

SHAREHOLDER NOTICE

October 27, 2010

At the regularly-scheduled meeting of the Board of Directors of Democrasoft, Inc., on October 20, 2010, the directors reviewed the progress of the multi-pronged Collaborize[®] initiative and authorized expenditure of up to an additional \$1.7 million in support of the various Collaborize activities during the next five months. Interested parties should visit the company's website, www.Democrasoft.com, to familiarize themselves with the four different current components of the web-based Collaborize family of software products.

The company is particularly pleased with the progress of the Collaborize Classroom[™] offering and its reception in both in the education and Web 2.0 communities. See, for instance, the recent review in Mashable, a widely read technology blog: www.mashable.com/2010/10/16/free-social-media-tools-for-teachers/. Following this favorable review, the number of teachers registering to use Collaborize Classroom has increased from 9 on October 1st to 377 on October 24, with more signing up almost every day. These are registrations only for a version of Collaborize that will be offered, at no cost to teachers or schools, as sponsored sites.

The other members of the product family currently being offered are Democrasoft Town Hall Online[™], Collaborize NPO[™] (for non-profit organizations) and Collaborize Workplace[™].

The company has initiated a reseller program with respect to all of the Collaborize offerings, and, as of October 20th, there were approximately 18 resellers under contract, although most of them have not yet commenced significant sales efforts.

While revenues to date have been insubstantial and there can be no assurance that meaningful revenues will indeed be produced, management is very hopeful that the Collaborize program will begin generating meaningful revenues during 2011. Since the company has expensed its software development costs, if meaningful revenues are indeed achieved, margins should be quite attractive.

In parallel, the company has continued in its efforts to monetize its legacy intellectual property assets relating to network optimization. To that end, it has engaged ICAP/Ocean Tomo to auction off two patent families in an auction to be held in mid-November. There can be no assurance that the patent assets will be sold through that process.

Management will provide further information as circumstances warrant.