



Vertical Computer Systems, Inc.

Global Web Services Provider

Wednesday, February 1, 2023

Dear VCSY Shareholders,

Update to the shareholders of Vertical Computer Systems, Inc. ("VCSY"),

The VCSY Board has managed to direct results to date with favorable actions for all our VCSY Shareholders. While we discovered many new challenges upon taking over as a Board, many unknown issues emerged after the change in control from Richard Wade. The Board acted, and we feel addressing some of these issues has reduced potential risks for the shareholders. As a Board put in trust by you to protect all shareholders interest, we believe we are in a better position today than when we started. That is not to say we do not have significant challenges ahead, but we are confident that we can continue the forward progress.

In 2022, VCSY had successfully prosecuted two of three lawsuits, one by judgement against Mr. Wade and a successful mediation in favor of VCSY with Mr. Mills and his law firm. Both cases are public record and available results can be found with court publication of the records and on FAQ's on VCSY Website. Where we can comment on legal matters, we do and publish if allowed to do so. The current litigation against Lakeshore and Robert Farias is ongoing. For this reason, we cannot comment on this at this time. Trial is set for the end of February, which is as much information we can share.

Members of this Board have worked tirelessly and well beyond the scope of a Board and what we were contracted to do as the Board. In perspective, most Boards oversee the companies they serve and advise executive management. This is not the case for VCSY. The Board has faced several challenges and unselfishly has taken on additional executive roles in order to operate the Company in the best interest of All shareholders, while maintaining cost controls and keeping expenses in check. A few examples of positive reduction in operational costs for 2023:

- Our negotiated settlement and payment terms with the former landlord (note: the Company was locked out due to Richard Wade's failure to pay rent for over a year and adding risk) will come to an end soon as we have (3) monthly payments left.
- We have received a positive proposal by our D&O insurance carrier that will further reduce our monthly expenses.

As for personnel, we have been successful to date in retaining key personnel who are also giving 110%. Our CEO of NOW, Marianne Malcolm has done a herculean job of retaining personnel.

The Board remains continually optimistic and looks forward moving further ahead in 2023.