by clients is the most significant strategic part of its revenue growth opportunity. Our SaaS products are hosted with Amazon Web Services, Expedient, and Skynet Managed Technology Services, offering our customers reliable hosting services with best practices in data security.

Software and Services

Document Management

The Company's flagship software platform is IntelliCloud™, reflecting the Company and market focus on growth via cloud-based managed document service delivery. Our Document Management business also provides software-related professional services that include installation, integration, training, and consulting services, as well as ongoing software maintenance and customer support.

The four primary components of the IntelliCloud™ solution are as follows:

- Image Processing: includes image processing modules used for capturing, transforming and managing images of paper documents, including support of distributed and high-volume capture, optical character recognition;
- Records Management: addresses needs relating to retention of content through automation and policies, ensuring legal, regulatory and industry compliance for our clients;
- Workflow: supports business processes, routing content electronically, assigning work tasks and states (e.g., reviews or approvals, including incident case management), and creating related audit trails;
- Extended Components: includes document composition and e-forms (via third party OEM integration partnership), search, content and web analytics (via third party data visualization and advanced OCR engine partnerships), email and information archiving, packaged application integration, and advanced capture for invoice processing.

Document Conversion

The Company converts images from paper to digital, paper to microfilm, and microfiche to microfilm for business and federal, county, and municipal governments. Our Document Conversion business also provides its clients with long-term paper and microfilm storage and retrieval options.

The four Document Conversion offerings are:

- Digital Scanning Services. These services include paper scanning, newspaper and microfilm scanning, microfiche scanning, aperture card scanning, drawing scanning, and book scanning. Most government files must be retained for a long term or permanently, making such clients a prime candidate for digital conversion. There are four production categories for these services, consisting of document prep, scanning, indexing, and delivery.
- Microfilm and Microfiche. We provide microfilming/microfiche, converting scanned images to microfilm or microfiche, and microfilm/microfiche preservation and duplication.

- Box Storage Services. We provide physical document storage and retrieval services for our clients.
- Scanning Equipment, Software and Repair. We sell and service document image software, document scanners, and microfilm scanners, readers and printers. This is a smaller, slowly declining part of our Document Conversion business.

Marketing and Sales

The Company has a multi-channel sales model that directs our sales efforts toward both sales through direct sales and through intermediaries, such as software developers and resellers and multi-function device resellers. Our Document Management and Document Conversion segments each use direct and resellers channels for sales. We have developed marketing programs with resellers and distributors (collectively, "Resellers") that facilitate their selling and support of our software solutions. We believe that our Reseller strategy improvements have increased the competitive strength of our platform of products. In addition, we have established a set of business solutions templates for specific vertical markets that provide base software configurations which we believe will facilitate our delivery and installation of software to our customers in both our direct and Reseller channels. We believe that these advancements, in the aggregate, will allow us to license and sell our products to a targeted customer base, shortening our sales cycle, making margins more consistent, and allowing us to expand our sales through existing and new Reseller partnerships and direct customers. We continue to devote significant efforts, in both development and marketing, in enhancing all channels to market.

Competition and Market Position

The market for our products is competitive, and we expect that competition will continue to intensify as the document solutions markets evolve and potentially consolidate. We believe that the trend toward electronic document management, and particularly cloud solutions, was accelerated by the COVID-19 pandemic.

We believe the primary competitors of our Document Management segment are DocuWare, Square 9, M-files, On-Base, and Laserfiche, who also serve small-to-medium business (SMB) and governmental sectors. The principal competitive factors affecting the market for our document conversion services include: (i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training; and (ix) the ability to address specific customer business problems. We believe that the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

We believe the competitors of our Document Conversion segment vary from small, niche entitiesto larger entities, including Iron Mountain. The principal competitive factors affecting the market for our software products and services include: (i) vendor and services reputation and (ii) services quality, performance and price. We believe that the relative importance of each of these factors depends upon the concerns and needs of each specific customer, and that, for our current and prospective customers, maintaining secure control over the customers' information is highly valued.

We believe that the consolidated Company has advantages over our competitors in the small-to-medium business market, and particularly organizations in highly regulated, risk and compliance-intensive markets, such as state and local government, non-clinical health care, and K-12 education. In our view, the Company will remain competitive by remaining a focused niche provider with product offerings aligned with buyer-specific requirements. We anticipate that the Company will benefit from five specific advantages already in place:

- Turnkey cloud or premise document workflow and document conversion solutions targeting specific industry customers with benchmark value-to-price ratio;
- Rigorous quality review process and maintenance of customer data confidentiality in document conversions;
- Modular solution packaging and rapid customer activation model;
- Integrated on-demand solutions library as standard platform feature; and
- Proprietary AuditShield™ compliance management module as a standard platform feature providing customers with a simple way to know if documents required by law or policy are missing.

We believe, with these competitive strengths, that the Company is well positioned as a cloud-based managed document services provider for the small-to-medium business and governmental sectors.

Customers

Document Management

For the twelve months ended December 31, 2020, the two largest customers of our Document Management segment accounted for approximately 6% and 4%, respectively, of the segment's revenues for that period. For the twelve months ended December 31, 2019, the two largest customers of our Document Management segment accounted for approximately 7% and 6%, respectively, of the segment's revenues for that period.

For the twelve months ended December 31, 2020, and 2019, government contracts represented approximately 37% of the Document Management segment's net revenues, including a significant portion of the segment's sales to Resellers which represent ultimate sales to government agencies. Due to their dependence on state, local and federal budgets, government contracts carry short terms, typically 12 months. Since our inception, our contracts with government customers have generally renewed on the original terms and conditions upon expiration.

Document Conversion

Our Document Conversion segment has significant customer concentration with the State of Michigan. Graphic Sciences' contract is for five years from June 1, 2018 to May 30, 2023 with a provision for two, one-year extensions. The contract is issued to Graphic Sciences through the Michigan Department of Management and Budget, Enterprise Procurement and managed through the Department of Management and Budget, Records Management Services Division (RMS).

The contract provides local and state government agencies access to digital and micrographic conversion services. These agencies have the option to perform these conversion services internally or go out to bid if they so choose. Typically, they elect to have these services outsourced to Graphic Sciences through RMS, which eliminates the bidding process.

All agencies and departments are able to use the services and prices provided under this contract. Mechanically, the work we perform is invoiced to RMS and the end user is invoiced through the State of Michigan accounting system. We do not invoice the end user directly when entities utilize this contract facility, and we have a single point of contact for managing billing and receipt. The state in effect acts as a reseller of our services to the other agencies and makes a mark-up of what is charged. For the twelve months ended December 31, 2020, the State of Michigan represented approximately 71% of our Document Conversion segment's net revenues, and 47% of the total Intellinetics revenues.

Intellectual Property

Our software and most of the underlying technologies are built on a Microsoft.Net framework. We rely on a combination of copyright, trademark laws, non-disclosure agreements and other contractual provisions to establish and maintain our proprietary intellectual property rights.

Customers license the right to use our software products on a non-exclusive basis. We grant to third parties rights in our intellectual property that allow them to market certain of our products on a non-exclusive or limited-scope exclusive basis for a particular application of the product or to a particular geographic area.

While we believe that our intellectual property as a whole is valuable and our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular trademark, license, or other intellectual property right.

Government Regulation

We are subject to federal, state and local laws and regulations affecting our business. Other than government procurement rules affecting sales to governmental customers, we do not believe that we are subject to any special governmental regulations or approval requirements affecting our products or services. Complying with the regulations and requirements applicable to our business does not entail a significant cost or burden. We believe that we are in compliance in all material respects with all applicable governmental regulations.

Software Development

We design, develop, test, market, license, and support new software products and enhancements of current products.

In accordance with ASC 985-20 “Costs of Software to be Sold, Leased or Otherwise Marketed,” we expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Technological feasibility is typically reached shortly before the release of such products and as a result, development costs that meet the criteria for capitalization were not material for the periods presented in this report.

In accordance with ASC 350-40, “Internal-Use Software,” the Company capitalizes purchase and implementation costs of internal use software. No such costs were capitalized during the periods presented in this report.

Human Capital

As of March 26, 2021, we employed a total of 98 individuals; all but 9 are full-time employees. Graphic Sciences employs 79 individuals, comprised of 72 full-time and 7 part-time employees, all located in Michigan. Graphic Sciences also utilizes temporary employees, through various agencies, to provide labor for variable project work. Intellinetics Ohio employs 19 individuals, comprised of 17 full-time and 2 part-time employees, primarily located in Ohio. As a combined company, 14 of our employees work in administration and management, 17 of our employees work in software sales, maintenance and support, and software development, and 67 of our employees work in document services and storage operations.

We consider the integrity, experience, dedication, creativity, and team-oriented nature of our employees to be an essential driver of our business and a key to our future prospects. Personal relationships with our existing customers are an important part of our business, and our customers have come to rely on the personal service and knowledge of our workforce across all functional areas. To attract and retain qualified applicants to our company and retain our employees, we offer total benefits packages consisting of base salary or hourly wage (depending on position), a comprehensive benefits package, and equity compensation for certain employees. Annual cash bonuses are based on profitability of the Company, achievement of targets and level of responsibility. When selecting talent, we consider education, experience, diversity, and the likelihood that a candidate will espouse our values of integrity, collaboration, dedication, creativity, and superior customer service.

The Company is committed to fostering a diverse and inclusive workforce that attracts and retains exceptional talent. In addition, we pride ourselves on an open culture that respects co-workers, values employees’ health and well-being and fosters professional development. We support employee growth and development in a variety of ways including with training opportunities and an overall strategy of promotion from within. Our management conducts annual employee engagement surveys and annual individual employee assessments with an emphasis on individual development for each employee.

We remain focused on protecting the health and safety of our employees with respect to COVID-19. In April of 2020, weinstituted safe distancing practices and additional cleaning procedures for all company offices and facilities, and our offices in Michigan and Ohio were reconfigured to maintain physical distancing. Wherever feasible, we have encouraged employees to work from home. To date, our remote working arrangements have not significantly affected our ability to maintain critical business operations.

We believe that relations with our employees are good. None of our employees are represented by a labor union, and we do not have collective bargaining arrangements with any of our employees. In addition, as of March 26, 2021, the Company engaged two independent contractors.

Executive Officers and Board of Directors

On December 31, 2020, our executive officers and directors included the following:

Name	Age	Title
James F. DeSocio	65	President, Chief Executive Officer, and Director
Matthew L. Chretien	53	Chief Strategy Officer, Chief Technology Officer, Secretary, and Director
Joseph D. Spain	53	Chief Financial Officer, Treasurer
Rye D’Orazio	66	Director
Robert C. Schroeder	54	Director, Chairman of the Board
Sophie Pibouin	53	Director
Roger Kahn	51	Director

James F. DeSocio, President, Chief Executive Officer, and Director. Mr. DeSocio joined the Company on September 25, 2017. Prior to joining the Company, Mr. DeSocio served as Chief Revenue Officer at Relayware, LLC, a global provider of Partner Relationship Management solutions, from January 2015 to September 2017. From January 2013 to November 2014, Mr. DeSocio served as Executive Vice President of Operations for XRS Corporation, a fleet management software solutions provider. From October 2007 to September 2012, Mr. DeSocio served as Executive Vice President of Sales and Business Development for Antenna Software, Inc., a business mobility solutions provider. Mr. DeSocio has extensive experience in sales, marketing, international operations, mergers and acquisitions.

Matthew L. Chretien, Chief Strategy Officer, Chief Technology Officer, Director. Mr. Chretien is a co-founder of Intellinetics and has served as Secretary since December 19, 2017, Chief Strategy Officer since September 25, 2017, and Chief Technology Officer since September 2011. Mr. Chretien previously served as Intellinetics' President and Chief Executive Officer from July 2013 to September 2017, and from January 1999 to September 2011; Executive Vice President from September 2011 to July 2013; Chief Financial Officer from September 2011 to September 2012; Treasurer from September 2011 to December 2016; and Vice President from 1996 until 1999. Prior to joining Intellinetics, Mr. Chretien served as the field sales engineer for Unison Industries, a manufacturer of aircraft ignition systems.

Joseph D. Spain, Chief Financial Officer and Treasurer. Mr. Spain joined the Company on October 31, 2016 and was appointed as its Chief Financial Officer on December 1, 2016. Prior to joining the Company, Mr. Spain worked from September 2014 to October 2016 for nChannel, Inc., a software solutions provider for the small-to-medium business retail sector, ultimately serving as Chief Financial Officer of the company. From July 1995 to June 2014, Mr. Spain worked for Mettler-Toledo International, Inc., a global provider of measurement and precision instruments, ultimately serving as Vice President of Finance & Controller for one of the company's operating units.

Rye D'Orazio, Director. Mr. D'Orazio has served as a director of Intellinetics since 2006. Mr. D'Orazio has been a partner at Ray & Barney Group since 2001. From 1995 to 2000, Mr. D'Orazio served as Vice President of Professional Services at Compucom. From 1985 to 1995, Mr. D'Orazio was a partner at NCGroup, which he founded. From 1982 to 1995, Mr. D'Orazio was employed as the Vice President of Professional Services at Triangle Systems, and from 1977 to 1982, Mr. D'Orazio was employed as a systems engineer at Electronic Data Systems.

Robert C. Schroeder, Director. Mr. Schroeder was appointed as a member of our board of directors in September 2013, and as Chairman of the Board on October 5, 2017. Mr. Schroeder is Vice President of Investment Banking at Taglich Brothers and specializes in advisory services and capital raising for small public and private companies. Prior to that, Mr. Schroeder served as Senior Equity Analyst publishing sell-side research on publicly traded companies. Prior to joining Taglich Brothers, he served in various positions in the brokerage and public accounting industry. Mr. Schroeder received a B.S. degree in accounting and economics from New York University. He currently serves on the board of directors of publicly traded Air Industries Group, a manufacturer of aerospace parts and assemblies, Decisionpoint Systems, Inc., a leading provider and integrator of Enterprise Mobility, Wireless Applications and RFID solutions, and Akers BioSciences, Inc., a developer and manufacturer of rapid point-of-care diagnostic screening and testing products.

Sophie Pibouin, Director. Ms. Pibouin was appointed as a member of our board of directors on March 20, 2015. Ms. Pibouin is currently employed by Progress Software as the VP Sales North America. Prior to that she was Head of Sales, U.S. for Resulticks. From 2014 to June 2019 Ms. Pibouin served as the worldwide Sales Leader of the IBM Watson marketing brand. Prior to that, Ms. Pibouin served as Chief Operating Officer, from 2012 to 2014, for SDL, PLC, a global provider of customer experience management software and solutions, having previously worked as a General Manager from 2010 to 2012. From 2006 to 2009, she served as Chief Operating Officer at Chronicle Solutions, Inc., a security software company. From 1990 to 2004, she worked for CA, Inc. (formerly Computer Associates), in a variety of positions including ultimately as Senior Vice President/GM for the Mid-Atlantic Region. She graduated with Honors as a Bachelor in International Commerce from the University of Flaubert in Rouen, France.

Roger Kahn, Director. Mr. Kahn was appointed as a member of our board of directors on October 5, 2017. Mr. Kahn has served as President and Chief Executive Officer of Bridgeline Digital, Inc. ("Bridgeline"), a web content management solutions provider, since May 2016. Mr. Kahn previously served as Co-Interim Chief Executive Officer and President of Bridgeline from December 2015 to May 2016, and as Chief Operating Officer from August 2015 to May 2016. From 2008 to September 2016, Mr. Kahn was a partner at Great Land Holdings, a resort development company. Mr. Kahn received his Ph.D. in Computer Science and Artificial Intelligence from the University of Chicago.

Available Information

Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), are available free of charge via our website (www.intellinetics.com) as soon as reasonably practicable after they are filed with, or furnished, to the SEC.

ITEM 1A. RISK FACTORS

Our business and future operating results may be affected by many risks, uncertainties and other factors, including those set forth below and those contained elsewhere in this report. If any of the following risks were to occur, our business, affairs, assets, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. When we say that something could have a material adverse effect on us or on our business, we mean that it could have one or more of these effects.

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating our company. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

Risks Relating to Our Business

We have been and could continue to be negatively impacted by the novel coronavirus pandemic (COVID-19) and related governmental actions and orders and market effects.

The coronavirus pandemic (COVID-19) and related economic downturn continues to pose various and interrelated risks to our customers, our employees, our vendors and the communities in which we operate, which have all negatively impacted, and may continue to negatively impact, our business. From March 24, 2020 to June 15, 2020, we were obligated to scale back operations in our Graphic Sciences operations, due to Michigan stay-at-home orders, which permitted us to process only those projects qualifying as essential under the state guidance. We resumed operating at full capacity thereafter, but we were unable to make up our ordinary level of revenues in the remainder of 2020 to offset the period in which our operations were reduced. In addition, our biggest customer, the State of Michigan, has not fully resumed its own operations, resulting in a decreased volume of work orders for our Document Conversion segment. Since the stay-at-home order was lifted in June, 2020, through December 31, 2020, Document Conversion segment delivered 89% of 2019 revenues for the same seven months. In addition, our business, financial condition and results of operations could be materially adversely affected if we suffer one or several COVID-19 outbreaks in our facilities or if the State of Michigan issues new stay-at-home orders in the future. We are also likely to be impacted further by decreased customer demand and/or subscription terminations as a result of a reduction in customer spending (especially customers that are state and local governmental entities) or as a result of government-imposed restrictions on businesses. In particular, governmental budget reductions in the State of Michigan, our largest customer, may have a material adverse effect on our business. Finally, due to the portion of our business that generates subscription-based revenue, the effect of COVID-19 may not be fully reflected in our results of operations until future periods. If the pandemic continues to reduce customer's budgets and restrict business operations, the pandemic may have a material adverse effect on our business, results of operations, financial condition and cash flows and adversely impact the trading price of our common stock.

Any significant reduction in the sales efforts or cooperative efforts from our partners could materially impact our revenues.

We rely on close cooperation with our Resellers for sales and product development as well as for the optimization of opportunities that arise in our competitive environment. In particular, the success of our reseller program is entirely dependent upon our relationships with resellers of multi-functional devices, which are currently being purchased by

current and potential customers in our target markets. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing partners or develop a sufficient number of future partners. We are unable to predict the extent to which our partners will be successful in marketing and licensing our products. A reduction in partner cooperation or sales efforts, or a decline in the number of channels, could materially reduce revenues.

If we are unable to continue to attract new customers and increase market awareness of our company and solutions, our revenue growth could be slower than we expect or could decline.

We believe that our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenue in the future will depend, in part, upon continually attracting new customers and obtaining subscription renewals to our solutions from those customers. Market awareness of our capabilities and solutions is essential to our ability to generate new leads for expanding our business and our continued growth. If we fail to sufficiently invest in our marketing programs or they are unsuccessful in attracting new customers by creating market awareness of our company and solutions, our business may be harmed.

If our existing customers fail to renew their support agreements, or if customers do not license updated products on terms favorable to us, our revenues could be adversely affected.

We currently derive a significant portion of our overall revenues from maintenance services and software subscriptions, and we depend on our installed customer base for future revenue from maintenance services and software subscriptions and licenses of updated products. The IT industry generally has been experiencing increasing pricing pressure from customers when purchasing or renewing support agreements. Moreover, the trend towards consolidation in certain industries that we serve, such as financial services, could result in a reduction of the software under agreement and put pressure on our maintenance and support terms with customers who have merged. Given this environment, there can be no assurance that our current customers will renew their maintenance agreements or agree to the same terms when they renew, which could result in our reducing or losing maintenance fees. If our existing customers fail to renew their maintenance agreements, or if we are unable to generate additional maintenance fees through the licensing of updated products to existing or new customers, our business and future operating results could be adversely affected.

Reduced IT or enterprise software spending may adversely impact our business.

Our business depends on the overall demand for IT and enterprise software spend and on the economic health of our current and prospective customers. Any meaningful reduction in IT or enterprise software spending or weakness in the economic health of our current and prospective customers could harm our business in a number of ways, including longer sales cycles and lower prices for our solutions.

Current and future competitors could have a significant impact on our ability to generate future revenues and profits.

The markets for our products are intensely competitive, and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens, and as additional companies enter our markets, including those competitors who offer similar products and services to ours, but offer them through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) introduce new competitive products, (ii) add new functionality to existing products, (iii) acquire competitive products, (iv) reduce prices, or (v) form strategic alliances with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increased bargaining power by the consumers of our products and services, we would need to lower the prices we charge for the products we offer. This could result in lower revenues or reduced margins, either of which could materially and adversely affect our business and operating results. Additionally, if prospective consumers choose other methods of document solutions delivery, different from those that we offer, our business and operating results could also be materially and adversely affected.

Consolidation in the industry, particularly by large, well-capitalized companies, could place pressure on our operating margins which could, in turn, have a material adverse effect on our business.

Acquisitions by large, well-capitalized technology companies have changed the marketplace for our goods and services by replacing competitors that are comparable in size to our company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products that compete with the products we offer, or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our products and services on the basis of sales price, marketing, services, or support. They also have the ability to introduce items that compete with our maturing products and services. The threat posed by larger competitors and their ability to use their better economies of scale to sell competing products and services at a lower cost may materially reduce the profit margins we earn on the goods and services we provide to the marketplace. Any material reduction in our profit margin may have a material adverse effect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may prevent effective strategic growth or improved economies of scale or put us at a disadvantage to our better-capitalized competitors.

We must manage our internal resources during periods of company growth, or our operating results could be adversely affected.

The document solutions market has continued to evolve at a rapid pace. If we are successful in growing the Company, any growth will place significant strains on our administrative and operational resources, and increase demands on our internal systems, procedures and controls. Our administrative infrastructure, systems, procedures and controls may not adequately support our operations. In addition, our management may not be able to achieve a rapid, effective execution of the product and business initiatives necessary to successfully implement our operational and competitive strategy. If we are unable to manage growth effectively, our operating results will likely suffer which may, in turn, adversely affect our business.

We may be unable to acquire other businesses, technologies or companies or engage in other strategic transactions, and we may not be able to successfully realize the benefits of and may be exposed to a variety of risks from any such strategic transactions.

The Graphic Sciences Acquisition and the acquisition of CEO Image Systems, Inc. are the first strategic business acquisitions for the Company. As part of our growth strategy, we also expect to continue to evaluate and consider potential strategic transactions, including business combinations, acquisitions and strategic alliances, to enhance our existing businesses and to develop new products and services. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions, and any of these transactions could be material to our financial condition and results of operations. However, we do not know if we will be able to identify any future opportunities that we believe will be beneficial for us. Even if we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction, and even if we do consummate such a transaction we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction.

Any future acquisition involves risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, technologies, finance and accounting functions, internal controls, business policies, and products and services of the acquired business;
- technologies, products or businesses that we acquire may not achieve expected levels of revenue, profitability, benefits or productivity;
- we may not be able to achieve the expected synergies from an acquisition, or it may take longer than expected to achieve those synergies;
- unexpected costs and liabilities and unknown risks associated with the acquisition;
- diversion of management's time and resources away from our daily operations;
- risks of entering markets in which we have no or limited direct prior experience;
- potential need for restructuring operations or reductions in workforce, which may result in substantial charges to our operations;
- incurring future impairment charges related to diminished fair value of businesses acquired as compared to the price we paid for them; and
- issuing potentially dilutive equity securities, or incurring debt or contingent liabilities, which could harm our financial condition.

We cannot assure you that we will make any additional acquisitions, or that any future acquisitions will be successful, will assist us in the accomplishment of our business strategy, or will generate sufficient revenues to offset the associated costs and other adverse effects or will otherwise result in us receiving the intended benefits of the acquisition. In addition, we cannot assure you that any future acquisition of new businesses or technology will lead to the successful development of new or enhanced customer relationships, products, and services, or that any new or enhanced products and services, if developed, will achieve market acceptance or prove to be profitable.

Risks Related to Product Development

We need to continue to develop new technologically-advanced products that successfully integrate with the software products and enhancements used by our customers.

Our success depends upon our ability to design, develop, test, market, license, and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. Recent examples of significant trends in the software industry include cloud computing, mobility, social media, networking, browser, and software as a service. In addition, software products and enhancements must remain compatible with standard platforms and file formats. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to achieve a successful integration with third-party software, we may not be successful in developing and marketing our new software products and enhancements. If we are unable to successfully integrate third-party software to develop new software products and enhancements to existing products, or to complete products currently under development which we license or acquire from third parties, our operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, our operating results will materially suffer. Also, if new industry standards emerge that we do not anticipate or adapt to, our software products could be rendered obsolete and, as a result, our business and operating results, as well as our ability to compete in the marketplace, would be materially harmed.

If our products and services do not gain market acceptance, our operating results may be negatively affected.

We intend to pursue our strategy of growing the capabilities of our document solutions software offerings through our proprietary research and the development of new product offerings. In response to customer demand, it is important to our success that we continue: (i) to enhance our products, and (ii) to seek to set the standard for document solutions capabilities in the small-to-medium market. The primary market for our software and services is rapidly evolving, due to the nature of the rapidly changing software industry, which means that the level of acceptance of products and services that have been released recently or that are planned for future release by the marketplace is not certain. If the markets for our products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products, services and enhancements to current products and services, (iii) complete customer installations on a timely basis, or (iv) complete products and services currently under development. In addition, increased competition could put significant pricing pressures on our products, which could negatively impact our margins and profitability. If our products and services are not accepted by our customers or by other businesses in the marketplace, our business and operating results will be materially affected.

Our investment in our current research and development efforts may not provide a sufficient, timely return.

The development of document solutions software products is a costly, complex, and time-consuming process, and the investment in document solutions software product development often involves a long wait until a return is achieved on such an investment. When cash is available, we make and will continue to make significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through our research and development efforts, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may adversely affect our operating results if they are not offset by increased revenues. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenues from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the margins we have experienced for our current or historical products and services.

Product development is a long, expensive, and uncertain process, and we may terminate one or more of our development programs.

We may determine that certain product candidates or programs do not have sufficient potential to warrant the continued allocation of resources. Accordingly, we may elect to terminate one or more of our programs for such product candidates. If we terminate a product in development in which we have invested significant resources, our prospects may suffer, as we will have expended resources on a project that does not provide a return on our investment and we may have missed the opportunity to have allocated those resources to potentially more productive uses, and this may negatively impact our business operating results or financial condition.

Our products may contain defects that could harm our reputation, be costly to correct, delay revenues, and expose us to litigation.

Our products are highly complex and sophisticated and, from time to time, may contain design defects or software errors that are difficult to detect and correct. Errors may be found in new software products or improvements to existing products after delivery to our customers. If these defects are discovered, we may not be able to successfully correct

such defects in a timely manner. In addition, despite the tests we conduct on all of our products, we may not be able to fully simulate the environment in which our products will operate and, as a result, we may be unable to adequately detect the design defects or software errors which may become apparent only after the products are installed in an end-user's network. The occurrence of errors and failures in our products could result in the delay or the denial of market acceptance of our products, and alleviating such errors and failures may require us to make significant expenditure of our resources. The harm to our reputation resulting from product errors and failures may be materially damaging. Because we regularly provide a warranty with our products, the financial impact of fulfilling warranty obligations may be significant in the future. Our agreements with our strategic partners and end-users typically contain provisions designed to limit our exposure to claims. These agreements regularly contain terms such as the exclusion of all implied warranties and the limitation of the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and the attendant liabilities and costs associated with such claims. Accordingly, any such claim could negatively affect our business, operating results or financial condition.

The use of open-source software in our products may expose us to the risk of having to disclose the source code to our product, rendering our software no longer proprietary and reducing or eliminating its value.

Certain open-source software is licensed pursuant to license agreements that require a user who distributes the open-source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. This effectively renders what was previously proprietary software open-source software. As competition in our markets increases, we must strive to be cost-effective in our product development activities. Many features we may wish to add to our products in the future may be available as open-source software, and our development team may wish to make use of this software to reduce development costs and speed up the development process. While we carefully monitor the use of all open-source software and try to ensure that no open-source software is used in such a way as to require us to disclose the source code to the related product, such use could inadvertently occur. Additionally, if a third party has incorporated certain types of open-source software into its software but has failed to disclose the presence of such open-source software, and we embed that third-party software into one or more of our products, we could, under certain circumstances, be required to disclose the source code to our product. This could have a material adverse effect on our business.

The loss of licenses to use third-party software or the lack of support or enhancement of such software could adversely affect our business.

We currently depend upon a limited number of third-party software products. If such software products were not available, we might experience delays or increased costs in the development of our products. In certain instances, we rely on software products that we license from third parties, including software that is integrated with internally-developed software, and which is used in our products to perform key functions. These third-party software licenses may not continue to be available to us on commercially reasonable terms, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss by us of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally-developed software. Such increased costs or delays or reductions in product shipments could adversely affect our business.

Financial Risks

We need to continue to maintain an effective system of internal controls, in order to be able to report our financial results accurately and timely and prevent fraud.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. We maintain a small accounting and reporting staff, concentrated in a few individuals. Any future weaknesses in our internal controls and procedures over financial reporting could result in material misstatements in our consolidated financial statements not being prevented or detected. We may experience difficulties or delays in completing remediation or may not be able to successfully remediate material weaknesses at all. Any material weakness or unsuccessful remediation could affect our ability to file periodic reports on a timely basis and investor confidence in the accuracy and completeness of our consolidated financial statements, which in turn could harm our business and have an adverse effect on our stock price and our ability to raise additional funds.

We may not be able to generate sufficient cash to service any indebtedness or contingent transaction consideration that we may incur from time to time, which could force us to sell assets, cease operations, or take other detrimental actions for our business.

Our ability to make scheduled payments on or to refinance any debt or contingent transaction obligations that we have or may incur depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. In addition, the Company has operated with a history of losses. For the twelve months ended December 31, 2019, prior to the acquisitions, Intellinetics had a net loss of $2,133,281. For the twelve months ended December 31, 2020, Intellinetics had a net loss of $8,961 excluding significant transaction costs of $636,440 and change in fair value of earnout liabilities of $1,554,800. Intellinetics has an accumulated deficit of $22,996,267 as of December 31, 2020. These financial conditions raise substantial doubt over the Company's ability to meet all of its obligations over the twelve months following the date of this Report. Prior to the third quarter of 2020, management has historically assessed that there was substantial doubt regarding our ability to continue as a going concern. However, management has evaluated these conditions and believes, based on its current plans and expectations, that it will be able to meet those obligations, although there is no assurance. We cannot ensure that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on any indebtedness or the contingent transaction consideration.

If our cash flows and capital resources are at any time insufficient to fund our obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, restructure or refinance our indebtedness, or reduce or cease operations. There can be no assurance that additional capital or debt financing will be available to us at any time. Even if additional capital is available, we may not be able to obtain debt or equity financing on terms favorable to us. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to reduce or curtail our operations.

***If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors,
resulting in a decline in our stock price.***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" in this Annual Report on Form 10-K, 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. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, deferred contract costs and commission expense, accounting for business combination, troubled debt restructuring and stock compensation.

The loss of a major customer or the failure to collect a large account receivable could negatively affect our results of operations and financial condition.

Revenues from a limited number of customers have accounted for a substantial percentage of our total revenues. Our two largest clients account for approximately 47% and 8%, and 6% and 10%, of our revenues for the twelve months ending December 31, 2020 and 2019, respectively. For the twelve months ended December 31, 2020, and 2019, government contracts represented approximately 64% and 41% of our net revenues, respectively. For the twelve months ended December 31, 2020, and 2019, the most

significant of these government contracts, represented approximately 47% and 6% of our net revenues, respectively. Due to their dependence on state, local and federal budgets, government contracts carry short terms, typically less than 18 months. The loss of a meaningful percentage of government contracts could materially affect our business and operating results.

A significant downturn in our business may not be immediately reflected in our operating results because of the way we recognize revenue.

We recognize revenue from subscription agreements ratably over the terms of these agreements, which are typically one year. As a result, a significant portion of the revenue we report in each quarter is generated from customer agreements entered into during previous periods, which is reflected as deferred revenue on our balance sheet. Consequently, a decline in new or renewed subscriptions, or a downgrade of renewed subscriptions to less-expensive editions, in any one quarter may not be fully reflected in our revenue in that quarter, and may negatively affect our revenue in future quarters. If contracts having significant value expire and are not renewed or replaced at the beginning of a quarter or are downgraded, our revenue may decline significantly in that quarter and subsequent quarters.

Legal and Regulatory Risks

Our contracts with government clients subject us to risks including early termination, audits, investigations, sanctions, and penalties.

A significant portion of our revenues comes from contracts with state and local governments, and their respective agencies, which may terminate most of these contracts at any time, without cause. The percentage of revenue from governmental contracts as a percentage of total revenue for the periods ended December 31, 2020 and December 31, 2019 were 64% and 41%, respectively. At this time, governments and their agencies are operating under increased pressure to reduce spending. Contracts at the state and local levels are subject to government funding authorizations. Additionally, government contracts are generally subject to audits and investigations that could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from future government business.

The Company is subject to the reporting requirements of federal securities laws, causing the Company to make significant compliance-related expenditures that may divert resources from other projects, thus impairing its ability to grow.

The Company is subject to the information and reporting requirements of the Exchange Act, and other federal securities laws, including the Sarbanes-Oxley Act. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the Commission and furnishing audited reports to stockholders causes our expenses to be higher than most other similarly-sized companies that are privately held. As a public company, we expect these rules and regulations to continue to keep our compliance costs high in 2020 and beyond, and to make certain activities more time-consuming and costly. As a public company, we also expect that these rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

The elimination of monetary liability against our directors, officers, agents and employees under Nevada law, and the existence of indemnification rights to such persons, may result in substantial expenditures by the Company and may discourage lawsuits against our directors, officers, agents and employees.

Our articles of incorporation and bylaws contain provisions permitting us to eliminate the personal liability of our directors, officers, agents and employees to the Company and its stockholders for damages for breach of fiduciary duty to the extent provided by Nevada law. We may also have contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against directors, officers, agents and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage our Company from bringing a lawsuit against certain individuals for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors, officers, agents and employees even though such actions, if successful, might otherwise benefit the Company and stockholders.

Security breaches may harm our business.

Any security breaches, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss of confidential information, damage to our reputation, early termination of our contracts, litigation, regulatory investigations or other liabilities. Our clients may use our products and services to handle personally identifiable information, sensitive personal information, protected health information, or information that is otherwise confidential. If our security measures or those of our third-party data centers are breached as a result of third-party action, employee error, malfeasance or otherwise and, as a result, someone obtains unauthorized access to customer data, our reputation could be damaged, our business may suffer and we could incur significant liability.

The United States has laws and regulations relating to data privacy, security, and retention and transmission of information. We have certain measures to protect our information systems against unauthorized access and disclosure of our confidential information and confidential information belonging to our customers. We have policies and procedures in place dealing with data security and records retention. However, there is no assurance that the security measures we have put in place will be effective in every case.

There has been an increase in the number of private privacy-related lawsuits filed against companies in recent years. There has also been an increase in the incidence of data breaches in public companies operating in the US, resulting in unfavorable publicity and high amounts of damages against the breached companies, including the cost of obtaining credit monitoring services for all persons whose information was compromised. In addition, we are unable to predict what additional legislation or regulation in the area of privacy of personal information could be enacted and what effect that could have on our operations and business. Concerns about our practices with regard to the collection, use, disclosure, or security of personal information or other privacy-related matters, even if unfounded and even if we are in compliance with applicable laws, could damage our reputation and harm our business.

Breaches, or perceived breaches, in security could result in a negative impact for us and for our customers, potentially affecting our business, assets, revenues, brand, and reputation, and resulting in penalties, fines, litigation, and other potential liabilities, in each case depending upon the nature of the information disclosed. These risks to our business may increase as we expand the number of products and services we offer.

We may become involved in litigation that may materially adversely affect us.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. We provide business management solutions that we believe are critical to the operations of our customers' businesses and provide benefits that may be difficult to quantify. Any failure of a customer's system installed by us or of the services offered by us could result in a claim for substantial damages against us, regardless of our responsibility for the failure. Although we attempt to limit our contractual liability for damages resulting from negligent acts, errors, mistakes, or omissions in rendering our services, we cannot assure you that the limitations on liability we include in our agreements will be enforceable in all cases, or that those limitations on liability will otherwise protect us from liability for damages. There can be no assurance that any insurance coverage we may have in place will be adequate or that current coverages will remain available at acceptable costs. Such matters can be time-consuming, divert

management's attention and resources, and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results, or financial condition.

Any claim that we infringe on a third party's intellectual property could materially increase costs and materially harm our ability to generate future revenues and profits.

Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although we are not aware of any infringement on the rights of third parties, third parties may assert infringement claims against us in the future. Although most of our technology is proprietary in nature, we do include certain third-party software in our products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our products, third parties may assert infringement claims against us in the future. The third parties making these assertions and claims may include non-practicing entities (known as "patent trolls") whose business model is to obtain patent-licensing revenues from operating companies, such as ours. Any such assertion, regardless of merit, may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be time-consuming, disruptive to our ability to generate revenues or enter into new market opportunities, and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework our products to avoid infringement of third-party rights to ensure they comply with judicial decisions. Our agreements with our partners and end-users typically contain provisions that require us to indemnify them, with certain limitations on the total amount of such indemnification, for damages sustained by them as a result of any infringement claims involving our products. Any of the foregoing results of an infringement claim could have a significant adverse impact on our business and operating results, as well as our ability to generate future revenues and profits.

Risks Relating to Our Common Stock

We may have to issue additional securities at prices which may result in substantial dilution to our stockholders.

If we raise additional funds through the sale of equity or convertible debt, our current stockholders' percentage ownership will be reduced. In addition, these transactions may dilute the value of ordinary shares outstanding. We may have to issue securities that may have rights, preferences, and privileges senior to our common stock. We cannot provide assurance that we will be able to raise additional funds on terms acceptable to us, if at all. If future financing is not available or is not available on acceptable terms, we may not be able to fund our future needs, which would have a material adverse effect on our business plans, prospects, results of operations, and financial condition.

Shares of our common stock that have not been registered under the Securities Act, regardless of whether such shares are restricted or unrestricted, are subject to resale restrictions imposed by Rule 144.

Pursuant to Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), a "shell company" is defined as a company that has no or nominal operations, and either no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of any amount of cash and cash equivalents and nominal other assets. As such, we were a shell company pursuant to Rule 144 prior to 2012. Even though we are no longer a shell company, investors may be reluctant to invest in our securities because securities of a former shell company may not be as freely tradable as securities of companies that are not former "shell companies." In addition, since the Company is a former shell company, shareholders with restricted securities cannot rely upon Rule 144 for sales of restricted securities in the event that the Company is not current in its filing obligations under the Exchange Act.

Our shares are quoted on the OTCQB and are subject to limited trading, a high degree of volatility, and liquidity risk.

Our common stock is currently quoted on the OTCQB. Shares of our common stock have had very limited and sporadic trading in the past. As such, we believe our stock price to be more volatile and the share liquidity characteristics to be of higher risk than if we were listed on one of the national exchanges. Due to this volatility, our stock price as quoted by the OTCQB may not reflect an actual or perceived value of our common stock. In the past, several days have passed between trades in our common stock, meaning that at any given time, there may be few or no investors interested in purchasing our common stock at or near ask prices. This limited trading, volatility, and liquidity risk is attributable to 1) the fact that we are a small company relatively unknown to stock analysts, brokers, and institutional or other investors, and 2) analysts, brokers, and investors may also be hesitant to follow a company such as ours that faces substantial doubt about its ability to continue as a going concern. Finally, if our stock were no longer quoted on the OTCQB, the ability to trade our stock would become even more limited and investors might not be able to sell their shares. Consequently, investors must be prepared to bear the economic risk of holding the securities for an indefinite period of time. There is no assurance that a more active market for our common stock will develop or be sustained, which limits the liquidity of our common stock, and could have a material adverse effect on the price of our common stock and our ability to raise capital.

The market price of our common stock may limit the appeal of certain alternative compensation structures that we might offer to the high-quality employees we seek to attract and retain.

If the market price of our common stock performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. For example, if we were to offer options to purchase shares of our common stock as part of an employee's compensation package, the attractiveness of such a compensation package would be highly dependent upon the performance of our common stock.

In addition, any changes made to any of our compensation practices which are made necessary by governmental regulations or competitive pressures could adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government, or any significant increases in personal income tax levels in the United States, may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success.

Shares eligible for future sale may adversely affect the market price of our common stock.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 of the Securities Act, subject to certain limitations. Any substantial sale of our common stock pursuant to Rule 144 may have an adverse effect on the market price of our common stock.

The price of our common stock may fluctuate significantly and lead to losses by stockholders.

The common stock of public companies can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of such companies. We expect our stock price to be similarly volatile. These broad market fluctuations may continue and could harm our stock price. Any negative change in the public's perception of the prospects of our business or companies in our industry could also depress our stock price, regardless of our actual results. Factors affecting the trading price of our common stock may include:

- Variations in operating results;
- Announcements of technological innovations, new products or product enhancements, strategic alliances, or significant agreements by us or by competitors;

- Recruitment or departure of key personnel;
- Litigation, legislation, regulation, or technological developments that adversely affect our business; and
- Market conditions in our industry, the industries of our customers, and the economy as a whole.

Further, the stock market in general, and securities of smaller companies in particular, can experience extreme price and volume fluctuations. Continued market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. You should also be aware that price volatility might be worse if the trading volume of our common stock is low. Occasionally, periods of volatility in the market price of a company's securities may lead to the institution of securities class action litigation against a company. Due to the volatility of our stock price, we may be the target of such securities litigation in the future. Such legal action could result in substantial costs to defend our interests and a diversion of management's attention and resources, each of which would have a material adverse effect on our business and operating results.

Our common stock is currently subject to the "penny stock" rules of the SEC, which makes transactions in our common stock more cumbersome and could adversely affect trading in our common stock.

Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain rules adopted by the SEC. Penny stocks generally are equity securities with a market price of less than $5.00 per share, subject to exceptions. The rules require that a broker-dealer, before a transaction in a penny stock not otherwise exempt from the rules, deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in connection with the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the rules generally require that before a transaction in a penny stock, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the liquidity of penny stocks. Our common stock has only briefly traded above $5.00 per share, and as such the holders of our common stock or other of our securities may find it more difficult to sell their securities.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative, low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative, low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

We do not expect to pay any dividends on our common stock for the foreseeable future.

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations. The declaration, payment, and amount of any future dividends, if any, will be made at the discretion of our board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors that the board of directors considers relevant. We currently are subject to loan covenants that would require consent from our lenders in order to pay any dividends prior to repayment of certain outstanding loans. In addition, any future credit facilities we enter into may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock.

General Risks

Global economic conditions and uncertainty are likely to adversely affect our operating results or financing in ways that are hard to predict or to defend against.

Our overall performance depends on economic conditions. The United States' and world economies are currently suffering from uncertainty, volatility, disruption, and other adverse conditions, primarily caused by the current outbreak of and containment strategies for the coronavirus disease (COVID-19), and those conditions will continue to adversely impact the business community and financial markets for some time. Moreover, instability in the global economy affects countries, including the United States, with varying levels of severity, which makes the impact on our business complex and unpredictable. During adverse economic conditions, many customers delay or reduce technology purchases. Contract negotiations are likely to become more protracted, or conditions could result in reductions in sales of our products, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, increased default risks associated with our accounts receivable, slower adoption of new technologies, and increased price competition. In addition, a curtailment of the United States and global credit markets could adversely impact our ability to complete sales of our products and services, including maintenance and support renewals. Any of these prolonged events, are likely to cause a curtailment in government or corporate spending and delay or decrease customer purchases, and adversely affect our business, financial condition, and results of operations.

Businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. For example, credit contraction in financial markets may hurt our ability to access credit in the event that we require significant access to credit for other reasons. Similarly, volatility in our stock price could hurt our ability to raise capital for the financing of acquisitions or other reasons. Any of these events, or any other events caused by the current turmoil in domestic or international financial markets, may have a material adverse effect on our business, operating results, and financial condition.

Any disruption of service at data centers that house our equipment and deliver our solutions could harm our business.

Our users expect to be able to access our solutions 24-hours a day, seven-days a week, without interruption. We have computing and communications hardware operations located in data centers owned and operated by third parties. We do not control the operation of these data centers and we are therefore vulnerable to any security breaches, power outages or other issues the data centers experience. We expect that we will experience interruptions, delays and outages in service and availability from time to time.

The owners of our data centers have no obligation to renew agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to move to new data centers, and we may incur significant costs and possible service interruption in connection with doing so.

These data centers are vulnerable to damage or interruption from human error, malicious acts, earthquakes, hurricanes, tornados, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. The occurrence of a natural disaster or an act of terrorism, vandalism or other misconduct, or a decision to close the data centers without adequate notice or other unanticipated problems could result in lengthy interruptions in availability of our solutions.

Any changes in third-party service levels at our data centers or any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our customers' businesses. Interruptions in availability of our solutions might reduce our revenue, cause us to issue credits to customers, subject us to potential

liability, and cause customers to terminate their subscriptions or decide not to renew their subscriptions with us.

If we are not able to attract and retain top employees, our ability to compete may be harmed.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers or other key employees could significantly harm our business. Our success is also highly dependent upon our continuing ability to identify, hire, train, retain, and motivate highly-qualified management, technical, sales, and marketing personnel. In particular, the recruitment of top software developers and experienced salespeople remains critical to our success. Competition for such people is intense, substantial, and continuous, and we may not be able to attract, integrate, or retain highly-qualified technical, sales, or managerial personnel in the future. In addition, in our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our products or services.

Our products rely on the stability of infrastructure software that, if not stable, could negatively impact the effectiveness or reliability of our products, resulting in harm to our reputation and business.

Our development of internet and intranet applications depends and will continue to depend on the stability, functionality, and scalability of the infrastructure software of the underlying internet and intranet. If weaknesses in such infrastructure exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our products do not meet customer needs or expectations, our reputation and, consequently, our business may be significantly harmed.

In addition, our business and operations are highly automated, and a disruption or failure of our systems may delay our ability to complete sales and to provide services. A major disaster or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could severely affect our ability to conduct normal business operations, which may materially and adversely affect our future operating results.

Failure to protect our intellectual property could harm our ability to compete effectively.

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of intellectual property laws, trademark laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our rights vigorously; however, there can be no assurance that these measures will be successful. Enforcement of our intellectual property rights may be difficult or cost prohibitive. While U.S. copyright laws may provide meaningful protection against unauthorized duplication of software, software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our products represents a loss of revenue to us. Certain of our license arrangements may require us to make a limited confidential disclosure of portions of the source code for our products, or to place such source code into escrow for the protection of another party. Although we will take considerable precautions, unauthorized third parties, including our competitors, may be able to: (i) copy certain portions of our products, or (ii) reverse engineer or obtain and use information that we regard as proprietary. Also, our competitors could independently develop technologies that are perceived to be substantially equivalent or superior to our technologies. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease an office facility measuring approximately 6,000 square feet in Columbus, Ohio, for our headquarters, chief executive offices, and conducting the operations of Intellinetics Ohio. The monthly rental payment is $4,524. The lease term continues until December 31, 2021.

Our subsidiary, Graphic Sciences, uses 36,000 square feet of leased space in Madison Heights as its main facility. Graphic Sciences uses about 20,000 square feet for its records storage services, with the remainder of the space used for production, sales, and administration. The monthly rental payment is $41,508, with a lease term continuing until August 31, 2026.

Graphic Sciences also leases and uses the following separate facilities: a 20,000 square foot building for document storage in Highland Park, MI, with monthly rental payments of $11,250 and a lease term continuing until September 30, 2021; a 20,000 square foot building for temporary document storage in Madison Heights, MI, with monthly rental payments of $12,500 and a month-to-month lease term. Additionally, Graphic Sciences has signed a lease for a 37,000 square foot building in Sterling Heights, MI, with monthly rental payments of $20,452 commencing on May 1, 2021 and a lease term continuing to April 30, 2028. The Sterling Heights facility will be used primarily for document storage.

Graphic Sciences owns and operates an extensive collection of the specialized equipment necessary for scanning images or converting microfilm to digital images. Graphic Sciences' logistics department includes a fleet of four leased vehicles for pickup and delivery of client materials. Graphic Sciences also has the ability to provide on-site capture operations for clients needing such services.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to ordinary routine litigation and claims incidental to our business. We are not currently involved in any legal proceedings that we believe to be material.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

Part II

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

Market Information

Our common stock is available for quotation on the OTCQB Venture Market under the symbol "INLX." As such, any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

Holders

As of March 26, 2021 we had 139 stockholders of record. Such number of record stockholders does not include additional stockholders or other beneficial owners whose shares are held in street or nominee name by banks, brokerage firms, and other institutions on their behalf.

Dividends

Dividends may be declared and paid out of legally available funds at the discretion of our board of directors ("Board of Directors," or "Board")No dividends on our common stock were paid in either of the two most recent fiscal years, and we do not anticipate paying dividends on our common stock in the foreseeable future. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors. We currently intend to utilize all available funds to develop our business.

Unregistered Securities Issuances in Fiscal Year 2020

There have been no unregistered securities issuances in Fiscal Year 2020 that have not previously been disclosed in Current Reports on 8-K or Forms 10-Q.

Issuer Purchase of Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to smaller reporting companies.

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

[All references in this Item 7 to numbers of shares of our common stock are on a post-split basis reflecting the 1-50 reverse split of our common stock on March 20, 2020.]

The following management's discussion and analysis of financial conditions and results of operations of the Company for the fiscal twelve months ended December 31, 2020, and 2019 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K.

We caution you that any forward-looking statements included in this section are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors that are included in Part I, Item 1A of this report.

Company Overview

The Company is a document services and solutions software company serving both the small-to-medium business and governmental sectors. The Company's software platform allows customers to capture, manage, store, and retrieve all documents across operations such as boxed hard-copy documents, scanned hard-copy documents, microfilm and microfiche, and all digital documents including those from Microsoft Office 365, digital images, audio, video and emails. The Company's document services offerings provide assistance to clients with document conversion generally as well as migration to our software solutions. The Company also offers long term document storage and retrieval services. The Company's solutions create value for customers by making it easy to connect business-critical documents to the people who need them by making them easy to find, while also being secure and compliant with the customers' audit requirements.

Customers obtain use of the Company's software by either purchasing it for installation onto their equipment, referred to as a "premise" model, or by accessing the platform via the Internet, referred to as a "cloud-based," "software as a service," or "SaaS" model. Especially in light of the increased deployment of remote workforce policies in 2020, we continue to view the provision of SaaS-based customer activation as a significant strategic part of our revenue growth opportunity. Our SaaS products are hosted with Amazon Web Services, Expedient, and Skynet Managed Technology Services, offering our customers reliable hosting services with best practices in data security. Our revenues from cloud-based delivery of our software, including hosting services, for the twelve months ended December 31, 2020, and 2019, was $1,055,016 and $859,637, respectively. Our document conversion customers are primarily repeat customers who either regularly or periodically seek services in scanning paper to digital, microfiche to microfilm, or any combination.

We operate a predominantly U.S. business with concentrated sales to the state of Michigan for our document conversion professional services and sales that are diversified by customer for our document management software solutions and services. We hold or compete for leading positions regionally in select markets and attribute this leadership to several factors including the strength of our brand name and reputation, our comprehensive offering of innovative solutions, and the quality of our service support. Net growth in sales of software as a service during 2019 and 2020 reflects market demand for these solutions over traditional sales of on-premise software. We expect to continue to benefit from our select niche leader positions, innovative product offering, growing installed base, and the impact of our sales and marketing programs. Examples of these programs include identifying and investing in growth and market penetration opportunities, more effectively pricing our products and services, demonstrating superior value to customers, increasing our sales force effectiveness through improved guidance, and continuing to optimize our lead generation and lead nurturing processes.

How We Evaluate our Business Performance and Opportunities

The major qualitative and quantitative factors we consider in the evaluation of our operating results include the following:

- With respect to our Document Management segment, including the solutions recently acquired from CEO Image, our current strategy is to focus on cloud-based delivery of our software products. Historically, our revenues have mostly resulted from premise-based software licensing revenue and professional services revenue. Our observation of industry trends leads us to anticipate that cloud-based delivery will become our principal software business and a primary source of revenues for us, and we are seeing our customers migrate to cloud-based services. When we evaluate our results, we assess whether our cloud-based software revenues are increasing, relative to prior periods and relative to other sources of revenue.

- With respect to our Document Conversion segment, our strategy is to maintain and grow our core document conversion, storage, and retrieval business, while simultaneously leveraging our software products and services to provide more attractive total document solutions for the customers of our Document Conversion segment. Accordingly, when we evaluate our results for Document Conversion, we will assess whether our revenues increase with respect to the segment's services, relative to prior periods, but we will also be assessing whether Document Conversion customers begin to make purchases of other products or services.

- We are focused upon sales of our document services and software solutions through resellers and directly to our customers, with a further focus on select vertical markets. We assess whether our sales resulting from relationships with resellers are increasing, relative to prior periods and relative to direct sales to customers, and whether reseller or direct efforts offer the best opportunities for growth in our targeted vertical markets.

- Our customer engagements often involve the development and licensing of customer-specific document solutions and related consulting and software maintenance services or tailoring a document conversion program to meet customer requirements. When analyzing whether to undertake a particular customer engagement, we often consider the following factors as part of our overall strategy to grow the business: (i) the profit margins the project may yield, and (ii) whether the project would help to develop new product and service features that we could integrate into our suite of products, resulting in an overall product portfolio that better aligns with the needs of our target customers.

- Our software sales cycle averages 1-2 months; however, large projects can be longer, lasting 3-6 months. When a software project begins, we generally perform pre-installation assessment, project scoping, and implementation consulting. On the other hand, our document conversion services typically contain a very short sales cycle, but we can have a backlog of work orders not yet processed. Therefore, when we plan our business and evaluate our results, we consider the revenue we expect to recognize from projects in our late-stage software pipeline and in our document conversion services backlog queue.

- We monitor our costs and capital needs to ensure efficiency as well as an adequate level of support for our business plan.

- While we are primarily focused on organic growth, we also continually monitor potential acquisitions of complementary solutions and expertise that are consistent with our core business. We look for acquisitions that can add value for our customers and are expected to be accretive to our financial performance.

Recent Developments

On January 20, 2021, we received notification that the U.S. Small Business Administration (the "SBA") has forgiven, in full, the unsecured promissory note issued to the Company under the Paycheck Protection Program (the "PPP"). The promissory note was through PNC Bank with a principal amount of $838,700, dated April 15, 2020. The PPP was established under the congressionally approved Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the SBA. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. The Company met the requirements for loan forgiveness, and the entire principal and interest of the loan granted to the Company under the PPP has been forgiven. No material early termination penalties were incurred as a result of this forgiveness.

Executive Overview of Results

Below are our key financial results for the fiscal year ended December 31, 2020 (consolidated unless otherwise noted) with most of the significant changes year over year resulting from our acquisition of Graphic Sciences on March 2, 2020 and CEO Image on April 21, 2020:

- Revenues were $8,253,391, representing revenue growth of 225% year over year.

- Cost of revenues was $3,262,653.

- Operating expenses (excluding cost of revenues) were $7,028,982, including $636,440 of significant transaction costs and $1,554,800 in change in fair value of earnout liabilities.

- Loss from operations was $2,038,244.

- Net loss was $2,200,201 with basic and diluted net loss per share of $0.91.

- Operating cash flow was $124,988.

- Capital expenditures were $76,854, excluding cash paid to acquire business.

- As of December 31, 2020, the number of our employees was 96, including 11 part-time.

Financial Impact of COVID-19

The spread of a novel coronavirus ("COVID-19") and developments surrounding the global pandemic have had, and we expect will continue to have, a significant impact on our business, results of operations and financial condition.

From March 24, 2020, through June 15, 2020, our Graphic Services business operations, constituting a majority of our professional services revenues, was reduced due to the State of Michigan stay-at-home order, and we were only able to process work orders deemed "essential" by the State of Michigan. We were not able to make up our ordinary level of revenues in the remainder of 2020 to offset the period in which our operations were reduced. There has not been a meaningful cancellation of future jobs or current contracts for our Graphic Services business operations; however, certain customers continue to be slow to resume operations to pre-pandemic levels, and certain customers may never fully return. In particular, the State of Michigan, our biggest customer, has not fully resumed normal operations, resulting in a decrease in the volume of work orders for our Document Conversion segment. In addition, we are seeing inconsistent demand in certain other areas of our operations, even though those operations are still currently open for business with mostly remote staff.

We worked closely with the State of Michigan on our reopening plans for the Graphic Services business. Most of our other employees are located in the State of Ohio, which permitted general office workers to return to work on May 4, 2020. However, the majority of our Ohio employees are continuing to work remotely as a precaution. Regardless of the lifting of stay-at-home orders in Ohio and Michigan (where most of our employees are located), many of our clients operate in a variety of other states, which had differing time periods in which their operations were or are currently restricted. Even though we have been able to fully resume our operations, we expect to see continued weakened demand in light of reduced governmental and small-business spending and general economic uncertainty.

We have engaged in aggressive efforts to reduce expenses and preserve cash flow during 2020, including:

- From March 24, 2020 to June 15, 2020, we furloughed our non-essential employees in the State of Michigan who, due to the nature of their work, were not able to work remotely during the governmental shut-down in that state;

- From April 1, 2020 to June 29, 2020, we reduced our executive officer compensation by 20% and other manager compensation by 15%, and our Board of Directors waived their director compensation for the second fiscal quarter of 2020; and

- We applied for and received PPP funds, discussed below in Liquidity and Capital Resources, which we used to fund payroll and other limited permitted expenses such as rent and utilities.

Additionally, we have instituted safe distancing practices and additional cleaning procedures for all company offices, as well as established work-from-home employees wherever feasible, in order to prevent or mitigate future outbreaks and disruptions to our business.

Reportable Segments

Our reportable segments are currently organized around the following products and services that we offer as part of our core business strategy:

- Document Management; and
- Document Conversion.

Prior to the year ended December 31, 2020, our results had been reported on an aggregated basis. With the acquisition of Graphic Sciences, we determined that identification and aggregation of operating and reportable segments would be appropriate.

Document Management

The Document Management segment provides cloud-based and premise-based content services software. Its modular suite of solutions complements existing operating and accounting systems to serve a mission-critical role for organizations to make content secure, compliant, and process-ready. This segment conducts its primary operations in the United States. Markets served include highly regulated, risk and compliance-intensive markets in healthcare, K-12 education, public safety, other public sector, risk management, financial services, and others. Solutions are sold both directly to end-users and through resellers.

Document Conversion

The Document Conversion segment provides services for scanning and indexing, converting images from paper to digital, paper to microfilm, and microfiche to microfilm, as well as long-term physical document storage and retrieval. This segment conducts its primary operations in the United States. Markets served include business and state, county, and municipal governments. Solutions are sold both directly to end-users and through a reseller distributor.

Results of Operations

Revenues

We reported total revenues of $8,253,391 and $2,535,955 for the twelve months ended December 31, 2020, and 2019, respectively, representing an increase of $5,717,436 or 225%. For the twelve months ended December 31, 2020, our subsidiary acquired March 2, 2020, Graphic Sciences, accounted for $5,238,654 of the total sales, or 92% of the increase. In addition, a business line that we acquired on April 21, 2020, CEO Image, accounted for $375,863 of the total sales, or 7% of the increase. The net increase in comparable total revenues year-over-year is primarily attributable to growth software as a service and software maintenance services, partially offset by sales of software and professional services, as further described below. The following table summarizes our revenues by reportable segment for the periods indicated:

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Revenues		
Document Management	$ 2,816,848	$ 2,368,140
Document Conversion	5,436,543	167,815
Total revenues	$ 8,253,391	$ 2,535,955

Sale of Software

Revenues from the sale of software principally consist of sales of additional or upgraded software licenses and applications to existing customers and resellers. These software revenues were $194,787 and $189,165, for the twelve months ended December 31, 2020, and 2019, respectively, representing an increase of $5,622, or 3%. The increase year-over-year in sales was due to $13,477 from CEO Image, partially offset by a decrease due to timing of large direct sales projects. The volatility of this revenue line item is expected to continue as the frequency of on-premise software solution sales decreases over time. Revenues from the sale of software are reported as part of our Document Management segment.

Sale of Software as a Service

We provide access to our software solutions as a service, accessible through the internet. Our customers typically enter into our software as a service agreement for periods of one year or more. Under these agreements, we generally provide access to the applicable software, data storage and related customer assistance and support. Our software as a service revenues were $1,055,016 and $859,637, for the twelve months ended December 31, 2020, and 2019, respectively, representing an increase of $195,379 or 23%. The increase in revenue year-over-year was primarily the result of new customers choosing a cloud-based solution, plus expanded data storage, user seats, and hosting fees for existing customers, as well as $41,727 from CEO Image. Revenues from the sale of software as a service are reported as part of our Document Management segment.

Sale of Software Maintenance Services

Software maintenance services revenues consist of fees for post contract customer support services provided to license (premise-based) holders. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. A substantial portion of these revenues were generated from customers to whom we sold software in prior years who have continued to renew their maintenance agreements. The support and maintenance agreements typically have a term of 12 months. Our software maintenance support revenue was $1,257,446 and $1,011,278, for the twelve months ended December 31, 2020, and 2019, respectively, representing an increase of $246,168, or 24%. The increase in revenue year-over-year was the result of approximately $216,000 contribution from CEO Image, as well as new growth and normal price increases exceeding attrition of existing maintenance agreement renewals. Revenues from the sale of software maintenance services are reported as part of our Document Management segment.

Sales of Professional Services

Professional services revenues consist of revenues from document scanning and conversion services, consulting, discovery, training, and advisory services to assist customers with document management needs, as well as repair and maintenance services for customer equipment. These revenues include those arrangements where we do not sell software license as an element of the overall arrangement. Our professional services offerings, particularly with respect to scanning and document conversion, including microfilm and microfiche, were recently broadened and enhanced with our March 2, 2020 acquisition of Graphic Sciences. Professional services revenues were $5,007,617 and $475,875, for the twelve months ended December 31, 2020 and 2019, respectively, representing an increase of $4,531,742 or 952%. Document Conversion operations comprised $4,698,018 of the professional services revenues, while Document Management operations comprised $309,599. Our recently acquired subsidiary, Graphic Sciences, accounted for $4,500,129 of the total sales, or 99% of the increase. Professional services revenues excluding Graphic Sciences were $507,488 and $475,875, for the twelve months ended December 31, 2020 and 2019, respectively, representing an increase of $31,613 or 7%. The increase in revenue excluding Graphic Sciences was due to an increase in our Document Conversion services in Columbus, Ohio, due to a full year of operations. The Document Management professional services revenues include an increase of $104,481 from CEO Image, offset by a reduction in our Document Management professional services in Columbus, Ohio, due to a combination of customer-driven COVID project postponements and generally fewer custom projects in 2020.

Sale of Storage and Retrieval

Graphic Sciences provides document storage and retrieval services to customers, primarily in Michigan. Our document storage and retrieval revenues were $738,525 and $0, respectively, for the twelve months ended December 31, 2020 and 2019, respectively. The amounts were lower than historical levels at Graphic Sciences for similar periods due to COVID shut-downs at customers and the Michigan stay-at-home order which reduced retrieval services from April through June, primarily. Revenues from the sale of storage and retrieval are reported as part of our Document Conversion segment.

Costs of Revenue

The cost of revenues during the twelve months ended December 31, 2020, and 2019 were $3,262,653 and $567,843, respectively, representing an increase of $2,694,810, or 475%. The Graphic Sciences acquisition accounted for $2,486,789 of the total costs of revenue, or 92% of the increase. The cost of revenues excluding Graphic Sciences during the twelve months ended December 31, 2020 and 2019 were $775,864 and $567,843, respectively, representing an increase of $208,021, or 37%. The increase in cost of revenue excluding Graphic Sciences year-over-year is primarily the result of increased sales revenue, as well as exceptional professional services margins in 2019 on two projects that were not repeated in 2020.

Cost of Software Revenues

Cost of software revenues consists primarily of third-party software licenses that are sold in connection with our core software applications and labor costs of our software engineers and implementation consultants. Cost of software revenues was $56,664 and $8,633 for the twelve months ended December 31, 2020, and 2019, respectively, representing an increase of $48,031 or 556%.

Gross margin for this product category decreased to 71% for the twelve months ended December 31, 2020 from 95% for the twelve months ended December 31, 2019. The decrease is driven by software solution mix: lesser margin solutions in 2020 unfavorably compared to high margin solutions sold in 2019.

Cost of Software as a Service

Cost of software as a service consists primarily of technical support personnel, hosting services, and related costs. Cost of software as a service was $273,368 for the twelve months ended December 31, 2020, as compared with $254,999 for the twelve months ended December 31, 2019, representing an increase of $18,369, or 7%. The increase in cost followed the higher revenue, at slightly improved margins due to scaling of hosting infrastructure.

Gross margins for this product category were 74% and 70% for the twelve months ended December 31, 2020, and 2019, respectively.

Cost of Software Maintenance Services

Cost of software maintenance services consists primarily of technical support personnel and related costs. Cost of software maintenance services for the twelve months ended December 31, 2020 was $159,122 compared with $87,280 for the twelve months ended December 31, 2019, representing an increase of $71,842, or 82%, due to high support activity in the first quarter and one incremental FTE support personnel following the April 21, 2020 acquisition of CEO Image.

Gross margins in this product category were 87% and 91% for the twelve months ended December 31, 2020, and 2019, respectively.

Cost of Professional Services

Cost of professional services consists primarily of compensation for employees performing the document conversion services, compensation of our software engineers and implementation consultants and related third-party costs. Cost of professional services was $2,553,053 for the twelve months ended December 31, 2020, as compared with $216,931 for the twelve months ended December 31, 2019, representing an increase of $2,336,122 or 1,077%. Excluding Graphic Sciences, cost of professional services was $286,710 for the twelve months ended December 31, 2020, as compared with $216,931 for twelve months ended December 31, 2019, representing an increase of $69,779 or 32%. The increase year-over-year resulted from an unfavorable mix shift to lower margin solutions added by the CEO Image April 21, 2020 acquisition, one additional FTE related to the acquisition of CEO Image, and some project inefficiencies with stopping and restarting projects due to COVID-related customer unavailability.

Gross margins in this product category were 49% and 54% for the twelve months ended December 31, 2020, and 2019, respectively. Excluding Graphic Sciences, gross margins in this product category were 44% and 54% for the twelve months ended December 31, 2020, and 2019, respectively. Gross margins related to consulting services may vary widely, depending upon the nature of the consulting project and the amount of labor it takes to complete a project, and the second quarter of 2019 included higher margin projects.

Cost of Storage and Retrieval Services

Cost of storage and retrieval services consists primarily of compensation for employees performing the document storage and retrieval services, including logistics, provided by Graphic Sciences. Cost of storage and retrieval was $220,446 for the twelve months ended December 31, 2020, as compared with $0 for twelve months ended December 31, 2019.

Gross margins in this product category were 70% for the twelve months ended December 31, 2020. Gross margins exclude the cost of facilities rental, maintenance, and related overheads.

Gross Margins

Overall gross margin for the twelve months ended December 31, 2020 and 2019 were 60% and 78%, respectively, representing a decrease of 18%. The decrease represents the increase of document conversion revenues from the Graphic Sciences acquisition. Excluding Graphic Sciences, overall gross margin for the twelve months ended December 31, 2020 and 2019 and 2019 were 74% and 78%, respectively, representing a decrease of 4%. The decrease in gross margin year-over-year excluding Graphic Sciences is primarily a result of unusually strong professional services margins on two projects in 2019, as well as product mix in software sales in the third quarter of 2019.

Operating Expenses

General and Administrative Expenses

General and administrative expenses were $3,499,440 during the twelve months ended December 31, 2020 as compared with $2,131,385 during the twelve months ended December 31, 2019, representing an increase of $1,368,055 or 64%. The increase in operating expenses year-over-year was principally related to the addition of Graphic Sciences expenses. For the twelve months ended December 31, 2020 and 2019, the general and administrative expenses related to Document Management and Document

Conversion segments were $1,808,184 and $1,990,342, and $1,691,256 and $141,043, respectively.

Change in Fair Value of Earnout Liabilities

Adjustments to fair value of earnout liabilities were $1,554,800 during the twelve months ended December 31, 2020, comprised of $1,423,800 for Graphic Sciences and $131,000 for CEO Image. The fair value adjustments were driven by updated assumptions to reflect the improved performance of both acquisitions against their threshold targets and a reduction of pandemic-related uncertainty.

Significant Transaction Expenses

Significant transaction expenses were $636,440 during the twelve months ended December 31, 2020. The significant transactions expenses were comprised of investment banker and placement agent success fees, as well as legal and consulting fees.

Sales and Marketing Expenses

Sales and marketing expenses were $1,041,367 during the twelve months ended December 31, 2020 as compared with $981,618 during the twelve months ended December 31, 2019, representing an increase of $59,749 or 6%. The increase was a result of the addition of Graphic Sciences and CEO Image expenses, partially offset by lower stock compensation costs in 2020 due to certain option grants vesting in 2019, plus other operational savings, including marketing and web site updates in 2019 not repeated in 2020. For the twelve months ended December 31, 2020 and 2019, the sales and marketing expenses related to Document Management and Document Conversion segments were $584,470 and $916,660, and $456,897 and $64,958, respectively.

Depreciation and Amortization

Depreciation and amortization was $296,935 for the twelve months ended December 31, 2020, as compared with $7,701 for the twelve months ended December 31, 2019, representing an increase of $289,234 or 3,756%. The increase is driven by amortization of the intangible assets acquired in March and April and the addition of Graphic Sciences and CEO Image depreciation. For the twelve months ended December 31, 2020 and 2019, the depreciation and amortization expenses related to Document Management and Document Conversion segments were $23,401 and $6,481, and $273,534 and $1,220, respectively.

Gain on Extinguishment of Debt

Gain on extinguishment of debt was $287,426 during the twelve months ended December 31, 2020. The gain was driven by the extinguishment of debt in March 2020, as part of conversion of notes payable accounted for using troubled debt restructuring.

Income Tax Benefit

Income tax benefit was $188,300 during the twelve months ended December 31, 2020. The benefit was driven by the releases of a portion of the valuation allowance in March 2020 for deferred tax liabilities of Graphic Sciences that were no longer due.

Interest Expense

Interest expense was $637,683 during the twelve months ended December 31, 2020 as compared with $980,689 during the twelve months ended December 31, 2019, representing a decrease of $343,006 or 35%. The decrease year-over-year resulted primarily from lower interest expense on lower net debt following the March 2020 private placement of securities and note conversion more than offsetting increased interest expense associated with accelerating the beneficial conversion option on the notes converted.

Liquidity and Capital Resources

We have financed our operations primarily through a combination of cash on hand, cash generated from operations, borrowings from third parties and related parties, and proceeds from private sales of equity. From 2012 through March 2021 we raised a total of $18,555,903 in cash through issuance of debt and equity securities. As of December 31, 2020, we had $1,907,882 in cash, and net working capital deficit of $159,254, which includes $586,579 in current PPP Note Payable principal and interest. We received notice of PPP Note Payable full forgiveness in January 2021. Without the current PPP Note Payable principal and interest, the December 31, 2020 net working capital would have been $427,325.

In 2020, we implemented plans to increase liquidity, including the acquisitions of Graphic Sciences and CEO Image. Additionally, proceeds from issuance of shares, including conversion of convertible debt, and issuance of new debt on March 2, 2020 enabled the company to restructure its balance sheet and reduce its overall debt burden by approximately $3 million.

The Company's business plan is to increase our sales and market share by focusing on a targeted marketing approach to select vertical markets, maximizing cross selling opportunities within the newly expanded customer base of the consolidated company, enhancing our direct selling results, and continuing to develop a network of select resellers through which we expect to sell our expanded document management solutions. We expect that these initiatives will require us to continue our efforts towards direct marketing campaigns and leads management, reseller on-boarding, and to develop additional software integration and customization capabilities, all of which may require additional capital. We also plan to continually monitor opportunities to make strategic acquisitions that will strengthen or complement our product and services offerings, bring more solutions to our customers, and increase revenues and liquidity.

Our ability to meet our capital needs in the future will depend on many factors, including maintaining and enhancing our operating cash flow, successfully managing the transition of our recent acquisitions of Graphic Sciences and CEO Image, successfully retaining and growing our client base in the midst of general economic uncertainty, and managing the continuing effects of the COVID-19 pandemic on our business. We will need to successfully manage our revenues to support potential future earnout commitments for previous transactions and current debt service commitments, and our future cash resources and capital requirements may vary materially from those now planned. Our ability to obtain additional capital or debt financing on favorable terms, if needed, would likely be adversely affected by our history of operating losses. These conditions raise substantial doubt over the Company's ability to meet all of its obligations over the twelve months following the date of this Report. Prior to the third quarter of 2020, management has historically assessed that there was substantial doubt regarding our ability to continue as a going concern. However, management has evaluated these conditions and believes, based on its improved balance sheet, improved consolidated cash flow, and current plans and expectations, that it will be able to meet those obligations, although there is no assurance.

Based on our plans and assumptions as of the date of this report, we believe our capital resources, including our cash and cash equivalents, along with funds expected to be generated from our operations, will be sufficient to meet our anticipated cash needs, including for working capital, earnout liability payments for previous transactions, capital spending, and debt service commitments, for at least the next 12 months. However, any projections of future cash needs and cash flows are subject to risks and uncertainties, including the ongoing COVID-19 pandemic and general overall economic conditions.

Equity Capital Resources

As of March 26, 2021, the Company has 2,823,072 shares of common stock issued and outstanding; and 333,232 shares reserved for issuance upon the exercise of outstanding

warrants, outstanding stock options, and shares reserved for the 2015 Plan.

On March 2, 2020, we completed a private placement of securities equity and debt (which we refer to as our "2020 private placement") for aggregate gross proceeds of $5.5 million (of which, $3.5 million resulted from the sale of our common stock). As a result of the 2020 private placement, after payment of the initial purchase price for the acquisition of Graphic Sciences and transaction fees and expenses, the Company retained approximately $530,000 for working capital and general corporate purposes.

Our shares are available for quotation on the OTCQB, and we believe this is important for raising capital to finance our growth plan. We intend to deploy any future capital we may raise to expand our sales and marketing capabilities, develop ancillary software products, enhance our internal infrastructure, support the accounting, auditing and legal costs of operating as a public company, and provide working capital.

Debt Capital Resources

On April 21, 2020, the Company entered into an asset purchase agreement under which the Company agreed to pay a principal amount of $170,000 ("Seller Notes Payable") as further discussed in Note 6. The terms of the Seller Notes Payable were approximately three and six months, with $70,000 plus accrued interest paid August 3, 2020 and $100,000 plus accrued interest paid November 1, 2020. The Seller Notes Payable bore an interest rate of 1.5% per annum. These notes were installment payments for the net assets acquired.

On April 15, 2020, the Company secured PPP funding, through PNC Bank with a principal amount of $838,700. The term of the PPP loan is two years, with an interest rate of 1.0% per annum, which shall be deferred for the first ten months after the covered period of the loan. PPP loan recipients can be granted forgiveness for all or a portion of loans granted under the PPP, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. We received notice on January 20, 2021 that our forgiveness application was accepted by the Small Business Administration.

On March 2, 2020, we issued 12% subordinated promissory notes with a principal amount of $2 million and maturity date of February 28, 2023, as part of the 2020 private placement described above, in order to complete the acquisition of Graphic Sciences and provide additional working capital for our operations.

Simultaneously with the closing of the 2020 private placement, we converted substantially all of the outstanding principal and accrued interest payable on our then-existing convertible debt into shares of common stock at a conversion price of $4.00 per share. As a result, a total of approximately $6 million of convertible debt coming due December 31, 2020 was converted into shares of common stock.

Summary of Outstanding Indebtedness at December 31, 2020

The Company's outstanding indebtedness at December 31, 2020 is as follows (with more details and all defined terms set forth in Note 10 to the Consolidated Financial Statements):

- The 2020 Notes issued to accredited investors on March 2, 2020, with an aggregate original principal balance of $2,000,000, a current principal balance of $2,000,000, and accrued interest of $0.

- PPP Note Payable held by PNC bank, dated April 15, 2020, with an original principal balance of $838,700, a current principal balance of $838,700, and accrued interest of $5,941.

Cash Provided and Used In Operating Activities.

From our inception, we have generated revenues from the sales, implementation, subscriptions, and maintenance of our internally generated software applications, as well as significantly increased revenues from document conversion services beginning in 2020. Our uses of cash from operating activities include compensation and related costs, hardware costs, rent for our corporate offices, hosting fees for our cloud-based software services, other general corporate expenditures, and travel costs to client sites.

Our plan is to increase our sales and market share by implementing a targeted marketing approach to select vertical markets, an expanded network of resellers through which we expect to sell our expanded software product portfolio, as well as continue to enhance our direct selling results. We expect our operations to continue to require additional capital in order to implement direct marketing campaigns and leads management, reseller training and on-boarding, and to develop additional software integration and customization capabilities. Although management believes that we may have access to additional capital resources, there are currently no commitments in place for new financing, and there is no assurance that we will be able to obtain funds on commercially acceptable terms, if at all.

Net cash provided by operating activities for the twelve months ended December 31, 2020 was $124,988. During the twelve months ended December 31, 2020, the net cash provided by operating activities was primarily attributable to the net loss adjusted for non-cash expenses of $1,390,769, a decrease in operating assets of $325,132 and a decrease in operating liabilities of $609,288. Net cash used in operating activities for the twelve months ended December 31, 2019 was $982,169. During the twelve months ended December 31, 2019, the net cash used in operating activities was primarily attributable to the net loss adjusted for non-cash expenses of $631,433, an increase in operating assets of $336,589 and an increase in operating liabilities of $856,268.

Cash Used in Investing Activities.

Net cash used in investing activities for the twelve months ended December 31, 2020, and 2019 amounted to $4,095,952 and $5,489, respectively, and was primarily related to cash paid to acquire Graphic Sciences and acquire CEO Image, amounting to $3,906,253 and $130,114, respectively, in 2020. The balance of $76,854 in 2020 and the entire amount of $5,489 in 2019 was used for purchases of property and equipment.

Capital Expenditures

There were no material commitments for capital expenditures at December 31, 2020. On February 18, 2021, we committed to purchase warehouse racking in the amount of $326,864. We are evaluating equipment financing options to finance the equipment purchase.

Cash Provided and Used in Financing Activities.

Cash provided and used by financing activities primarily consist of net proceeds from issuance or repayments of debt, or new issuance of equity.

Net cash provided by financing activities for the twelve months ended December 31, 2020 amounted to $5,474,681. The net cash provided by financing activities resulted from new borrowings of $3,008,700, partially offset by $175,924 in financing costs, and the sale of common stock resulting in $2,859,633 in net cash. Notes payable payments amounted to $170,000, which comprised of seller notes which are installment payments for net assets acquired. Notes payable payments to related parties amounted to $47,728.

Net cash provided by financing activities for the twelve months ended December 31, 2019 amounted to $303,193. New borrowings of $350,000 were partially offset by $46,807 of notes payable repayments to related parties.

Critical Accounting Policies and Estimates

These critical accounting policies and estimates by our management should be read in conjunction with Note 5 *Summary of Significant Accounting Policies* to the Consolidated Financial Statements.

The preparation of consolidated financial statements in accordance U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses in the reporting period. We regularly make estimates and assumptions that affect the reported amounts of assets and liabilities. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources.

The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

We consider the following accounting policies and estimates to be both those most important to the portrayal of our financial condition and those that require the most subjective judgment:

- Liquidity, Going Concern and Management's Plans
- Revenue Recognition
- Business Acquisition, Goodwill and Intangibles, including Contingent Liability—Earnout
- Accounts Receivable, Unbilled
- Parts and Supplies Allowance
- Deferred Revenues
- Allowance for Doubt Accounts
- Accounting for Costs of Computer Software to be Sold, Leased or Marketed and Accounting for Internal Use Software
- Accounting Stock-Based Compensation

Liquidity, Going Concern and Management's Plans

We have incurred substantial recurring losses since our inception. The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. Thus, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Revenue Recognition

In accordance with ASC 606, the Company follows a five-step model to assess each contract of a sale or service to a customer: identify the legally binding contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and determine whether revenue will be recognized at a point in time or over time. Revenue is recognized when a performance obligation is satisfied and the customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods and services. In addition, ASC 606 requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Our contracts with customers often contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. We determine the SSP based on an observable standalone selling price when it is available, as well as other factors, including, the price charged to customers, our discounting practices, and our overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable or uncertain, we estimate the SSP using a residual approach.

Revenue from on-premises licenses is recognized upfront upon transfer of control of the software, which occurs at delivery, or when the license term commences, if later. We recognize revenue from maintenance contracts ratably over the service period. Cloud services revenue is recognized ratably over the cloud service term. Training, professional services, and storage and retrieval services are provided either on a time and material basis, in which revenues are recognized as services are delivered, or over a contractual term, in which revenues are recognized ratably. With respect to contracts that include customer acceptance provisions, we recognize revenue upon customer acceptance. Our policy is to record revenues net of any applicable sales, use or excise taxes.

Payment terms and conditions vary by contract type, although our terms generally include a requirement of payment within 30 to 60 days. We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. In instances where the timing of revenue recognition differs from the timing of payment, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing.

We generally do not offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

We establish allowances for doubtful accounts when available information causes us to believe that credit loss is probable.

Business Acquisition, Goodwill and Intangibles Assets, including Contingent Liability—Earnout

We preliminarily allocate the purchase price to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities at the date of acquisition, subject to further review and analysis. We estimate a fair value of any earnout which would be owed to the seller based on the terms of the earnout and record this liability at the acquisition date. Fair value is based on future projections of metrics such as revenue or profit over the earnout period and valuation techniques that utilize expected volatility, threshold probability, and discounting of future payments. Evaluating the fair value involves a high degree of assumptions used within the valuation models, in particular, forecasts of projected revenues or margins. Changes in these assumptions could have a significant impact on the fair value of the earnout liabilities.

The carrying value of goodwill is not amortized, but it tested for impairment annually as of December 31, as well as on an interim basis whenever events or changes in circumstances indicate that the carrying amount of a reporting unity may not be recoverable. An impairment charge is recognized for the amount by which the carrying amount exceeds the recorded fair value. All intangible assets have finite lives and are stated at cost, net of amortization. Amortization is computed over the useful life of the related assets on a straight-line method.

As of December 31, 2020, we recorded a change in fair value of earnout liabilities for both Graphic Sciences and CEO Image. The assumptions were updated to reflect the improved performance of both acquisitions against their threshold targets and a reduction of uncertainty driven by the pandemic.

Accounts Receivable, Unbilled

We recognize professional services revenue over time as the services are delivered using an input or output method (e.g., labor hours incurred as a percentage of total labor hours budgeted, images scanned, or similar milestones), as appropriate for the contract, provided all other revenue recognition criteria are met. When our revenue recognition policies recognize revenue that has not yet been billed, we record those contract asset amounts in accounts receivable, unbilled.

Parts and Supplies Allowance

Parts and supplies are valued at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Parts and supplies are primarily used for scanning and document conversion services. We establish a provision for potentially obsolete or slow-moving parts and supplies inventory based on parts and supplies levels, future sales forecasted and our judgment of potentially obsolete parts and supplies.

Deferred Revenues

Amounts that have been invoiced are recognized in accounts receivable, deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. Deferred revenue represents amounts billed for which revenue has not yet be recognized. Deferred revenues typically relate to maintenance and software-as-a-service agreements which have been paid for by customers prior to the performance of those services, and payments received for professional services and license arrangements and software-as-a-service performance obligations that have been deferred until fulfilled under our revenue recognition policy.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts which represents estimated losses resulting from the inability, failure or refusal of our clients to make required payments.

We analyze historical percentages of uncollectible accounts and changes in payment history when evaluating the adequacy of the allowance for doubtful accounts. We use an internal collection effort, which may include our sales and services groups as we deem appropriate. Although we believe that our allowances are adequate, if the financial condition of our clients deteriorates, resulting in an impairment of their ability to make payments, or if we underestimate the allowances required, additional allowances may be necessary, resulting in increased expense in the period in which such determination is made.

Accounting for Costs of Computer Software to be Sold, Leased or Marketed and Accounting for Internal Use Software

We design, develop, test, market, license, and support new software products and enhancements of current products.

In accordance with ASC 985-20 “Costs of Software to be Sold, Leased or Otherwise Marketed,” we expense software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Technological feasibility is typically reached shortly before the release of such products and as a result, development costs that meet the criteria for capitalization were not material for the periods presented in this report.

In accordance with ASC 350-40, “Internal-Use Software,” the Company capitalizes purchase and implementation costs of internal use software. No such costs were capitalized during the periods presented in this report.

Stock-Based Compensation

We maintain one stock-based compensation plan. We account for stock-based payments to employees in accordance with ASC 718, “Compensation - Stock Compensation.” Stock-based payments to employees include grants of stock that are recognized in the consolidated statement of operations based on their fair values at the date of grant. We account for stock-based payments to non-employees in accordance with ASC 718, “Compensation - Stock Compensation,” which requires that such equity instruments are recorded at their fair value on the grant date.

The grant date fair value of stock option awards is recognized in earnings as stock-based compensation cost over the requisite service period of the award using the straight-line attribution method. We estimate the fair value of the stock option awards using the Black-Scholes-Merton option pricing model. The exercise price of options is specified in the stock option agreements. The expected volatility is based on the historical volatility of our stock for the previous period equal to the expected term of the options. The expected term of options granted is based on the midpoint between the vesting date and the end of the contractual term. The risk-free interest rate is based upon a U.S. Treasury instrument with a life that is similar to the expected term of the options. The expected dividend yield is based upon the yield expected on date of grant to occur over the term of the option.

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

Not applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

(1) Consolidated Financial Statements.

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Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets at December 31, 2020 and 2019	F-3
Consolidated Statements of Operations for the twelve months ended December 31, 2020, and 2019	F-4
Consolidated Statements of Stockholders’ Equity (Deficit) for the twelve months ended December 31, 2020, and 2019	F-5
Consolidated Statements of Cash Flows for the twelve months ended December 31, 2020, and 2019	F-6
Notes to Consolidated Financial Statements	F-7

(2) Consolidated Financial Statement Schedules.

Consolidated Financial Statement Schedules have been omitted because they are either not required or not applicable, or because the information required to be presented is included in the consolidated financial statements or the notes thereto included in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Intellinetics, Inc. and Subsidiaries
Columbus, Ohio

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Intellinetics, Inc. and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years then ended, and 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 at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for 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 consolidated 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 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.

Evaluation of the Fair Value of Earnout Liabilities Related to Business Acquisitions

Description of the Matter

As discussed in Note 6 to the consolidated financial statements, the Company makes certain assumptions and judgment in determining fair value measurements for business acquisitions. During the year ended December 31, 2020, the Company consummated two business acquisitions. The acquisitions resulted in the recognition of earnout liabilities totaling $889,200, subsequently revalued at $2,444,000.

We identified the evaluation of the fair value of the earnout liabilities related to the acquired businesses as a critical audit matter. Evaluating the fair value involved a high degree of assumptions used within the valuation models including forecasts of projected revenues, customer attrition rate and volatility rates. In addition, changes in these assumptions could have a significant impact on the fair value of the earnout liabilities.

How We Addressed the Matter in Our Audit

We obtained an understanding and evaluated the design of internal control over the Company's process for determining the fair value of earnout liabilities related to the business acquisitions, specifically related to the determination of the key assumptions. We evaluated the forecasts of projected revenues and customer attrition rate assumptions used by the Company by comparing the assumptions to the acquirees' historical performance and to the growth rates of peer companies. We also compared the forecasts of projected revenue assumptions to industry data. We also involved a valuation professional with specialized skills and knowledge who assisted in evaluating certain forecasts of projected revenues used by the Company to value the earnout liabilities by independently developing these rates based on publicly available market data and comparing the results to rates used by the Company.

Going Concern

Description of the Matter

As described further in Note 3 to the consolidated financial statements, the Company has incurred losses each year from inception through December 31, 2020. However, management believes, based on the Company's operating plan, that capital resources, including cash and cash equivalents, along with funds expected to be generated from our operations will be sufficient to meet the Company's anticipated cash needs, including for working capital, earnout liability payments for previous transactions, capital spending and debt service commitments as they come due for at least one year from the consolidated financial statement issuance date.

We determined the Company's ability to continue as a going concern is a critical audit matter due to the estimation and execution uncertainty regarding the Company's future cash flows and the risk of bias in management's judgments and assumptions in estimating these cash flows.

How We Addressed the Matter in Our Audit

We obtained an understanding and evaluated the design of internal controls over the Company's preparation of forecasted information, including management's assessment of the assumptions and data underlying the forecasted information and considerations of the Company's obligations. We tested the completeness, accuracy and relevance of underlying data for forecasted revenue, operating expenses, and uses and sources of cash used in management's assessment of whether the Company has sufficient liquidity to fund operations for at least one year from the financial statement issuance date. This testing included inquiries with management, comparison of prior period forecasts to actual results, consideration of positive and negative evidence impacting management's forecasts, the Company's financing arrangements in place as of the report date, market and industry factors and consideration of the Company's relationships with its financing partners. Additionally, we evaluated the adequacy of the Company's disclosure of these circumstances in the consolidated financial statements.

/s/ GBQ Partners LLC

We have served as the Company's auditor since 2012.
Columbus, Ohio
March 30, 2021

Part I Financial Information

Item 1. Financial Statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash	$ 1,907,882	$ 404,165
Accounts receivable, net	792,380	329,571
Accounts receivable, unbilled	523,522	23,371
Parts and supplies, net	79,784	4,184
Prepaid expenses and other current assets	162,166	110,841
Total current assets	3,465,734	872,132
Property and equipment, net	698,752	6,919
Right of use assets	2,641,005	97,239
Intangible assets, net	1,184,971	-
Goodwill	2,322,887	-
Other assets	31,284	10,284
Total assets	$ 10,344,633	$ 986,574
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 141,823	$ 160,911
Accrued compensation	271,889	70,027
Accrued expenses, other	131,685	140,079
Lease liabilities - current	518,531	47,397
Deferred revenues	996,131	754,073
Deferred compensation	100,828	117,166
Earnout liabilities - current	877,522	-
Accrued interest payable - current	5,941	1,212,498
Notes payable - current	580,638	3,339,963
Notes payable - related party - current	-	1,467,400
Total current liabilities	3,624,988	7,309,514
Long-term liabilities:		
Notes payable	1,802,184	-
Lease liabilities - net of current portion	2,196,951	53,318
Earnout liabilities - net of current portion	1,566,478	-
Total long-term liabilities	5,565,613	53,318
Total liabilities	9,190,601	7,362,832
Stockholders' equity (deficit):		
Common stock, $0.001 par value, 25,000,000 shares authorized; 2,810,865 and 370,497 shares issued and outstanding at December 31, 2020 and 2019, respectively	2,811	371
Additional paid-in capital	24,147,488	14,419,437
Accumulated deficit	(22,996,267)	(20,796,066)
Total stockholders' equity (deficit)	1,154,032	(6,376,258)
Total liabilities and stockholders' equity (deficit)	$ 10,344,633	$ 986,574

See Notes to these consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statements of Operations

	For the Twelve Months Ended December 31,	
	2020	2019
Revenues:		
Sale of software	$ 194,787	$ 189,165
Software as a service	1,055,016	859,637
Software maintenance services	1,257,446	1,011,278
Professional services	5,007,617	475,875
Storage and retrieval services	738,525	-
Total revenues	8,253,391	2,535,955
Cost of revenues:		
Sale of software	56,664	8,633
Software as a service	273,368	254,999
Software maintenance services	159,122	87,280
Professional services	2,553,053	216,931
Storage and retrieval services	220,446	-
Total cost of revenues	3,262,653	567,843
Gross profit	4,990,738	1,968,112
Operating expenses:		
General and administrative	3,499,440	2,131,385
Change in fair value of earnout liabilities	1,554,800	-
Significant transaction costs	636,440	-
Sales and marketing	1,041,367	981,618
Depreciation and amortization	296,935	7,701
Total operating expenses	7,028,982	3,120,704
Loss from operations	(2,038,244)	(1,152,592)
Other income (expense)		
Gain on extinguishment of debt	287,426	-
Interest expense	(637,683)	(980,689)
Total other expense	(350,257)	(980,689)
Loss before income taxes	(2,388,501)	(2,133,281)
Income tax benefit	188,300	-
Net loss	$ (2,200,201)	$ (2,133,281)
Basic and diluted net loss per share:	$ (0.91)	$ (5.76)
Weighted average number of common shares outstanding – basic and diluted	2,406,830	370,279

See Notes to these consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Deficit)
For the Twelve Months Ended December 31, 2020 and 2019

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2018	354,588	$ 355	$ 14,131,838	$ (18,662,785)	$ (4,530,592)
Stock Issued to Directors and Employee	15,909	16	87,484	-	87,500
Stock Option Compensation	-	-	200,115	-	200,115
Net Loss	-	-	-	(2,133,281)	(2,133,281)
Balance, December 31, 2019	370,497	$ 371	$ 14,419,437	$ (20,796,066)	$ (6,376,258)
Stock Issued to Directors	16,428	$ 16	57,484	-	57,500
Stock Option Compensation	-	-	58,770	-	58,770
Stock Issued	955,000	955	3,819,045	-	3,820,000
Stock Issued for Convertible Notes	1,468,914	1,469	5,728,566	-	5,730,035

Equity Issuance Costs	-		-		(307,867)		-		(307,867)
Note Offer Warrants	-		-		372,053		-		372,053
Net Loss	-		-		-		(2,200,201)		(2,200,201)
Balance, December 31, 2020	2,810,839	$	2,811	$	24,147,488	$	(22,996,267)	$	1,154,032

See Notes to these consolidated financial statements

INTELLINETICS, INC. and SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Twelve Months Ended December 31,			
		2020		2019
Cash flows from operating activities:				
Net loss	$	(2,200,201)	$	(2,133,281)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		296,935		7,701
Bad debt expense		54,834		28,307
Parts and supplies reserve change		15,000		-
Amortization of deferred financing costs		117,091		183,851
Amortization of beneficial conversion option		11,786		70,718
Amortization of debt discount		88,889		-
Amortization of right of use asset		405,227		41,310
Stock issued for services		57,500		87,500
Stock options compensation		58,770		200,115
Note conversion stock issue expense		141,000		-
Warrant issue expense		236,761		-
Interest on converted debt		176,106		-
Gain on extinguishment of debt		(287,426)		-
Amortization of original issue discount on notes		18,296		11,931
Changes in operating assets and liabilities:				
Accounts receivable		605,094		(222,139)
Accounts receivable, unbilled		(224,128)		41,747
Parts and supplies		796		1,531
Prepaid expenses and other current assets		6,745		(19,179)
Right of use assets		(63,375)		(138,549)
Accounts payable and accrued expenses		(645,596)		62,896
Lease liabilities, current and long-term		(332,917)		100,715
Deferred compensation		(16,338)		(48,000)
Accrued interest, current and long-term		5,940		710,203
Earnout liabilities, current and long-term		1,554,800		-
Deferred revenues		43,399		30,454
Total adjustments		2,325,189		1,151,112
Net cash provided by/(used in) operating activities		124,988		(982,169)
Cash flows from investing activities:				
Cash paid to acquire business, net of cash acquired		(4,019,098)		-
Purchases of property and equipment		(76,854)		(5,489)
Net cash used in investing activities		(4,095,952)		(5,489)
Cash flows from financing activities:				
Proceeds from issuance of common stock		3,167,500		-
Offering costs paid on issuance of common stock		(307,867)		-
Payment of deferred financing costs		(175,924)		-
Proceeds from notes payable		3,008,700		-
Proceeds from notes payable - related parties		-		350,000
Repayment of notes payable		(170,000)		-
Repayment of notes payable - related parties		(47,728)		(46,807)
Net cash provided by financing activities		5,474,681		303,193
Net increase (decrease) in cash		1,503,717		(684,465)
Cash - beginning of period		404,165		1,088,630
Cash - end of period	$	1,907,882	$	404,165
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest	$	202,291	$	7,706
Cash paid during the period for income taxes	$	117,072	$	-
Supplemental disclosure of non-cash financing activities:				
Accrued interest notes payable converted to equity	$	796,074	$	-
Accrued interest notes payable related parties converted to equity		238,883		-
Discount on notes payable for beneficial conversion feature		320,000		-

Discount on notes payable for warrants	135,292	-
Notes payable converted to equity	3,421,063	-
Notes payable converted to equity - related parties	1,465,515	-
Supplemental disclosure of non-cash investing activities relating to business acquisitions:		
Cash	$ 17,269	$ -
Accounts receivable	1,122,737	-
Accounts receivable, unbilled	276,023	-
Parts and supplies	91,396	-
Prepaid expenses	73,116	-
Other current assets	5,954	-
Right of use assets	2,885,618	-
Property and equipment	735,885	-
Intangible assets	1,361,000	-
Accounts payable	(168,749)	-
Accrued expenses	(162,426)	-
Lease liabilities	(2,947,684)	-
Federal and state taxes payable	(168,900)	-
Deferred revenues	(198,659)	-
Deferred tax liabilities, net	(149,900)	-
Net assets acquired in acquisition	2,772,680	-
Total goodwill acquired in acquisition	2,322,887	-
Total purchase price of acquisition	5,095,567	-
Purchase price of business acquisition financed with earnout liability	(889,200)	-
Purchase price of business acquisition financed with installment payments	(170,000)	-
Cash paid to acquire business, excluding cash acquired	$ 4,036,367	$ -

See Notes to these consolidated financial statements

INTELLINETICS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

1. Business Organization and Nature of Operations

Intellinetics, Inc., formerly known as GlobalWise Investments, Inc., ("Intellinetics"), is a Nevada corporation incorporated in 1997, with two subsidiaries: (i) Intellinetics, Inc., an Ohio corporation that is wholly-owned by the Company ("Intellinetics Ohio), and (ii) Graphic Sciences, Inc., a Michigan corporation that is also wholly-owned by the Company ("Graphic Sciences"). Intellinetics Ohio was incorporated in 1996, and on February 10, 2012, Intellinetics Ohio became the sole operating subsidiary of the Company as a result of a reverse merger and recapitalization. On March 2, 2020, the Company purchased all the outstanding capital stock of Graphic Sciences.

The Company is a document management company, providing comprehensive document solutions, software, and services to its customers in both the public and private sectors. The Company's software platform allows customers to capture and manage all documents across operations such as scanned hard-copy documents and all digital documents including those from Microsoft Office 365, digital images, audio, video and emails. The Company's suite of document services includes indexing, conversion, and physical document storage and retrieval. The Company's comprehensive solutions create value for customers by making it easy to connect business-critical documents to the processes they drive by making them easy to find, secure and compliant with its customers' audit requirements.

2. Basis of Presentation

The accompanying audited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The Company has evaluated subsequent events through the issuance of this Form 10-K.

3. Liquidity and Management's Plans

Through December 31, 2020, the Company had incurred an accumulated deficit since its inception of $22,996,267, including operating losses and operating cash flow deficits in recent years. Since inception, the Company's operations have primarily been funded through a combination of gross profits, government-sponsored loans, and the sale of both equity and debt securities. At December 31, 2020, the Company had a cash balance of $1,907,882.

On March 2, 2020, the Company issued shares and debt totaling $5.5 million, and converted approximately $6 million in existing debt principal and interest to equity. This resulted in a recapitalization of the balance sheet and new debt of $2 million, reducing the Company's interest burden. Simultaneously, the Company used the proceeds from the capital raise to purchase Graphic Sciences, Inc. On April 21, 2020, the Company purchased substantially all the assets of CEO Imaging Systems, Inc. The acquisitions significantly helped the Company reach its current monthly cash flow. Further, the Company received a loan through the Paycheck Protection Program ("PPP") in April 2020 amounting to $838,700, and received notice on January 20, 2021 that its forgiveness application was accepted by the Small Business Administration. With improved operating results over the course of the latter half of 2020, the consolidated Company has significantly better liquidity than in prior years.

Our ability to meet our capital needs in the future will depend on many factors, including maintaining and enhancing our operating cash flow, successfully managing the transition of our recent acquisitions of Graphic Sciences and CEO Image, successfully retaining and growing our client base in the midst of general economic uncertainty, and managing the continuing effects of the COVID-19 pandemic on our business. We will need to successfully manage our revenues to support potential future earnout commitments for previous transactions and current debt service commitments, and our future cash resources and capital requirements may vary materially from those now planned. Our ability to obtain additional capital or debt financing on favorable terms, if needed, would likely be adversely affected by our history of operating losses. Prior to 2020, management has historically assessed that there was substantial doubt regarding our ability to continue as a going concern. These conditions raise substantial doubt over the Company's ability to meet all of its obligations over the twelve months following the date of this Report. However, management has evaluated these conditions and believes, based on its improved balance sheet, improved consolidated cash flow, and current plans and expectations, that it will be able to meet those obligations, although there is no assurance.

Based on our plans and assumptions as of the date of this report, we believe our capital resources, including our cash and cash equivalents, along with funds expected to be generated from our operations, will be sufficient to meet our anticipated cash needs, including for working capital, earnout liability payments for previous transactions, capital spending, and debt service commitments, for at least the next 12 months. However, any projections of future cash needs and cash flows are subject to risks and uncertainties,

such as our history of operating losses, the current COVID-19 pandemic, as well as general overall economic conditions.

4. Corporate Actions

On March 20, 2020, the Company effected a one-for-fifty (1-for-50) reverse stock split of the Company's common stock. All share and per share amounts herein have been adjusted to reflect the reverse stock split.

5. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Intellinetics and the accounts of all the subsidiaries in which a controlling interest is held by the Company. Under U.S. GAAP, consolidation is generally required for investments of more than 50% of the outstanding voting stock of an investee, except when control is not held by the majority owner. The Company's subsidiaries include: Intellinetics Ohio and Graphic Sciences. The Company considers the criteria established under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 810, "Consolidations" in its consolidation process. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Actual results could differ from estimated amounts.

Significant estimates and assumptions include valuation allowances related to receivables, accounts receivable -unbilled, allowance for obsolescence or slow-moving parts and supplies inventory, the recoverability of long-term assets, depreciable lives of property and equipment, purchase price allocations for acquisitions including earnout liabilities, fair value for goodwill and intangibles, the lease liabilities, estimates of fair value deferred taxes and related valuation allowances. The Company's management monitors these risks and assesses its business and financial risks on a quarterly basis.

Revenue Recognition

In accordance with ASC 606, the Company follows a five-step model to assess each contract of a sale or service to a customer: identify the legally binding contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and determine whether revenue will be recognized at a point in time or over time. Revenue is recognized when a performance obligation is satisfied and the customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for these goods and services. In addition, ASC 606 requires disclosures of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We categorize revenue as software, software as a service, software maintenance services, professional services, and storage and retrieval services. We earn the majority of our revenue from the sale of professional services, followed by the sale of software maintenance services and software as a service. Specific revenue recognition policies apply to each category of revenue.

a) Sale of software

Revenues included in this classification typically include sales of licenses with professional services to new customers, additional software licenses to existing customers, and sales of software with or without services to the Company's resellers (See section j) - Reseller Agreements, below. Our software licenses are functional intellectual property and typically provide customers with the right to use our software in perpetuity as it exists when made available to the customer. We recognize revenue from software licenses at a point in time upon delivery, provided all other revenue recognition criteria are met.

b) Sale of software as a service

Sale of software as a service ("SaaS") consists of revenues from arrangements that provide customers the use of the Company's software applications, as a service, typically billed on a monthly or annual basis. Advance billings of these services are not recorded to the extent that the term of the arrangement has not commenced and payment has not been received. Revenue on these services is recognized over the contract period.

c) Sale of software maintenance services

Software maintenance services revenues consist of revenues derived from arrangements that provide post-contract support ("PCS"), including software support and bug fixes, to the Company's software license holders. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received. PCS are considered distinct services. However, these distinct services are considered a single performance obligation consisting of a series of services that are substantially the same and have the same pattern of transfer to the customer. These revenues are recognized over the term of the maintenance contract.

d) Sale of professional services

Professional services revenues consist of revenues from document scanning and conversion services, consulting, discovery, training, and advisory services to assist customers with document management needs, as well as repair and maintenance services for customer equipment. We recognize professional services revenue over time as the services are delivered using an input or output method (e.g., labor hours incurred as a percentage of total labor hours budgeted, images scanned, or similar milestones), as appropriate for the contract, provided all other revenue recognition criteria are met.

e) Sale of storage and retrieval services

Sale of document storage and retrieval services consist principally of secured warehouse storage of customer documents, which are typically retained for many years, as well as retrieval per agreement terms and certified destruction if desired. We recognize revenue from document storage and retrieval services over the term of the contract for storage and for the retrieval and destructions components, as the services are delivered. Customers are generally billed monthly based upon contractually agreed-upon terms.

f) Arrangements with multiple performance obligations

In addition to selling software licenses, software as a service, software maintenance services, professional services, and storage and retrieval services on a stand-alone basis, a portion of our contracts include multiple performance obligations. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each distinct performance obligation, on a relative basis using its standalone selling price. The Company determines the standalone selling price based on the price charged for the deliverable when sold separately.

g) Contract balances

When the timing of our delivery of goods or services is different from the timing of payments made by customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Customers that prepay are represented by deferred revenue until the performance obligation is satisfied. Contract assets represent arrangements in which the good or service has been delivered but payment is not yet due. Our contract assets consisted of accounts receivable, unbilled, which are disclosed on the consolidated balance sheets. Our contract liabilities consisted of deferred (unearned) revenue, which is generally related to software as a service or software maintenance contracts. We classify deferred revenue as current based on the timing of when we expect to recognize revenue, which are disclosed on the consolidated balance sheets.

The following table presents changes in our contract assets and liabilities during the twelve months ended December 31, 2020, and 2019:

	Balance at Beginning of Period	Addition from acquisition (Note 6)	Revenue Recognized in Advance of Billings	Billings	Balance at End of Period
Twelve months ended December 31, 2020					
Contract assets: Accounts receivable, unbilled	$ 23,371	$ 276,023	$ 917,361	$ (693,233)	$ 523,522
Twelve months ended December 31, 2019					
Contract assets: Accounts receivable, unbilled	$ 65,118	$ -	$ 156,876	$ (198,623)	$ 23,371

h) Deferred revenue

Amounts that have been invoiced are recognized in accounts receivable, deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. Deferred revenue represents amounts billed for which revenue has not yet be recognized. Deferred revenues typically relate to maintenance and software-as-a-service agreements which have been paid for by customers prior to the performance of those services, and payments received for professional services and license arrangements and software-as-a-service performance obligations that have been deferred until fulfilled under our revenue recognition policy.

Remaining performance obligations represent the transaction price from contracts for which work has not been performed or goods and services have not been delivered. We expect to recognize revenue on approximately 95% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter. As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations for software as a service and software maintenance contracts with a duration greater than one year was $45,323. As of December 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations for software as a service and software maintenance contracts with a duration greater than one year was $69,381. This does not include revenue related to performance obligations that are part of a contract whose original expected duration is one year or less.

	Balance at Beginning of Period	Addition from acquisition (Note 6)	Billings	Recognized Revenue	Balance at End of Period
Twelve months ended December 31, 2020					
Contract liabilities: Deferred revenue	$ 754,073	$ 198,659	$ 3,038,446	$ (2,995,047)	$ 996,131
Twelve months ended December 31, 2019					
Contract liabilities: Deferred revenue	$ 723,619	$ -	$ 2,637,191	$ (2,606,737)	$ 754,073

i) Rights of return and customer acceptance

The Company does not generally offer variable consideration, financing components, rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, does not provide for or make estimates of rights of return and similar incentives. Our contracts with customers generally do not include customer acceptance clauses.

j) Reseller agreements

The Company executes certain sales contracts through resellers. The Company recognizes revenues relating to sales through resellers when all the recognition criteria have been met including passing of control. In addition, the Company assesses the credit-worthiness of each reseller, and if the reseller is undercapitalized or in financial difficulty, any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

k) Contract costs

The Company capitalizes the incremental costs of obtaining a contract with a customer. We have determined that certain sales commissions meet the requirement to be capitalized, and we amortize these costs on a consistent basis with the pattern of transfer of the goods and services in the contract. Total capitalized costs to obtain contracts were immaterial during the periods presented and are included in other current and long-term assets on our consolidated balance sheets.

l) Sales taxes

Sales taxes charged to and collected from customers as part of the Company's sales transactions are excluded from revenues, as well as the determination of transaction price for contracts with multiple performance obligations, and recorded as a liability to the applicable governmental taxing authority.

m) Disaggregation of revenue

The Company provides disaggregation of revenue based on product groupings in our consolidated statements of operations as it believes this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Revenues from contracts are primarily within the United States. International revenues were not material to the consolidated financial statements for the twelve months ended December 31, 2020 and 2019.

n) Significant financing component

The Company's customers typically do not pay in advance for goods or services to be transferred in excess of one year. As such, it is not necessary to determine if the Company benefits from the time value of money and should record a component of interest income related to the upfront payment due to the practical expedient of ASC 606-10-32-18.

Concentrations of Credit Risk

The Company maintains its cash with high credit quality financial institutions. At times, the Company's cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

The number of customers that comprise the Company's customer base, along with the different industries, governmental entities and geographic regions, in which the Company's customers operate, limits concentrations of credit risk with respect to accounts receivable, with the exception of the State of Michigan. In the twelve months ended December 31, 2020, the Company's sales to the State of Michigan totaled approximately 47% of revenues. The Company has not experienced any losses, nor is not aware of any losses by Graphic Sciences, resulting from nonpayment by the State of Michigan.

The Company does not generally require collateral or other security to support customer receivables; however, the Company may require its customers to provide retainers, up-front deposits or irrevocable letters-of-credit when considered necessary to mitigate credit risks. The Company has established an allowance for doubtful accounts based upon facts surrounding the credit risk of specific customers and past collections history. Credit losses have been within management's expectations. At December 31, 2020 and 2019, the Company's allowance for doubtful accounts was $65,927 and $35,733, respectively.

Parts and Supplies

Parts and supplies are valued at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method. Parts and supplies are used for scanning and document conversion services. A provision for potentially obsolete or slow-moving parts and supplies inventory is made based on parts and supplies levels, future sales forecasted and management's judgment of potentially obsolete parts and supplies. The Company recorded an allowance of $15,000 at December 31, 2020 and there was no allowance recorded as of December 31, 2019.

Property and Equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed over the estimated useful lives of the related assets on a straight-line basis. Furniture and fixtures, computer hardware and purchased software are depreciated over three to seven years. Leasehold improvements are amortized over the life of the lease or the asset, whichever is shorter, generally seven to ten years. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation and amortization of these assets are removed from the accounts and the resulting gains and losses are reflected in the results of operations.

Intangible Assets

All intangible assets have finite lives and are stated at cost, net of amortization. Amortization is computed over the useful life of the related assets on a straight-line method.

Goodwill

The carrying value of goodwill is not amortized, but is tested for impairment annually as of December 31, as well as on an interim basis whenever events or changes in circumstances indicate that the carrying amount of a reporting unity may not be recoverable. An impairment charge is recognized for the amount by which the carrying amount exceeds the recorded fair value.

Impairment of Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with ASC 360, "Property, Plant, and Equipment." The Company tests long-lived assets or asset groups, such as property and equipment, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable.

Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group. There were no impairment of long lived assets in the periods ended December 31, 2020 or 2019.

Purchase Accounting Related Fair Value Measurements

The Company allocates the purchase price, including contingent consideration, of its acquisitions to the assets and liabilities acquired, including identifiable intangible assets, based on their respective fair values at the date of acquisition. Such fair market value assessments are primarily based on third-party valuations using assumptions developed by management that require significant judgments and estimates that can change materially as additional information becomes available. The purchase price allocated to intangibles is based on unobservable factors, including but not limited to, projected revenues, expenses, customer attrition rates, a weighted average cost of capital, among others. The weighted average cost of capital uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. The approach to valuing the initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured, and volatility rates. The Company finalizes the purchase price allocation once certain initial accounting valuation estimates are finalized, and no later than 12 months following the acquisition date.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases in which the Company is the lessee are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets. The Company does not have any finance leases, as a lessee, and no long-term leases for which it is the lessor.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and reduced by lease incentives, such as tenant improvement allowances. The Company's lease terms include options to extend or terminate the lease only when it is reasonably certain that we

will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Stock-Based Compensation

The Company accounts for stock-based payments to employees in accordance with ASC 718, "Compensation - Stock Compensation." Stock-based payments to employees include grants of stock that are recognized in the consolidated statement of operations based on their fair values at the date of grant.

The Company accounts for stock-based payments to non-employees in accordance with ASC 718, "Compensation - Stock Compensation," which requires that such equity instruments are recorded at their fair values on the grant date.

The grant date fair value of stock option awards is recognized in earnings as stock-based compensation cost over the requisite service period of the award using the straight-line attribution method. The Company estimates the fair value of the stock option awards using the Black-Scholes-Merton option pricing model. The exercise price of options is specified in the stock option agreements. The expected volatility is based on the historical volatility of the Company's stock for the previous period equal to the expected term of the options. The expected term of options granted is based on the midpoint between the vesting date and the end of the contractual term. The risk-free interest rate is based upon a U.S. Treasury instrument with a life that is similar to the expected term of the options. The expected dividend yield is based upon the yield expected on date of grant to occur over the term of the option.

Software Development Costs

The Company designs, develops, tests, markets, licenses, and supports new software products and enhancements of current products. The Company continuously monitors its software products and enhancements to remain compatible with standard platforms and file formats. In accordance with ASC 985-20, "Costs of Software to be Sold, Leased or Otherwise Marketed," the Company expenses software development costs, including costs to develop software products or the software component of products to be sold, leased, or marketed to external users, before technological feasibility is reached. Once technological feasibility has been established, certain software development costs incurred during the application development stage are eligible for capitalization. Based on the Company's software development process, technical feasibility is established upon completion of a working model. Technological feasibility is typically reached shortly before the release of such products. No such costs were capitalized during the periods presented in this report.

In accordance with ASC 350-40, "Internal-Use Software," the Company capitalizes purchase and implementation costs of internal use software. Once an application has reached development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon complete of all substantial testing. The Company also capitalize costs related to specific upgrades and enhancements when it is probable that the expenditure will result in additional functionality. No such costs were capitalized during the periods presented in this report.

For the twelve months ended December 31, 2020, and 2019, our expensed software development costs were $293,092 and $467,364, respectively.

Recent Accounting Pronouncements

Intangibles – Goodwill and Other – Internal-Use Software

In August 2018, the FASB issued ASU 2018-15, which addresses a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. Under the new guidance, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. ASC 2018-15 was effective for the Company beginning in its first quarter of 2020. The Company has concluded that the impact on its consolidated financial statements and related disclosures is not material.

Fair Value

In August 2018, the FASB issued ASU 2018-13, which is guidance that changes the fair value measurement disclosure requirements of ASC 820. ASU 2018-13 was effective for the Company beginning in its first quarter of 2020. The Company has concluded that the impact on its consolidated financial statements and related disclosures is not material.

Recently Issued Accounting Pronouncements Not Yet Effective

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASC 2016-16 is effective for annual reporting periods beginning after December 15, 2023, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and related disclosures.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides optional relief through specific exceptions and practical expedients for transitioning away from reference rates that are expected to be discontinued. The relief generally applies to eligible modifications of contractual terms that change (or have the potential to change) the amount or timing of contractual cash flows related to replacement of a reference rate. The relief allows such modifications to be accounted for as continuations of existing contracts without additional analysis. The optional relief is available from March 2020 through December 31, 2022. The Company is currently evaluating the impact of this ASU.

Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" which removes certain exceptions related to intra-period tax allocations and deferred tax accounting on outside basis differences in foreign subsidiaries and equity method investments. Additionally, it provides other simplifying measures for the accounting for income taxes. The new standard is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating the impact of this ASU.

Equity Securities, Equity Method Investments and Certain Derivatives

In January 2020, the FASB issued ASU 2020-01, "Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815." This ASU clarifies the interaction between

accounting standards related to equity securities, equity method investments and certain derivatives. The effective date of the standard will be for annual periods beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of the new standard on its consolidated financial statements and related disclosures.

All other Accounting Standards Updates issued but not yet effective are not expected to have a material effect on the Company's future consolidated financial statements.

Advertising

The Company expenses the cost of advertising as incurred. Advertising expense for the twelve months ended December 31, 2020, and 2019 amounted to $7,362 and $4,255, respectively.

Earnings (Loss) Per Share

Basic income or loss per share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding during the period. Diluted income or loss per share is computed by dividing net income or loss by the diluted weighted average number of shares of common stock outstanding during the period. The diluted weighted average number of shares gives effect to all dilutive potential common shares outstanding during the period using the treasure stock method. Diluted earnings per share exclude all diluted potential shares if their effect is anti-dilutive, including warrants or options which are out-of-the-money and for those periods with a net loss. The twelve months ended December 31, 2020 and 2019 reported a net loss.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. The provision for income taxes is computed by applying statutory rates to income before taxes.

Deferred income taxes are recognized for the tax consequences in future years of temporary differences between the financial reporting and tax bases of assets and liabilities as of each period-end based on enacted tax laws and statutory rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. A 100% valuation allowance has been established on deferred tax assets at December 31, 2020 and 2019, due to the uncertainty of our ability to realize future taxable income. For the twelve months ended December 31, 2020 the Company recovered a net $179,400 of its valuation allowance in conjunction with the consolidation of the net deferred tax liability of its wholly owned subsidiary, Graphic Sciences.

The Company accounts for uncertainty in income taxes in its consolidated financial statements as required under ASC 740, "Income Taxes." The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Management determined there were no material uncertain positions taken by the Company in its tax returns.

Segment Information

Operating segments are defined in the criteria established under ASC 280, "Segment Reporting," as components of public entities that engage in business activities from which they may earn revenues and incur expenses for which separate financial information is available and which is evaluated regularly by the Company's chief operating decision maker ("CODM") in deciding how to assess performance and allocate resources. The Company's CODM assesses performance and allocates resources based on two operating segments: Document Management and Document Conversion. These segments contain individual business components that have been combined on the basis of common management, customers, solutions offered, service processes and other economic characteristics. The Company currently has no intersegment sales. The Company evaluates the segments' performance based on gross profits.

The Document Management Segment provides cloud-based content services software. Its modular suite of solutions complements existing operating and accounting systems to serve a mission-critical role for organizations to make content secure, compliant, and process-ready. This segment conducts its primary operations in the United States. Markets served include highly regulated, risk and compliance-intensive markets in healthcare, K-12 education, public safety, other public sector, risk management, financial services, and others. Solutions are sold both directly to end-users and through resellers.

The Document Conversion Segment provides services for scanning and indexing, converting images from paper to digital, paper to microfilm, and microfiche to microfilm, as well as long-term physical document storage and retrieval. This segment conducts its primary operations in the United States. Markets served include business and federal, county, and municipal governments. Solutions are sold both directly to end-users and through a reseller distributor.

Information by operating segment is as follows:

	Twelve months ended December 31, 2020		Twelve months ended December 31, 2019	
Revenues				
Document Management	$	2,816,848	$	2,368,140
Document Conversion		5,436,543		167,815
Total revenues	$	8,253,391	$	2,535,955
Gross profit				
Document Management	$	2,160,807	$	1,868,471
Document Conversion		2,829,931		99,641
Total gross profit	$	4,990,738	$	1,968,112
Capital additions, net				
Document Management	$	6,440	$	-
Document Conversion		70,414		5,489
Total capital additions, net	$	76,854	$	5,489

	December 31, 2020		December 31, 2019	
Total assets				
Document Management	$	2,295,165	$	981,085

Document Conversion	8,049,468	5,489
Total assets	$ 10,344,633	$ 986,574

Statement of Cash Flows

For purposes of reporting cash flows, cash includes cash on hand and demand deposits held by banks.

Reclassifications

Certain amounts reported in prior filings of the consolidated financial statements have been reclassified to conform to current presentation.

6. Business Acquisitions

On March 2, 2020, the Company entered into a stock purchase agreement to acquire all of the issued and outstanding stock of Graphic Sciences. The acquisition was accounted for in accordance with GAAP and was made to expand the Company's market share in the document management industry and due to synergies of product lines and services between the Companies.

On April 21, 2020, the Company entered into an asset purchase agreement to acquire substantially all of the assets of CEO Image. The acquisition was accounted for in accordance with GAAP and was made to expand the Company's market share in the document management industry and due to synergies of product lines and services between the Companies.

The purchase price has been preliminarily allocated to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities at the date of acquisitions as follows:

	Total	March 2, 2020	April 21, 2020
Assets acquired:			
Cash	$ 17,269	$ 17,269	$ -
Accounts receivable	1,122,737	1,071,770	50,967
Accounts receivable, unbilled	276,023	276,023	-
Parts and supplies	91,396	91,396	-
Prepaid expenses	73,116	73,116	-
Other current assets	5,954	5,954	-
Right of use assets	2,885,618	2,885,618	-
Property and equipment	735,885	732,372	3,513
Intangible assets (see Note 7)	1,361,000	1,230,000	131,000
	6,568,998	6,383,518	185,480
Liabilities assumed:			
Accounts payable	168,749	129,622	39,127
Accrued expenses	162,426	155,949	6,477
Lease liabilities	2,947,684	2,947,684	-
Federal and state taxes payable	168,900	168,900	-
Deferred revenue	198,659	39,186	159,473
Deferred tax liabilities - Net	149,900	149,900	-
	3,796,318	3,591,241	205,077
Total identifiable net assets/(liabilities)	2,772,680	2,792,277	(19,597)
Purchase price	5,095,567	4,592,453	503,114
Goodwill - Excess of purchase price over fair value of net assets acquired	$ 2,322,887	$ 1,800,176	$ 522,711

The purchase price of Graphic Sciences was financed with a $686,200 seller earnout liability and $3,906,253 was paid in cash. Goodwill in the amount of $1,800,176 was recognized in the acquisition of Graphic Sciences and is attributable to the cash flows of the business derived from the potential of the Company to outperform the market due to its existing relationship and other synergies created within the Company.

The purchase price of CEO Image was partially financed with a $203,000 seller earnout liability and $170,000 in installment payments. $128,832 was paid in cash at the closing. On August 3, 2020, $1,282 was paid for a net working capital adjustment and $70,000 was paid, along with accrued interest, in installment payments. On November 3, 2020, $100,000 was paid, along with accrued interest, in installment payments. Goodwill in the amount of $522,711 was recognized in the acquisition of CEO Image and is attributable to the cash flows of the business derived from the potential of the Company to outperform the market due to its existing relationship and other synergies created within the Company.

Acquisition costs which include legal and other professional fees of approximately $636,440 were expensed as nonrecurring transaction costs and are included in significant transaction costs in the accompanying consolidated statement of operations.

The earnout arrangement for Graphic Sciences requires the Company to pay the seller up to $833,000 annually for a three-year period based on a gross profit level achieved by Graphic Sciences on an annual basis, resulting in a max payout to the seller over a three year period of $2,500,000, as defined, with no minimum requirement. At acquisition, management estimated a fair value of the contingent liability—earnout ("earnout liability") of $686,200 which would be owed to the seller based on the terms of the earnout, and accordingly, recorded this liability at the acquisition date in accordance with GAAP. At December 31, 2020, the Company accrued an earnout liability of $2,110,000 to reflect the improved performance of the acquisitions against its threshold target and a reduction of uncertainty driven by the pandemic. See Note 8 for the estimated fair value of the earnout liability as of December 31, 2020.

The earnout arrangement for CEO Image requires the Company to pay the seller up to $185,000 annually for a two-year period based on a sales revenue level achieved by certain customers of CEO Image on an annual basis, resulting in a max payout to the seller over a two year period of $370,000, as defined, with no minimum requirement. At acquisition, management estimated a fair value of the earnout liability of $203,000 which would be owed to the seller based on the terms of the earnout, and accordingly, recorded this liability at the acquisition date in accordance with GAAP. At December 31, 2020, the Company accrued an earnout liability of $334,000 to reflect the improved performance of the acquisition against its threshold target and a reduction of uncertainty driven by the pandemic. See Note 8 for the estimated fair value of the earnout liability

as of December 31, 2020.

The following unaudited pro forma information presents a summary of the consolidated results of operations for the Company as if the acquisitions of Graphic Sciences and CEO Image had occurred on January 1, 2019.

	For the Twelve months ended	
	(unaudited) December 31, 2020	(unaudited) December 31, 2019
Total revenues	$ 9,686,354	$ 10,324,486
Net loss	$ (1,993,389)	$ (1,565,961)
Basic and diluted net loss per share	$ (0.70)	$ (0.56)

The unaudited pro forma consolidated results are based on the Company's historical financial statements and those of Graphic Sciences and CEO Image and do not necessarily indicate the results of operations that would have resulted had the acquisition actually been completed at the beginning of the applicable period presented. The pro forma financial information assumes that the companies were combined as of January 1, 2019.

The following table presents the amounts of revenue and earnings of the acquirees since the acquisition date included in the consolidated income statement for the reporting period.

For the twelve months ended December 31, 2020	Graphic Sciences	CEO Image
Total revenues	$ 5,238,654	$ 375,863
Net income	$ 645,042	$ (a)

(a) Total earnings from the CEO Image acquisition is impracticable to disclose as the operations were merged with existing operations and not accounted for separately.

7. Intangible Assets, Net

At December 31, 2020, intangible assets consisted of the following:

	Estimated Useful Life	Costs	Accumulated Amortization	Net
Trade names	10 years	$ 119,000	$ (9,917)	$ 109,083
Customer contracts	5-8 years	1,242,000	(166,112)	1,075,888
		$ 1,361,000	$ (176,029)	$ 1,184,971

Amortization expense for the twelve months ended December 31, 2020, amounted to $176,029, respectively. The following table represents future amortization expense for intangible assets subject to amortization.

For the Twelve Months Ending December 31,	Amount
2021	$ 216,475
2022	216,475
2023	216,475
2024	216,475
2025	199,008
Thereafter	120,063
	$ 1,184,971

8. Fair Value Measurements

Under U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of the following three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs consist of quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying values of cash and equivalents, accounts receivable, accounts payable, accrued expenses, and the PPP Note Payable and 2019 Related Notes approximate fair value because of their short maturity. Management believes that the carrying value of the 2020 Notes approximate fair value given the March 2, 2020 transaction proximity to December 31, 2020 in conjunction with the absence of significant net change in the overall economic environment with regards to availability of credit to Company.

The table below reflects all other notes payable at December 31, 2019.

		December 31, 2019 Fair Value
2016 Unrelated Notes	(a)	$ 942,256
2017 Unrelated Notes	(a)	2,011,859
2018 Unrelated Notes	(a)	1,028,792
Total		$ 3,982,907

		December 31, 2019 Fair Value
2016 Related Notes	(a)	$ 405,784

2017 Related Notes	(a)		445,810
2018 Related Notes	(a)		457,241
Total		$	1,308,835

(a) The fair value was based upon Level 2 inputs. See Note 10 for additional information about the Company's 2016, 2017, and 2018 Unrelated Notes. See Note 11 for additional information about the Company's 2016, 2017, and 2018 Related Notes.

The Company has earnout liabilities related to acquisitions which are measured on a recurring basis and recorded at fair value, measured using probability-weighted analysis and discounted using a rate that appropriately captures the risks associated with the obligation. The inputs used to calculate the fair value of the earnout liabilities are considered to be Level 3 inputs due to the lack of relevant market activity and significant management judgment. Key unobservable inputs include revenue growth rates, which ranged from 0% to 7%, and volatility rates, which were 20% for gross profits. An increase in future revenues and gross profits may result in a higher estimated fair value while a decrease in future revenues and gross profits may result in a lower estimated fair value of the earnout liabilities.

The table below provides a summary of the changes in fair value of the earnout liabilities for the twelve months ended December 31, 2020.

		December 31, 2020
Fair value at January 1, 2020	$	-
Additions		889,200
Change in fair value		1,554,800
Fair value at December 31, 2020	$	2,4440,000

The fair values of amounts owed are recorded in the current and long-term portions of earnout liabilities in the Consolidated Balance Sheets. Changes in fair value are recorded in change in fair value of earnout liabilities in the Consolidated Statements of Operations.

9. Property and Equipment

Property and equipment are comprised of the following:

		December 31, 2020		December 31, 2019
Computer hardware and purchased software	$	1,019,259	$	259,959
Leasehold improvements		275,106		221,666
Furniture and fixtures		82,056		82,056
		1,376,421		563,681
Less: accumulated depreciation		(677,669)		(556,762)
Property and equipment, net	$	698,752	$	6,919

Total depreciation expense on the Company's property and equipment for the twelve months ended December 31, 2020, and 2019 amounted to $120,906 and $7,701, respectively.

10. Notes Payable

Summary of Notes Payable

The table below reflects all notes payable at December 31, 2020 and 2019, respectively, with the exception of related party notes disclosed in Note 11 - Notes Payable - Related Parties.

		December 31, 2020		December 31, 2019
PPP Note Payable (a)	$	838,700	$	-
2020 Notes		2,000,000		-
2018 Unrelated Notes		-		900,000
2017 Unrelated Notes		-		1,760,000
2016 Unrelated Notes, net of beneficial conversion feature of $50,703		-		824,297
Total notes payable	$	2,838,700	$	3,484,297
Less unamortized debt issuance costs		(224,767)		(144,334)
Less unamortized debt discount		(231,111)		-
Less current portion		(580,638)		3,339,963
Long-term portion of notes payable	$	1,802,184	$	-

Future minimum principal payments of these notes payable as described in this Note 10 are as follows:

As of December 31,			Amount
2021	(a)	$	580,638
2022	(a)		258,062
2023			2,000,000
Total		$	2,838,700

(a) The PPP Note Payable totaling $838,700 was fully forgiven January 20, 2021, as described below and in Note 19 – Subsequent Events.

As of December 31, 2020 and 2019, accrued interest for these notes payable with the exception of the related party notes in Note 11 - Notes Payable - Related Parties, was $5,941 and $918,307, respectively. As of December 31, 2020, unamortized deferred financing costs and unamortized debt discount were reflected within long term liabilities on the consolidated balance sheets. As of December 31, 2019, unamortized deferred financing costs were $144,334, and was reflected within current liabilities on the consolidated balance sheets.

With respect to all notes outstanding (other than the notes to related parties), for the twelve months ended December 31, 2020 and 2019, interest expense, including the amortization of deferred financing costs, accrued loan participation fees, original issue discounts, deferred interest and related fees, interest expense related to warrants issued for the conversion of convertible notes, and the embedded conversion feature was $548,742 and $735,474, respectively.

Seller Notes Payable

On April 21, 2020, the Company entered into an asset purchase agreement under which the Company agreed to pay a principal amount of $170,000 ("Seller Notes Payable") as further discussed in Note 6. The terms of the Seller Notes Payable were approximately three and six months, with $70,000 plus accrued interest paid August 3, 2020 and $100,000 plus accrued interest paid November 3, 2020. The Seller Notes Payable bore an interest rate of 1.5% per annum.

Paycheck Protection Program Note Payable

On April 15, 2020, the Company entered into an unsecured promissory note ("PPP Note Payable") under the Paycheck Protection Program (the "PPP"), through PNC Bank with a principal amount of $838,700. The term of the PPP Note Payable is two years, with an interest rate of 1.0% per annum, which shall be deferred for the first six months of the term of the loan. PPP loan recipients can be granted forgiveness for all or a portion of loans granted under the PPP, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. The Company received notice on January 20, 2021 that our forgiveness application was accepted by the Small Business Administration.

2020 Note Issuance

On March 2, 2020, the Company issued and sold 2,000 units ("Units") to certain accredited investors in a private offering, with each Unit consisting of $1,000 in 12% Subordinated Notes ("2020 Notes") and 40 shares of common stock, for aggregate gross proceeds of $2,000,000 in Units. The entire outstanding principal and accrued interest of the 2020 Notes are due and payable on February 28, 2023. Interest on the 2020 Notes accrues at the rate of 12% per annum, payable quarterly in cash, beginning on June 30, 2020. Any accrued but unpaid quarterly installment of interest shall accrue interest at the rate of 14.0% per annum. Any overdue principal and accrued and unpaid interest at the maturity date shall accrue a mandatory default penalty of 20% of the outstanding principal balance and an interest rate of 14% per annum from the maturity date until paid in full. The Company used a portion of the net proceeds of the offering to finance the acquisition of Graphic Sciences and CEO Image and using the remaining net proceeds for working capital and general corporate purposes. The Company recognized a debt discount of $320,000 for the 80,000 shares issued in conjunction with the Units. The amortization of the debt discount will be recognized over the life of the 2020 Notes as interest expense, and was $88,889, respectively, for the twelve months ended December 31, 2020.

2020 Note Conversion

On March 2, 2020, the Company entered into amendments to all of its then-outstanding convertible promissory notes, which were issued by the Company to various related and unrelated investors in 2016, 2017, and 2018. The Note Amendments permitted the Company to convert all of the then-outstanding principal and accrued and unpaid interest payable with respect to the 2016-2018 Notes into shares of Common Stock upon the same terms as such private placement. Pursuant to the Note Amendments, on March 2, 2020, the Company converted all of the then-outstanding principal and accrued and unpaid interest payable with respect to the 2016-2018 Notes into the aggregate amount of 1,433,689 shares of Common Stock at a conversion price of $4.00 per share. Taglich Brothers, Inc. acted as the exclusive placement agent for the Note Conversion, and earned fees in the form of 35,250 shares of Common Stock at a price of $4.00 per share (with such fees relating to the conversion of both the related and unrelated notes).

2018 Notes

On September 20 and September 26, 2018, the Company issued convertible promissory notes in an aggregate amount of $900,000 ("2018 Unrelated Notes") to unrelated accredited investors (the "2018 Note Investors"). Placement agent and escrow agent fees of $106,740 were paid out of the cash proceeds. The 2018 Unrelated Notes matured on December 31, 2020, and bore interest at an annual rate of interest of 8% until maturity, with interest of 8% payable quarterly beginning January 2, 2019. The 2018 Note Investors had the right, in their sole discretion, to convert the 2018 Unrelated Notes into shares of Company common stock under certain circumstances at a conversion rate of $6.50 per share. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see "2020 Note Conversion."

2017 Notes

On November 17 and November 30, 2017, the Company issued convertible promissory notes in an aggregate amount of $1,760,000 ("2017 Unrelated Notes") to unrelated accredited investors (the "2017 Note Investors"). Placement agent and escrow agent fees of $174,810 were paid out of the cash proceeds. The 2017 Unrelated Notes had an original maturity date of November 30, 2019. On September 14, 2018, the 2017 Unrelated Notes were amended to mature on December 31, 2020. The amendment was accounted for as a troubled debt restructuring with the future undiscounted cash flows being greater than the carrying value of the debt prior to extension. No gain was recorded on the amendment, and a new effective interest rate on the 2017 Unrelated Notes was established based on the carrying value of the debt and the revised future cash flows. The 2017 Unrelated Notes bore interest at an annual rate of interest of 8% until maturity, with interest of 8% payable quarterly beginning July 1, 2018. The 2017 Note Investors had the right, in their sole discretion, to convert the 2017 Unrelated Notes into shares of Company common stock under certain circumstances at a conversion rate of $10.00 per share. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see "2020 Note Conversion."

2016 Notes

The Company issued convertible promissory notes on December 30, 2016 in an aggregate amount of $315,000, and on January 6, 2017 and January 31, 2017 in an aggregate amount of $560,000 (collectively, the "2016 Unrelated Notes"), to unrelated accredited investors (the "2016 Note Investors"). Placement agent and escrow agent fees of $100,255 in the aggregate for those issuances, were paid out of the cash proceeds of those issuances. The 2016 Unrelated Notes bore interest at an annual rate of interest of 12% until maturity, with partial interest of 6% payable quarterly, and an original maturity date of December 31, 2018. The 2016 Note Investors had the right, in their sole discretion, to convert the 2016 Unrelated Notes into shares of Company common stock at a conversion rate of $32.50 per share. On September 17, 2018, the 2016 Unrelated Notes were amended to mature on December 31, 2020, and bore interest at an annual rate of interest of 10% until maturity, with partial interest of 5% payable quarterly. With the amendment, the 2016 Note Investors had the right, in their sole discretion, to convert the 2016 Unrelated Notes into shares of Company common stock at a conversion rate of $20.00 per share. The amendment was accounted for as a troubled debt restructuring with the future undiscounted cash flows being greater than the carrying value of the debt prior to extension. No gain was recorded on the amendment, and a new effective interest rate on the 2016 Unrelated Notes was established based on the carrying value of the debt and the revised future cash flows. The Company recognized an initial beneficial conversion feature in the amount of $369,677, plus a fair value adjustment of $56,661 under the troubled debt restructuring accounting. Interest expense recognized on the amortization of the beneficial conversion feature of the 2016 Unrelated Notes was $50,703 for the twelve months ended December 31, 2020 and 2019. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see "2020 Note Conversion."

The Company has evaluated the terms of its convertible notes payable in accordance with ASC 815 – 40, "Derivatives and Hedging - Contracts in Entity's Own Stock" and determined that the underlying common stock is indexed to the Company's common stock. The Company determined that the conversion feature did not meet the definition of a derivative and therefore did not bifurcate the conversion feature and account for it as a separate derivative liability. The Company evaluated the conversion feature for a beneficial conversion feature. The effective conversion price was compared with the market price on the date of each note. If the conversion price was deemed to be less than the market value of the underlying common stock at the inception of the note, then the Company recognized a beneficial conversion feature resulting in a discount on the note payable, upon satisfaction of the contingency. The beneficial conversion features were amortized to interest expense over the life of the respective notes, starting from the date of

recognition.

11. Notes Payable - Related Parties

Summary of Related Notes

The table below reflects the notes payable to related parties at December 31, 2020 and 2019, respectively:

	December 31, 2020	December 31, 2019
2019 Related Notes	$ -	$ 397,728
2018 Related Notes	-	400,000
2017 Related Notes	-	390,000
2016 Related Notes, net of beneficial conversion feature of $20,015	-	354,985
Total notes payable - related party	$ -	$ 1,542,713
Unamortized original issue discount and debt issuance costs	-	(75,313)
Less current portion	-	(1,467,400)
Long-term portion of notes payable-related party	$ -	$ -

As of December 31, 2019, accrued interest for these notes payable – related parties amounted to $294,191, and on the consolidated balance sheets was reflected within current liabilities as of December 31, 2019.

For the twelve months ended December 31, 2020 and 2019, interest expense in connection with notes payable – related parties was $88,941 and $245,215, respectively.

2020 Note Conversion

On March 2, 2020, the Company entered into amendments to all of its currently outstanding Convertible Promissory Notes, which were issued by the Company to various related and unrelated investors in 2016, 2017, and 2018. The Note Amendments permitted the Company to convert all of the then-outstanding principal and accrued and unpaid interest payable with respect to the 2016-2018 Notes into shares of Common Stock upon the same terms as such private placement. Pursuant to the Note Amendments, on March 2, 2020, the Company converted all of the then-outstanding principal and accrued and unpaid interest payable with respect to the 2016-2018 Notes into the aggregate amount of 1,433,689 shares of Common Stock at a conversion price of $4.00 per share. Taglich Brothers, Inc. acted as the exclusive placement agent for the Note Conversion, and earned fees in the form of 35,250 shares of Common Stock at a price of $4.00 per share (with such fees relating to the conversion of both the related and unrelated notes).

2019 Notes

On November 15, 2019, the Company issued promissory notes in an aggregate principal amount of $397,728 (the “2019 Related Notes”) to Robert Taglich and Michael Taglich (each holding more than 5% beneficial interest in the Company’s Shares). The notes included an original issue discount of $47,728. Interest expense recognized on the amortization of the original discount was $11,932, for the twelve months ended December 31, 2019. The notes bore no interest in addition to the original issue discount, which was 12%, and matured on May 15, 2020. If the 2019 Related Notes had not been either fully repaid by the Company or converted into Company shares or other securities by the maturity date, then the 2019 Related Notes would have accrued interest at the annual rate of 12% from the maturity date until the date of repayment. The Company used the proceeds of the 2019 Related Notes for working capital, general corporate purposes, and debt repayment. On March 2, 2020, $350,000 of such notes were converted into equity in connection with a private placement of common stock at a conversion price of $4.00 per share. On May 15, 2020, the remaining balance of $47,728 was repaid by the Company in cash.

2018 Notes

On September 26, 2018, the Company issued convertible promissory notes in an aggregate amount of $400,000 (the “2018 Related Notes”) to accredited investors, including Robert Taglich and Michael Taglich (each holding more than a 5% beneficial interest in the Company’s shares). The 2018 Related Notes matured on December 31, 2020, and bore interest at an annual rate of 8% until maturity, with interest payable quarterly beginning January 2, 2019. The 2018 Related Note investors had the right, in their sole discretion, to convert the 2018 Related Notes into shares of Company common stock under certain circumstances at a conversion rate of $6.50 per share. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see “2020 Note Conversion.”

2017 Notes

On September 21, 2017, the Company issued convertible promissory notes in an aggregate principal amount of $154,640 (the “2017 Bridge Notes”) to Robert Taglich and Michael Taglich (each holding more than a 5% beneficial interest in the Company’s shares). The 2017 Bridge Notes included an original issue discount of $4,640. Interest expense recognized on the amortization of the original discount was $889 for the twelve months ended December 31, 2017. The 2017 Bridge Notes bore interest at an annual rate of 8% beginning March 21, 2018 until maturity on September 21, 2018. The effective interest rate was 7% for the term of the 2017 Bridge Notes. The 2017 Bridge Note investors had the right, in their sole discretion, to convert the 2017 Bridge Notes into securities to be issued by the Company in a private placement of equity, equity equivalents, convertible debt or debt financing. In conjunction with the issue of the 2016 Bridge Notes, 3,000 warrants were issued to the 2017 Bridge Note investors. The warrants have an exercise price equal to $15.00 per share and contain a cashless exercise provision. All warrants are immediately exercisable and are exercisable for five years from issuance. The Company recognized debt issuance costs, recorded as a debt discount, on the issue of the warrants in the amount of $38,836. Interest expense recognized on the amortization of the debt discount was $38,836 for the twelve months ended December 31, 2017. On November 30, 2017, principal in the amount of $150,000 of the 2017 Bridge Notes was converted by the 2017 Bridge Note investors into the 2017 Related Notes, described below.

On November 17, 2017, the Company issued convertible promissory notes in an aggregate amount of $390,000 (the “2017 Related Notes”) to accredited investors, including Robert Taglich and Michael Taglich (each holding more than a 5% beneficial interest in the Company’s shares) and James DeSocio (President, Chief Executive Officer and Director), in exchange for the conversion of $150,000 principal amount under the 2017 Bridge Notes and the receipt of $240,000 cash. The 2017 Related Notes were initially scheduled to mature on November 30, 2019. On September 14, 2018, the 2017 Related Notes were amended to mature on December 31, 2020. The amendment was accounted for as a troubled debt restructuring with the future undiscounted cash flows being greater than the carrying value of the debt prior to extension. No gain was recorded, and a new effective interest rate was established based on the carrying value of the debt and the revised future cash flows. The 2017 Related Notes bore interest at an annual rate of 8% until maturity, with interest payable quarterly beginning July 1, 2018. The 2017 Related Note investors had the right, in their sole discretion, to convert the 2017 Related Notes into shares of Company common stock under certain circumstances at a conversion rate of $10.00 per share. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see “2020 Note Conversion.”

2016 Notes

On December 30, 2016, the Company issued convertible promissory notes in an aggregate amount of $375,000 (the "2016 Related Notes") to accredited investors (the "2016 Related Note Investors"), including Robert Taglich and Michael Taglich (each holding more than 5% beneficial interest in the Company's shares) and Robert Schroeder (a director of the Company). The 2016 Related Notes bore interest at an annual rate of interest of 12% until maturity, with partial interest of 6% payable quarterly, and an initial maturity date of December 31, 2018. The 2016 Related Note Investors had a right, in their sole discretion, to convert the 2016 Related Notes into shares of Company common stock at a conversion rate of $32.50 per share. On September 17, 2018, the 2016 Related Notes were amended to mature on December 31, 2020, and to bear interest at an annual rate of interest of 10% until maturity, with partial interest of 5% payable quarterly. With the amendment, the 2016 Related Note Investors had the right, in their sole discretion, to convert the 2016 Related Notes into shares at a conversion rate of $20.00 per share. The amendment was accounted for as a troubled debt restructuring with the future undiscounted cash flows being greater than the carrying value of the debt prior to extension. No gain was recorded on the amendment, and a new effective interest rate on the 2016 Related Notes was established based on the carrying value of the debt and the revised future cash flows. The Company recognized an initial beneficial conversion feature in the amount of $144,231, plus a fair value adjustment of $24,710 under the troubled debt restructuring accounting. Interest expense recognized on the amortization of the beneficial conversion feature of the 2016 Related Notes was $20,015 for the twelve months ended December 31, 2020 and 2019. These notes were further amended and converted into equity on March 2, 2020, as described further below in this note, see "2020 Note Conversion."

12. Deferred Compensation

Pursuant to the Company's employment agreements with the founders, the founders have earned incentive compensation totaling $100,828 and $117,166 in cash, as of December 31, 2020 and 2019, respectively, which payment obligation has been deferred by the Company until it reasonably believes it has sufficient cash to make the payment. Following the retirement of founder A. Michael Chretien on December 8, 2017, the Company made bi-weekly payments of $1,846 until his portion of the deferred compensation had been paid, which occurred in May, 2020. For the twelve months ended December 31, 2020 and 2019, the Company paid $16,338 and $48,000, respectively, which is reflected as a reduction in the deferred compensation liability.

13. Commitments and Contingencies

From time to time the Company is involved in legal proceedings, claims and litigation related to employee claims, contractual disputes and taxes in the ordinary course of business. Although the Company cannot predict the outcome of such matters, currently the Company has no reason to believe the disposition of any current matter could reasonably be expected to have a material adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

Employment Agreements

The Company has entered into employment agreements with three of its key executives. Under their respective agreements, the executives serve at will and are bound by typical confidentiality, non-solicitation and non-competition provisions. Deferred compensation for a founder of the Company, as disclosed in Note 12 above, is still outstanding as of December 31, 2020 and 2019.

Operating Leases

On January 1, 2010, the Company entered into an agreement to lease 6,000 rentable square feet of office space in Columbus, Ohio. The lease commenced on January 1, 2010 and, pursuant to a lease extension dated August 9, 2016, the lease expires on December 31, 2021. The Company is currently evaluating its renewal options.

Our subsidiary, Graphic Sciences, uses 36,000 square feet of leased space in Madison Heights as its main facility. Graphic Sciences uses about 20,000 square feet for its records storage services, with the remainder of the space used for production, sales, and administration. The monthly rental payment is $41,508, with increases annually in September up to $45,828 for the final year, with a lease term continuing until August 31, 2026. Graphic Sciences also leases and uses a separate 20,000 square foot building for document storage in Highland Park, MI, and a satellite office in Traverse City, MI for production. The monthly Highland Park rental payment is $11,250, with a lease term continuing until September 30, 2021. The monthly Traverse City rental payment is $4,500, with a lease term continuing until January 31, 2024. Graphic Sciences also leases and uses four leased vehicles for logistics. The monthly rental payments for these vehicles total $2,618, with lease terms continuing until October 31, 2024.

Graphic Sciences also leases and uses additional temporary storage space in Madison Heights, MI. This Madison Heights temporary storage space monthly rental payment is $12,500, with a lease term on a month-to-month basis. The Company has made an accounting policy election to not record a right-of-use asset and lease liability for short-term leases, which are defined as leases with a lease term of 12 months or less. Instead, the lease payments are recognized as rent expense in the general and administrative expenses on the statement of operations.

Future minimum lease payments under these operating leases are as follows:

For the Twelve Months Ending December 31,		Amount
2021	$	840,812
2022		617,255
2023		617,085
2024		550,878
2025		542,750
Thereafter		366,626
	$	3,535,406

Lease costs charged to operations for the twelve months ended December 31, 2020 and 2019 amounted to $743,373 and $51,254, respectively. Included in the lease costs for the twelve months ended December 31, 2020 was short-term lease costs of $71,411. Additional information pertaining to the Company's lease are as follows:

For the Twelve Months Ending December 31, 2020:		
Operating cash flows from operating leases	$	482,425
Weighted average remaining lease term – operating leases		5.1 years
Weighted average discount rate – operating leases		7.96%

As the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

14. Stockholders' Equity

Description of Authorized Capital

The Company is authorized to issue up to 25,000,000 shares of common stock with $0.001 par value. The holders of the Company's common stock are entitled to one vote per share. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. However, the current policy of the Board of Directors is to retain earnings, if any, for the operation and expansion of the business. Upon liquidation, dissolution or winding-up of the Company, the holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution.

Reverse Stock Split

Effective February 27, 2020, upon recommendation and authorization by the Board of Directors, stockholders holding a majority in interest of the issued and outstanding shares of Common Stock, acting by written consent, adopted an amendment to the Company's Articles of Incorporation to (i) effectuate the Reverse Split at a ratio of one-for-fifty (1-for-50) and (ii) reduce the number of authorized shares of Common Stock of the Company as of the effective date of such amendment to 25,000,000 shares. On March 3, 2020, the Company filed the Reverse Split Amendment, which became effective on March 20, 2020. On March 1, 2020, upon recommendation and authorization by the Board of Directors, stockholders holding a majority in interest of the issued and outstanding shares of Common Stock of the Company, acting by written consent, adopted an amendment to the Company's Articles of Incorporation to increase the authorized number of shares of Common Stock to 160,000,000 shares (representing 3,200,000 on a post-split basis) from 75,000,000 shares (representing 1,500,000 on a post-split basis), in order to facilitate the acquisition of Graphic Sciences, the 2020 private placement of equity and debt, and the 2020 Note Conversion. On March 2, 2020, the Company filed the Shares Increase Amendment, which was effective immediately upon filing.

The reverse stock split did not cause an adjustment to par value of the common stock. As a result of the reverse stock split, the Company also adjusted the share amounts for shares reserved for issuance upon the exercise of outstanding warrants, outstanding stock options, and shares reserved for the 2015 Plan. All disclosures of common shares and per share data in the accompanying consolidated financial statements related notes have been adjusted to reflect the reverse stock split for all periods presented. The December 31, 2019 balances of common stock and additional paid in capital were adjusted to $371 and $14,419,437, from previously reported amounts of $31,528 and $14,388,280, respectively.

Issuance of Restricted Common Stock to Directors

On January 2, 2020 and January 7, 2019, the Company issued 16,429 and 10,454 shares, respectively, of restricted common stock to directors of the Company as part of an annual compensation plan for directors. The grant of shares was not subject to vesting. Stock compensation of $57,500 was recorded over the requisite service period for the twelve months ending December 31, 2020. Stock compensation of $57,500 was recorded on the issuance of the common stock for the twelve months ended December 31, 2019.

Issuance of Warrants

Between December 30, 2016 and January 31, 2017, the Company issued convertible promissory notes, the 2016 Unrelated Notes and the 2016 Related Notes (collectively, the "2016 Notes"), in an aggregate amount of $1,250,000 to certain accredited investors, including related parties, in private placements. The Company retained Taglich Brothers, Inc. as the exclusive placement agent for the private placement offering of the 2016 Notes. In January 2017, in compensation for the placement agent's services in the private placement offering of the 2016 Notes, the Company paid the placement agent a cash payment of $100,000, equal to 8% of the gross proceeds of the offering, along with warrants to purchase 3,077 shares of Company common stock, and the reimbursement for the placement agent's reasonable out of pocket expenses, FINRA filing fees and related legal fees. The warrants issued to the placement agent contained an exercise price at $37.50 per share, are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and, pursuant to piggyback registration rights, the underlying shares were registered in the Company's a Registration Statement on Form S-1 declared effective in February 2018. Of the warrants issued to the placement agent, 1,699 warrants were issued in conjunction with proceeds raised in December 2016, and underwriting expense of $65,243 was recorded for the issuance of these warrants, utilizing the Black-Scholes valuation model to value the warrants issued. The remaining 1,378 warrants were issued in conjunction with proceeds raised in January 2017, and underwriting expense of $52,951 was recorded for the issuance of these warrants, utilizing the Black-Scholes valuation model. The fair value of warrants issued was determined to be $38.50.

On September 21, 2017, the Company issued warrants to purchase 3,000 shares of Company common stock to Robert Taglich and Michael Taglich (each holding more than a 5% beneficial interest in the Company's shares) in connection with the 2017 Bridge Notes. The warrants are exercisable at an exercise price of $15.00 per share, contain a cashless exercise provision, antidilution protection and are exercisable for five years after issuance. A debt discount of $38,837 was recorded for the issuance of these warrants, utilizing the Black-Scholes valuation model. The 2017 Bridge Notes were converted into the 2017 Related Notes in November 2017. The fair value of warrants issued was determined to be $13.00 utilizing the Black-Scholes valuation model.

Between November 17 and November 30, 2017, the Company issued convertible promissory notes, the 2017 Unrelated Notes and the 2017 Related Notes (collectively, the "2017 Notes"), in an aggregate amount of $2,150,000 to certain accredited investors, including related parties, in private placements. The Company retained Taglich Brothers, Inc. as the exclusive placement agent for the private placement offering of the 2017 Notes. In compensation for the placement agent's services in the private placement offering of the 2017 Notes, the Company paid the placement agent a cash payment of 8% of the gross proceeds of the offering, along with warrants to purchase shares of Company common stock, and the reimbursement for the placement agent's reasonable out of pocket expenses, FINRA filing fees and related legal fees. On November 17, 2017, the Company paid the placement agent cash in the amount of $172,000 and issued the placement agent warrants to purchase 7,080 shares at an exercise price at $12.50 per share, which are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and were entitled to piggyback registration rights that were exercised in connection with the Company's Registration Statement on Form S-1 declared effective in February 2018. On November 30, 2017, the Company issued the placement agent warrants to purchase 10,120 shares at an exercise price at $12.50 per share, which are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and are entitled to registration rights that were exercised in connection with the Company's Registration Statement on Form S-1 declared effective in February 2018. Debt issuance costs of $126,603 was recorded for the issuance of the November 17 and November 30, 2017 warrants, utilizing the Black-Scholes valuation model. The fair value of warrants issued was determined to be $8.50 and $6.50 for the November 17 and November 30 warrants, respectively. For the twelve months ended December 31, 2020 and 2019, interest expense of $14,726 and $88,356, respectively, was recorded as amortization of the debt issuance costs.

Between September 20 and September 26, 2018, the Company issued convertible promissory notes, the 2018 Unrelated Notes and the 2018 Related Notes (collectively, the "2018 Notes"), in an aggregate amount of $1,300,000 to certain accredited investors, including related parties, in private placements. The Company retained Taglich Brothers, Inc. as the exclusive placement agent for the private placement offering of the 2018 Notes. In compensation, the Company paid the placement agent a cash payment of 8% of the gross proceeds of the offering, along with warrants to purchase shares of Company common stock, and reimbursement for the placement agent's reasonable out of pocket expenses, FINRA filing fees and related legal fees. On September 20, 2018, the Company paid the placement agent cash in the amount of $40,000 and issued the placement agent warrants to purchase 6,153 shares at an exercise price at $9.00 per share, which are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and are entitled to limited piggyback registration rights. On September 26, 2018, the Company paid the placement agent cash in the amount of $64,000 and issued the placement agent warrants to purchase 9,846 shares at an exercise price at $9.00 per share, which are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and are entitled to limited piggyback registration rights. Debt issuance costs of $64,348 was recorded for the issuance of the September 20 and September 26, 2018 warrants, utilizing the Black-Scholes valuation model. The fair value of warrants issued was determined to be $5.00 and $3.50 for the September 20 and September 26 warrants, respectively. For the twelve months ended December 31, 2020, and 2019, interest expense of $14,458 and $86,750, respectively, was recorded as amortization of the debt issuance costs.

On March 2, 2020, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with certain accredited investors, pursuant to which the Company issued and sold (i) 875,000 shares of the Company's Common Stock, at a price of $4.00 per share, for aggregate gross proceeds of $3,500,000 and (ii) 2,000 units ("Units"), with each Unit consisting of $1,000 in 12% Subordinated Notes and 40 shares, for aggregate gross proceeds of $2,000,000 in Units and $5,500,000 for the combined private placement pursuant to the Securities Purchase Agreement. The Company issued 955,000 new shares of Common Stock for the Offering. The Company retained Taglich

Brothers, Inc. as the exclusive placement agent for the private placement offering of the Securities Purchase Agreement. In compensation, the Company paid the placement agent a cash payment of 8% of the gross proceeds of the offering, along with warrants to purchase shares of Company common stock, and reimbursement for the placement agent's reasonable out of pocket expenses, FINRA filing fees and related legal fees. On March 2, 2020, the Company paid the placement agent cash in the amount of $440,000 and issued the placement agent warrants to purchase 95,500 shares at an exercise price at $4.00 per share, which are exercisable for a period of five years after issuance, contain customary cashless exercise provisions and anti-dilution protection and are entitled to limited piggyback registration rights. Underwriting expense of $236,761 and debt issuance costs of $135,291 was recorded for the issuance of the March 2, 2020 warrants, utilizing the Black-Scholes valuation model. The fair value of warrants issued was determined to be $3.90. Underwriting expense of $307,867 and debt issuance costs of $175,924 was recorded for the placement agent cash fee and other related legal fees.

The estimated values of warrants, as well as the assumptions that were used in calculating such values were based on estimates at the issuance date as follows:

	Placement Agent December 30, 2016	Bridge Noteholders September 21, 2017
Risk-free interest rate	1.93%	1.89%
Weighted average expected term	5 years	5 years
Expected volatility	123.07%	130.80%
Expected dividend yield	0.00%	0.00%

	Placement Agent November 17, 2017	Placement Agent November 30, 2017
Risk-free interest rate	2.06%	2.14%
Weighted average expected term	5 years	5 years
Expected volatility	129.87%	129.34%
Expected dividend yield	0.00%	0.00%

	Placement Agent September 20, 2018	Placement Agent September 26, 2018
Risk-free interest rate	2.96%	2.96%
Weighted average expected term	5 years	5 years
Expected volatility	122.52%	122.92%
Expected dividend yield	0.00%	0.00%

	Placement Agent March 2, 2020
Risk-free interest rate	0.88%
Weighted average expected term	5 years
Expected volatility	130.12%
Expected dividend yield	0.00%

Shares Issued and Outstanding and Shares Reserved for Exercise of Warrants, Convertible Notes, and the 2015 Plan

The Company had 2,810,865 Shares issued and outstanding, 150,216 Shares reserved for issuance upon the exercise of outstanding warrants, and 197,330 Shares reserved for issuance under the 2015 Plan, as of December 31, 2020.

15. *Stock-Based Compensation*

On April 30, 2015, the Company entered into a Non-qualified Stock Option Agreement with Sophie Pibouin, a director of the Company, in accordance with the 2015 Plan. The agreement granted options to purchase 2,560 shares prior to the expiration date of April 29, 2025 at an exercise price of $37.50. The options granted vested on a graded scale over a period of time through October 31, 2015.

On January 1, 2016, the Company granted employees stock options to purchase 5,000 shares at an exercise price of $45.00 per share in accordance with the 2015 Plan. The options were fully vested as of January 1, 2019. The total fair value of $196,250 for these stock options was recognized by the Company over the requisite service period.

On February 10, 2016, the Company granted employees stock options to purchase 4,200 shares at an exercise price of $48.00 per share in accordance with the 2015 Plan. The options were fully vested as of February 10, 2020. The total fair value of $174,748 for these stock options was recognized by the Company over the requisite service period.

On December 6, 2016, the Company granted one employee stock options to purchase 2,000 shares at an exercise price of $38.00 per share in accordance with the 2015 Plan, with vesting continuing until December 2020. The total fair value of $63,937 for these stock options was recognized by the Company over the requisite service period.

On September 25, 2017, the Company granted an employee stock options to purchase 15,000 shares at an exercise price of $15.00 per share and 10,000 shares at an exercise price of $19.00 per share, in accordance with the 2015 Plan. The options were fully vested as of September 25, 2019. The total fair value of $321,011 for these stock options was recognized by the Company over the requisite service period.

On January 30, 2019, the Company entered into a Non-qualified Stock Option Agreement with an individual consultant to the Company, in accordance with the 2015 Plan. The agreement granted options to purchase 250 shares prior to the expiration date of December 31, 2025 at an exercise price of $45.00. The options granted were 100% vested as of the grant date.

On March 11, 2019, the Company canceled previously granted stock options to employees in the following amounts: 3,000 shares at an exercise price of $45.00 per share; 3,200 shares at an exercise price of $48.00 per share; 2,000 shares at an exercise price of $38.00 per share; 15,000 shares at an exercise price of $15.00 per share; and 10,000 shares at an exercise price of $19.00 per share. On March 11, 2019, the Company replaced those canceled stock options exercisable for a total of 33,200 shares with virtually identical stock options at an exercise price of $6.50 per share in accordance with the 2015 Plan. The incremental fair value of $24,898 for these stock options was recognized by the Company over the requisite service periods, which ranged by tranche from fully vested at issuance through vesting by December 2020.

On March 11, 2019, the Company granted employees stock options to purchase 10,100 shares at an exercise price of $6.50 per share in accordance with the 2015 Plan, with

vesting continuing until 2023. The total fair value of $44,591 for these stock options is being recognized by the Company over the requisite service period.

On September 2, 2020, the Company granted employees stock options to purchase 99,000 shares, including 37,500 shares of performance-based options, at an exercise price of $4.00 per share in accordance with the 2015 Plan, with vesting continuing until 2024. The total fair value of $327,181 for these stock options is being recognized by the Company over the requisite service period.

The weighted average estimated values of director and employee stock option grants, as well as the weighted average assumptions that were used in calculating such values during the twelve months ended December 31, 2020 and 2019, were based on estimates at the date of grant as follows:

	April 30, 2015 Grant	January 1, 2016 Grant	February 10, 2016 Grant
Risk-free interest rate	1.43%	1.76%	1.15%
Weighted average expected term	5 years	5 years	5 years
Expected volatility	143.10%	134.18%	132.97%
Expected dividend yield	0.00%	0.00%	0.00%

	December 6, 2016 Grant	September 25, 2017 Grant	January 30, 2019 Grant
Risk-free interest rate	1.84%	1.85%	2.54%
Weighted average expected term	5 years	5 years	5 years
Expected volatility	123.82%	130.79%	115.80%
Expected dividend yield	0.00%	0.00%	0.00%

	March 11, 2019 Grant	September 2, 2020 Grant
Risk-free interest rate	2.44%	0.26%
Weighted average expected term	5 years	5 years
Expected volatility	116.46%	121.33%
Expected dividend yield	0.00%	0.00%

A summary of stock option activity during the twelve months ended December 31, 2020, and 2019 is as follows:

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2020	46,860	$ 9.02	9 years	19,200
Granted	99,000	4.00		
Forfeited and expired	(500)	6.50		
Outstanding at December 31, 2020	145,360	$ 5.61	9 years	$ 19,200
Exercisable at December 31, 2020	39,160	$ 9.51	8 years	$ 19,200

	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2019	36,760	$ 25.04	8 years	79,200
Granted	43,550	6.72		
Forfeited and expired	(33,450)	43.00		
Outstanding at December 31, 2019	46,860	$ 9.02	9 years	$ 19,200
Exercisable at December 31, 2019	35,460	$ 9.82	9 years	$ 19,200

The weighted-average grant date fair value of options granted during the twelve months ended December 31, 2020 and 2019 was $3.30 and $4.49, respectively.

As of December 31, 2020 and 2019, there was $322,874 and $56,012, respectively, of total unrecognized compensation costs related to stock options granted under our stock option agreements. The unrecognized compensation cost is expected to be recognized over a weighted-average period of four years. The total fair value of stock options that vested during the twelve months ended December 31, 2020, and 2019 was $16,650 and $108,035, respectively.

16. Concentrations

Revenues from the Company's services to a limited number of customers have accounted for a substantial percentage of the Company's total revenues. For the twelve months ended December 31, 2020, the Company's largest customer, State of Michigan ("Michigan"), a direct customer, accounted for approximately 47% of the Company's total revenue for that period. For the twelve months ended December 31, 2019, the Company's two largest customers each accounted for approximately 6%, of the Company's revenues for that period.

For the twelve months ended December 31, 2020, and 2019, government contracts represented approximately 64% and 41% of the Company's net revenues, respectively. A significant portion of the Company's sales to Resellers represent ultimate sales to government agencies.

As of December 31, 2020, accounts receivable concentrations from the Company's two largest customers were 54% and 16% of gross accounts receivable, respectively, and as of December 31, 2019, accounts receivable concentrations from the Company's four largest customers were 25%, 25%, 16% and 12% of gross accounts receivable, respectively. Accounts receivable balances from the Company's two largest customers at December 31, 2020 have been partially collected.

17. Provision For Income Taxes

The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. For the twelve months ended December 31, 2020, and 2019, we have recognized the minimum amount of state income tax as required by the states in which we are required to file taxes. We are not currently subject to further federal or state tax since we have incurred losses since our inception.

Income tax benefit consists of the following Federal, deferred components for the twelve months ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Benefit of net operating losses	$ (72,541)	$ (524,000)
Other timing differences	(91,770)	76,070
Change in valuation allowance, including $188,000 reduction in valuation allowance due to purchased deferred tax liability	(23,989)	447,930
Tax benefit	$ (188,300)	$ -

A reconciliation is provided below of the U.S. Federal income tax expense at a statutory rate of 21% for the twelve months ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
U.S. statutory rate	21%	21%
U.S. Federal income tax at statutory rate	$ (501,690)	$ (447,930)
Increase (decrease) in income taxes due to:		
Non-deductible earnout expense	299,040	-
Non-deductible goodwill amortization	33,390	-
Other differences	4,949	-
Benefit of acquisition-date purchased deferred tax liability	(188,300)	-
Other change in valuation allowance	164,311	447,930
Income tax benefit	$ (188,300)	$ -

The approximate tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Reserves and accruals not currently deductible for tax purposes	$ 51,000	$ 35,000
Amortizable assets	72,000	-
Net operating loss carryforwards	4,020,000	3,987,000
	4,143,000	4,022,000
Deferred tax liabilities		
Property and equipment	(143,000)	-
Net Deferred tax assets	4,000,000	4,022,000
Valuation allowance	(4,000,000)	(4,022,000)
	$ -	$ -

As of December 31, 2020 and 2019, we had federal net operating loss carry forwards of approximately $19,129,000 and $18,986,000, respectively, which can be used to offset future federal income tax. The federal and state net operating loss carry forwards expire at various dates through 2040. We recorded a valuation allowance against all of our deferred tax assets as of both December 31, 2020, and December 31, 2019. We intend to continue maintaining a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve.

18. Certain Relationships and Related Transactions

Certain Relationships and Related Transactions

The following is a summary of the related person transactions that Intellinetics has participated in at any time during the reporting period.

Notes Payable – Related Parties

See Note 11 for a summary of notes issued to related parties and the subsequent conversion of such related party notes into shares of our common stock on March 2, 2020.

2020 Private Placement

The following related persons participated as investors a private placement of securities by the Company, on the same terms as all other investors participating in the offering. The Company issued and sold (i) shares of common stock, at a price of $4.00 per share and (ii) units, with each unit consisting of $1,000 in 12% subordinated notes and 40 shares. The principal amount of the 12% subordinated notes, together with any accrued and unpaid interest thereon, become due and payable on February 28, 2023.

Name of Investor	**Relationship to the Company**	**Number of Shares Purchased**	**Date of Transaction**
Michael N. Taglich	Beneficially owns more than 5% of the common stock of the Company.	148,750	03/02/2020
Robert F. Taglich	Beneficially owns more than 5% of the Common Stock of the Company.	118,750	03/02/2020
Robert C. Schroeder	Director and Chairman of the Board of the Company	5,000	03/02/2020
James F. DeSocio	President and Chief Executive Officer; Director of the Company	7,500	03/02/2020
Joseph D. Spain	Chief Financial Officer of the Company	2,000	03/02/2020

Promoters and Certain Control Persons

Robert C. Schroeder, a director of the Company, is the Vice President of Investment Banking at Taglich Brothers, Inc. Robert F. Taglich and Michael N. Taglich, each beneficial owners of more than 5% of the Company's common stock, are also both principals of Taglich Brothers, Inc.

We retained Taglich Brothers, Inc. on an exclusive basis to render financial advisory and investment banking services to the Company in connection with our acquisition of Graphic Sciences. Pursuant to an Engagement Agreement, dated April 15, 2019, we paid Taglich Brothers, Inc. a success fee of $300,000 as a result of the successful completion of the acquisition of Graphic Sciences, Inc.

We retained Taglich Brothers, Inc., as the exclusive placement agent for the 2020 private placement, as described above, pursuant to a Placement Agent Agreement. In connection with the 2020 private placement, we paid Taglich Brothers, Inc. $440,000, which represented an 8% commission based upon the gross proceeds of the 2020 private placement. In addition, for its services in the 2020 private placement, Taglich Brothers, Inc. was issued warrants to purchase 95,500 shares of common stock, which amount is equal to 10% of the shares and unit shares sold in the 2020 private placement, which have an exercise price of $4.00 per share of common stock, are exercisable for a period of five years, contain customary cashless exercise and anti-dilution protection rights and are entitled to piggy-back registration rights.

We retained Taglich Brothers, Inc. as the exclusive placement agent for the 2020 note conversion, as described above in Note 11 (Notes Payable – Related Parties), pursuant to the Placement Agent Agreement. In connection with the 2020 note conversion, we issued 35,250 shares of common stock to Taglich Brothers, Inc., which, based on the conversion price of $4.00 per share, was equal to 3% of the original principal amount of the converted notes.

19. Subsequent Events

PPP Loan Forgiveness

As discussed in Note 10 – Notes Payable, the Company applied for forgiveness of its PPP loan, and the entire principal balance and interest were forgiven in January 2021. The forgiveness income, totaling $845,083, will be recorded as other income for the year ended December 31, 2021.

Issuance of Restricted Common Stock to Directors

On February 15, 2021, the Company issued 12,207 new Shares of restricted common stock to directors of the Company in accordance with the Company's director compensation policy. Stock compensation of $57,500 was recorded on the issuance of the common stock.

Commitment to Purchase Capital Equipment and Enter Into a Lease

On February 18, 2021, the Company committed to purchase warehouse racking in the amount of $326,864. The Company is evaluating equipment financing options to finance the equipment purchase. On February 5, 2021, the Company signed a lease for 37,000 square foot building, primarily for document storage, in Sterling Heights, MI, with monthly rental payments of $20,452 commencing on May 1, 2021 and a lease term continuing to April 30, 2028.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of the Company's Disclosure Controls and Procedures

The Company maintains "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial office, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired objectives, and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020 and concluded that our disclosure controls and procedures were effective as of December 31, 2020.

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 Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of consolidated financial statements for external purposes, in accordance with generally accepted accounting principles. The effectiveness of any system of internal control over financial reporting is subject to inherent limitations and therefore, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that the controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Based on our evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2020, our disclosure controls and procedures were effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act and we did maintain effective internal control over financial reporting, based on criteria issued by COSO.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this report.

Changes in Internal Control Over Financial Reporting

During the first fiscal quarter ended March 31, 2020, we completed the acquisition of Graphic Sciences. As a result, there were changes in our internal control over financial reporting that occurred during the first fiscal quarter ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting stemming from our integration of Graphic Sciences. This change in control environment may lead us to modify certain internal controls in future periods.

ITEM 9B. OTHER INFORMATION

Not applicable

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

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

Incorporated by reference to our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

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

Incorporated by reference to our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Reference is made to the Index to Financial Statements beginning on Page F-1 hereof.

Financial Statement Schedules.

(a) Documents Filed as Part of Report

(1) Financial Statements.

(3) Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is incorporated by reference.

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, on March 30, 2021.

Intellinetics, Inc.

By: */s/ James F. DeSocio*
James F. DeSocio
President, Chief Executive Officer and Director

Pursuant to the requirements 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 indicated on March 30, 2021.

Name	Title
/s/ James F. DeSocio **James F. DeSocio**	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ Joseph D. Spain **Joseph D. Spain**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
/s/ Matthew L. Chretien **Matthew L. Chretien**	Chief Strategy Officer, Chief Technology Officer, Secretary, and Director
/s/ Rye D'Orazio **Rye D'Orazio**	Director
/s/ Roger Kahn **Roger Kahn**	Director

/s/ Robert C. Schroeder **Robert C. Schroeder**	Chairman of the Board, and Director
/s/ Sophie Pibouin **Sophie Pibouin**	Director

EXHIBIT INDEX

Exhibit No.	Description	Incorporation by Reference		
		Form	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated as of March 2, 2020, by and among Intellinetics, Inc., Graphic Sciences, Inc., and Thomas M. Liebold, Gregory P. Colton, Fredrick M. Kamienny, and Frederick L. Erlich	8-K	2.1	03-04-2020
2.2	Asset Purchase Agreement, dated April 21, 2020, by and among Intellinetics, Inc., CEO Imaging Systems, Inc., and Bradley R. Lahr	8-K	2.2	04-24-2020
3.1.1	Articles of Incorporation of Intellinetics, Inc.	10-SB	3.1	10-02-2000
3.1.2	Certificate of Correction, effective May 22, 2007	8-K	3.1	06-15-2007
3.1.3	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc.	8-K	99.1	09-03-2014
3.1.4	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc., dated March 2, 2020	8-K	3.1	03-04-2020
3.1.5	Certificate of Amendment to Articles of Incorporation of Intellinetics, Inc., dated March 3, 2020	8-K	3.2	03-04-2020
3.2.1	Bylaws of Intellinetics, Inc.	10-SB	3.3	10-02-2000
3.2.2	Amendment No. 1 to the Bylaws of Intellinetics, Inc.	8-K	3.4	03-01-2012
3.2.2	Amendment No. 2 to the Bylaws of Intellinetics, Inc.	8-K	3.3	03-04-2020
4.1	Form of Stock Certificate	10-K	4.1	03-30-2020
4.2	Form of Warrants dated November 30, 2016	8-K	10.2	12-06-2016
4.3	Form of Placement Agent Warrants, dated January 31, 2017	8-K	10.3	01-06-2017
4.4	Form of Warrant to Purchase Common Stock, issued October 22, 2017	8-K	10.2	10-26-2017

4.5	Form of Placement Agent Warrants	8-K	10.5	11-24-2017
4.6	Form of Placement Agent Warrants	8-K	10.3	09-26-18
4.7	Form of 12% Subordinated Notes, dated March 2, 2020	8-K	10.2	03-04-2020
4.8	Form of Placement Agent Warrants, dated March 2, 2020	8-K	4.4	03-04-2020
4.9	Description of Registered Securities +			
10.1	Amended Employment Agreement of Matthew L. Chretien, dated September 16, 2011	8-K	10.37	02-13-2012
10.2	Amended Offer of Employment of Matthew L. Chretien, dated September 16, 2011	8-K	10.38	02-13-2012
10.3	Employment Agreement of Joseph D. Spain dated December 2, 2016	8-K	10.3	12-06-2016
10.4	Lease Renewal Agreement by and between Intellinetics, Inc. and Dividend Drive LLC, dated as of August 9, 2016	10-K	10.6	03-30-2017
10.5	Intellinetics, Inc. 2015 Equity Incentive Plan	8-K	10.3	04-30-2015
10.6	First Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated September 25, 2017	8-K	10.2	09-26-2017
10.7	Second Amendment to Intellinetics, Inc. 2015 Equity Incentive Plan, dated February 19, 2018	8-K	10.2	02-23-2018
10.8	Form of Non-Qualified Stock Option Agreement under Company's 2015 Equity Incentive Plan	10-K	10.9	03-28-2016
10.9	Form of Incentive Stock Option Agreement under Company's 2015 Equity Incentive Plan	8-K	10.6	01-05-2016
10.10	Offer Letter, dated September 25, 2017, between Intellinetics, Inc. and James F. DeSocio	8-K	10.1	09-26-2017
10.11	Intellinetics, Inc. 2018 Executive Incentive Compensation Plan	8-K	10.3	02-23-2018
10.12	Amendment, dated February 19, 2018, between Intellinetics, Inc. and Joseph D. Spain	8-K	10.1	02-23-2018

10.13	State of Michigan Enterprise Procurement Notice of Contract No 171 180000000749, between the State of Michigan and Graphic Sciences, Inc., with Standard Contract Terms, dated June 1, 2018	8-K	10.4	03-04-2020
10.14	Standard Industrial Lease Agreement, by and between KHS Properties, LLC and Graphic Sciences, Inc., dated August 30, 2018. +			
10.15	Lease, by and between Liberty Park Commerce Center, LLC and Graphic Sciences, Inc., dated February 5, 2021. +			
21.1	List of Subsidiaries of Intellinetics, Inc. +			
23.1	Consent of Independent Registered Public Accounting Firm +			
31.1	Certification of Principal Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 +			
31.2	Certification of Principal Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 +			
32.1	Certification of Principal Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 +			
32.2	Certification of Principal Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 +			
101.INS	XBRL Instance Document +			
101.SCH	XBRL Taxonomy Extension Schema Document +			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document +			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document +			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document +			
101.PRE	XBRL Taxonomy Extension Linkbase Document +			

\+ Filed herewith:

Exhibit 4.9

Description of the Company's Common Stock Registered under Section 12 of the Exchange Act of 1934

The following summary of Intellinetics, Inc.'s common stock is based on and qualified by the Company's Articles of Incorporation, as amended (the "Articles") and Bylaws, as amended ("Bylaws"). For a complete description of the terms and provisions of the Company's common stock, refer to the Articles and Bylaws, both of which are filed as exhibits to this Annual Report on Form 10-K.

The Company's authorized capital stock consists of 25,000,000 shares of common stock, par value $0.001 per share.

Holders of shares of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Shares of common stock do not have cumulative voting rights. Holders of record of shares of common stock are entitled to receive dividends when and if declared by the Board of Directors. To date, we have not paid cash dividends. We intend to retain any earnings for the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

Any future determination as to the payment of cash dividends will depend on future earnings, results of operations, capital requirements, financial condition and such other factors as the Board of Directors may consider. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution.

Holders of our common stock do not have pre-emptive rights to subscribe for or to purchase any stock, obligations or other securities.

All of the shares of common stock currently issued are fully paid and non-assessable.

Exhibit 10.14

STANDARD INDUSTRIAL LEASE AGREEMENT

By and Between

KHS Properties, LLC.
a Michigan Limited Liability Company

as Landlord

and

Graphic Sciences, Inc.
a Michigan Corporation

as Tenant

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EXHIBITS AND ADDENDA

Exhibit A - Rules and Regulations i

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this _____ day of August, 2018, by and between **KHS Properties LLC. a Michigan Limited Liability Company** ("Landlord") and **Graphic Sciences, Inc., a Michigan Corporation** ("Tenant").

1. Demise of Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord for the term, at the rent, and upon all of the conditions contained herein, certain premises (the "Premises") containing approximately **39,284 square feet** located within **1551 E. Lincoln Ave**, **Madison Heights, Michigan** (the "Project").

2. Condition of Premises. Tenant accepts the Premises in its "as is" condition as of the execution of this Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Premises or the suitability of the Premises for Tenant's intended use.

3. Term.

3.1 Term. The term (the "Term") of this Lease shall be for a period of Eight (8) years commencing September 1, 2018 (the "Commencement Date") and expiring August 31, 2026 (the "Expiration Date"), unless sooner terminated pursuant to any provision hereof.

3.2 Option to Renew. Provided that tenant is not in default under the terms and conditions of this Lease, Tenant shall have the right to renew this Lease for two (2) additional period of five (5) years under the same terms and conditions (excepting the provisions of this paragraph) as stated herein. Tenant shall give Landlord notice in writing of Tenants intention to exercise this option at least 120 calendar days prior to the expiration of this Lease.

3.3 Early Occupancy. Intentionally Deleted.

4. Rent.

4.1 Base Rent. Tenant shall pay to Landlord as Gross base rent (the "Base Rent") Four Hundred Eighty-Three Thousand Ninety-Five and 00/100 ($483,495) Dollars per year in equal monthly installments of Forty Thousand two Hundred Ninety-One and 25/100 ($40,291.25) Dollars.

4.2 Additional Rent. All charges due and payable by Tenant other than Base Rent are herein called "Additional Rent." The term "Rent" shall mean Base Rent and Additional Rent.

4.3 Annual Rent Increases

Base Rent set forth in Paragraph 4.1. above shall increase at the beginning of the thirteenth (13th) full calendar month from the Commencement Date by one percent (1%), which adjusted rent amount shall remain in effect for the next twelve (12) consecutive months and shall

increase by two percent (2%) each twelve (12) months thereafter for the balance of the Lease Term, including any options to renew.

4.4 Time and Manner of Payment. Payments of Rent are to be made to Landlord's authorized Agent, KHS Properties, LLC., 1551 E. Lincoln Ave, Madison Heights, MI 48071 Suite 101 or as Landlord shall hereafter designate. Rent shall be due and payable upon in advance on the first (1st) day of each month, without offset, deduction or demand. The burden of proof of full payment shall be upon Tenant.

4.5 Late Charges. Tenant's failure to pay rent promptly may cause Landlord to incur unanticipated costs. The amount of such costs is difficult to ascertain, and therefore on any rent payment not made within ten (10) days after it is due Tenant shall pay Landlord a late charge equal to Two percent (2%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

4.6 Real Property Taxes. Landlord shall pay all annual Real Estate Property Taxes as they become due. "Real Property Taxes" shall mean: any fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, government charge or tax imposed by any taxing authority against the Building or land upon which the Building is located; any tax on the Landlord's right to receive, or the receipt of, rent or income from the Building or against Landlord's business of leasing the Building; any tax, or charge, or assessment, or any assessment for repayment of bonds for fire protection, streets, sidewalks, road maintenance, refuse or other services provided to the Building by any governmental agency; any charge or fee replacing any tax previously included within the definition of real property tax; and any costs incurred by Landlord in contesting such Real Property Taxes, whether successful or not. Real Property Taxes does not, however, include Tenant's federal or state income, franchise, inheritance or estate taxes. Tenant shall pay when due all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant.

4.7 Insurance. Landlord shall maintain such insurance on the Building as Landlord reasonably deems appropriate. Tenant shall be responsible for such insurance for its private property, General Liability, Workman's Compensation and any other insurance deemed necessary in the operation of their business.

4.8 Common Expenses. Intentionally Deleted.

5. Common Areas.

5.1 Common Areas. In this Lease, "Common Areas" shall mean the main lobby area, stairs, upstairs hallway, common area, lower level hallway, elevator, restrooms located in lower level common area hallway.

5.2 Use of Common Areas. Tenant shall have the right to use the Common Areas for the purposes intended, subject to such reasonable rules and regulations as Landlord may establish from time to time.

5.3 Vehicle Parking. Tenant shall be entitled to use the vehicle parking spaces in the Project allocated to Tenant without paying any additional rent.

5.4 Common Area Maintenance. Landlord shall maintain the Common Areas in good order, condition and repair. Tenant abuse, misuse or damage outside the ordinary course shall be the expense of the Tenant. The Landlord shall be entitled to repair such damage and charge Tenant for such repairs as Additional Rent.

6. Use of Premises. Tenant shall use and occupy the Premises throughout the full Term for the purpose of offices, warehousing and commercial printing and print work production only, and for no other use or purpose without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed.

7. Rules and Regulations. Tenant shall faithfully observe and comply with the rules and regulations attached to this Lease as Exhibit A, as well as all reasonable modifications thereof and additions thereto as are from time to time promulgated by Landlord (the "Rules and Regulations"). Any new rules and regulations promulgated after the Commencement Date, and any modifications to existing rules and regulations, shall be delivered to Tenant not less than 30 days prior to the effective date thereof.

8. Compliance with Laws. Tenant covenants and agrees that it will observe and comply with all laws, orders, rules and regulations of any governmental authority relating to Tenant's use and occupancy of the Premises and will not permit the Premises to be used for illegal purposes nor permit any nuisance to be created or maintained thereon. Notwithstanding anything to the contrary contained herein, if the Premises are not in compliance with any laws, orders, rules or regulations, and such non-compliance results from anything other than Tenant's use or permitted modification of the Premises, Landlord, at its sole cost and expense, shall be responsible for bringing the Premises into compliance.

9. Hazardous Materials. Tenant shall not store, use, generate, maintain or remove asbestos, PCB transformers, other toxic, hazardous or contaminated substances and underground storage tanks (collectively, "Hazardous Materials") in, on, about or from the Premises without the prior written consent of Landlord. In any event, during the term of this Lease, Tenant shall comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State, County and City Governments and all departments thereof having jurisdiction over the Premises which are applicable to the presence, storage, use, generation, maintenance and removal of Hazardous Materials in, on or about the Premises.

10. Alterations. Tenant shall make no alterations, additions, replacements or improvements to the Premises without the express written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed for non-structural alterations, additions, replacements, or improvements. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Section upon Landlord's written request. All alterations, additions, and improvements will be accomplished in a good and workmanlike manner, in conformity with all applicable laws and regulations, by a contractor approved by Landlord. Tenant agrees that should it make any alterations, additions, replacements or improvements to the Premises, it will not be acting as agent or servant of Landlord in making any alterations and shall pay when due all claims for labor and material furnished to the Premises. Tenant shall give Landlord at least ten (10) days'

prior written notice of the commencement of any work on the Premises. Landlord may elect to record and post notices of non-responsibility on the Premises.

11. Maintenance and Repairs.

11.1 Landlord's Obligations. Except for any repairs occasioned by the act or omission of Tenant (but expressly excluding repairs occasioned by ordinary wear and tear, which repairs shall be made by Landlord at Landlord's sole cost and expense), Tenant's agents, employees, contractors, licensees or invitees, which repairs shall be the responsibility of Tenant, Landlord shall maintain in good repair the roof, foundations, HVAC system and other building mechanical systems, including sprinkler, electrical and plumbing, and structural walls of the Premises, including exterior doors and windows. Landlord shall not be obligated to make any repairs for Tenants abuse or misuse. Landlord shall not be obligated to make any repairs until Landlord is notified in writing by Tenant, or receives actual notice, whichever is earlier, and Landlord shall then have a reasonable period of time to make such repairs. Landlord shall not be liable for any damage or loss occasioned by Landlord's failure to repair the Premises unless it shall have failed to make such repair within a reasonable time following written notice from Tenant of the need for such repair.

11.2 Tenant's Obligations. Tenant shall at its own expense keep and maintain in good order, condition and repair the occupied Premises, other than those portions for which Landlord shall be responsible as set out above, including, without limitation, interior walls, floors, and ceiling.

12. Right of Entry. Landlord, and its agents or other representatives, shall have the right to enter into and upon the Premises or any part thereof at all reasonable times for the purpose of examining the same, making repairs or alterations, or showing the Premises to prospective purchasers of the Building. Tenant agrees at any time within six (6) calendar months before the expiration of this Lease to allow Landlord to enter upon the Premises and to affix upon any suitable part thereof notice for reletting same, and that Tenant will not remove same and will permit all persons authorized by Landlord to view said Premises at reasonable times.

13. Utilities. All heat, electric current, gas, garbage, or special fees, metering charges, sprinkler fees or bonds, or utility charges of any nature used on the Premises shall be paid for by Landlord. Except where caused by the gross negligence or willful misconduct of Landlord, its employees, agents, or contractors, Landlord shall not be liable to Tenant for interruption in or curtailment of any utility service, nor shall any such interruption or curtailment constitute a constructive eviction or grounds for rental abatement in whole or in part.

14. Assignment and Subletting. No portion of the Tenant's Premises or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law, or act of Tenant or any change in controlling interest of Tenant, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Any attempted transfer without consent shall be void and shall constitute a breach of this Lease. No transfer permitted hereunder shall release Tenant or change Tenant's primary liability to pay the Rent. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Lease. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Notwithstanding anything to the contrary contained herein, Tenant shall have the

right, without Landlord's consent, to assign this Lease to any party acquiring all or substantially all of the assets of Tenant by purchase, merger, consolidation, or otherwise.

15. Landlord's Lien. Intentionally deleted.

16. Indemnification. Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or anything else done by Tenant or permitted by Tenant to be done in or about the Premises; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant, its agents, employees, visitors, and business invitees. Tenant shall defend Landlord against any such costs, claims or liabilities at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant hereby assumes all risk of damage to property or injury to persons in or about the Premises arising from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct.

18. Waiver of Subrogation. Landlord and Tenant agree, provided that such agreement does not invalidate or prejudice any policy of insurance, that, in the event the Premises or the fixtures, leasehold improvements, furniture, equipments, or merchandise therein, are damaged or destroyed by fire or other casualty which is covered by insurance of either the Landlord or the Tenant, the rights of either party, if any, against the other, or against the employees, agents, or licensees of any party with respect to such damage or destruction and with respect to any loss resulting there from, including the interruption of the business of any party, are hereby waived to the extent of the coverage of said insurance. Landlord and Tenant agree further that all policies of fire, extended coverage, business interruption, all risk or other insurance covering the Premises, or the contents, fixtures, equipment and improvements thereon, shall, if obtainable, contain a clause or endorsement providing in substance that the insurance shall not be prejudiced by virtue of this waiver. Any additional premiums on account thereof shall be paid by the party benefited.

19. Damage or Destruction.

19.1 Partial Damage to Premises. Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Premises. If the damage can be completely repaired within ninety (90) days from the date of such damage and the cost of such repairs do not exceed fifty percent of the value of the Premises, Landlord shall repair the damage as soon as reasonably possible. Otherwise, Landlord may elect either to repair the damage as soon as reasonably possible, or Landlord or Tenant may terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage, whether Landlord elects to repair the damage or terminate the Lease. If the damage to the Premises occurs during the last six (6) months of the Lease Term, and if such damage or destruction is not the result of the act or omission of Tenant, Landlord or Tenant may elect to terminate this Lease.

19.2 Total or Substantial Destruction. If the Premises is totally or substantially destroyed by any cause whatsoever, or if the Premises is in a building which is substantially destroyed (even though the Premises is not totally or substantially destroyed), this

Lease shall terminate as of the date the destruction occurred. However, if the Premises can be rebuilt within one (1) year after the date of destruction, Landlord may elect to rebuild the Premises at Landlord's own expense, in which case, this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after the occurrence of total or substantial destruction.

19.3 Temporary Reduction of Rent. If the Premises is totally or substantially destroyed, or if the Premises is damaged through no fault of Tenant's, and the Premises is repaired pursuant to the provisions of this Article, rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Premises is impaired. Tenant shall not be entitled to any other compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Premises.

20. Condemnation. If all or any portion of the Premises is taken through eminent domain or sold under threat of such taking (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Premises for the amount of its interest in the Premises; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee, or otherwise.

21. Default and Remedies.

21.1 Defaults. Tenant shall be in material default under this Lease:

If Tenant fails to pay rent or any other charge as and when due and such failure continues for a period of five (5) days after written notice from Landlord;

If Tenant fails to perform any of Tenant's other obligations under this Lease for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the thirty (30) day period and thereafter diligently pursues its completion.

If Tenant makes a general assignment or general arrangement for the benefit of creditors; if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or if substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days.

21.2 Remedies. On the occurrence of any default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

Terminate Tenant's right to Possession of the Premises, in which case Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (a) the worth at the time of the court award of the unpaid Base Rent, Additional Rent and other charges which had been earned at the time of the termination; (b) the worth at the time of the court award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of the court award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been paid for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (d) such other amounts as are necessary to compensate Landlord for the detriment caused by Tenant's failure to perform its obligations under the Lease, including, but not limited to, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used above, the "worth at the time of the court award" is computed by allowing interest on unpaid amounts at the rate of twelve (12%) per annum, or such lesser amount as may then be the maximum lawful rate;

Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder;

Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

In the event of any Tenant default, Landlord shall use commercially reasonable efforts to mitigate its damages.

21.3 Waiver of Jury Trial The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the leased premises, and/or any claim of injury or damage. In the event Landlord commences any proceedings for non-payment of minimum rent or other monetary obligations under this Lease, Tenant will not interpose any counterclaim of whatever nature or description in any such proceedings. This shall not, however, be construed as a waiver of Tenant's right to assert such claims in any separate action or actions brought by the Tenant.

22. Interest on Past Due Amounts. Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date of such amount, in addition to any late charges due under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.

23. Security Deposit. Upon the execution of this Lease, Tenant shall deposit with Landlord a cash Security Deposit in the amount of Seven Thousand and 00/100

($7,000.00) Dollars. Landlord may apply all or part of the Security Deposit to any unpaid rent or other charges due from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall restore the Security Deposit to its full amount within ten (10) days after Landlord's written request. No interest shall be paid on the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts and no trust relationship is created with respect to the Security Deposit.

24. Default by Landlord. Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord. Landlord shall not be in default under this Lease unless Landlord fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

25. Legal Proceedings. Should this Lease or the parties' obligations hereunder be the subject of litigation between Landlord and Tenant, it is expressly agreed that the prevailing party will have its reasonable legal fees, costs and expenses reimbursed by the other party.

26. Notices. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested, or sent by Federal Express or other recognized delivery service. Notices shall
be effective upon delivery or attempted delivery in accordance with this Section. Notices to Landlord and Tenant shall be addressed as follows:

Tenant
To the Premises or to:
Graphic Sciences, Inc
1551 E. Lincoln Ave
Madison Heights, MI 48071
Suit 102

Landlord

KHS Properties, LLC
C/O Energy Products, Inc.
1551 E. Lincoln Ave
Madison Heights, MI 48071
Suite 101

Either party may change its notice address upon written notice to the other party.

27. Quiet Possession. Upon paying the Rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term, subject to all of the provisions of this Lease.

28. Subordination, Non-Disturbance and Attornment.

28.1 Subordination and Non Disturbance. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the

Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. However, Tenant's right to quite possession of the Premises during the Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or date of recording thereof.

28.2 Attornment. If Landlord's interest in the Premises is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

28.3 Signing of Documents. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. Such subordination and attornment documents may contain such provisions as are customarily required by any ground lessor, beneficiary under a deed of trust or mortgagee, and shall contain commercially reasonable non-disturbance provisions. If Tenant fails to do so within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the Attorney-In-Fact of Tenant to execute and deliver any such instrument or document.

28.4 Mortgagee Protection. Tenant agrees to give any mortgagees and/or trust deed holders, by registered mail, a copy of any notice of default served upon Landlord, provided that prior to such notice Tenant has been notified, in writing (by way of Notice of Assignment of Rents and Leases, or otherwise), of the address of such mortgagees and/or trust deed holders. Tenant further agrees that if Landlord shall have failed to cure such default within the term provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default or, if such default cannot be cured within that time, then such additional time as may be necessary, if within such thirty (30) days any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

29. Estoppel Certificates. Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement in substantially the form attached hereto as Exhibit D. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Premises. Landlord, such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

30. Landlord's Liability. The obligations of the Landlord under this Lease do not constitute personal obligations of Landlord or the individual partners, joint venturers, directors, officers, shareholders or beneficial owners of the Landlord, and Tenant shall look

solely to the Building and to no other assets of the Landlord for satisfaction of any liability in respect to this Lease. Tenant will not seek recourse against Landlord or such individuals or entities or such other assets for such satisfaction. As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Premises or the leasehold estate under a ground lease of the Premises at the time in question. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee, by actual transfer or appropriate credits, all funds previously paid by Tenant if such funds have not yet been applied under the terms of this Lease.

31. Brokerage. This Lease has been negotiated through the agency of ________N/A________________, and Tenant warrants and represents to Landlord that no other broker was involved with the leasing of the Premises or the negotiation of this Lease or is entitled to any commission in connection herewith. Tenant agrees to indemnify and hold Landlord harmless against any other claims (including court costs and attorneys fees) for commissions by any other broker.

32. Surrender of Premises. Upon termination of the Lease, by expiration of term, or otherwise, Tenant shall redeliver to Landlord the Premises broom clean and in good order and condition, ordinary wear and tear excepted. In addition, Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the termination of the Lease and to restore the Premises to its prior condition, all at Tenant's expense. All alterations, additions and improvements which Landlord has not required Tenant to remove and which Tenant has not removed shall become Landlord's property and shall be surrendered to Landlord upon the termination of the Lease. Tenant shall remain liable for holdover rent until the Premises shall be returned in such order to Landlord.

33. Holdover. Tenant shall vacate the Premises upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages incurred by Landlord from any delay by Tenant in vacating the Premises. If Tenant does not vacate the Premises upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Premises shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy, except that the Base Rent for such tenancy shall be two hundred percent (200%) of the Base Rent in effect at the expiration of the Lease.

34. Severability. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

35. Interpretation. The captions of the Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the contest of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission.

36. Incorporation of Prior Agreements; Modifications. This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other

agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

37. Waivers. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

38. No Recordation. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short Form" memorandum of this Lease executed by both parties be recorded.

39. Binding Effect; Choice of Law. This Lease shall be binding upon any party who legally acquires any rights or interest in this Lease from Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the State of Michigan shall govern the validity, performance and enforcement of this Lease.

40. Corporate Authority; Partnership Authority. If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation. If Tenant is a partnership, each person signing this Lease for Tenant represents and warrants that he is a general partner of the partnership, that he has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. The withdrawal of a General Partner from the Partnership shall not relieve the General Partner from liability under this Lease and all general partners added to the Partnership shall be fully liable for the Partnership's obligations hereunder. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition.

41. Joint and Several Liability. Intentionally deleted.

42. Force Majeure. If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of
labor or material, government regulation or restriction and weather conditions.

43. Execution of Lease. This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

44. Covenants and Conditions. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

45. Submission of Lease. The submission of this Lease to Tenant for examination does not constitute an offer to lease or a reservation of space. No agreement

between Landlord and Tenant relating to the leasing of the Premises shall become effective or binding until executed by both parties and received by Tenant.

IN WITNESS WHEREOF, the parties have hereunder executed the lease the day and year above written.

LANDLORD:

KHS Properties, LLC

By: ______________________
Kurt H. Smith
Its: Manager

Date: 8/30/2018 ,2018

TENANT:

Graphic Sciences, Inc

By: ______________________
Its: President

By: ______________________

Its: Vice-President

Date: 8/30/18 ,2018

EXHIBIT A

Rules and Regulations

1. Except for any Tenant sign, placard, picture, advertisement, name or notice in place as of the Commencement Date, no sign, placard, picture, advertisement, name, or notice shall be installed or displayed on any part of the outside or inside of the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule. No awning shall be permitted on any part of the Premises.

2. Tenant shall not obstruct any sidewalks, entrances, or driveways of the Building. No Tenant and no employee or invitee of any Tenant shall go upon the roof of the Building except to service any air-conditioner or heating unit.

3. Landlord shall furnish Tenant, free of charge, with one key to the Premises. Tenant shall be responsible for rekeying the Premises upon occupancy and maintaining control over the keys. Upon the termination of its tenancy, Tenant shall deliver to Landlord the keys of all doors.

4. If Tenant requires telegraphic, telephonic, burglar alarm, or similar services, it shall first obtain and comply with Landlord's instructions in their installation.

5. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors, or vibrations, nor shall Tenant bring into or keep in or about the Premises any birds or animals.

6. The toilet rooms, toilets, urinals, wash bowls, and other apparatus shall not be used for any purpose of other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein. The expenses of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused same.

7. Tenant shall not install any radio or television antenna, loudspeaker, or other device on the roof or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

8. Tenant shall be granted access once per day to dispose of daily household type waste and reasonable amounts of cardboard in the trash compactor located on the west side of the warehouse. Bulk garbage and pallets shall be handled separately by the Tenant and at their expense. Tenant shall not place in any dumpster any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal.

9. Tenant shall not store, fabricate, maintain, or otherwise use the parking areas or driveway except as specifically provided herein.

10. Cars must be parked entirely within the stall lines painted on the ground. The speed limit shall be five (5) miles per hour. Parking is prohibited: (a) in areas not striped

for parking, (b) in aisles, (c) where "no parking" signs are posted, (d) on ramps, (e) in cross hatched areas, and (f) in such other areas as may be designed by Landlord as reserved for the exclusive use of others. Washing, waxing, cleaning, or servicing of any vehicle by anyone is prohibited.

11. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of Tenant or any other tenant, nor prevent Landlord from thereafter enforcing any such Rule and Regulations against any or all of the tenants of the Building.

12. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements, and conditions of any lease of premises in the Project.

13. Landlord reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time-to-time be needed for safety and security, for care and cleanliness of the Buildings, and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.

14. Smoking shall not be permitted inside the building or within 25' of any entrance to the building.

15. Tenant shall be responsible for the observance of all the foregoing rules by Tenant's employees, agents, clients, customers, invitees, and guests.

AshleyCapital

REFERENCE PAGE
NET LEASE

Tenant: **Graphic Sciences, Inc.,** a Michigan corporation

Address of Premises: 33500 Mound Road
Sterling Heights, Michigan 48310

Rentable Area of Premises: 29,749 SF

Commencement Date: May 01, 2021

Expiration Date: April 30, 2028*

Net Rent:

	Annual	Monthly
04/01/21 – 04/30/21	$ 0**	$ 0**
05/01/21 – 04/30/22	$ 245,424	$ 20,452
05/01/22 – 04/30/23	$ 252,864	$ 21,072
05/01/23 – 04/30/24	$ 260,304	$ 21,692
05/01/24 – 04/30/25	$ 267,744	$ 22,312
05/01/25 – 04/30/26	$ 275,184	$ 22,932
05/01/26 – 04/30/27	$ 282,612	$ 23,551
05/01/27 – 04/30/28	$ 290,052	$ 24,171

Security Deposit: Refer to Exhibit E (Guaranty)

Broker: Vogel Advisors (Tenant's Broker)
Newmark (Landlord's Broker)

This Reference Page is a part of the Lease which also includes Exhibit A (Site Plan), Exhibit B (Environmental Requirements), Exhibit C (Work Letter), Exhibit D (Move-Out Standards), and Exhibit E (Guaranty).

Landlord:	Tenant:
LIBERTY PARK COMMERCE CENTER, LLC	**GRAPHIC SCIENCES, INC.**
9810 South Dorchester Avenue	33500 Mound Road
Chicago, Illinois 60628	Sterling Heights, Michigan 48310
By: Ashley Capital, LLC, Its Agent	
By: Susan M. Harvey	By: [signature]
Its: Senior Vice President	Printed Name: Jim DeSocio
By: R A Morton	Title: Chief Executive Officer
Its: Member	Dated: February 5, 2021

* **Option to Extend:** Refer to Article 36.
** **Set-Up Period:** Refer to Article 37.

1. **PREMISES AND USE.** Tenant leases the Premises and parking areas shown on Exhibit A and the Reference Page from Landlord. The Premises, together with the land where the Building is located are referred to as the "Property". The Premises is to be used solely for light manufacturing, warehousing and related offices and shall not include any use that would cause the Premises to be a "place of public accommodation" under the Americans with Disabilities Act of 1990, as amended. Tenant shall not allow odors, noise or anything else to interfere with the rights of other tenants or injure, annoy or disturb them. Tenant shall not permit the use or storage of material amounts of hazardous substances or permit any waste, illegal act or anything that would increase the Property insurance rate. Prior to taking occupancy, Tenant must provide Landlord with proof of business registration with the municipality, if required.

2. **TERM.** This Lease begins on the Commencement Date and ends on the Expiration Date shown on the Reference Page. If possession can't be delivered on the Commencement Date and Tenant did not cause the delay, Landlord shall not be liable for damages but Rent shall be equitably abated. Such delay will not affect the Expiration Date or Tenant's other obligations. Use of the Property prior to the Commencement Date shall be subject to all provisions of this Lease except as otherwise noted herein.

3. **RENT.** Tenant shall pay the Monthly Net Rent set forth on the Reference Page, Expenses (as defined in Article 4), plus other sums due ("Additional Rent"), together known as "Rent", on the first of each month without deduction or setoff. Annual Net Rent includes reimbursement in a per-square-foot amount to be determined for Landlord's office work on Exhibit C Work Letter. Rent not received by the fifth of the month shall be charged a three percent (3%) late fee on the amount due.

4. **EXPENSES.** Property "Expenses" shall include real estate taxes and fees, rents or assessments paid to any governmental authority whether ordinary or extraordinary, foreseen or unforeseen and any personal property, sales, rental, gross receipts, use or occupancy tax paid by Landlord. Expenses shall also include the cost of insurance, roofs (repairs not replacements), methane mitigation and monitoring costs and fees for management, tax appeal or insurance purposes. All other Property repairs and maintenance shall be performed and paid by Tenant in accordance with Article 7 hereof.

   Within one hundred twenty (120) days after the end of each year, Landlord shall furnish a statement setting forth in reasonable detail by category of expense the actual cash basis Expenses, equitably adjusted to reflect tax abatements and direct payments by Tenant to Landlord or third party. Within thirty (30) days after Landlord's annual statement, Landlord or Tenant shall pay the amount needed to adjust Tenant's estimated payments to Tenant's actual Expenses. Partial years shall be equitably prorated. Expense records may be reviewed until December 31st of the next year by Tenant/its representative on a non-contingency fee basis. Landlord shall have the right to reasonably revise Expenses and provide Tenant with a revised statement.

5. **SECURITY DEPOSIT.** Intentionally omitted. Refer to Exhibit E ("Guaranty").

6. **ALTERATIONS.** Tenant shall not alter or improve the Premises ("Alteration") without Landlord's prior written consent which shall not be unreasonably withheld if the Alteration is non-structural and does not affect any building systems or reduce the Property's value. Prior to Lease termination, Tenant must restore the Premises to its original condition as of the Commencement Date, reasonable wear and tear excepted, or pay Landlord for such restoration, unless, at the time of Landlord's written consent, Landlord indicated the Alteration would not require removal. Tenant shall not be required to remove any improvements existing in the Premises as of the Commencement Date or any items which are part of Landlord's Work as set forth in Exhibit C Work Letter. Tenant agrees to construct all Alterations in accordance with all codes and provide Landlord electronic as-built drawings.

7. **REPAIR.** Except as otherwise provided herein, by taking possession, Tenant accepts the Premises as being in good repair and in the condition promised. Tenant shall maintain the Premises in good condition and promptly make all repairs and replacements with quality materials and workmanship in compliance with all regulations. The obligation to maintain shall include, without limitation, windows, office entries, walls, all floors, electrical and lighting (including lamps, ballasts, and electrical inspections), signage, fire suppression and monitoring equipment (and annual NFPA inspections/certifications), dock levelers, shelters and doors, lifts, plumbing, fans, tube heaters and other heating, ventilation and air conditioning systems (providing Landlord HVAC service records semi-annually evidencing maintenance per manufacturer recommendations) serving the Premises. In addition, Tenant shall contract for and be solely responsible for the cost of snow plowing, snow removal, salting, grass cutting and fertilization, and landscaping (including irrigation) comparable to a class A industrial park and Landlord shall not include the costs of any such items in the Expenses. Tenant shall promptly repair Property damage caused by its agents, employees or visitors or Landlord may make such repair and bill Tenant. Tenant shall not permit any action that may void roof or other warranties or overload any building component or mezzanine. Notwithstanding anything contained herein to the contrary, under no circumstance shall Tenant be responsible for any expenses related to capital improvements of the Premises.

Landlord shall be responsible for roof and structural replacements including the foundation. Tenant shall give notice of any needed (Landlord) maintenance and give Landlord a reasonable opportunity to address such item. Landlord's liability shall be limited to the cost of such service or repair. In the event Landlord has failed to address such item, Tenant, at Tenant's election (but without any obligation to do so), may perform any of such obligations that Landlord failed to perform for the account of Landlord, provided, however, that Tenant may not exercise its cure rights unless Landlord shall have failed to perform any obligations within thirty (30) days after written notice from Tenant specifying such failure or such longer period as reasonably necessary if such failure cannot be reasonably cured within such 30-day period, so long as Landlord commences such cure within such 30-day period and diligently pursues such cure to completion. In such event, Landlord shall reimburse Tenant for its reasonable out-of-pocket costs incurred in connection with Tenant's performance of such obligations within fifteen (15) days after Tenant's rendition of a bill or statement to Landlord therefor. If Landlord fails to reimburse Tenant for such amounts within said fifteen (15) days, then Tenant may deduct the reasonable amounts so expended by Tenant from the next succeeding payments of Rent coming due under this Lease provided the total amount of Net Rent permitted to be offset in any twelve (12) month period shall not exceed ten percent (10%) of the annual Net Rent due under the terms of this Lease. Any amounts due to Tenant which exceed ten percent (10%) of the annual Net Rent due, and therefore are not fully repaid by offsetting Net Rent in the first year following Tenant's expenditure of funds, shall be carried forward to subsequent years (not to exceed ten percent (10%) of annual Net Rent per year).

8. **LIENS.** Tenant shall keep the Property free from liens. Any lien not released or bonded over within fifteen (15) business days of notice of filing may be released by any means Landlord deems reasonable, including payment of the claim. Such sums advanced shall be considered Additional Rent due within thirty (30) days.

9. **SUBLET/ASSIGNMENT.** Tenant may assign this Lease or sublet the Premises to any parent, subsidiary, affiliate, franchisee or successor company of Tenant (including a successor in connection with the sale of all or substantially all of Tenant's assets) without Landlord's consent (collectively, a "Permitted Transfer"); however, Tenant shall give prior notice of such sublet or assignment to Landlord. Tenant shall not pledge, sublet or assign this Lease to any other entity without Landlord's written consent. Provided Tenant reimburses Landlord's

reasonable costs, is not in default, and the proposed tenant is financially sound, has a good reputation and is not an environmental risk, such consent shall not be unreasonably withheld. Tenant's sole remedy shall be specific performance with respect to any assertion that Landlord's consent was unreasonably withheld. Landlord may terminate this Lease rather than permit the subletting or assignment of all of the Premises or elect to receive fifty percent (50%) of all increased rents from such transaction which exceed the rents set forth in this Lease. Subtenants and assignees shall have no right to sublet or assign this Lease. Tenant shall require any successor or occupant through Tenant be bound in writing by all the terms of this Lease specifically including Articles 10, 11 and 12. Any assignment or subletting shall not release Tenant of its obligations under this Lease.

10. **MUTUAL INDEMNIFICATION.** Landlord shall indemnify, defend and hold harmless ("Indemnify") Tenant from third-party claims, liability or costs due to the default, work, negligence, acts or omissions of Landlord, its agents, employees or visitors. Tenant shall Indemnify Landlord from third-party claims, liability or costs due to the default, work, negligence, acts, or omissions of Tenant, its agents, employees or visitors. This Article shall survive Lease termination.

11. **INSURANCE.** Tenant and its contractors shall maintain **Workers' Compensation** insurance and **Employers' Liability** insurance with limits of one million dollars ($1,000,000) each for: Each Accident; Disease - Each Employee; and Disease - Policy Limit. Tenant and its contractors shall maintain **Automobile Liability** insurance for all owned, non-owned and hired vehicles and **Commercial General Liability** insurance (on an occurrence basis) covering third-party claims including bodily injury/property damage and personal injury including, but not limited to, liability arising out of Tenant's use of the Premises or "Common Drives" as shown on Exhibit A, each with a limit of five million dollars ($5,000,000) per occurrence and five million dollars ($5,000,000) general aggregate per location of primary coverage. Tenant's liability policies shall name Landlord and its affiliates, ground owner and mortgagee as additional insureds (on a primary and noncontributory basis) and Tenant shall immediately provide notice of cancellation or non-renewal to Landlord. Tenant shall also maintain insurance for business income and against loss to all property of Tenant (including Alterations) or others, regardless of ownership, that are stored/used in the Property) in amounts not less than the replacement value of such property and that also covers consequential damages associated with any loss. Landlord shall carry property, liability and other insurance as required by its lenders, but in no event less than replacement value with respect to property insurance on the Building. Any claim in excess of policy limits or primary coverage shall be considered a self-insured risk of Landlord or Tenant. Insurance certificates shall be provided to Landlord prior to occupancy.

12. **MUTUAL WAIVER OF CLAIMS & SUBROGATION.** Notwithstanding anything else herein, Landlord and Tenant (and any occupant through Tenant) waive all claims and the right of subrogation against each other for any loss/ injury that was or should have been covered by insurance under Article 11. This Article shall survive Lease termination.

13. **UTILITIES.** Tenant shall pay all utility charges for the Premises.

14. **FIRE MONITORING, SECURITY AND COMMUNICATIONS.** Tenant shall contract with a Landlord-designated monitoring company and pay all associated costs when the Premises is equipped with fire monitoring equipment. Tenant shall provide and maintain other related equipment such as hose reels, fire extinguishers, strobe lights, signage, etc. as required by authorities. Tenant may install approved security systems, communications equipment and wiring as an Alteration, subject to the terms of Article 6.

15. **SUBORDINATION.** This Lease shall be subordinate to any mortgage or ground lease. In the event any mortgagee succeeds to the interests of Landlord under this Lease, Tenant shall attorn to such mortgagee, and such mortgagee shall not be: a) liable for any act or omission of Landlord; b) subject to any offsets or defenses Tenant has against Landlord; or c) bound by prepayment of more than one month's Rent. Tenant

shall execute mortgagee's standard subordination, non-disturbance and attornment agreement within ten (10) days of Lease execution.

16. **HOLD OVER.** Tenant shall pay all damages plus one hundred fifty percent (150%) of the Rent due if it retains possession of Premises after the Expiration Date or earlier Lease termination without the Landlord's consent.

17. **RULES.** Tenant shall comply with the Environmental Requirements (Exhibit B) and Property rules reasonably set forth by Landlord. Tenant may not install signs, lettering or advertising without Landlord's written consent and must comply with governmental regulations and Property standards. Tenant must use a compactor or covered dumpster for all trash. No outside storage shall be permitted. Tenant shall use non-marking tires on any forklift operating in the Premises. Notwithstanding the foregoing, Tenant, at its sole cost and expense, shall have the right to install one (1) facade-mounted sign provided: (a) the sign size, design, and location is pre-approved by Landlord; (b) Tenant secures municipality approval for the sign; and (c) upon Lease expiration, Tenant, at its sole cost and expense, removes the sign and restores the Property to the condition prior to the installation of the sign.

18. **REENTRY.** Landlord may reenter the Premises at reasonable times and with reasonable prior notice (except in the case of an emergency) to inspect, provide or install Property systems or services, alter or repair the Property, or, within the last year of the term and with prior notice to Tenant, show the Premises to prospective tenants. Tenant waives any claim for such reentry and Landlord shall reasonably minimize business interference to Tenant.

19. **DEFAULT.** If Tenant shall default in: a) the payment of Rent which is not paid within ten (10) business days of when due; b) the observance of any ordinance, law or regulation or any term, covenant or condition of this Lease or other agreement with Landlord and fail to remedy or commence to remedy (and diligently pursue completion) such default within twenty (20) days after notice; or c) subletting or assigning this Lease without consent; then, Landlord may give Tenant the statutorily required notice of Lease termination and Tenant shall remain liable for damages and Rent due hereunder. Landlord's failure to enforce any of its rights shall not limit the future enforcement of any right. Upon any action taken by Tenant or Guarantor under any bankruptcy act, Landlord may terminate this Lease.

20. **REMEDIES.** If this Lease terminates due to Tenant's default, Tenant shall pay: a) Rent until termination; b) the costs of re-letting and any deficiency between Rent and rent collected under such re-letting; and c) legal and other default related costs. Landlord may forego terminating this Lease and recover Rent as it becomes due. After default, Landlord may dispossess Tenant and its property without releasing Tenant from any obligation, including Rent. Tenant and its creditors waive all claims for damages from such expulsion.

21. **QUIET ENJOYMENT.** Landlord has the authority to execute this Lease and Tenant, while performing all its obligations shall quietly have, hold and enjoy the Premises without hindrance from Landlord.

22. **CASUALTY.** If the Premises is damaged by casualty, Landlord shall make the repairs and Rent shall equitably abate. If repairs cannot be substantially completed within one hundred eighty (180) days, Landlord shall notify Tenant as soon as practical and either party may terminate this Lease within thirty (30) days of such notice. Landlord shall not repair/replace property of Tenant or others.

23. **SALE OF PROPERTY.** If the Property is sold, Landlord shall be released from future liability and Tenant shall look to Landlord's successor (if any Security Deposit has been transferred). Except for this Article, this Lease shall not be affected by an ownership change.

24. **EMINENT DOMAIN.** If a material part of the Premises is taken under eminent domain, either party may terminate this Lease upon such taking. Tenant may claim dislocation damages provided such amount does not reduce Landlord's award.

25. **ESTOPPEL CERTIFICATES.** Within ten (10) days of request, Tenant shall deliver to Landlord, or any prospective landlord or mortgagee, a statement certifying: a) the Expiration Date; b) that this Lease is unmodified except as specified; c) the date to which Rent has been paid; d) that there are no defaults of Landlord's obligations except as specified; and e) financial, environmental and other information as reasonably requested, provided the form is mortgagee's or Landlord's standard form.

26. **FINANCIAL INFORMATION.** Tenant shall cause its parent company, Intellinetics, Inc. ("Guarantor"), to execute and deliver the Guaranty in the form attached hereto as Exhibit E. Tenant agrees that: i) Landlord has entered into this Lease based on its receipt and review of Guarantor's Balance Sheet, Income Statement, Statement of Cash Flow, Financial Footnotes, and any other financial information provided ("Financial Statements"); ii) in the event that the Guarantor is not a publicly traded company, then during the term of this Lease, but not more than once per calendar year, Tenant and Guarantor shall have an on-going duty to provide its most current audited Financial Statements to Landlord within ten (10) days of Landlord's written request in the event of a sale or refinancing of the Property; and iii) Landlord will have the right to distribute Tenant's and Guarantor's Financial Statements to the current Mortgagee, any future Mortgagee, or any potential purchaser provided that such information is treated as confidential by Landlord and the other recipients. All such recipients and their successors and/or assigns may rely on the Financial Statements provided therein. For the avoidance of doubt, for so long as the Guarantor is a publicly traded company, neither Tenant nor Guarantor shall have any obligation to provide Landlord with any additional Financial Statements as such are publicly available to Landlord.

27. **RETURN OF PREMISES.** Tenant agrees to return the Premises in good condition, remove or pay Landlord to remove (unless Landlord otherwise notified Tenant in writing that removal is not required) any Alterations and to restore the Premises to the condition and cleanliness that existed upon Tenant's initial occupancy (including painting if necessary because of Tenant's use or poor housekeeping) and otherwise in accordance with Exhibit D hereof, ordinary wear excepted. Disputes shall be arbitrated by a third-party architect, engineer or lawyer mutually chosen by Landlord and Tenant, with such cost split equally.

28. **NOTICES.** Notices shall be sent by overnight courier or Certified Mail, with a confirmation of delivery, using the address(es) set forth on the Reference Page, and shall be deemed given upon delivery.

29. **FORCE MAJEURE.** Except for timely Rent payment, Landlord or Tenant shall not be in default hereunder when performance of any term or condition is prevented by a cause beyond its control, including but not limited to, disruption caused by any public health crisis or pandemic, including COVID-19.

30. **BROKER.** Each party warrants it has only dealt with the Broker(s) on the Reference Page and indemnifies and holds the other harmless from all liability and expense as a result of any alleged warranty breach. Landlord shall be responsible for the payment of any brokerage commissions to the Brokers pursuant to the terms of a separate agreement.

31. **PARKING.** Tenant shall have sole and exclusive use of the parking areas shown within the boundaries of the Premises as noted on Exhibit A. No parking of inoperative vehicles or trailers on the Property is allowed.

32. **RELOCATION.** Intentionally omitted.

33. **WAIVER OF JURY TRIAL.** Landlord and Tenant agree to waive trial by jury in any proceeding against the other and to try cases under the laws of the state where the Property is located.

34. **DEFINED TERMS AND MISCELLANEOUS.** The headings herein are for convenience and in no way describe the scope or intent of any Article. Any indemnification or naming of Landlord shall include its lenders, trustees, directors, beneficiaries, agents, members, successors, contractors, shareholders, affiliates, employees, and ground owner. The terms person, Tenant, Landlord or any noun or pronoun used in place thereof, shall include the masculine or feminine, singular or plural, individuals, firms, and corporations according to the context thereof.

    Rentable Area of the Premises is defined to be the square footage on the Reference Page. The Premises is not reserved nor is this Lease effective until executed by Landlord and Tenant.

    If any provision herein is judged unenforceable, all other provisions shall remain in full force and effect. Time is of the essence for this Lease. This Lease was freely negotiated between the parties and in any controversy there shall be no presumption or conclusion drawn by virtue of which party drafted any Lease section. Any option to extend the term or terminate this Lease or to expand or reduce the Premises is void (or may be voided by Landlord if already exercised) in the event the Lease is assigned (but excluding a Permitted Transfer), the Premises sublet (but excluding a Permitted Transfer) or Tenant is in default. This Lease supersedes any previous understanding or agreement of the parties and may not be modified except in writing. Electronic signatures shall have the same binding effect as original signatures.

35. **ENVIRONMENTAL DISCLOSURE.** Pursuant to MCL 324.20116(1), Landlord hereby discloses to Tenant that the Property is a portion of a larger area that has been designated a "facility" as defined by the MCL 324.20120a(1)(a) and based upon the presence of contaminated soils and groundwater resulting from releases prior to Landlord taking ownership. Landlord has filed a Baseline Environmental Assessment ("BEA") and will file a Due Care Plan with the Michigan Department of Environment, Great Lakes, and Energy ("EGLE"). In the event Tenant intends to perform any work at the Premises or Property that may be subject to the Due Care Plan, Tenant shall be responsible for providing a copy of the Due Care Plan to its employees and/or contractors who will be performing such work. A copy of the BEA has been provided to Tenant and a copy of the Due Care Plan will be completed by May 01, 2021 and available for review once completed by contacting either Landlord or EGLE at:

    Michigan Department of Environment, Great Lakes, and Energy
    Southeast Michigan District – Attn: FOIA Clerk
    27700 Donald Court
    Warren, MI 48092-2793
    Phone: 586-753-3700
    Fax: 586-751-4690
    Email: deqfoia@michigan.gov

    Tenant shall be permitted to conduct, at its own expense, an environmental survey, testing and/or audit to determine the environmental condition of the Premises prior to the Commencement Date and Landlord shall reasonably cooperate with Tenant in such regard.

36. **OPTION TO EXTEND.** Tenant shall have one (1) "Option to Extend" the term of this Lease for one (1) additional five (5) year period provided: (a) Tenant is not in default; and (b) Tenant provides written notice to Landlord on or before October 31, 2027. Tenant's election to exercise this Option to Extend shall be deemed an acceptance of the Premises in its then current condition. Net Rent for the first year of the extended period shall be $10.25 PSF and shall increase three percent (3%) annually thereafter.

37. **SET-UP PERIOD.** Tenant may access the warehouse portion of the Premises for the purpose of setting up its warehouse operations from April 01, 2021 through April 30, 2021 ("Set-Up Period") provided: (a) Tenant has provided Landlord with proof of its business registration with the City of Sterling Heights; (b) Tenant has provided Landlord with proof of insurance; (c) Tenant's activities will not interfere with the completion of the improvements required by Landlord in Exhibit C Work Letter; and (d) the local authorities allow the set-up activities. During this Set-Up Period, Tenant will not be required to pay Net Rent or Expenses, but shall be required to pay utilities for the Premises. Any delays in completion of the improvements required by Landlord in Exhibit C Work Letter caused by Tenant's use of the Premises during the Set-Up Period shall not delay the Commencement Date of this Lease.

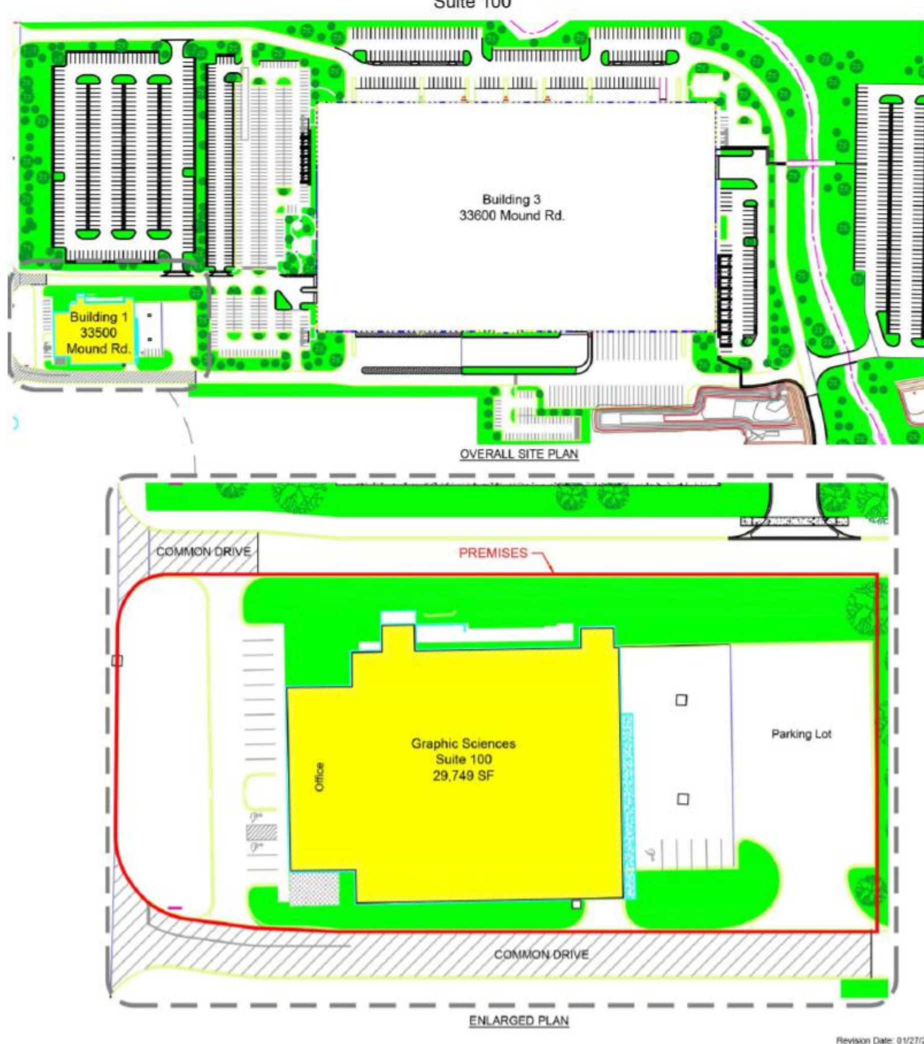
END OF LEASE
See attached Exhibits

EXHIBIT A

Liberty Park Commerce Center

33500 Mound Road
Sterling Heights, MI 48312

GRAPHIC SCIENCES
Suite 100



Revision Date: 01/27/21

EXHIBIT B
ENVIRONMENTAL REQUIREMENTS

Tenant shall operate its business on the Property and maintain the Premises in compliance with all federal, state and local laws, regulations and requirements (including maintaining NPDES and other permits if applicable) relating to chemicals, pollutants or contaminants, including, without limitation, smoke, vapors, soot, fumes, acid, alkalis, toxic chemicals, liquids or gases, waste materials, including medical, infectious and pathological wastes, electromagnetic fields, low level radioactive material, or other irritants, contaminants or pollutants ("Hazardous Substances") into or upon land, or structures thereupon, the atmosphere, or any watercourse or body of water including groundwater ("Environmental Laws"). Hazardous Substances includes, but is not limited to, all hazardous or toxic substances, materials or wastes and those substances identified as hazardous or solid wastes under the Resource Conservation and Recovery Act (RCRA), or "hazardous substances" as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time; mold; any oil or petroleum products; asbestos; PCBs; and any substances, materials or wastes that are or become regulated under Environmental Laws. Tenant shall avoid, when reasonably possible, the use or storage of Hazardous Substances and keep, store and dispose of them in compliance with all Environmental Laws. Tenant shall make reasonable efforts not to use propane-fueled forklifts but if used, the air quality shall comply with state and OSHA standards. Tenant shall also regularly monitor its equipment and air quality in the Premises to ensure compliance with all applicable health standards. Tenant shall not allow any Hazardous Substances to come in contact with soil or groundwater at the Property.

Tenant shall give Landlord prompt written notice of any instituted or threatened action, proceeding or claim alleging a violation of Environmental Laws or Hazardous Substances contamination at or affecting the Property. Tenant shall also give Landlord prompt written notice of any condition or occurrence at the Property which constitutes a violation of Environmental Laws or would justify a demand for removal or remediation under Environmental Laws.

Tenant shall, upon Landlord's request, identify in writing all material amounts of Hazardous Substances present at the Property.

Within ten (10) days of request, Tenant shall execute and deliver to Landlord or any prospective landlord or mortgagee a statement certifying: (1) the Hazardous Substances previously or currently used or stored by Tenant at the Property; (2) that Tenant has obtained and maintained in full force and effect all permits and approvals required under Environmental Laws for the conduct of Tenant's business at the Property and provide copies of those permits and approvals; (3) excluding those items known to Landlord in Landlord's BEA that Tenant has no notice or knowledge of the presence of Hazardous Substances on the Property that could form the basis for cleanup, remedial, removal or restoration work under Environmental Laws; and (4) other environmental or related information as reasonably requested.

If Tenant breaches its obligations under this Exhibit B, or if the presence of Hazardous Substances on the Property caused or permitted by Tenant results in contamination of the Property or increases Landlord's cost of renovating and/or repairing the Property, or if contamination of the Property by Hazardous Substances otherwise occurs for which Tenant is legally responsible, then Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitations, diminution in value of the Property and sums paid in settlement or defense of claims, attorneys' fees, consultant fees and expert fees) which arise before or after the Lease termination as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local government agency or political subdivision or private party.

Without limiting the foregoing, if the presence of any Hazardous Substances on the Property caused or permitted by Tenant results in any contamination of the Property, Tenant, at its sole expense, shall promptly take all actions necessary to return the Property to the condition existing prior to the introduction of any such Hazardous Substances to the Property. For the avoidance of doubt, Tenant shall have no obligation or responsibility to remediate Hazardous Substances currently existing on the Property as of the effective date of this Lease including, but not limited to, those Hazardous Substances and environmental conditions as disclosed in Landlord's BEA.

Landlord shall not cause or intentionally allow the presence of Hazardous Substances in the Premises that would be in violation of Environmental Laws. Tenant acknowledges that there may be small amounts of non-friable asbestos in properties constructed prior to 1990. Landlord agrees to indemnify, defend and hold Tenant, its officers, directors, partners, shareholders, employees and agents harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses which arise from the presence of Hazardous Substances in the Premises if (i) caused by Landlord, its employees, agents or contractors or (ii) existing or to the extent arising from subsurface contamination existing prior to the effective date of this Lease, including, but not limited to, those Hazardous Substances and environmental conditions as disclosed in Landlord's BEA. This indemnification of Tenant by Landlord includes, without limitation, costs in connection with any investigation of site condition on any cleanup, remedial, removal or restoration work required by any federal, state or local government agency or political subdivision or private party.

Tenant shall comply with any environmental due care obligations applicable to occupants of the Property, with respect to any environmental conditions of which Tenant has knowledge.

The foregoing indemnity and obligations shall survive the termination of this Lease. Landlord and its agents shall have the right, but not the duty, to inspect the Property to determine whether Tenant is complying with the terms of this Exhibit.

EXHIBIT C
WORK LETTER
(Graphic Sciences, Inc. – February 3, 2021)

EXISTING CONDITIONS: Landlord shall deliver the Premises with the following existing improvements, in good working order, which Tenant shall accept in "as-is" condition:

> **WAREHOUSE HEATING**: Forced-air, gas fired furnaces designed to provide fifty degrees Fahrenheit (50°F) inside temperature at zero degrees Fahrenheit (0°F) outside temperature.
>
> **WAREHOUSE ELECTRICAL**: 200 amps, 480/277 volts, 3-phase power. The distribution of Tenant-specific electric service shall be provided by Tenant and shall be done in accordance with all governmental codes and ordinances.

LANDLORD'S WORK: Landlord, at its sole cost and expense, shall provide the following improvements:

> **OFFICE AREA**: Landlord shall update the existing office/restroom/breakroom area which consists of approximately four thousand six hundred forty-three square feet (4,643 SF). Updates shall include, but not be limited to, new carpeting and VCT flooring, lighting, paint and drop ceiling throughout; refresh of kitchenette including new flooring, millwork and fixtures; refresh of restrooms including ADA compliance, removal of lockers, new flooring, millwork and fixtures. The office layout shall be based on a mutually agreed upon space plan but to include open-span office space, two (2) private north offices, restrooms, janitor closet and kitchenette. All restrooms shall be built to comply with state and local codes. The office space shall be delivered ninety (90) days after an office layout is mutually agreed upon by Landlord and Tenant and Landlord's receipt of all permits. If Tenant makes material changes to the agreed upon office layout, Landlord shall not be responsible for any extended move in date, nor shall Rent be abated/prorated for such delay. The office/restroom/break room area shall be constructed based upon Ashley Capital Standard Building Specifications, which are available upon request.
>
> **DOCK DOORS**: Landlord shall install two (2) dock doors (minimum size of 9' x 10'6), each equipped with a minimum 50,000 lb. capacity, in-floor, air-bag leveler, bumpers and shelters in locations to be mutually determined by Landlord and Tenant. Tenant acknowledges that the dock installation will require up to ninety (90) days after receipt of a building permit which Landlord shall apply for and diligently pursue as soon as reasonably possible upon execution of this Lease.
>
> **WAREHOUSE LIGHTING**: Landlord shall install Landlord's standard LED lighting fixtures to provide an overall average of 25FC at 36" AFF.
>
> **WAREHOUSE PAINTING**: Landlord shall paint the warehouse walls (excluding the outside walls) and the ceiling deck white and paint the columns safety yellow to eight feet (8').
>
> **DEMISING WALL**: Landlord shall remove the warehouse demising wall.
>
> **WAREHOUSE GENERAL**: Landlord shall remove all legacy manufacturing equipment, including HVAC distribution, buss ducts, and compressed air lines throughout. Landlord shall not be required to remove the existing overhead cranes but shall move them to one side of the warehouse to minimize interference with Tenant's operations.
>
> **SPRINKLER SYSTEM**: Landlord shall install an ESFR fire suppression system including a fire monitoring panel.
>
> **ROOF**: Landlord installed a new roof membrane in January of 2021.

<u>INDEMNIFICATION OF CONSTRUCTION MANAGER</u>: Tenant and its contractors, sub-contractors, agents, employees, invitees and others associated with Tenant's occupancy of the Premises, will be working at the Property concurrent with Landlord's Construction Manager/General Contractor (collectively, "GC"), and its sub-contractors during Tenant's set up time and for the initial period of Tenant's occupancy. Therefore, except with respect to claims or losses resulting from or attributable to GC's or its sub-contractor's negligence or willful misconduct, Tenant waives all claims against GC for damage to any property or injury to any person connected with Tenant and Tenant shall hold GC harmless from, and defend GC against all claims, liability or costs for property damage or personal injury to the extent such damage or injury shall arise from: a) the wrongful act or neglect of Tenant's agents, employees, contractors, sub-contractors or visitors; or b) any work done or not done by or on behalf of Tenant.

EXHIBIT D
MOVE-OUT STANDARDS

Notwithstanding anything to the contrary in the Lease, Tenant's obligation to surrender the Premises in good condition and broom clean pursuant to Article 27 of the Lease shall include, but not be limited to, the following work:

1. Lights:	All office, emergency exit and warehouse lights in working condition.
2. Dock Doors & Pedestrian Doors:	All dock door hardware, seals, shelters, and panels in undamaged, good and working condition (including weather-stripping and pull ropes). Pedestrian doors shall be in undamaged, good and working condition (including doors, frames, hardware, thresholds, closers and weather-stripping).
3. Warehouse Floor:	All floor tape, paint, coatings, stickers, and tire markings removed and floors broom clean. Racking and other bolts cut off, counter-sunk a minimum of ¼" and filled with Metzger McGuire Rapid Refloor or alternate acceptable to Landlord. All joint damage and cracks ≤ 3/8" (other than hairline cracks) repaired with Metzger McGuire EdgePro 90, a two-component, rapid curing polyurea semi-rigid joint filler. Joint damage, cracks > 3/8", staining, or other damage caused by Tenant shall require repair/replacement in accordance with Landlord's specifications, it its sole discretion. Scratches, rutting, and other abrasion-related damage repair methods are subject to Landlord's review and written approval.
4. Tenant-Installed Wiring:	All wiring terminated back to the point of connection. Telecom and data wiring removed and terminated at the building demarcation point.
5. Walls:	Walls patched and returned to a paint-ready condition. Any walls painted a non-standard color shall be primed.
6. Signage:	All Tenant-installed interior and exterior signage removed. Any surface damage to the interior, exterior, and doors caused by such removal repaired, including patching of all holes and painting to match exterior color.
7. Dock Levelers & Equipment:	All dock equipment in undamaged, good working condition.
8. Mechanical Equipment:	All mechanical equipment, including fans, tube heaters and heating, ventilation and air conditioning systems (HVAC) in good working condition. Tenant shall have provided service records in accordance with Article 7 to Landlord throughout the term of the Lease for all fans, tube heaters and HVAC evidencing maintenance per manufacturer's recommendations and that equipment is free of deficiencies.
9. Column Repairs:	Building columns damaged by Tenant repaired and painted.
10. Concrete and Asphalt:	Exterior concrete and asphalt surfaces damaged by Tenant repaired.

In the event Tenant makes any Alterations to the Premises in accordance with Article 6 hereof, prior to Lease termination, Tenant must restore the Premises to its original condition or pay Landlord for such restoration, unless, at the time of Landlord's written consent, Landlord indicated the Alteration would not require removal.

EXHIBIT E
GUARANTY

FOR VALUE RECEIVED, in consideration for, and as an inducement to Liberty Park Commerce Center, LLC ("Landlord"), to enter into a certain lease (as it may hereafter be further modified or amended, the "Lease") with Graphic Sciences, Inc. ("Tenant"), Intellinetics, Inc. ("Guarantor"), as the parent of Tenant, whose address is 2190 Dividend Drive, Columbus, Ohio 43228 and whose Employer Identification Number is __________________________ hereby guarantees to Landlord, its successors and assigns, subject to the terms and conditions hereof, the payment of all non-accelerated monthly Net Rent, Expenses, utility charges and costs to fulfill Tenant's obligations under the Lease from the date thereof through the termination of the Lease by Landlord and Tenant or upon the expiration of the Lease term including any extensions thereof.

Guarantor hereby waives demand for performance, notice of performance and notice of acceptance of this Guaranty. Guarantor agrees that upon receipt of written notice from Landlord of the occurrence of a default by Tenant under the Lease and the continuance thereof beyond the expiration of any applicable cure or grace period under the Lease, Landlord may proceed against Guarantor before, after or simultaneously with proceeding against Tenant. If Guarantor cures within such period, Tenant shall not be held in default under the Lease and Landlord shall not have the right to proceed against Tenant or Guarantor on such basis. This Guaranty shall not be terminated, affected or impaired in any manner by reason of: (1) any amendment, addition, assignment, sublease, transfer, renewal, extension or other modification of the Lease; (2) the assertion by Landlord against Tenant of the provisions of the Lease; (3) the commencement of summary or other proceedings against Tenant; (4) any bankruptcy, reorganization, dissolution, liquidation or insolvency of Tenant; (5) any change in the composition of the partners of the Tenant; or (6) the death or incompetency of Guarantor. Guarantor shall only be released from responsibility under this Guaranty if Landlord, in its sole discretion, consents to such release in writing. The failure of Landlord to insist in any one or more instances upon strict performance of observance of any of the terms, provisions or covenants of the Lease or to exercise any rights therein contained shall not be construed or deemed to be a waiver or relinquishment for the future of such term, provision, covenant or right but the same shall continue and remain in full force and effect. All duties and obligations of Guarantor pursuant to this Guaranty shall be binding upon the successors and assigns of Guarantor. All capitalized terms used in this Guaranty shall have the same meanings as are given to such terms in the Lease, unless otherwise specifically defined in this Guaranty. This Guaranty shall be governed and construed in accordance with the laws of the State of Michigan.

Nothing contained in this Guaranty shall abrogate the duty of Landlord under the State of Michigan law to mitigate its damages resulting from a breach or default by Tenant under the Lease.

IN WITNESS WHEREOF, this Guaranty is executed as of the _____ day of _____________, 2021.

____
Guarantor Name

____
By (Signature)

____
Printed Name

____
Title

EXHIBIT E
GUARANTY

FOR VALUE RECEIVED, in consideration for, and as an inducement to Liberty Park Commerce Center, LLC ("Landlord"), to enter into a certain lease (as it may hereafter be further modified or amended, the "Lease") with Graphic Sciences, Inc. ("Tenant"), Intellinetics, Inc. ("Guarantor"), as the parent of Tenant, whose address is 2190 Dividend Drive, Columbus, Ohio 43228 and whose Employer Identification Number is 31-1491111 hereby guarantees to Landlord, its successors and assigns, subject to the terms and conditions hereof, the payment of all non-accelerated monthly Net Rent, Expenses, utility charges and costs to fulfill Tenant's obligations under the Lease from the date thereof through the termination of the Lease by Landlord and Tenant or upon the expiration of the Lease term including any extensions thereof.

Guarantor hereby waives demand for performance, notice of performance and notice of acceptance of this Guaranty. Guarantor agrees that upon receipt of written notice from Landlord of the occurrence of a default by Tenant under the Lease and the continuance thereof beyond the expiration of any applicable cure or grace period under the Lease, Landlord may proceed against Guarantor before, after or simultaneously with proceeding against Tenant. If Guarantor cures within such period, Tenant shall not be held in default under the Lease and Landlord shall not have the right to proceed against Tenant or Guarantor on such basis. This Guaranty shall not be terminated, affected or impaired in any manner by reason of: (1) any amendment, addition, assignment, sublease, transfer, renewal, extension or other modification of the Lease; (2) the assertion by Landlord against Tenant of the provisions of the Lease; (3) the commencement of summary or other proceedings against Tenant; (4) any bankruptcy, reorganization, dissolution, liquidation or insolvency of Tenant; (5) any change in the composition of the partners of the Tenant; or (6) the death or incompetency of Guarantor. Guarantor shall only be released from responsibility under this Guaranty if Landlord, in its sole discretion, consents to such release in writing. The failure of Landlord to insist in any one or more instances upon strict performance of observance of any of the terms, provisions or covenants of the Lease or to exercise any rights therein contained shall not be construed or deemed to be a waiver or relinquishment for the future of such term, provision, covenant or right but the same shall continue and remain in full force and effect. All duties and obligations of Guarantor pursuant to this Guaranty shall be binding upon the successors and assigns of Guarantor. All capitalized terms used in this Guaranty shall have the same meanings as are given to such terms in the Lease, unless otherwise specifically defined in this Guaranty. This Guaranty shall be governed and construed in accordance with the laws of the State of Michigan.

Nothing contained in this Guaranty shall abrogate the duty of Landlord under the State of Michigan law to mitigate its damages resulting from a breach or default by Tenant under the Lease.

IN WITNESS WHEREOF, this Guaranty is executed as of the 5th day of February, 2021.

Intellinetics, Inc.
Guarantor Name

By (Signature)

Jim DeSocio
Printed Name

President & Chief Executive Officer
Title

Exhibit 21.1

Subsidiaries of the Registrant

Listed below are the subsidiaries of Intellinetics, Inc. as of December 31, 2020. Intellinetics, Inc. had two subsidiaries as of December 31, 2020.

Subsidiary Name	State/Jurisdiction of Incorporation
1. Intellinetics, Inc.	Ohio
2. Graphic Sciences, Inc.	Michigan

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Intellinetics, Inc. and Subsidiaries
Columbus, Ohio

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (No. 333-237721, 333-222765 and 333-210484) of Intellinetics, Inc. of our report dated March 30, 2021 on the consolidated financial statements of Intellinetics, Inc. and Subsidiaries, which appear in this Annual Report on Form 10-K of Intellinetics, Inc.

/s/ GBQ Partners LLC

Columbus, Ohio
March 30, 2021

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James F. DeSocio, certify that:

1. I have reviewed this Annual Report on Form 10-K of Intellinetics, Inc.;

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

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

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

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

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

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

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

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

a) All significant deficiencies 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: *<u>/s/ James F. DeSocio</u>*
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph D. Spain, certify that:

1. I have reviewed this Annual Report on Form 10-K of Intellinetics, Inc.;

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

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

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

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

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

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

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

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

a) All significant deficiencies 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/ Joseph D. Spain*
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellinetics, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission (the "Report"), I, James F. DeSocio, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: March 30, 2021

By: */s/ James F. DeSocio*
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Intellinetics, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission (the "Report"), I, Joseph D. Spain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: March 30, 2021

By: */s/ Joseph D. Spain*
Chief Financial Officer