



January 2, 2012

Dear Fellow Stakeholders,

What an eventful and productive year 2011 was for us! We achieved some market and business breakthroughs. We reduced our issued and outstanding shares dramatically while reducing our overall debt. And we increased our portfolio of *mobile robot solutions for safety, security and service.*<sup>TM</sup>

As you will read in this update, we have achieved some game changing progress!

Let me personally thank you for your past and continued support. And I thank you for your time to read this summary discussion of our business, technology, and the new context in which we find ourselves. We have made substantive progress with breakthroughs in several key areas, both business and technical.

### **Eldercare trials**

We concluded 2010 with the many insights from our Alpha trials of our CareBot personal assistance robots. During that time we learned a great deal about the many benefits --some which were unexpected-- to the family and other primary eldercare givers. During this past year, we evolved much of the hardware and software for our CareBot<sup>TM</sup> to be more robust and beneficial and yet lower overall direct manufacturing costs. We plan to have our Beta test elder care trials this year with a much larger group of participants. Should any readers have interest in participating, please inquire.

### **R&D continues to reduce manufacturing costs**

Not only has our R&D helped reduce cost of the CareBot but our new low cost vision system has demonstrably opened up new markets for us in 2011, such as the retrofit upgrade of existing power wheelchairs to be collision proof with the incorporation of our automatic self-navigation software, GeckoNav<sup>TM</sup>. As a direct result of that work, we achieved our first strategic sale of our mobile robot solutions. This sale, while small, was to the oldest wheelchair manufacturer in Japan, Imasen. We upgraded one of their wheelchairs to be collision proof using several of our solutions. In conjunction with this new vision system we have developed several new software utilities. These utilities, while expensed on our income statement, are nonetheless strategic assets due to their applicability to other applications of GeckoNav, etc.. There are many other mobile robot appropriate locomotion systems our self guidance AI engine can be used on such as additional manufacturers' wheelchairs, electric golf carts, and ATV's, just to name a few.

Please feel free to go to our website at [www.geckosystems.com](http://www.geckosystems.com) for many information about these significant software accomplishments we made in 2011.

### **Marketing initiatives**

The CyberMobile Chair, or ChairBot, concept drew particularly strong interest in Japan and China this past year due to the hard work of Mr. Hajime Yasumatsu, Chairman of Yasu, Inc., and his associates.

In Japan, ZMP, a first tier mobile robot company, was sufficiently impressed with our collision proof wheelchair videos to sign a non-disclosure agreement (NDA), MOU, and release a joint press release regarding our signed MOU and continuing joint venture discussions. We are very excited about this developing partnership with a first tier Japanese mobile robot company. Hokuyo, a scanning laser range finding company also signed an NDA with us.

In China we have secured an NDA, MOU, and a definitive and strategic joint venture (JV) agreement signed by Mr. Qing Xi Chen, CEO, Puyang City Kang Long Medical Equipment Co., Ltd. in Nanle County, China. Copies of the NDA and MOU with them are on our website. The Chinese government has funded this project and they have begun construction on a new factory where they plan initial production this spring. We have provided concept drawings to their engineering staff for a software friendly mechanical design. They will be using our GeckoNav software and other mobile robot solutions exclusively to initially build and distribute collision proof wheelchairs and later CyberMobile chairs and/or ChairBot. Not only will I be sitting on their Board of Directors, GeckoSystems is to receive a minimum of ten percent ownership in this enterprise for the licensing of GeckoSystems' BaseBot™ technologies for use in the Chinese marketplace. I expect to visit them early this coming spring in China. Per FASB's GAAP, this could have a very positive dramatic impact on GeckoSystems' financials since it could be legitimately recorded as sales revenue from technology licensing. The dividends received in perpetuity would constitute the royalty stream for this technology licensing agreement.

Mr. Yasumatsu is working with our Japanese representatives to establish distribution for our JV products in Japan, too. We expect to have JV distribution in the US with another firm as well.

Now that we have demonstrated the robustness of our *mobile robot solutions for safety, security, and service™* by migrating GeckoNav to a power wheelchair not of our design and/or manufacture, we have expanded our domestic, Pacific Rim and EU marketing efforts with the hire of new US marketing personnel. This is due to our increased credibility as to the applicability of our proprietary technologies to mobile platforms other than that of the CareBot. The mechanical platform appropriate for wheelchairs is also very suitable for professional healthcare and commercial security mobile robots. This will give us a significant cost advantage and increase our gross margins while still enabling extraordinary ROI for end users in those business to business (B2B) markets.

### **Significant debt reduction achieved of over 30%**

We converted \$400,000 of Accrued Liabilities (which includes all current and long term debt to be ultra conservative in the application of FASB's GAAP) to Rule 144 restricted stock at a premium to market. Essentially the Spencers reduced their percentage ownership of GeckoSystems stock dramatically. Originally they had sold their stock early this past year for promissory notes at the par value of \$.001 per share. They converted all that debt back to stock at a higher price (premium to market), resulting in their holding fewer overall shares than previously, i.e. before December 31, 2010. This transaction resulted in an increase in shareholder value for all.

### **Significant stock reduction, again**

Despite some debt conversions to equity, as continued demonstration of our goal to increase stockholder value, we initiated and consummated three share buybacks since December 31, 2010, resulting in reduction of issued and outstanding by over 30% or over 250,000,000 shares. This reduced the issued and outstanding to 466,160,675 as of June 30, 2011.

As further confirmation of the co-founders of GeckoSystems, the Spencers, determination to grow stockholder value, they converted their previous 60+% of all issued and outstanding shares to less than 25%, and in so doing reduced all issued and outstanding shares by more than 25%. As of this date, GeckoSys-

tems has 349,620,506 total shares issued and outstanding for a total reduction since June 30 of 116,720,579 shares.

### **This year's focus and activities**

Going forward we basically have some software extensions and only some technical refinement work to do regarding better manufacturability. Of course, we will be improving our GeckoSavants routinely in the years to come, but our primary focus continues to be sales and marketing. We have shifted gears from an inwardly R&D focus to an outwardly sales and marketing focus. Our presently ongoing discussions and noteworthy steps with potential Japanese, Chinese and European partners will continue to be nurtured. Depending on budgets available to us, we will be attending trade shows and other conferences relevant to our target markets of consumer, professional healthcare, and commercial security. Additionally we hope to do mobile robot demonstrations at shopping malls, retail stores, investors groups and potential partners and suppliers this year. As they become available we will be placing numerous videos of those public venue demonstrations on our website. As can be seen on our website presently, we demonstrated our collision proof wheelchair at a large shopping mall and in a grocery store. The chair performed flawlessly and we received positive feedback from the general public who witnessed the demonstrations.

This past year has seen many business and technical challenges and accomplishments. Due to having met those challenges and achieved those accomplishments, we now have a great 2012 before us. Again, thank you for your continued support of our company as we continue to make substantive progress in the 21st century!

Sincerely yours,

A handwritten signature in black ink that reads "R. Martin Spencer". The signature is written in a cursive style with a large, stylized "R" and "S".

R. Martin Spencer  
Founder