



February 12, 2020

Dear Valued Customers,

As you are probably aware, a deadly disease is known as Coronavirus recently emerged in Wuhan, China as early as December of last year. At this time, the Chinese government has implemented travel restrictions in high-risk areas of the country, which creates the potential for global supply chain disruptions. In an effort for complete transparency, the purpose is to let our customers know what VersaLogic is doing to maintain the integrity of the supply chain.

VersaLogic takes great pride in our commitment to our customer and their projects. Selecting an embedded computer partner has a significant impact on the entire life of the end product. When VersaLogic partners with a customer it commits to providing high quality, long-life embedded computing solutions with excellent support, throughout the life of the program. VersaLogic is fully committed to supporting the success of our customer's projects.

To reduce potential supply chain disruption to the VersaLogic products that are relied on, our business model is inherently resistant to short-term interruptions in global supply chains. Along with traditional manufacturing partnerships in Asia, we also maintain close relationships with manufacturing partners located in North America. Wherever possible, we have multiple qualified suppliers for components of all active products. We closely monitor component lead times for every product on our forecasted build schedule, and we deliberately carry extra inventory of scarce and obsolete components.

At this time, printed circuit boards (PCBs) are the only components that appear to have the potential to impact VersaLogic product delivery schedules if Coronavirus supply chain disruptions extend into the summer months. PCBs are unique to specific products and they typically require an 8-week production lead time. Our manufacturing partners maintain a healthy supply of PCB inventory for forecasted builds, and as a result, no product deliveries in Q1 or Q2 should be impacted. In addition, reasonable levels of PCB inventory are already on hand to support builds in Q3 and Q4. As a final stop-gap VersaLogic maintains PCB sourcing from multiple suppliers across Taiwan and the U.S. to assure continuity of supply.

Maintaining an accurate forecast, and receiving timely orders from our customers, is part of the process that helps ensure timely product availability. VersaLogic appreciates our customers' efforts to provide frequently updated forecasts, and VersaLogic encourages customers to continue to place orders within the requested 16-week lead-time for all commercial-off-the-shelf (COTS) products, and within the requested 24-week lead-time for all modified products.

As always, if any risks are identified that have a high likelihood of impacting our delivery commitments, VersaLogic will communicate both our concerns and our mitigation plans.

We look forward to our continued partnership.

Best regards,

A handwritten signature in black ink, appearing to read "Bruce A. McKinnon", is written over a light blue horizontal line.

Bruce A. McKinnon  
Chief Operating Officer