

Update from the CEO and Board Member of VCSY and Chairman of NOW Solutions, Inc. June 6th, 2024

Dear Shareholders,

I am pleased to provide you with an update on the current state and strategic direction of Vertical Computer Systems, Inc. (VCSY) and its subsidiaries.

Focus on NOW Solutions, Inc.

Positive Developments:

- **Ownership and Control:** We are thrilled to announce that following the successful mediation of the Lakeshore case with Robert Farias, NOW Solutions, Inc. now retains 100% ownership of its shares. This complete ownership grants us full control over the subsidiary and simplifies our tax reporting processes.
- **Strategic Importance:** NOW Solutions, with its robust payroll and HR capabilities, is positioned to capitalize on the growing demand for efficient and user-friendly payroll systems. Every organization requires payroll services, and our emPath® solution, with its proprietary formula and rate engine, offers a unique competitive edge.

Challenges and Past Issues:

- **Historical Challenges:** Under the previous leadership of Richard Wade, NOW Solutions was deprived of essential capital and resources. Profits were siphoned off to cover the parent company's expenses and personal indulgences, stifling NOW Solutions' growth and market potential.
- **Market Potential:** Despite these challenges, NOW Solutions' competitors have grown significantly, with many achieving valuations in the hundreds of millions or even billions through strategic acquisitions. This underscores the immense potential in the payroll and HR solutions market.

Path Forward:

- **Investment in Growth:** To leverage the current market opportunities, it is imperative that NOW Solutions identifies capital investment through direct infusion by VCSY shareholders, or alternative means to enhance our product offerings, expanding our market reach, and ensuring we have the necessary capital to drive growth.
- **Board Focus:** The Board has identified NOW Solutions as our primary focus. We are committed to seeing the company regain its competitive standing in the market.

Plinks and Other Subsidiaries

Current Status:

- **Licensing Efforts:** Since joining the company, we have made several attempts to license Plinks technology. Unfortunately, these efforts have not yet met with success.

Conclusion

We are at a critical juncture for VCSY and its subsidiaries. The complete ownership of NOW Solutions marks a significant milestone, and with strategic investment and focused leadership, we are confident in our ability to drive growth and value for our shareholders. We appreciate your continued support and patience as we navigate these challenges and capitalize on the opportunities ahead.

Legal Updates

Richard Wade Litigation

We are pleased to report that our former CEO Richard Wade has been successfully sued and found liable for violating his fiduciary responsibilities and embezzlement for personal gain. The verdict awarded us over \$21 million. However, Mr. Wade has appealed the ruling to the Texas Supreme Court. Our attorney, Pete Harry, has filed a robust response, and we are optimistic that the Texas Supreme Court will uphold the verdict. Despite the favorable judgment, we do not anticipate receiving any of this award due to Mr. Wade's financial situation.

Vertical Computer Systems Inc. and NOW Solutions, Inc. vs. Derek Wolman and Davidoff, Hutcher, and Citron LLP

The current Board, on behalf of VCSY shareholders, has filed a lawsuit in the United States District Court for the Eastern District of Texas Sherman Division (CASE NO. 4:24cv395). The case details are available on our [investor page](#).

This lawsuit arises from actions taken by Derek Wolman, a partner at Davidoff, Hutcher, and Citron LLP, which involved sweeping NOW Solutions' TD Bank account. This issue was only brought to our attention by this action and opened us to further discover the wrongs committed. These discoveries are numerous claims were filed in Federal Court. Pete Harry, Attorney at Law, is leading this RICO case. The defendants have been served and acknowledged receipt of the suit in the first week of June 2024. The Board is committed to pursuing justice for our shareholders and will keep you informed as the case progresses.

James Salz v. Vertical Computer Systems, Inc., NOW Solutions, Inc., Priority Time Systems, Inc., and Leonard Chermack

Case Details:

- **Court:** Los Angeles Superior Court
- **Case No.:** 24STCV05304

James Salz filed a lawsuit against the Company on March 1, 2024, seeking collection of past wages, interest, and penalties allegedly dating back over a decade. VCSY has retained Pettit Kohn, a firm specializing in employment law, to handle our defense. We filed our response to Mr. Salz's allegations on May 31, 2024.

Cross-Complaint: In addition to responding to Mr. Salz's allegations, Pettit Kohn referred us to Garcia Hong Law Firm. Attorney Valerie Hong, who specializes in malpractice and is a former Pettit Kohn attorney, has filed a cross-complaint against James Salz and some of these charges are brought against Chad Biggins of Biggins Law Firm. The cross-complaint includes the following claims:

1. Breach of Fiduciary Duty
2. Legal Malpractice
3. Fraud
4. Breach of Implied Covenant of Good Faith and Fair Dealing
5. Violation of Books & Records Demand

This cross-complaint is tied to Mr. Salz's and Mr. Biggins involvement in the Lakeshore litigation prior to our engagement with Pettit Kohn.

Commitment to Transparency

The Board remains dedicated to keeping shareholders informed about significant legal proceedings. We understand the importance of transparency and will continue to provide updates where possible. Thank you for your ongoing support and trust.

Sincerely,

Len Chermack
CEO and Board Member of VCSY
Chairman of NOW Solutions, Inc.