



Message from the Chairman

August 15, 2010

Dear Shareholder:

It has now been almost 5 months since your company transformed itself from Burst.com, Inc. into Democrasoft, Inc., and officially launched *Collaborize*®, our group collaboration platform for “*Social Networking With Purpose.*”

During these 5 months, we have focused on a number of key elements that we believe are essential to making our efforts successful, including the design and incorporation of a number of new features suggested by users of our product. We have also continued to refine the “User Experience” and the actual “User Interface” to provide a simple and seamless route to user success, which is the key to product success.

We found early on that the success of most social networking sites depends heavily on having successful Moderators, thus we have created an entire department in our company (the Community Development Managers) devoted to making sure that every new customer’s Moderator has all of the support necessary to achieve both initial uptake and continued enthusiastic engagement from the members of the specific Collaborize community. We even used our own platform to create two valuable online resources for *any* Moderators (regardless of whose sites they are moderating) and their community members. You may be interested in visiting these two Collaborize portals. They are: [www.wemoderate.democrasoft.com](http://www.wemoderate.democrasoft.com), and [www.howto.democrasoft.com](http://www.howto.democrasoft.com) (a different site that showcases the way Collaborize can combine a normal FAQ resource with “wiki-like” community input, resulting in a rich and self-evolving resource for end-users of almost any product).

We have initiated a blog page as part of our web presence, called [www.wisdomofwe.com](http://www.wisdomofwe.com). This blog provides an ongoing look into the ideas and issues that are driving our activities within Democrasoft, as well as an analysis (by different members of our team) of topics that relate directly not only to our company, but also to our industry (and sometimes our world) in general.

We have tested a number of vertical markets and, within these vertical markets, we have been testing various pricing strategies, making sure that our product offering(s) provide both real value to our customers and, we believe, a path to profitability for us. This work has helped us identify a handful of vertical markets that appear to be a more natural fit for our platform and its various applications, while helping us know which initial test markets should be of lesser priority. Within what we believe are the more fruitful markets, we have identified what we believe to be the right revenue models—those which have the potential to yield ongoing revenues when we begin to apply the outward-facing marketing focus in the coming weeks and months.

We have put into place a sales and marketing team and a plan for implementing all that we’ve learned in the last 5 months, applying it in all of our decision-making as we move forward. In short, we have been busy laying the type of foundation and infrastructure that can support the type of business opportunity that we think exists. Now, in the coming months, building on that foundation, we will be reaching out proactively into our prioritized markets and hopefully begin generating the revenues that we think are achievable. We plan to leverage all that we have learned and all of the relationships and partnerships that we have put into place to achieve our goals.



We continue to believe that the world of social networking is in the process of evolving into a new wave of activity and growth. The first wave, exemplified by sites like Facebook and LinkedIn, was all about people simply becoming *connected* online. There is now ample infrastructure to make sure that we all can have a web presence. We all know where all our “friends” are, and can share photos, music, thoughts, etc. The emerging second wave of social networking is what we call “*social networking with purpose.*” This new wave, which is exemplified by products like Collaborize, is all about coming together online to *do things together, accomplish specific objectives and achieve results.* We believe that in time, this phase will come to be recognized as the most exciting step in the evolution of social networking. Thus, while it has taken time to understand this opportunity and prepare accordingly, we are excited about the chance to be here, right now, and be part of leading the way as this new wave breaks.

On a completely different front, we are continuing our efforts to monetize our remaining patent portfolio in the most efficient and profitable avenues available to us. We have been involved in multiple negotiations related to the monetization of our patent portfolio and while there can be no guarantees, we hope that these activities will yield fruit sooner rather than later. We will, of course, make announcements promptly as any events warrant.

We have posted our most recent financials for our second quarter ending June 30th, 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 will look forward to sharing important developments with you as they occur.

Sincerely,

Richard Lang  
Chairman, Co-Founder & CEO