



Message from the Chairman

April 21st, 2011

Dear Shareholder:

The past 12 months have been ripe with activity in our company. We have successfully transitioned from an intellectual property licensing company into a company whose proprietary social networking platform is finding application in several key market segments, and in particular in education.

Just over a year ago, in March 2010, we officially announced the launch of *Collaborize*, a group collaboration and decision-making platform which we developed, flexible enough to address the needs of more than one core market. At that time, we changed our name to DemocraSoft, Inc. and our mantra became "*Social Networking With Purpose*." We initially believed that there might be up to a dozen or so vertical markets where our Collaborize platform could quickly be adapted to the needs of the respective markets. Over the subsequent months (certainly through the end of 2010), we test marketed various pricing and implementation strategies. Ultimately we ended the year having distilled our offering into 4 primary products: *Collaborize Classroom*<sup>®</sup>, for the education market; *Collaborize Workplace*<sup>™</sup>, for businesses, *Collaborize NPO*<sup>™</sup>, for non-profits, and finally *Democrasoft Town Hall Online*<sup>™</sup> for civic engagement.

What happened at the end of the 2010 took us by pleasant surprise. *Collaborize Classroom*, which had a total of 9 teachers using it in October, was written up by Mashable, an online technology blog, as one of "*7 Fantastic Free Social Media Tools for Teachers*." Within a couple of weeks, the number of teachers that had registered to launch sites was up to several hundred. As word began to spread within the education community (and as we reinforced this initial exposure with an "official" launch of *Collaborize Classroom* in January 2011), the positive reviews kept coming in from teachers, students, bloggers and others. Adoption has continued to climb, and as of this writing in April, the number of teacher registrations is nearing 4,000, with almost as many launched sites and more than 13,000 users (students and teachers) system-wide on Collaborize Classroom (with a higher student-teacher ratio than the industry standard). While this is still a relatively small number, the growth rate has been sustained so far and appears to be continuing, as have been the positive reviews (a more detailed explanation of our growth trajectory is provided in the attached Annual Report).

Watching the success that teachers and students were having with *Collaborize Classroom* led to an evolution in our thinking about what this teaching tool could ultimately become. We developed an added dimension to our education platform that we are planning to introduce publicly this Summer 2011. We believe this new set of capabilities has the potential to revolutionize education in America (and beyond). We also believe that the increased adoption and deployment that this new level of *Collaborize Classroom* could initiate will set the stage for multiple monetization paths. You can read a bit more about this in the

attached Annual Report. However, for competitive reasons, we are saving most details until after we officially launch *Collaborize Classroom* "Level 2" this summer.

Our focus on the education market puts our resources to work where we believe they will do the most good. However, we are not abandoning our other three *Collaborize* offerings. Rather, we are being opportunistic about claiming market territory in an area where we believe we have a real market lead and advantage. While there can be no guarantees, we believe this strategy will serve us well in the coming year and beyond. We are still supporting our three other main applications for *Collaborize* (non-profits, businesses and civic engagement) and we are pursuing some interesting opportunities for these applications, but our primary focus for the time being will be on the education market (at least as far as our public-facing activities and announcements are concerned).

During the past 12 months, we were able to sell more of our remaining "legacy" intellectual property portfolios, for a total of just under \$1M of net income (most of this income will be accounted for in our 2011 financials, since these sales did not actually "close" until after the end of 2010). However, more importantly, in the process of developing our *Collaborize* platform, we have developed brand new intellectual property. We now have new patents pending on important aspects of *Collaborize* and on our *Collaborize Classroom* architecture, which, while there are no guarantees, we believe will provide both competitive advantages and also future monetization potential.

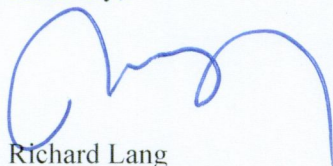
We have continued to refine the user experience for all of our *Collaborize* offerings. If you are a teacher, you will be amazed to find out how quickly and easily you can launch your own free *Collaborize Classroom* site: [www.CollaborizeClassroom.com](http://www.CollaborizeClassroom.com). You can also watch a short video about this "blended learning" platform by following this link: <http://collaborizeclassroom.com/multimedia.html>.

We have put into place the core infrastructure needed to both sustain and also scale our *Collaborize* platform, and its various implementations. We have been developing important relationships with other organizations that share our vision and goals for both education and for society in general and expect these relationships to continue to bear fruit as we expand our activities in each of our core market segments in upcoming phases. We will continue to provide public and shareholder announcements as important developments take place in the coming months and beyond.

We have posted our audited year-end financials for the year 2010 on our web site: [www.democrasoft.com](http://www.democrasoft.com) (see "Shareholder Relations," at the bottom of the page).

Thank you for your continued interest and support. We look forward to an exciting year ahead!

Sincerely,



Richard Lang  
Chairman & CEO