



December 2, 2021

Dear VCSY Shareholders,

It has now been a year since you, the shareholders of Vertical Computer Systems, Inc. ("VCSY"), demanded significant change including the removal of the then-current directors Richard Wade and Bill Mills.

Once the new Board of Directors (the "Board" or "BOD") was constituted, we removed Wade and Mills from all corporate officer and executive positions at VCSY and its subsidiaries. The Board removed Wade as the President and CEO of Vertical and the Chairman of Now Solutions ("NOW") among other subsidiaries for Wade's failure to perform his fiduciary duties, as well as executive mismanagement including: (a) the SEC's deregistration of Vertical's common stock due to his failure to maintain SEC compliance (including audits and periodic 10-K and 10-Q reports); (b) accumulation of tax liabilities (payroll taxes), (c) failure to file corporate tax returns, (d) taking unauthorized distributions for personal gain, (e) entering into nefarious agreements, as well as neglecting in other areas of the business at the same time. Mills was removed as the Corporate Secretary of Vertical.

The first significant step taken was to assemble the new Board with significant business and technology experience to assess VCSY and its subsidiaries, including its viability to continue operations, to identify and remove risks where the Board could act and to look at every avenue to help VCSY move forward.

The company has retained operational continuity at the VCSY level with Freddy Holder, Laurent Tetard and Jim Salz while the NOW team has functioned more optimally having been freed from constraints imposed by Wade. Other members of the Board have worked well beyond the scope of what they were contracted to do as the Board has taken on additional executive roles in order to operate the company. This is important to note as you review what the new Board has done since created a year ago, as well as the many obstacles both addressed and those we continue to address.

We as a Board believe it is very important to provide you, our valued shareholders, with the transparency you deserve and the continued challenges we face to keep this company moving and return to trading when it becomes feasible to do so.

As a proven and successful expert in past turnarounds, and currently serving as the interim CEO of VCSY, Len Chermack has been and successfully addressed the problems we are facing here at Vertical with his previous turnarounds, but never all at the same time right out of the gate. We believe we have come far in a year at VCSY and with proper funding, successful resolutions to VCSY's outstanding legal issues, and an emphasis on a strategy that grows existing business and technology will offer the best opportunity for you, our valued shareholders.

Let us look at the company from October 30, 2020 (the day the new Board was formed) to today under our leadership:

## **2020-2021**

- **New BOD and Executive Team.** Successfully removed old VCSY BOD and installed new BOD
  - Removed Wade and Mills from all BOD roles and executive positions at both Vertical and its subsidiaries, including Now Solutions, and replaced with members of the BOD and Freddy Holder as CFO.
- **Maintained Corporate Status.** Kept VCSY and Now Solutions' Delaware corporate status from becoming inactive due to non-payment



- **Settlement with the SEC.** Under severe penalty which would have deregistered VCSY with the SEC and prevented VCSY from ever trading again, we filed the necessary interim SEC filings that were delinquent to keep VCSY trading through 2020. At the same time, the VCSY BOD/team utilized external legal counsel to negotiate settlement with the SEC that resulted in VCSY having the ability to return to trading once the necessary audits are in place by an outside auditor.
- **Recovery of Company Tangible Property and IP.** Our first order of business was to recover company tangible assets and IP from our old Renner Road office since Wade had not paid rent for over approximately one year and ignored demands from the lease holder for most of 2020. This put the company's ability to continue operations in severe jeopardy. It also created a major liability issue concerning data exposure since not only were all corporate and legal files in the office but so were critical servers containing company IP and client data. VCSY was able to first secure access to the NOW servers to meet customer backup and upgrades. The old office also had many important documents necessary to prosecute legal matters and comply with discovery, HIPAA and employee information and other personal data, all of which posed significant exposure and financial risk to both VCSY and the landlord. After securing NOW's servers in a new secure location and removing the risk to both the company and the lease holder, Len Chermack and Freddy Holder along with outside attorney Pete Harry successfully negotiated with the lease holder to accept a new payment schedule. These successful negotiations allowed access and the removal of critical servers and storage devices with Vertical IP (including Ploinks®), as well as legal and financial files, corporate records and other assets.
- **Secure Servers, Company IP and Data.** Len Chermack negotiated with the owner and close friend who owned CoreSpace, a secured 24/7 data center and allowed for storage in Dallas for the materials removed from the old office. The BOD and the executive team personally moved servers, files, and other assets to CoreSpace, where data is secured with the necessary certifications in place. VCSY and NOW restored servers to operational status. Consequently, VCSY and NOW are no longer exposed and now meet or exceed the best practices for IT audit compliance.
- **New Office Space.** With the Covid-19 pandemic, company employees have been working remotely so the Board secured new office space to receive mail and host in-person meetings as necessary.
- **Shareholder Advisory Board.** Furthering the new Board's commitment to transparency and better access to shareholders, we established an external Shareholder Advisory Board to maintain inputs and open dialog with the VCSY BOD. Its members include Gary Adams, Nicole Adams, Tom Bacha, Tom DeJuneas, Rick Chiarello, Joe Fletcher, and Michelle Latham, with Jon Snyder leading the group as its chairman. We regularly consult with the members of the Shareholder Advisory Board and generally meet with them monthly.
- **Litigation Updates.** We are actively proceeding with litigation.
  - On October 18, 2021, certain shareholders and VCSY settled with former VCSY Director William Mills. Under the terms of the settlement Mills returned 5,200,000 VCSY common shares to certain shareholders who helped fund the lawsuit and Vertical as well as cash from settlement proceeds. VCSY will be reducing any liabilities related to Mr. Mills and his law firm Parker Mills, LLP on its balance sheet by almost \$600,000



- The litigation updates on the [VCSY FAQs](#) page are updated on the VCSY corporate website to keep the shareholders informed about the company's efforts in prosecuting ongoing actions against Lakeshore, Robert Farias, Richard Wade and others without exposing information detrimental to our strategy.
- **NOW Solutions.** The Board and the executive team at NOW have helped stabilize this subsidiary. Several Board members and the NOW executive team are actively identifying prospects as well as strategic partners to expand and return growth for this important asset. The upside opportunity for growth of NOW with a new SaaS-based offering can be strategic and an important contributor to VCSY.
- **Ploinks®.** Luiz Valdetaro continues to update Ploinks®. The Board continues to evaluate and identify potential opportunities to develop the Ploinks® platform in order to find commercial uses for this technology. To assist with our efforts, we are leveraging external advisors who are bringing their industry and technology experience to help guide our potential market solutions and the platform features/capabilities focusing on the B2B and B2C industry solutions.
- **Capital Raise.** We have raised capital through private offerings in 2020-2021 through our valued and dedicated shareholder base. We thank those of you who have helped out so far during this year.

### **Our 2022 Outlook and Goals**

As you are aware, VCSY needs the necessary funding to continue to execute the go-forward strategy. We will continue capital raise initiatives because the need to raise money is imperative. Institutional money as well as outside investment is where we would like to be, but the current conditions will not attract such investors at this time due to excessive debt and the legal actions underway which have to be funded. A fire sale of certain assets is an option of last resort, but we do not believe it to be in the best interest of our shareholders given what we see with the potential opportunities and the discount required to unload such assets. With sufficient funding, we believe we can meet the following goals:

- Getting current employees and BOD caught up on compensation immediately to have the commitment to continue forward.
- Hire and insert full-time management and sales/business development, software development, and operations positions.
- Growing NOW with additional personnel and distribution partnerships.
- Continue to pursue potential opportunities to develop the Ploinks® technology and commercialize and establish a development & business development team.
- Conduct necessary audits of VCSY and subsidiaries to meet compliance in order to get VCSY common stock trade again.
- Negotiate a settlement with the IRS for past due payroll taxes and caused by Richard Wade as well as compliance for all past due corporate income tax returns.
- Hold a Shareholder Meeting.



NOW Solutions is generating revenue and is seeking opportunities to grow its business, and we see very positive potential down the road. The Board has restored confidence with the employees of NOW, and, with the assistance of Marianne Malcolm, NOW's CEO, we have even been able to secure the return of critical employees who had left under Wade. As we announced over the summer, NOW did add a new client and is actively making proposals in an effort to grow its customer base.

There is great deal of work still to do, and proper funding is required to reach our goals. Several existing shareholders have stepped up. We have some that have kept the D&O current and assisted in their commitments to cover legal bills to prosecute the various legal matters we are pursuing against the nefarious business dealings by Richard Wade entered into in his interest and not the best interests of the shareholders.

What you may not know is the amount of effort the Board of Directors has given and the fact we meet weekly. We are not getting paid as contracted for our services beyond simple board oversight and, as noted above, we have committed time and resources well in excess of services typical of directors.

"The Board has been extremely accessible and transparent at all times with us," stated Jon Snyder Chairman of the Shareholder Advisory Board. "Based upon the Board's performance so far, I feel that VCSY is finally on the right track and with additional interim funding, the current team can get us on a path to building a profitable company."

We believe VCSY has an opportunity with correct interim funding to find its way to profitability. But we need to ask each of you to review your situation and consider contributing further to this effort.

We thank you, our valued shareholders, in advance for being a part of the solution.

Sincerely,

Len Chermack  
CEO, VCSY  
VCSY Director

Mike Short  
Chairman, VCSY  
VCSY, NOW and Ploinks Director

John Adler  
Chairman, NOW  
VCSY, NOW and Ploinks Director

James Salz  
VCSY, NOW, and Ploinks-  
Corporate Counsel & Secretary  
VCSY Director

Scott Winning  
VCSY Director