

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION

VERTICAL COMPUTER SYSTEMS, INC. §  
AND NOW SOLUTIONS, INC., §

*Plaintiffs,* §

v. §

DEREK WOLMAN AND DAVIDOFF, §  
HUTCHER AND CITRON, LLP., §

*Defendants.* §

CASE NO. 4:24cv395

---

**PLAINTIFFS' ORIGINAL COMPLAINT**

---

TO THE HONORABLE DISTRICT COURT:

COME NOW Plaintiffs Vertical Computer Systems Inc. (hereinafter "Vertical") and NOW SOLUTIONS, Inc. (hereinafter "NOW") collectively hereinafter "Plaintiffs" and file this original Complaint against Defendants Derek Wolman ("Wolman") and the law firm of Davidoff, Hutcher and Citron LLP. ("Davidoff") hereinafter collectively "Defendants" and for same would show the Court as follows:

**I. PARTIES**

1. Plaintiffs Vertical and NOW are Delaware corporations headquartered in Collin County with the business address of 2100 N. Greenville Avenue, Richardson, Texas 75082.

2. Defendant Wolman is believed to be a permanent resident of New York where he may be contacted and served at his office address at 605 Third Avenue, New York, New York 10158.

3. Davidoff is a New York law firm with its address at 605 Third Avenue, New York, New York 10158 where it may be served with process. Wolman is a partner at Davidoff.

4. As shown below both Defendants acted as outside legal counsel for the Plaintiffs at various times from 2005 to 2020. In addition, Wolman also entered into personal business dealings with the Plaintiffs and their CEO, President and Director Richard S. Wade (“Wade”) who at all material times was a legal resident of Texas. In 2015, the Defendants represented Vertical in response to shareholder litigation seeking to force Wade to hold an annual meeting. Said meeting took place in Texas. In connection with these business dealings, Wolman loaned money personally to Wade and NOW, in return for which he received very favorable terms on the loans and legal fees charged to his clients. These business dealings ultimately resulted in a default judgment Wolman took against his client NOW in October 2017. Based on that judgment he obtained a levy against a bank account of NOW in New York in October 2023, which account Wolman had set up in 2020 using the Davidoff firm address as the New York office of NOW, though NOW never had employees or office there at any time. These business contacts, ongoing legal representation and multiple agreements entered into by the Defendants with Wade personally and the Plaintiffs, Vertical and NOW, establish sufficient jurisdiction over both defendants in Texas. At all material times Plaintiffs had their principal place of business in Richardson, Texas.

## II. JURISDICTION AND VENUE

5. Venue is proper in the Eastern District of Texas, Sherman Division, because it is the business address of both Plaintiffs and is the physical location of where the tortious acts were committed and where the damages were incurred. This court has jurisdiction under 28 U.S.C. 1332 (a) because there is complete diversity of the parties and the amount in controversy exceeds \$75,000.00. Moreover, this court has jurisdiction over Plaintiffs’ private cause of action under 18

U.S.C. Sec. 1961, et seq (Racketeer Influenced and Corrupt Organizations Act). The court has pendent jurisdiction over the Breach of Fiduciary duty and Declaratory Judgment causes of action.

### III. FACTS COMMON TO ALL CAUSES OF ACTION

6. Wade was the President and CEO of Vertical and, in continuing breach of his fiduciary duties, Wolman and Davidoff extorted Vertical and NOW using Wade's position as CEO, the pressures of personal debts owed by Wade, and their professional services as attorneys to the corporation. The President and CEO Wade, alongside his ill-aligned attorney Wolman, conjured fraudulent and fiduciary breaching loans, beneficial quid pro quo deals, and the exchange of corporate assets for their own self gain. Defendants employed the enterprise to procure hundreds of thousands of dollars, corporate liability, and corporate stock using the Plaintiffs as a conduit for corruption through direction, advice, and control over Wade by engaging in a pattern of racketeering activity.

7. Vertical at all material times here was a Delaware public company which held interests in various subsidiaries involved for the most part in providing software services and intellectual property with operations or sales in the United States, Canada and Brazil. Vertical is essentially a holding company with interests in several subsidiaries, one of which is its 100% ownership of NOW, also a Delaware corporation. NOW provides virtually 99% of all the revenue obtained by Vertical through its marketing and support of personnel software for medical institutions and other businesses.

8. From about 2000 through October 2020, Vertical was controlled by its CEO and President Wade. Because he was one of only 2 directors of Vertical, Wade could exercise dictatorial power over the Company and its operations and employees. In that capacity Wade treated the assets and revenue of the Company and its subsidiaries as his own personal bank. In many cases he would grant favors and lucrative business contracts and stock in Vertical and its

subsidiaries to business associates and Vertical shareholders in consideration for their loaning money to him personally and to the Company. One of the beneficiaries of this relationship was Derek Wolman.

9. More particularly, Wolman had a long and involved relationship with Wade both as an attorney for Vertical and its subsidiaries as well as simultaneously personally lending money to both NOW and Wade. Wade at first retained Wolman to represent Vertical in litigation in 2004 to December 2009 involving an intellectual property dispute (“the Ross litigation”). Subsequently, Wolman and the Davidoff Law firm acted continuously as outside counsel for Vertical and its subsidiaries in various matters, including being on retainer to prosecute patent litigation for the Company and in a shareholder dispute in late 2014. They also acted as agents in obtaining a personal payroll protection (“PPP”) loan for NOW from the government in 2020.

10. During the entire time described above, Wolman was simultaneously making self-dealing personal loans to both Vertical, NOW and (secretly) to Mr. Wade individually. Because of his long association with Wade, Wolman was in a position to know that Wade was notoriously in trouble financially.

11. Throughout his tenure at Vertical, Wade routinely borrowed money from Vertical employees, shareholders, accountants and attorneys such as Wolman. As a matter of public record, Wade had many personal judgments against him, including a \$450,000.00 California judgment in 2010, and hundreds of thousands of dollars in tax liens and assessments.

12. Wolman would also have known that, because of the judgments, Wade famously did not have a bank account anywhere, but relied upon using the Vertical company debit card to get cash from ATMs to pay for his exorbitant lifestyle. For many years Wade did not have a personal car but rented cars at Hertz or Avis at the airport when he returned to Dallas from one of

his many trips. These charges were added to the company debit card and meant that Wade had a “company car” at all times although it wasn’t in his compensation plan.

13. As attorneys for the Plaintiffs, Wolman and Davidoff should not have been engaging in business dealings with their client given their position as fiduciaries.

**A. Wolman becomes a loan shark to Wade and to his clients Vertical and NOW.**

14. After the Ross litigation went to trial, Wolman had NOW execute a promissory note for attorney’s fees which totaled almost \$993,000.00 in November 2005. It called for the note to be paid by January 2006, which Wolman knew and intended to be an impossibility (given Wade’s fiscal mismanagement and NOW’s financial situation).

15. As a result, the note, which had an initial interest rate of 12%, ballooned to 18% default interest (retroactively) on January 31, 2006, and totaled \$1,876,557.92 when the appeals concluded in late 2009.

16. However, in February 2009, Wolman also had Wade execute a consent to Wolman’s firm (Wolman Blair PLLC) to filing a Petition in New York fixing Wolman’s Lien on the proceeds of the Ross judgment and affirming the 18% default interest on the promissory note. Wolman’s charging the amount of interest on a loan, when most of the judgment was covered by an appeal bond Ross had to file in 2005, was unfair and predatory by Wolman.

17. While the Ross litigation was winding down in December 2009 Wolman loaned \$150,000.00 to his then client NOW on November 17, 2009, again under very favorable terms for himself.

18. This November 17 note provided for 12% interest with a default rate of 18% interest (retroactive to the inception of the loan in the case of default), both of which exceeded the rates NOW could have secured on the open market. The note was due and payable on June 30, 2010.

19. Most importantly, the loan was secured by a pledge of almost 17 million shares of Vertical stock provided by a company owned by Wade called Mountain Reservoir Corporation (MRC). The stock had a value of over \$475,000.00 based on its share price trading on the over-the-counter market at the time the loan was made (2.8 cents/share).

20. In the event of a default under the November loan, Wolman had power of attorney to sell the stock. Not to miss an opportunity to cheat his own company, however, Wade had NOW pay his company (MRC) a “financing fee” of \$3,000.00 for the first year and 2% of any unpaid principal on the loan going forward (regardless of whether Wolman ever sold any stock under the pledge).

21. Thus, it was in the interest of both Wade and Wolman that the note was never paid off. However, the pledge agreement provided in part that, in the event there was any “shortfall” in payments to be made under the note, “Notwithstanding the foregoing, the parties agree that, in the event of the Company fails to make a payment required under the Note, an amount of Pledged Stock to cover such Shortfall shall be sold and the Broker shall be instructed to sell the stock as follows...” (emphasis added). However, notwithstanding the language in the Pledge Agreement, when the note went into default Wolman did not sell any stock to cover the shortfall. Instead, he let the note stay in default and continued to accrue 18% interest from that point. Entering into this unbelievably onerous loan arrangement between Wolman as an attorney with his client NOW, and Wade in his capacity as the CEO of Vertical and Director of NOW, violated fiduciary duties to the company, and was part of a continuing pattern of racketeering as discussed below.

22. Continuing this corrupt pattern, just two weeks after the \$150,000.00 loan was made on November 9, 2009, Wolman had Wade grant him a “royalty interest” in any proceeds of

litigation relating to Siteflash technology owned by Vertical as well as the revenues of two Vertical subsidiaries up to an amount of \$150,000.00. (“Royalty Agreement”).

23. At the time Vertical had engaged a Chicago law firm (Niro Haller and Niro) to prosecute infringement suits involving its SiteFlash technology against, among others, Samsung Corporation, LG Electronics Corp, and a company called Interwoven. Because the loan had already been made, the royalty payments were not security for the \$150,000.00 loan nor did Wolman have any obligations to perform so that he may receive those royalties when they were generated by the litigation.

24. Wolman was entitled to the additional \$150,000.00 in “royalties” from the unrelated Siteflash litigation regardless of whether the loan was paid off or not. Receipt of revenue from the Siteflash litigation would not reduce the principal or interest due under the November 2009 note. In other words, it was a gift to Wolman from Wade because there was no consideration to the Plaintiffs at all for the Royalty Agreement.

25. Wade’s corrupt administration of the Plaintiffs’ corporate affairs caused serious financial effects at the same time. The company’s CFO, Freddy Holder, resigned in August 2012 after discovering that Wade, in or around 2011, stopped approving the payment of withholding taxes to the IRS from taxes collected from NOW employees. Holder resigned as CFO to avoid personal liability for the trust-fund taxes Wade was not paying to the IRS.

26. With no CFO or audit committee, Wade was free to loot the company by approving his own “business expenses”, living off the Vertical debit card and entering into unfair contracts with people like Wolman to the detriment of Vertical and NOW.

27. Plaintiffs have only recently learned that Wolman was also loaning money directly to Wade in a personal capacity. Nothing is known about the circumstances of these loans other

than that Wolman admitted in a December 2023 affidavit that they totaled around \$26,000.00 in the year of 2014.

28. Plaintiffs have recently learned that Wade often required these personal “loans” as a quid pro quo for entering into one-sided business deals with various individuals. Typically, Wade never paid back these personal “loans” from his accountants, attorneys, employees or shareholders. As a result, they were in effect, nothing more than commercial bribery. Wolman has refused to furnish Plaintiffs with any documents relating to this personal debt of Wade despite a written request for the same, despite these loans being made in exchange for the ability to raid the corporate coffers of the Plaintiffs.

29. A lawyer making personal, secret loans to the CEO of his client, which client is simultaneously granting unfair and usurious loans to that lawyer, constituted naked commercial bribery by Wolman. Moreover, because Wade typically never paid the money back to people he borrowed from, individuals like Wolman had tremendous leverage in negotiating business deals with Wade and the companies he controlled.

30. Because of this leverage Wade hired Davidoff in November 2014 on retainer to represent the company in prosecuting intellectual property claims over licensing agreements and patent infringement.

31. Wade also hired Wolman and Davidoff to represent him when two lawsuits were brought by shareholders in 2014 and February 2015 to force Wade to conduct a shareholder meeting to replace the Directors for Vertical and, furthermore, lawfully requesting the disclosure of records which might reflect the malfeasance and corruption at Vertical.

32. By January 2014, Wolman had still not sold any of the pledged stock to pay off the November 2009 note in violation of the pledge agreement. Instead, he required Wade to enter into



a forbearance agreement in which the Plaintiffs had to pay Davidoff an attorney's fee of \$8,500.00 with a default rate of 18% that continued until October 1, 2014, with NOW forced to pay \$3,000.00 per month until that time. If any payments were missed the default rate would increase to 24%. Each loan and forbearance agreement was used to funnel these committed funds to Wolman and Davidoff and ultimately back to Wade personally.

33. One of the ways that Wade diverted funds to his lawyers was making unnecessary and usurious loans in anticipation of receipt by the Plaintiffs of a settlement agreement on licensing, or funds from a litigation award.

34. For example, on April 2, 2014, Wolman made a \$150,000.00 loan to Vertical in anticipation of receiving licensing proceeds from a confidential settlement with Samsung corporation. This loan, with interest at 12% (and default interest rate of 24%) was paid off by April 28, 2014. However, even though the settlement proceeds were expected shortly, Wolman and Davidoff were paid attorney's fees of \$8,500.00 (for drafting a simple promissory note).

35. In addition, Wolman charged Vertical a \$14,500.00 loan "commitment fee" for what ended up being a 3-week loan fully collateralized by the payments from Samsung expected later that month. Under the Royalty Agreement, Wolman also received approximately \$30,000.00 from the settlement proceeds together with the attorney's fees, loan commitment and other assorted payments. Thus, adding up all the fees and payments received, the effective annual rate of return for this three-week loan exceeded 600%.

36. Because Wolman arranged to have the settlement proceeds sent directly to him he was in a position to seize all the money before it was sent to Vertical. Upon information and belief Wolman has not turned over all the settlement money due Vertical after he took out the attorney's fees, loan commitment, royalties and other charges he negotiated with Wade.

37. Despite the increasingly difficult financial circumstances for Vertical and NOW created by Wade's reckless mismanagement and corruption, Wolman immediately made another usurious loan to NOW in the amount of \$81,282.00 on May 8, 2014 (with 24% default interest) secured by the expected settlement payments from the Niro law firm involving the Interwoven Siteflash litigation.

38. On top of the 18% interest on the note Wolman also charged a "Commitment fee" of \$7,500.00 and "financing fees" of \$850.00 plus the addition of \$54.18/day from May 31, 2014, until the proceeds of the Siteflash litigation against Interwoven were received by Wolman from the Niro law firm.

39. In actuality the loan was paid off less than three weeks later on May 28, 2014. Under his Royalty Agreement, however, Wolman also received \$80,000.00 in "royalties" from the Interwoven settlement. Thus, the effective annual rate of return for this loan went well beyond 1000%.

40. In August 2014 Wolman made yet another \$50,000.00 loan to his client NOW under very favorable terms much like the November 2009 loan. This loan was also secured by the Stock Pledge agreement. The money advanced under this loan was in the amount of only \$42,500.00 but after Wolman added another \$5000.00 in attorney's fees for Davidoff, more "loan commitment" charges and other costs, the amount on which he was receiving 12% interest (and then 24% default interest) was \$50,000.00 listed on Vertical's books.

41. As a reward for all this quid pro quo self-dealing, Wade entered into an open-ended retainer agreement with Davidoff in November 2014. This agreement allowed Davidoff to represent Vertical and its subsidiaries going forward in prosecuting patent infringement and other matters such as the SiteFlash litigation which had previously been handled by the Niro firm. At

this point NOW owed hundreds of thousands of dollars to Wolman individually and on information and belief Wade owed him tens of thousands of dollars as well.

**B. The 2015 Shareholder meeting.**

42. Even though Vertical's bylaws required shareholder meetings as a Delaware public company, Wade never scheduled any annual shareholder meetings. Although Vertical had been registered as a public company since 2000, it had never filed an annual report with the SEC until April 2009. As a result, Wade had no accountability as a director because the 14,000 shareholders were never given an opportunity to replace either him or William Mills, the other outside director who lived in California.

43. Under Wade's control and through his use of improper financial instruments, the value of the share price had fallen from more than \$6/share to mere pennies. Moreover, unbeknownst to the shareholders, Wade refused to pay the withholding taxes to the IRS that NOW owed, beginning in about 2012.

44. In October 2014 two Vertical shareholders filed a lawsuit in Delaware to force Wade to hold a shareholder meeting so that they could have an election on the directorships, obtain information on finances, and information regarding the shareholder lists. Yet, Wade had no intention of giving up control, so he hired Wolman and the Davidoff firm to resist the shareholders and advise Wade on the meeting. Wolman had a relationship with the firm of Young Conaway Stargatt and Taylor in Wilmington, Delaware which ended up representing Vertical in the lawsuits. Because Wade had not been forthcoming with financial information, including the existence of the Wolman loans and the Royalty Agreement, the shareholders were naturally concerned about why the company continued to show losses despite having recently settled the three SiteFlash lawsuits.

45. In a written certified letter dated November 7, 2014, the shareholders made a sworn demand under Section 220 of the Delaware General Corporation Act for, among other things, not

only the list of shareholders but also documents relating to the settlements in the LG, Samsung and Interwoven suits. The stated purpose of the letter was to “investigate whether the Company’s Board of Directors breached their fiduciary duties by committing self-dealing, mismanagement or waste of the Company’s assets for the purpose of bringing a possible shareholder derivative action or class action lawsuit; and C) investigate the propriety of the Company’s public disclosures or lack thereof.”

46. It was a blatant conflict of interest for Wolman or Davidoff to provide legal advice and assistance to Wade in response to the shareholders’ attempts to find out about the corruption at Vertical involving the two of them because of the improper loans and royalty agreement.

47. Unknown to the shareholders, the tens of thousands of dollars in unreasonable attorney’s fees paid to the Defendants in connection with the unnecessary usurious loans, the exorbitant interest rates disguised as “loan commitment fees”, and the money sucked out of the SiteFlash settlements through the Royalty Agreement made Wolman and Davidoff the targets of the very investigation at the heart of the lawsuit.

48. At any rate, targeted by litigation while representing Vertical to cover their tracks, not only did Wolman and Davidoff not withdraw from the representation, but Davidoff actually charged Vertical more than \$60,000.00 in attorney’s fees for its legal services in the following months.

49. These unreasonable fees charged to Vertical were essentially for defending Wade’s ongoing breaches of his fiduciary duties to the company as an officer and director. Although Vertical agreed to have a shareholder meeting on February 25, 2015, in response to the first lawsuit, the Davidoff firm, principally through Wolman and another lawyer named Spanolios, short-circuited the shareholder attempt to oust Wade and Mills.

50. They did this first by drafting a board resolution on January 13, 2015, requiring advance notice requirements for stockholder proposals (including modifying the board of directors).

51. Second, on January 15, 2015, Davidoff had Vertical issue a preliminary proxy statement fixing the number of directors at two and renominating only Wade and Mills. A true and correct copy of one of the invoices sent to Vertical at this time by Davidoff is attached hereto as exhibit “A”.

52. Wade had also resisted the written shareholder demands beginning in November 2014 to obtain financial information, lists of shareholders, and a stock ledger.

53. As a result, on January 9, 2015, the shareholders made a second verified and written demand under 8 Del. Code Sec.220 to see the stock lists, litigation information, the company’s financial information and technology, but most importantly, loans (which would have involved the agreements between Wolman, Davidoff, and Wade).

54. Despite having general knowledge of favorable licensing settlements and litigation, the shareholders were demanding to know why the Company was continually reporting losses. Little did they know that Wolman and Davidoff were sucking profits out of the company with outrageous interest on loans from Wolman to the Plaintiffs, loan commitment fees, unreasonable attorney’s fees and, most importantly, the fraudulent Royalty Agreement from November 23, 2009.

55. When Wade was not forthcoming with information before the meeting other than minimal stock list data, the Shareholders were forced to file another lawsuit on February 18, 2015, seeking to force Wade and Mills to provide all the information previously requested. This suit was for the express purpose of allowing the shareholders to obtain information to “communicate with

other shareholders regarding the upcoming annual meeting and solicit proxies; investigate self-dealing, mismanagement, waste of the Company's assets and determine whether to pursue claims arising out of such malfeasance; and investigate the propriety of the Company's public disclosures or lack thereof."

56. In other words, Vertical was paying Wolman and Davidoff tens of thousands of dollars to help Wade prevent the shareholders from protecting the Company against the self-dealing predations and breaches of fiduciary duty of Wade, Wolman and Davidoff, presenting an obvious conflict of interest for the Defendants. Wade never disclosed to anyone the thousands of dollars he owed Wolman personally at the time.

57. The Young Conaway firm also represented Vertical in this second suit and, ultimately, charged \$22,500.00 in fees. In fact, February 2015 was the one and only shareholder meeting for Vertical during Wade's entire 20-year tenure. Because of the assistance from Wolman and Davidoff, Wade and Mills continued as the sole Directors of Vertical after the meeting in Texas.

58. Wade remained the sole financial watchdog over the Plaintiffs until his ouster by a shareholder referendum in late 2020. None of the details about the Wolman loans, or the Royalty Agreement, were ever made public in disclosures to the SEC or in response to the various shareholder requests or lawsuits. Defendant Davidoff has refused a written request to turn over its files regarding its historic representation of the Plaintiffs, including but not limited to, the shareholder lawsuit, despite it being an ethical and professional obligation under both Texas and New York law. This cover-up is a further attempt to avoid disclosure of fraudulent dealings between themselves, Wolman and Wade.

**C. The \$160,000.00 gift to Wolman from Wade.**

59. One of the only things accomplished during the shareholder annual meeting was the increase in the total shares authorized for Vertical from 1 to 2 billion. This increase was caused because Wade had given away so many shares and warrants that the original issuance had been oversubscribed.

60. Later that year, in October 2015, Wolman and Wade entered into a forbearance agreement allegedly because of unpaid accrued interest at the 18% default rate on Wolman's loans to his client NOW (for which he had still not sold any of the pledged shares). Upon information and belief Wade was still personally indebted to Wolman at the time of this agreement.

61. Wade then gave Wolman 8 million additional shares of Vertical stock at that time which had a value of \$160,000.00 based on the market price it was then trading on the Over-the-Counter market (.02/share). Although the value of the shares should have been applied to the outstanding loan balances, Wolman did not reduce the principal balance of the notes by the market value of the shares he received. If the balance of the notes was not reduced, then the stock amounted to another gift to Wolman in the amount of around \$90,000.00, which is yet another fraud perpetrated on Vertical and a breach of both the fiduciary duty of Wade to Vertical and Wolman to his client NOW.

62. To make these fraudulent matters worse, the forbearance agreement also allowed Wolman to continue to charge 18 to 24 percent interest on the loans now backed up by over 25 million shares of Vertical stock. Each of the two loans should have already been discharged completely under the mandatory stock sale requirements of the 2009 pledge agreement.

63. During this period the Defendants were still acting as counsel for the Plaintiffs. For example, Wade used Wolman as outside counsel in August and September 2015 for negotiations involving NOW's software and customers with a company in Canada (MediSolutions).

**D. Wolman obtains a default judgment against his client NOW with the help of Davidoff.**

64. On March 11, 2017, Wolman filed suit against “Now Solutions, a Texas Corporation” for the unpaid principal and interest due on the November 9, 2009, and August 28, 2014 promissory notes. Yet, there was no such entity incorporated in Texas.

65. When the suit was brought there was a NOW SOLUTIONS, Inc. incorporated in Delaware and another in Canada, but not in Texas. There was also a “Now Solutions Inc” in California, and possibly other jurisdictions.

66. According to records in that default proceeding, Wolman sought to obtain service of process of the suit by sending a FedEx overnight package addressed to “Now Solutions” at 101 West Renner Road in Richardson, Texas on March 23, 2017. However, contrary to the terms of the promissory note, the package was not sent to the suite number in the building at 101 W. Renner Road, Suite 300, Richardson, Texas which was the company office for Vertical. The New York hearing records do not reveal who, if anyone, signed for the package on behalf of NOW or when that delivery occurred (supposedly on March 24, 2017).

67. This “service of process” did not comply with the Texas Rules of Civil Procedure, nor did it satisfy even the minimal requirements of the notes themselves. When NOW did not file an answer or other response, Wolman (who was always represented in the proceeding by Davidoff) obtained a default judgment on September 8, 2017, against “Now Solutions Inc., a Texas Corporation”, for \$282,299.00 plus attorney’s fees, interest and costs.

68. The amount of the judgment obtained did not reflect the full value of the \$160,000.00 in stock given to Wolman in October 2015. Wolman and his lawyers from Davidoff did not mention it in their proof of damages to the trial Court. In a fraud upon the New York court, Wolman and Davidoff never mentioned the fact that the two notes had been secured by the MRC



stock pledge agreement and that Wolman never sold stock to cover nonpayment of either note as required by the pledge.

69. On December 19, 2017, the New York court also ordered Now Solutions Inc to pay the Davidoff firm \$5,107.50 for attorney's fees for their legal work in obtaining the default judgment against their own client NOW. With costs, fees, and interest, the total judgment came to approximately \$304,000.00.

70. Obtaining this inflated judgment purportedly against their client amounted to the worst possible breach of ethical and fiduciary duties by both Wolman and Davidoff. The notes and the forbearance agreement are presumably unfair under Texas law because they were between Wolman as a fiduciary and his client. Moreover, rather than sell the pledged stock as required by that agreement, Wolman and Wade allowed the notes to accrue 24% interest which benefited both individually at the expense of the Plaintiffs.

71. And despite being the CEO of a public company, Wade failed to disclose to anyone—including Vertical or Now—the fact that he personally owed Wolman money at the same time the notes were agreed to under terms that doomed the Plaintiffs. Ultimately, neither Wolman nor Davidoff had to worry about the fraud they had perpetrated on their client in obtaining the inflated judgment because Wade wasn't likely to say anything because of the money he owed Wolman.

72. In any event, Wade was the Director, President and CEO of Vertical and one of two directors of NOW SOLUTIONS, Inc., a Delaware corporation, and no one else at the company had the power to do anything about it even if they wanted to. In addition, Vertical had been without a CFO or any internal financial controls since 2012 and, after the job Davidoff did in preserving

Wade's position at the 2015 shareholders meeting, neither Wade nor either of the Defendants were likely to be found out.

73. In spite of Wade learning about the New York lawsuit sometime in 2017, he did not answer the lawsuit or object to the amount of the default judgment or raise the failure of Wolman to sell stock under the pledge agreement. He didn't hire a lawyer to contest the ineffective service of process, nor did he do anything to represent the interests of the Plaintiffs, to which he owed the highest fiduciary duty.

74. Both Davidoff and Wolman knew that Wade was breaching his fiduciary duty to their clients Vertical and NOW but, rather than fixing the fraud, instead collected additional attorney's fees for getting the default judgment for Wolman, which sum was added to the total amount of the damages. It is not known whether proper notice of the final default judgment itself was ever sent to NOW. However, because the judgment was obtained against a non-existent entity, and service of process was defective, it should not be considered a valid claim against either NOW SOLUTIONS Inc (Delaware) or Now Solutions Inc (Canada).

**E. Wolman and Davidoff assist NOW in obtaining a PPP loan in 2020.**

75. Despite the 2017 default judgment, Wade was still using Wolman and Davidoff as counsel for Vertical and NOW in early 2020 when Covid became an issue. Wolman convinced Wade that he should obtain a Payroll Protection Plan loan (PPP) from a bank with which he had a relationship in New York (TD Bank) instead of a Texas bank. Again, this was a case of self-dealing by Wolman and Davidoff.

76. Not only would the latter obtain a commission for acting as NOW's agent in obtaining the loan, but having a bank account to which they were privy in New York would make it easy for Wolman to collect on the default judgment against NOW when he chose to act.

77. Other than self-dealing by the Defendants and the judgment they were holding over the Plaintiffs, there was absolutely no business reason for NOW to open a bank account in New York. Because Vertical and NOW never had any assets or offices in New York, Wolman would ordinarily have had to try to certify, or domesticate, the judgment in Texas to collect on what he had wrongfully obtained against his own client.

78. When Wade learned that the New York bank would not allow them to open an account to obtain the loan because they had no presence in that state, Wolman offered Wade use of the Davidoff firm's address as the New York "office" of NOW.

79. Using this ruse Wade funded the TD Bank account on April 27, 2020, obtained the PPP loan on May 11, 2020 and began running NOW's payroll through the new account. Thus, Wolman and Davidoff knew when and how much money was flowing through the account at any point in time. There is no evidence that Wolman ever advised NOW or Vertical of the obvious conflict of interest in establishing a bank account in New York at a time when he believed he had an outstanding judgment against NOW in that jurisdiction.

**F. Vertical Shareholders oust Wade and get Judgment against him for fraud, breach of fiduciary duty and embezzlement.**

80. In April 2020 a group of shareholders filed suit against Wade and the other Director, William Mills, to hold them responsible for their breaches of fiduciary duty and damage to the company's stock.

81. Because of the "lack of internal financial controls", Vertical's auditor, MaloneBailey, refused to continue as auditor or to sign off on the 2018 fiscal results and resigned in 2019. Because of the withdrawal of the auditor, there was no 2018 annual 10k filed in 2019 and the trading of the company's stock as a public company was ultimately halted in July 2020 by the

SEC. The IRS had also filed a lien against the assets of NOW by 2018 because of the non-payment of withholding taxes, causing an enormous loss of almost half its business.

82. Pursuant to a shareholder resolution circulated in the summer of 2020, Wade and Mills were removed as officers and directors effective October 1 of that year.

83. In April 2022 a \$21,000,000.00 judgment was entered against Wade personally for breach of fiduciary duty, fraud and embezzlement in favor of Vertical and one of its shareholders and Chief Technical Officer, Luiz Valdetaro. A true and correct copy of that judgment is attached hereto as Exhibit “B”.

84. That judgment was affirmed in its entirety by the Dallas Court of Civil Appeals in March 2023. Wade is currently appealing the decision of the court of appeals to the Texas Supreme Court.

**G. Wolman and Davidoff levy against the TD Bank account without notice to NOW.**

85. Without notice to their client NOW, Wolman and Davidoff filed a levy against the TD Bank account in October 2023 in order to collect upon the default judgment obtained in 2017 against “Now Solutions, a Texas corporation.” They knew that over \$52,000.00 (NOW’S payroll) had been deposited as a result of setting up the TD Bank account.

86. NOW first learned of the levy when it found that its payroll for that month had been frozen, but it had no idea who was responsible until the bank disclosed the source of the levy. Wolman and Davidoff managed to levy against this bank account only because they knew about it through their confidential legal representation of NOW. Because the New York address of NOW was the Davidoff office address, notice of the levy was apparently sent by the bank to Davidoff and not to the company’s headquarters in Richardson Texas.

87. When Vertical's counsel made a request directly to Wolman he refused to provide a copy of the levy. The Defendants continue to refuse to provide a copy of the file behind the levy filed against the TD Bank account or the setup of that account in 2020 for their client NOW.

88. When the Plaintiffs acted in New York to halt the enforcement of the levy and the default judgment which had been obtained as a result of Wade's malfeasance, Davidoff and Wolman defended by saying that the statute of limitations had expired for challenging the 2017 default judgment. In connection therewith, Wade voluntarily provided an affidavit for the Defendants which ignored the \$160,000.00 transfer of stock, the fact that the default was against a non-existent entity and was obtained through improper service of process, as well as the failure of Wolman to exercise the sale of stock requirement under the MRC pledge. In that affidavit Wade falsely stated that the amount of the judgment was correct. He also admitted that, although aware of the lawsuit, he had intentionally allowed a default to be entered without raising any defense (thus confirming his breach of fiduciary duty to NOW).

89. As attorneys for both Plaintiffs, Wolman and Davidoff owed their clients a fiduciary duty not to engage in self-dealing and unfair business agreements with them. In every case there was no disclosure of the conflicts of interest inherent in every arrangement. In every case the Defendants knew that Wade was unilaterally making decisions contrary to the interest of the Plaintiffs because of his financial obligations to Wolman. And notwithstanding that, the Defendants have now refused to even turn over their client files despite a detailed written request for the same by the Plaintiffs.

90. The Defendants repeatedly conspired with and induced Richard Wade to breach his fiduciary duty to the Plaintiffs. Wade's entering into unfair and one-sided loan agreements, paying excessive fees to Davidoff to ensure Wade's dictatorial position at Vertical was maintained at the

shareholder meeting, and essentially gifting Wolman hundreds of thousands of dollars at the same time he personally owed money to Wolman and then using Davidoff as the agent for obtaining a PPP loan fraudulently, thereby placing assets of NOW in the jurisdiction of a lender with a default judgment, all caused irreparable and continuing harm to the Plaintiffs.

91. Finally, the blatant quid pro quo arrangement Wade had with the defendants was not only a breach of fiduciary duty by all of them, but also violated the Texas commercial bribery statute and subjects the Defendants to liability under the Racketeer Influenced and Corrupt Organizations Act. 18 U.S.C. 1961 et seq.

92. On information and belief, Wolman did not use the \$160,000.00 in stock he received in 2015 to reduce the amount of the principal loan balances he claimed against NOW, nor did he report it as personal income. He has not to this date disclosed the personal loans he made to Wade, their terms or when and if they were ever repaid.

93. Secretly loaning thousands of dollars personally to the CEO of a public company at a time when it was public knowledge that CEO owed hundreds of thousands of dollars in unpaid judgments, hundreds of thousands of dollars in unpaid state and federal taxes and tax liens but could direct business to Wolman and his law firm, constitutes commercial bribery.

94. This arrangement was all the more corrupt because the self-dealing loans, forbearance agreements and business arrangements the defendants had with Wade operated to the detriment of their clients the Plaintiffs and facilitated Wade's ongoing breach of his own fiduciary duties.

95. The 2022 judgment obtained against Wade for breach of fiduciary duties to the Plaintiffs and fraud and embezzlement, is a public record of the extent of Wade's corrupt and illegal activities in conjunction with Wolman and Davidoff's shared objective.

#### IV. CAUSES OF ACTION AGAINST THE DEFENDANTS

##### **A. Fraudulent inducement and conspiracy to breach a fiduciary duty with Richard Wade and breach of fiduciary duty.**

96. Plaintiffs incorporate paragraphs 1 through 95 above as if fully copied and set forth herein.

97. There has already been a judgment that Richard Wade breached his fiduciary duty to Vertical and its subsidiaries, including, but not limited to, NOW Solutions Inc.

98. At all material times, Wade was the president, CEO and one of only 2 directors for Vertical computer systems. He was also one of only 2 directors for NOW SOLUTIONS, the Delaware Corporation. As such he owed the highest fiduciary duty to Vertical and its wholly owned subsidiaries. All of this would have been known to Wolman because of his professional relationship to Wade and his ongoing legal representation of his clients, Vertical and NOW.

99. Wolman knew that Wade was bleeding the Corporations dry both through his mismanagement and direct fraud and embezzlement using the Company debit card, and charging personal expenses as business deductions for the company. There was no reason for Wade to have approached Wolman about making a personal loan to NOW in 2009 unless the Company already had a financial problem. Wolman would've also known, because of his long association with Wade, that Wade was always personally in trouble financially because of his lifestyle and inability to control his spending habits. Although Wolman has admitted under oath that, by no later than May 2014, Wade owed him at least \$26,000.00, Plaintiffs do not know when these loans started, how many there were or whether they were ever paid back by Wade. In fact, it was highly unethical for Wolman to be loaning money to a corrupt CEO who he knew could do favors for him in his business dealings with his clients Vertical and NOW.

100. In the first \$150,000.00 loan made to NOW in 2009, Wolman not only received a favorable interest rate on the same but also received as collateral a pledge of 17 million shares of Vertical from Wade. At a share price of over \$.028 a share, Wolman had a loan which was almost 300% fully collateralized from the outset in addition to all the great benefits he had in the loan itself.

101. Yet, rather than sell the shares as required by the pledge agreement (and which would have benefited his client), Wolman kept the loan in default making 18% interest (and ultimately 24%) which also benefited Wade because of the 2% he could make for his company MRC as long as the principal was not paid off.

102. Wolman also extracted from Wade a royalty interest in Vertical assets weeks after the loan was made—a simple gift of \$150,000.00.

103. Making a loan in 2009 at 18% with your own client, which is more than fully collateralized from the start, is the definition of self-dealing. In any event, as part of the self-dealing with his client, Wolman also obtained a provision in which he could obtain service of process in any action to enforce the note by the simple use of an overnight delivery service such as FedEx. In that way, he could bypass any of the normal due process requirements for service of process under either New York or Texas law. He would later use this provision to his personal advantage when suing his client in 2017.

104. In any event, agreements like this between an attorney and his client are presumed to be unfair under Texas law, especially when the attorney is holding a personal loan over the head of the president who is agreeing to the terms. In agreeing to these unfavorable deals with Wolman, Wade was breaching his fiduciary duty to NOW and Vertical.



105. The various forbearance agreements, short-term loans with their egregious “loan commitment fees”, and the taking of the profits from the patent litigation settlements through the “Royalty Agreement” in 2014 cost the Plaintiffs hundreds of thousands of dollars in damages. Invariably, Davidoff was paid a flat fee of \$8500.00 for these loans and forbearance agreements which were added to the transaction.

106. Representing Vertical and Wade in the shareholder dispute in 2014 and 2015 and then charging the company over \$60,000.00 to cover up the fraud and breach of fiduciary duty perpetrated by the Defendants themselves was not only unethical but allowed Davidoff to benefit financially from its malfeasance.

107. Convincing Wade to set up the fraudulent TD Bank account in New York had no business purpose for NOW but earned commissions for the Defendants for acting as agents for their client. Using the confidential information they had from this legal representation allowed the Defendants to secretly levy against their client’s payroll in order to satisfy the improper default judgment they obtained against NOW in 2017.

108. Plaintiffs sue Defendants jointly and severally for their damages for the above breaches of fiduciary duty and inducement of breaches of fiduciary duty by Wade in the amount of at least \$500,000.00. Defendants should be required TO DISGORGE ALL ATTORNEY’S FEES they received for entering into and suing upon unfair and self-dealing loans and agreements with Plaintiffs.

109. Because the above breaches were knowing, willful, and intended to cause harm to the Plaintiffs, the Defendants are also liable for Exemplary damages in an amount to be determined by the trier of fact.

**B. Racketeer Influenced and Corrupt Organizations Act**

110. Plaintiffs incorporate paragraphs 1 through 109 above as if fully copied and set forth at length herein.

111. As demonstrated, Wolman and Davidoff are liable to Plaintiffs under 18 U.S.C. § 1961 *et seq.* under Federal anti-racketeering law. Wade was the CEO of Vertical and, in continuing breach of his fiduciary duties, Wolman and Davidoff extorted Vertical and NOW using Wade's position as CEO and Director, the pressures of personal debts owed by Wade, and their professional services as attorneys to the Plaintiffs. Wolman, Davidoff and Wade engaged in a cover-up of their fraudulent conduct, including a feeder account in an unconnected jurisdiction. In sum, Davidoff and Wolman, through Wade, purposely gained stock, money, loans, and benefits in their continuing common objective by engaging in a pattern of racketeering activity.

112. Wolman and Davidoff engaged in racketeering activity as a principal (as defined in 18 U.S.C. § 2, *et seq.*) to use or invest, directly or indirectly, any part of such income, or the proceeds of such income, in acquisition of any interest in, or the establishment or operation of, any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce. See, 18 U.S.C. § 1962 (a).

**18 U.S.C. § 1962- Prohibited Activities**

113. As fiduciaries, the Defendants had an affirmative duty not to engage in self-dealing and unfair business practices with their clients by directing the enterprises affairs in committing predicate illegal acts for the common purpose of funneling corporate assets into their own, and Wade's, pocket.

114. In all events, bribery and extortion of a fiduciary are fraudulent under Texas common law and a felony violation under Texas Penal Code 32.43. Thus, Plaintiffs have standing to raise these claims under RICO pursuant to 18 U.S.C. § 1961(1)(A).

115. Moreover, if the same be necessary, Plaintiffs can show that they have standing because the predicate acts complained of herein, bribery of a fiduciary, making self-dealing usurious and predatory loans and collecting and demanding unreasonable attorney's fees, commitment fees and baseless "royalties" from the Plaintiffs constitute evidence of mail and wire fraud under 18 U.S.C. §§ 1841 and 1843. *See* 18 U.S.C. § 1961(1)(B).

116. The unnecessary and punitive forbearance, royalty and loan agreements in November 2009; March, April, May and August 2014; as well as October 2015 are predicate acts which demonstrate a pattern of racketeering activity against the Plaintiffs conducted in interstate commerce. Wolman and Davidoff engaged in racketeering activities as a principal as described herein and committed predicate acts as defined by 18 U.S.C. § 1961 (5) as described above.

117. Because of the Defendants' refusal to turn over files which they owe to their clients, all that is known is that by May 2016, Wade personally owed Wolman about \$26,000.00. This quid pro quo arrangement benefited both Wade and the Defendants to the detriment of the Plaintiffs and constituted commercial bribery under Texas law. 18 U.S.C. § 1961 (1).

118. In November 2014, Vertical signed a retainer agreement with Davidoff to pursue the licensing litigation previously managed by the Niro firm. This was the same litigation which Davidoff and Wolman had been simultaneously stripping the profits from through the self-dealing short term loans and royalties. Obtaining this contract with Vertical during a period when the Defendants were simultaneously stripping Vertical and NOW of money, stock and revenue and loaning money to NOW and Wade personally, constituted extortion, mail, wire and bank fraud against entities engaged in interstate commerce. 18 U.S.C. § 1962 (a)-(d).

119. Not only were the Defendants engaged in a pattern of financial looting of their clients, but they also improperly provided legal services to Wade in 2014 and 2015 to enable him

to successfully resist the shareholder attempts to find out about the financial improprieties which were destroying the viability of Vertical and its subsidiaries. Receipt of significant stock interests and money through the loan transactions, communications, wire and mail fraud, as lawyers employed by Wade and the Plaintiffs for self-gain from Wade's conduct and assisting in the cover-up of those activities in conspiracy with Wade violated 18 U.S.C. § 1962 (d).

120. The Defendants knew that the shareholders were seeking evidence of malfeasance, self-dealing and breaches of fiduciary duty because of the written demands for records and the lawsuits. Texas common law imposes an affirmative duty on fiduciaries such as the Defendants to disclose these violations of a confidential and fiduciary relationship.

121. Yet, the Defendants ignored the obvious conflict of interest and proceeded to charge Vertical over \$60,000.00 in legal fees for helping Wade cover up the details and existence of the fraudulent loans and gifts to Wolman, which they knew were not being reported by the Company in public filings. This action of fraudulently assisting in the cover-up of their own self-dealing in return for over \$60,000.00 in fees also supports a claim under RICO as part of the pattern of racketeering activity. 18 U.S.C. § 1962 (a)-(b). This cover-up persists to this day in the continued refusal of the Defendants to turn over their client files to the Plaintiffs.

122. As part of the conspiracy, Wade was also guilty of destroying records of his malfeasance and routinely kept the employees of Vertical and NOW in the dark as to the deals he made with Wolman and others. For example, although she was the CEO of NOW, Marianne Malcomb (who officed in Canada) was not allowed by Wade to see the check register for NOW SOLUTIONS.

123. Plaintiffs can demonstrate that they were damaged directly by these predicate acts including, but not limited to, the 2017 default judgment and the resulting levy against their New

York bank account which has resulted in a direct loss of over \$50,000.00 in October 2023. Defendants would not have known about the bank account but for their involvement in setting it up and fraudulently directing Wade to use Davidoff's address as the New York "office" of NOW.

124. Exploiting this confidential information to facilitate the levy in order to collect on the improper 2017 default judgment benefited both Defendants in violation of Texas common law and RICO. 18 U.S.C. § 1962(b).

125. The total of these usurious loan payments, unreasonable and improper attorney's fees, "loan commitment" fees, gifts disguised as free shares of Vertical stock or "royalties" are believed to be between \$500,000.00 and \$750,000.00.

126. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs also seek treble damages as well as reasonable attorney's fees and costs of court.

**C. Declaratory Relief under Tex. Civ. Practice and Rem. Code 37.001 et seq**

127. Plaintiffs incorporate paragraphs 1 through 126 above as if fully copied and set forth at length herein.

128. Plaintiffs seek declaratory relief to establish that Defendants Wolman and Davidoff have breached their fiduciary duty to turn over all files in their possession dealing with loans made to either Vertical, NOW or any of their officers or directors, including, but not limited to, Richards S. Wade.

129. Moreover, Plaintiffs seek declaratory judgment that the Defendants have breached their fiduciary duty to turn over all client files, including emails and other communications related to any specific legal representation of Vertical, NOW or the subsidiaries of either.

130. This disclosure would include at a minimum the preparation of loan documents for which Vertical or NOW was charged attorney's fees, the November 2014 retainer agreement, the representation of Vertical and/ or Wade in response to the shareholder demands for books and

records, or evidence of malfeasance or self-dealing, the two lawsuits filed in connection with the February 25, 2015 shareholders meeting, and the involvement of the Defendants in obtaining the 2020 PPP loan and use of Davidoff's address as an office for the Plaintiff NOW.

131. Finally, Plaintiffs seek declaratory relief that the September 2017 Default judgment obtained by the Defendants against their client NOW was void because of extrinsic fraud, and rendered without jurisdiction based on the following:

- a. The \$150,000.00 loan obtained on November 9, 2009, was unfair and usurious. It is presumed to be unfair particularly because Wolman was exploiting his fiduciary relationship with the Plaintiffs.
- b. Wolman violated the terms of the MRC Pledge Agreement by not selling any of the 17 million shares to cover "any shortfall" in the loan payments as required.
- c. The forbearance agreements entered into by Wolman in March 2014 and October 2015 were onerous and unfair particularly because Wolman was exploiting his fiduciary relationship with his client and were in any case necessitated by the refusal of Wade and Wolman to sell the pledged stock as agreed.
- d. The New York court which rendered the default judgment did not have jurisdiction because Wolman in his affidavit in support said he was seeking a judgment against "Now Solutions Inc, a Texas corporation" because no such entity existed.
- e. The New York court which rendered the default judgment did not have jurisdiction because the service of process did not strictly comply with the minimal requirements of the promissory note which required the note to be sent by overnight delivery service to Debtor at "101 West Renner Rd., Suite 300, Richardson, Texas 75082." The FedEx delivery notice was not signed for by any individual and was not sent to "Suite 300" address as required by the note. (*Wilson v. Dunn*, 800 S.W.2d 833, 836 (Tex.1990).).
- f. The alleged overnight delivery from FedEx was not signed for the next day by an agent of NOW, even though an attorney from Davidoff has falsely sworn to the contrary in the New York court. The public disclosure of the lawsuit by Vertical many months later said it received service of the lawsuit on April 12, not March 24. Thus, there is a factual dispute over how, if ever, the lawsuit was properly served on NOW.
- g. In connection with the calculation of the amount of the principal of the promissory note, the Davidoff firm did not inform the judge of the failure of Wolman to sell stock under the pledge agreement, or of the receipt of \$160,000.00 of stock in the forbearance agreement in October 15, or of the receipt of \$150,000.00 in "royalties" from the November 23 Royalty Agreement.

- h. The Judgment is void because the Plaintiffs could not defend against the same because of the fraudulent and negligent failure of Wade to contest the same in breach of his fiduciary duties as a director of NOW and president and CEO of Vertical.

132. Plaintiffs seek their reasonable attorney's fees and costs for having to pursue this declaratory judgment action.

### **Jury Trial**

133. A Jury Trial is requested by Plaintiffs.

### **V. PRAYER**

For the above reasons, Plaintiffs Vertical Computer Systems, Inc. and NOW SOLUTIONS, Inc. pray this Court, upon trial of the causes set forth, enter judgment against the Defendants Derek Wolman and the law firm of Davidoff, Hutcher and Citron LLP, for their damages, inclusive of actual and punitive damages, costs, attorneys' fees, and treble damages as allowed by 18 U.S.C. 1964 (c), pre- and post-judgment interest at the highest legal rate, well as any other relief, in law or in equity, which this Court deems just in favor of the Plaintiffs.

Respectfully submitted,

*/s/ Peter J. Harry*

\_\_\_\_\_  
Peter J. Harry

Texas State Bar No. 09134600

[pete@pjharrylaw.com](mailto:pete@pjharrylaw.com)

**LAW OFFICE OF PETER J. HARRY, PLLC**

2828 Hood Street #1208

Dallas, TX 75219

(469) 232-2653 – (telephone)

(469) 232-2656 – (facsimile)

*Attorney for Plaintiffs*



DAVIDOFF HUTCHER & CITRON LLP

605 THIRD AVENUE  
NEW YORK, N.Y. 10158

(212) 557-7200  
FAX (212) 286-1884

FEDERAL I.D. NO.  
133138680

Vertical Computer Systems, Inc.  
101 W. Renner Road  
Suite 300  
Richardson TX 75082

Page: 1  
02/06/2015  
File No. 8907-004Z  
Statement No. 230794

MICHAEL T. GALVAN AND BARBARA DATES V. VERTICAL  
COMPUTER SYSTEMS, INC.

			Hours	
01/10/2015	SNS	Revisions to proxy and by laws	2.00	850.00
01/20/2015	SNS	Conference with Richard on information demands and proxy process. Draft/revisions to NDA	3.25	1,381.25
01/21/2015	DAW	review emails, conferences with S Spanolios	1.50	862.50
	SNS	Review NDA; conference with Jim and Richard on communications with shareholders	2.50	1,062.50
01/22/2015	SNS	Revisions to NDA; conference with plaintiffs counsel on proposals; conference with Jim and Richard	2.25	956.25
01/23/2015	DAW	review issues on nobo list and NDA issues on disclosure of settlement agreements; ph with S Spanolios	2.00	1,150.00
	SNS	Review Settlement Agreements with Samsung, Interwovn and LCD; review shareholder lists and NOBO list	3.25	1,381.25
01/26/2015	SNS	Conference with Jeremy Anderson on status; conference with Jim and Richard on shareholders lists	1.50	637.50
01/28/2015	DAW	conferences with S Spanolios; ph conference with client and LS Global	0.50	287.50
	SNS	Conference with Richard re: shareholder proposals; review shareholders director nominees; conference with Jim on final proxy	1.75	743.75
01/29/2015	DAW	ph with client; conferences with S Spanolios; review and edit 8K and emails		

*DL 66402*

Exhibit "A"

Vertical Computer Systems, Inc.

MICHAEL T. GALVAN AND BARBARA DATES V. VERTICAL  
COMPUTER SYSTEMS, INC.

		Hours	
	from client	1.00	575.00
SNS	Conference with Richard and Derek on communications to shareholders and negotiations with plaintiffs counsel for proposed additional members to the Board. Revisions to 8-K	2.00	850.00
SNS	Prepare response to plaintiffs counsel; review definitive proxy	3.00	1,275.00
01/30/2015 DAW	conferences with S Spanolios; review proposed response to opposing counsel on proxy request; ph with R Wade; emails with Delaware counsel; edit letter to shareholders; ph conference with J Salz	2.00	1,150.00
SNS	Review shareholders correspondence and Definitive Proxy; conference with D. Wolman, Jim Salz and Richard	3.75	1,593.75
EHL	Review cover letter	0.25	143.75
	TOTAL CURRENT FEES	32.50	14,900.00

Billing Summary

Name	Hours	Hourly Rate	Total
Derek Wolman	7.00	\$575.00	\$4,025.00
Steve N. Spanolios	25.25	425.00	10,731.25
Elliot H. Lutzker	0.25	575.00	143.75

Duplicating Charges	14.00
TOTAL CURRENT EXPENSES	14.00
<b>TOTAL CURRENT FEES AND DISBURSEMENTS</b>	<b>14,914.00</b>
PREVIOUS BALANCE	\$11,500.61
TOTAL PAYMENTS	-14,133.64
BALANCE DUE	<u>\$12,280.97</u>

CAUSE NO. DC-21-06094

VERTICAL COMPUTER SYSTEMS, INC., AND LUIZ VALDETARO,  <i>Plaintiffs,</i>  v.  RICHARD S. WADE,  <i>Defendant.</i>	§ § § § § § § § § §	IN THE DISTRICT COURT     68th JUDICIAL DISTRICT     DALLAS COUNTY, TEXAS
--	--	---

---

**FINAL JUDGMENT**

---

On the 19<sup>th</sup> day of April, 2022, this case was called to trial. Plaintiffs Vertical Computer Systems, Inc. (“Vertical”) and Luiz Valdetaro (“Valdetaro”), appeared through their Attorney and announced ready for trial. Defendant Richard Wade (“Wade” or “Defendant”) appeared pro se and announced ready for trial.

All matters in controversy, legal and factual, were submitted to the Court for its determination. The Court heard the evidence and arguments of counsel and of the Defendant and announced its decision for the Plaintiffs.

The Court orally rendered judgment for the Plaintiffs. This written judgment memorializes that rendition.

1. THEREFORE; the Court ORDERS that Plaintiff Vertical Computer Systems recover from Defendant Richard Wade the sum of nineteen million seven hundred-sixty thousand dollars (\$19,760,000.00) for breach of fiduciary duty and the sum of four hundred nine thousand dollars (\$409,000.00) for theft and embezzlement, with post-judgment interest on those sums at the annual rate of five percent (5%) interest, and court costs.

**Exhibit "B"**

2. The court FURTHER ORDERS that Plaintiff Valdetaro recover from Defendant Richard Wade the sum of five hundred thirty-two thousand three hundred twenty-two dollars (\$532,322.00) for breach of fiduciary duty and nine hundred seventy-three thousand and thirty-seven dollars (\$973,037.00) for fraud, post-judgment interest on both sums at the annual rate of five percent (5%) interest, and court costs.

This judgment is final, disposes of all claims and all parties and is appealable.

The Court orders execution to issue for this judgment.

Signed on this 22<sup>nd</sup> day of April, 2022.

  
\_\_\_\_\_  
JUDGE PRESIDING

**CIVIL COVER SHEET**

JS 44 (Rev. 03/24)

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)

<p><b>I. (a) PLAINTIFFS</b></p> <p style="text-align: center;">Vertical Computer Systems, Inc. and Now Solutions, Inc.</p> <p><b>(b)</b> County of Residence of First Listed Plaintiff <u>Collin</u> <i>(EXCEPT IN U.S. PLAINTIFF CASES)</i></p> <p><b>(c)</b> Attorneys <i>(Firm Name, Address, and Telephone Number)</i></p> <p style="text-align: center;">Peter J. Harry, Law Office of Peter J. Harry, PLLC, 2828 Hood Street #1208, Dallas, TX 75219, 469-232-2656</p>	<p><b>DEFENDANTS</b></p> <p style="text-align: center;">Derek Wolman and Davidoff Hutcher and Citron, LLP</p> <p>County of Residence of First Listed Defendant _____ <i>(IN U.S. PLAINTIFF CASES ONLY)</i></p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.</p> <p>Attorneys <i>(If Known)</i></p>
--	--

<p><b>II. BASIS OF JURISDICTION</b> <i>(Place an "X" in One Box Only)</i></p> <p><input type="checkbox"/> 1 U.S. Government Plaintiff</p> <p><input type="checkbox"/> 2 U.S. Government Defendant</p> <p><input checked="" type="checkbox"/> 3 Federal Question <i>(U.S. Government Not a Party)</i></p> <p><input type="checkbox"/> 4 Diversity <i>(Indicate Citizenship of Parties in Item III)</i></p>	<p><b>III. CITIZENSHIP OF PRINCIPAL PARTIES</b> <i>(Place an "X" in One Box for Plaintiff and One Box for Defendant)</i></p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">PTF</td> <td style="text-align: center;">DEF</td> <td></td> <td style="text-align: center;">PTF</td> <td style="text-align: center;">DEF</td> </tr> <tr> <td>Citizen of This State</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business In This State</td> <td style="text-align: center;"><input checked="" type="checkbox"/> 4</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td style="text-align: center;"><input checked="" type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business In Another State</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> <td style="text-align: center;"><input checked="" type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input checked="" type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input checked="" type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
	PTF	DEF		PTF	DEF																				
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input checked="" type="checkbox"/> 4	<input type="checkbox"/> 4																				
Citizen of Another State	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 2	Incorporated and Principal Place of Business In Another State	<input type="checkbox"/> 5	<input checked="" type="checkbox"/> 5																				
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

**IV. NATURE OF SUIT** *(Place an "X" in One Box Only)* Click here for: Nature of Suit Code Descriptions.

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES	
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excludes Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury - Medical Malpractice	<p><b>PERSONAL INJURY</b></p> <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 367 Health Care/Pharmaceutical Personal Injury Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <p><b>LABOR</b></p> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 690 Other <p><b>LABOR</b></p> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Management Relations <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 751 Family and Medical Leave Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Employee Retirement Income Security Act <p><b>IMMIGRATION</b></p> <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <p><b>INTELLECTUAL PROPERTY RIGHTS</b></p> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 835 Patent - Abbreviated New Drug Application <input type="checkbox"/> 840 Trademark <input type="checkbox"/> 880 Defend Trade Secrets Act of 2016 <p><b>SOCIAL SECURITY</b></p> <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <p><b>FEDERAL TAX SUITS</b></p> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 375 False Claims Act <input type="checkbox"/> 376 Qui Tam (31 USC 3729(a)) <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input checked="" type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit (15 USC 1681 or 1692) <input type="checkbox"/> 485 Telephone Consumer Protection Act <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 896 Arbitration <input type="checkbox"/> 899 Administrative Procedure Act/Review or Appeal of Agency Decision <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS			
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 448 Education	<p><b>Habeas Corpus:</b></p> <input type="checkbox"/> 463 Alien Detainee <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <p><b>Other:</b></p> <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition <input type="checkbox"/> 560 Civil Detainee - Conditions of Confinement			

**V. ORIGIN** *(Place an "X" in One Box Only)*

1 Original Proceeding   
 2 Removed from State Court   
 3 Remanded from Appellate Court   
 4 Reinstated or Reopened   
 5 Transferred from Another District *(specify)*   
 6 Multidistrict Litigation - Transfer   
 8 Multidistrict Litigation - Direct File

**VI. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing *(Do not cite jurisdictional statutes unless diversity)*:  
 18 USC 1961 et seq

Brief description of cause:  
 Federal racketeering laws

**VII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER RULE 23, F.R.Cv.P.   
 DEMAND \$ 500,000   
 CHECK YES only if demanded in complaint: JURY DEMAND:  Yes  No

**VIII. RELATED CASE(S) IF ANY** *(See Instructions):*

JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE 6 May 2024 SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ (MAG. JUDGE \_\_\_\_\_)



**INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44**

## Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

- I.(a) Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.
- (b) County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)
- (c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".
- II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.  
 United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.  
 United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.  
 Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.  
 Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)
- III. Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.
- IV. Nature of Suit.** Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: [Nature of Suit Code Descriptions](#).
- V. Origin.** Place an "X" in one of the seven boxes.  
 Original Proceedings. (1) Cases which originate in the United States district courts.  
 Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441.  
 Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.  
 Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.  
 Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.  
 Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.  
 Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket.  
**PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.
- VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service.
- VII. Requested in Complaint, Class Action.** Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.  
 Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.  
 Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.
- VIII. Related Cases.** This section of the JS 44 is used to reference related cases, if any. If there are related cases, insert the docket numbers and the corresponding judge names for such cases.

**Date and Attorney Signature.** Date and sign the civil cover sheet.