



Vertical Computer Systems, Inc.

Global Web Services Provider

Friday, October 13, 2023

Dear VCSY Stockholders,

I know that many stockholders have been wondering why we have been so quiet and have been looking for updates. As the CEO and a Board member, I can say our core focus has been to find a path to enhance the value of the Company. We have been pursuing the objective of maximizing stockholder value relentlessly. Many of our current paths to maximize value require litigation and/or legal planning. To execute those plans, we often must limit communications with our stockholders to arrive at better legal outcomes and implement confidential strategies. Our goal remains to pursue legal strategies with merit and defend claims against us and recover damages, when possible, from those who fiscally damaged the company through their actions. As you are aware we have had success in litigation over the actions of VCSY's former CEO, Richard Wade, which damaged the Company.

As CEO and Board member, alongside members of the Board of VCSY and several supporting stockholders, I have been fighting significant challenges to pursue justice for our stockholders through a legal strategy and path that defended claims while relentlessly going after the bad actors involved when possible. We have made great strides in this pursuit.

I can now communicate some legal news as it is public record. On October 5th, VCSY filed case number DC-23-17092 in Dallas County Court and has sued the various individuals who worked with Richard Wade. The suit alleges that those involved caused many financial issues the Company has faced. The filed suit also includes the allegation of RICO violations, collusion with Richard Wade, as well as violations of fiduciary responsibility against Robert Farias and his ex-wife Kim Farias ([click here to see filing](#)). Members of the Board, and the litigation committee of the Board in coordination with myself as CEO were actively involved in the process of getting this lawsuit filed.

The work we have been doing had to be carried out discretely, with moderate communications between a few, due to the secrecy required to protect the various legal pursuits and strategies. As many of you are aware, we successfully pursued Richard Wade, the former CEO, for his role in causing the loss of shareholder value by violating his fiduciary responsibilities, and embezzlement. The Board feels the Company is in a stronger position today than when we inherited these significant and the many legal problems which our ongoing litigation attempts to address.



As for our legal representation, we have made many changes to position VCSY with superior counsel both in-house and outside to give the Company the best chance to succeed. Our litigation committee decided that it was advisable that we retain a very strong legal team led by Caitlin Jones, partner of PettitKohn, to replace Biggins Law firm to represent VCSY and NOW in the Lakeshore case. The Lakeshore trial is set for November 13th. With the Texas lawsuit filing against Robert and Kim Farias, Lakeshore's council has agreed to a mediation on Nov. 1st to see if we can settle the Lakeshore matter prior to trial. R. Shawn McBride, a corporate and securities lawyer with over 2 decades of experience, including working for some of the largest law firms in the US (most recently K&L Gates), has been acting as outside counsel and legal advisor to VCSY. Pete Harry remains as our Texas counsel who filed the Dallas County suit mentioned above. He formerly led our successful litigation against Richard Wade. This was important to allow the Company to move forward as it removes risk to investors in VCSY.

We continue to look for ways to maximize stockholder value and to grow our business. Legal costs take away the necessary capital that could otherwise be invested in growth, provide the money for the audits and compliance requirements to position the Company to trading again.

Stay tuned, look for more updates in November 2023.