Burst.Com Annual Report
(Formerly known as Instant Video Technologies, Inc.)

For the Fiscal Year ended: December 31, 2004

Delaware	84-1141967
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

613 Fourth Street, Suite 201
Santa Rosa, California, 95404

(415) 391-4455

Note that our Securities are not registered under Section 12(b) or under Section 12(g) of the Exchange Act

Common Stock $.00001 Par Value

As of December 31, 2004, there were 27,072,871 shares of the Company's Common Stock outstanding. The closing price of the Common Stock as reported on The NASDAQ Over the Counter Bulletin Board for that date was $1.50.

The Company's transfer agent is ComputerShare, Inc. Their address is P.O. Box 1596, Denver, CO 80201.

BURST.COM, INC.

2004 ANNUAL REPORT

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Instant Video(R), Burstware(R), Faster-Than-Real-Time(R), Burstware Conductor(R), Burstware Player(R), and Burstware Server(R) are registered trademarks of BURST.COM, INC. All other names are trademarks and/or registered trademarks of their respective owners.

SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Some of the matters discussed under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report include forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events, including, among other things:

* Implementing our business strategy;
* Maintaining sufficient cash balances to continue in operation;
* Attracting and retaining customers; obtaining and expanding market acceptance of the products and services we offer;
* Rapid technological changes in our industry and relevant markets and
* Competition in our market.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," ""potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes" and similar expressions. These statements are based on our current beliefs, expectations and assumptions and are subject to a number of risks and uncertainties. Actual results, levels of activity, performance, achievements and events may vary significantly from those implied by the forward-looking statements. A description of risks that could cause our results to vary appears under the caption "Risks and Uncertainties" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report. A more comprehensive description of these risk factors, which in general are still applicable, can also be found in the last report we filed with the S.E.C., the 2001 10K report, which is available on our web site: www.burst.com. These forward-looking statements are made as of the date of this report and we assume no obligation to update them or to explain the reasons why actual results may differ.

THE COMPANY

We have developed client/server network software and intellectual property for the delivery of video and audio information over networks, and hold a number of patents on our technology. Our office is located in Santa Rosa, California. Our software manages the delivery of video and audio content over a variety of networks; optimizing network efficiency and quality of service. Our Burstware® suite of software products enables companies to manage the transmission of video and audio files at Faster-Than-Real Time® speeds, which is accomplished by utilizing available bandwidth capacity and local storage in conjunction with data compression to send more video or audio data to users than the players are consuming in real time. Video and audio content is stored on the user's machine for playing on demand, thus isolating the user from noise and other network interference. The result is high quality, full-motion video and CD-quality audio to the end-user. Burstware® utilizes various components of our international patent portfolio, including the Faster-Than-Real-Time delivery method.

In January 2000, we changed our name from "Instant Video Technologies, Inc." to "Burst.com, Inc." Since February 2003, our stock trades on the over-the-counter “Pink Sheets” under the symbol "BRST".

Since October 2001, we have had two full-time employees: Chief Executive Officer Richard Lang and Vice-President of Operations Eric Walters. Effective November 16, 2004, we added a 3rd full-time employee to handle administrative and other responsibilities. Since October 2001, engineering, licensing, legal, accounting and other support services are being procured on an "as-needed” basis from a combination of former employees providing contract services, and outside consulting, legal and accounting firms. In light of our reduced operations and limited working capital, we have changed our mode of conducting business by engaging in a business model that focuses exclusively on efforts to license both our intellectual property and existing versions of Burstware®, with product enhancements provided as needed by outside engineering contractors.

At the end of 2001, software giant Microsoft, Inc. announced that its new media delivery platform, code named “Corona” (since renamed “WMP-9”), would include a number of new features which we determined had been misappropriated from Burst, and were also infringing on several of Burst’s patents. We initiated legal action against Microsoft in June of 2002 (details are available on our website: www.burst.com). After completing the fact discovery process and expert reports phases of the litigation, we announced on March 10th, 2005 that we had come to preliminary agreement with Microsoft to settle the litigation. Under the terms of the final agreement, which was fully executed on April 4th, 2005, Microsoft agreed to license Burst’s International patent portfolio and make a one-time licensing payment of $60 million. In return, we agreed to drop our complaint in its entirety. Microsoft’s license to the Burst patents is non-exclusive, and does not include any sublicensing rights. After court costs and the payment of a 35% contingency fee to our litigation attorneys, Burst received a net payment of approximately $38 million.

Following the successful licensing of our patent portfolio to Microsoft, we now intend to pursue the licensing of our patents to other companies, large and small, that we believe are either already infringing our patents or will be infringing our patents when they begin selling their publicly announced services or products. In addition to the attempted licensing of our patents, to a lesser degree we are attempting to license our media delivery software, Burstware©, to companies that we believe could benefit from the use of our independent media delivery platform. While we believe that our ability to license our patents to other companies has been greatly improved by the validation of our patents that we believe our patent license to Microsoft provides, it is possible that other companies may decide to fight our licensing efforts and possibly challenge our patents. While we are optimistic about our prospects, there can be no guarantee that we will be successful in our efforts to license our patents or Burstware to any companies beyond Microsoft.

INDUSTRY BACKGROUND

In recent years, several related technologies have converged to enable the distribution of video and audio content over electronic communications networks. As network bandwidth, data storage, processing power, and compression technologies have become increasingly available, the demand for high quality video and audio over the Internet, as well as over intranet and extranet networks, has expanded rapidly. The result of such developments has been the transition of the Internet from a static, text-oriented network to an interactive environment filled with graphical and audio-visual content.

Distributing audio-visual content over the Internet, or within an intranet, offers certain advantages and capabilities not generally available through traditional media, including consumer targeting and interactive responsiveness.

MARKET OPPORTUNITY

We believe that our intellectual property and to a lesser degree, our primary software product, Burstware®, should be attractive to any company that wishes to deliver digital media over electronic networks at a quality level high enough to justify charging end users, content providers or advertisers. As a result, our business model involves developing strategies that will enable us to successfully enforce our intellectual property and thereafter receive what we believe will be substantial licensing revenues as a result, although there can be no assurance that this will be the case.

THE BURST SOLUTION

With our patented Burstware® technology, we provide a server-client based intelligent network management system delivering "Faster-Than-Real-Time®" content across a variety of networks. Our software is designed to work equally well with content created using any data compression/decompression (CODEC) methodology. The Burstware® solution ensures a consistent, high-quality experience over multiple platforms through optimization of network resources and superior isolation of clients from network disturbances.

The intelligent Burstware network resource management features enable multiple end-user applications as well. With the capacity to deliver data in a clear, efficient and cost-effective manner, the Burstware solution creates a high-quality audio-visual experience for the end-user and enables powerful business-to-business, business-to-customer and business-to-employee communication. Burstware also gives producers, content aggregators and developers the ability to reach new markets with virtually unlimited access to vast libraries of content. With these various applications, Burstware's network delivery mechanism is ideally suited for numerous industries including news, entertainment, retail and advertising as well as local, state and federal governments and agencies.

BUSINESS OF THE COMPANY

Overview

We have developed media delivery-related intellectual property, and to a lesser degree, our Burstware software, for use within commercial, multimedia, and interactive networks, including satellite, wireless and cable networks, as well as the Internet. We also intend to continue the development of our patent portfolio and to develop additional enhancements to Burstware that may be requested by customers and as funds permit. At this time, we are reviewing patent infringement and licensing opportunities with companies that we believe should be licensing our intellectual property.

Strategy

Burst.com's goal is to see its "faster-than-real-time" or "Burst" digital media delivery technology integrated in the broadband-centered media-on-demand industry. We view our designs and methods employing "faster-than-real time" technology as essential to the successful deployment of commercially viable media-on-demand systems, which we believe will require the quality of service and network efficiencies that our technology provides. We intend to pursue this goal by enforcing our patent rights and building our patent licensing revenue, to the extent we are successful in the enforcement of our patent rights. Additionally, we plan to license our media delivery software solution, Burstware, to companies that we believe would like to utilize a media delivery platform that is wholly independent from those offered by our primary competitors. On a limited basis, we plan to continue our efforts to license our current version Burstware media delivery software solution to value-added resellers, set-top box manufacturers and developers of media-on-demand systems, among others. Having successfully concluded our litigation against Microsoft with the granting of a non-exclusive patent license with no sub-licensing rights, we will now focus in largest part on the licensing and aggressive enforcement of our international patent portfolio, which focuses on media delivery innovation.

Competition

We compete in markets that are rapidly evolving and intensely competitive. We have experienced and expect to continue to experience increasing competition from current and potential competitors, many of which have significantly greater financial, technical, marketing and other resources.

Sales and Marketing

While we pursue Burstware software and patent licensing efforts, we will continue to support any existing value added resellers and software customers on an as-needed basis, using outside engineering consultants, while pursuing new customers, as finances permit, although we are currently aware of only one such reseller or software customer that may require this support. Our target market for the licensing of our software solution is comprised of companies involved in the enablement or direct sales and/or manufacture of digital media-on-demand solutions, including devices and systems utilized to deliver video and/or audio programs. Potential customers include businesses or other end-users that desire to send, receive or effectively manage high-quality video and audio content over their own networks or to outside customers through the Internet and/or other networks. Applications include corporate communications, education, advertising, entertainment, broadcasting and retail video, movie and audio delivery directly to consumers.

Our target market for licensing of our Intellectual Property is comprised of content providers, platform providers, network providers, content aggregators, computer manufacturer and consumer device manufacturers that are involved in the delivery of video and audio content to end users. We are currently focusing our marketing efforts on licensing our patent portfolio to these prospective customers. The internal sales organization consists of our CEO and our VP of Operations.

We do not believe that there is any significant seasonality that would affect the licensing of our intellectual property or the sales of our products or services. As of December 31, 2004, there was no backlog of unfilled orders for our products.

Patents and Trademarks

Our business is highly dependent on our patent portfolio. We have ten issued U.S. patents. The early patents describe a broad class of systems that allow a user to view, edit, store video information and send and receive the data associated with that video and/or audio information over networks in less time than is normally required to view or listen to the content. The later patents describe derivative inventions, including the use of burst mode delivery as a means of achieving network optimization.

We have two issued European patents (extending to a number of European countries) that incorporate the subject matter of the first six U.S. patents, three Australian patents, two South Korean patents, one Japanese patent, two Indian patents, and one Canadian patent. We have recently been granted a new patent in the United States. We currently have a number of additional domestic and international patents pending.

In addition to protecting the Burstware® product offerings, we believe that our patents will have broader application as various new market applications appear, and our potential to license our intellectual property expands into additional vertical market segments, including the download & play video and audio markets.

We view our portfolio as a critical component in gaining relationships with strategic partners. Potential licensees include companies such as server and client manufacturers, bandwidth and platform providers, content aggregators, copyright owners, as well as personal computer, consumer device and other hardware manufacturers.

Our plan is to establish the value of our patent portfolio through successful licensing and enforcement of our patent portfolio, and subsequently to seek licensing revenues from any companies who seek to utilize our patented technology in their products or services. We have assembled a continuously updated database of potential licensing candidates whose goods and/or services we believe will require them to license our technology in order to avoid being in violation of our patents.

We have registered the trademarks "INSTANT VIDEO®, BURSTWARE®, FASTER-THAN-REAL-TIME®, BURSTWARE CONDUCTOR®, BURSTWARE PLAYER® and BURSTWARE SERVER®" in the United States, as well as in certain countries in Europe and Asia.

PROPERTY.

We presently occupy approximately 450 square feet of office space at 613 Fourth Street, Suite 201, Santa Rosa, California, under a lease that expires at the end of March 2005, which we have extended for an additional one-year term. The lease provides for rent of $1210 per month beginning in April 2005. We believe that our current facility is suitable and sufficient to accommodate our operating needs for the foreseeable future.

LEGAL PROCEEDINGS.

On June 18, 2002, the company filed a lawsuit accusing software giant Microsoft Corporation of violations of the Patent Act, Sherman Act Sections 1 & 2, California Cartwright Act (anti-trust), California Business & Professions Code Section 17200 (unfair acts or practices), the California Trade Secrets Act and for breach of contract. Burst.com is being represented in the action by San Francisco law firm Hosie, Frost, Large & McArthur; and Palo Alto intellectual property law firm Carr-Ferrell, LLP. The original complaint, which was filed in the U.S. District Court for the Northern District of California Tuesday, June 18th, is available on our website: www.burst.com.

Our litigation with Microsoft was settled in the form of a patent license and settlement agreement, for which Microsoft paid Burst a one-time fee of $60 million. As part of the agreement, we agreed to drop our complaint against Microsoft upon receipt of the license fee. Of the fee paid to Burst, we paid approximately $1.77 million in costs, and approximately $20,400,000 to our attorneys, who had been retained on a 100% contingency basis. Their fees equaled 35% of our license fee after costs were deducted.

We are not aware of any material legal proceedings pending or threatened against us.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The company will hold an Annual Meeting on May 17th, 2005, for the purpose of electing a Board of Directors – See Proxy Statement.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

On December 31, 2001 our common stock was traded on the NASDAQ OTC:BB (Over The Counter Bulletin Board) under the symbol “BRST” (prior to January, 2001, our common stock had been traded on the NASDAQ Small Cap Market).

In January 2002, the company elected to “De-Register” its stock under S.E.C. Rule 12g. The company’s common stock continues to trade on the “Pink Sheets” under the trading symbol “BRST” in accordance with the provisions of Rule 15c2-11.

The following table sets forth the closing high and low bid prices of the Common Stock for the periods indicated. These prices are believed to be representative inter-dealer quotations, without retail markup, markdown or commissions, and may not represent prices at which actual transactions occurred.

2004	High	Low
1st Quarter	$ 1.31	$ .75
2nd Quarter	$ 1.25	$ .77
3rd Quarter	$ 1.25	$ .69
4th Quarter	$ 1.70	$1.20

2003	High	Low
1st Quarter	$ .25	$ .18
2nd Quarter	$ .30	$ .18
3rd Quarter	$1.40	$ .21
4th Quarter	$ 1.44	$1.06

The number of holders of record of the Company's $.00001 par value Common Stock at December 31, 2004, was approximately 295. The closing bid price of our stock was $1.50 on December 31, 2004.

DIVIDENDS

On April 5th, 2005, the Company announced that we would distribute most of the net earnings from our litigation with Microsoft to our shareholders, in the form of a cash dividend. We announced that after we have received payment from Microsoft, paid off liabilities, reserved enough to pay a small amount of state tax and also set aside a cash reserve of approximately $4 million to fund ongoing operations, we will pay a cash dividend of $.90 per share to all shareholders of record as of May 6th, 2005. Dividend payment is anticipated to be on or about May 13th, 2005.

RECENT SALES OF UNREGISTERED SECURITIES

1. During the quarter ending December 31, 2004, the Company issued 50,000 shares of its common stock to a former sales executive of the Company, pursuant to the exercise of an option to purchase these shares. The shares were purchased at a price of $.30 each, resulting in a $15,000 reduction of an original $32,000 amount due by the Company to this individual, under the terms of an existing note.

2. During the quarter ending June 30, 2004, the company issued 500,000 shares of its common stock to a secured creditor, as a result of the exercise of an option to purchase these shares. The shares were purchased at a price of $1.00 each, resulting in a $500,000.00 reduction of the approximate amount of $1,990,000 principle and interest previously owing to this individual.

3. During the quarter ending March 31, 2004, the company issued 50,000 shares of its common stock to a former Board member and investor in the company, as a result of the exercise of an option to purchase these shares. The shares were purchased at a price of $.2812 each, resulting in a payment of $14,060 cash to the company.

4. In July of 2004, the company raised a total of $779,875 through the sale of unregistered common stock in a private offering to several institutional funds and accredited investors. The stock was sold at a price of $.75 per share. For each 2 shares purchased, one 3-year warrant was granted for an exercise price of $1.50 per share.

The sales of the above securities were deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Act") in reliance on Section 4(2) of the Act, Regulation D and /or Rule 701 promulgated under the Act. In each such transaction, the recipients of securities represented that they were accredited investors and intended to acquire securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate restrictive legends were affixed to the securities issued in such transactions, providing that shares are subject to S.E.C. Rule 144.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of the financial condition and results of operations of Burst.com, Inc. should be read in conjunction with the Company’s Year-End Financial Statements for 2003, currently posted on its web site, www.burst.com. Please note that the 2004 and 2003 Financial Statements were reviewed but not audited.

We are an independent provider of client/server network software and intellectual property for the delivery of video and audio information over networks. Our principal executive offices are located in Santa Rosa, California.

During 2004, we maintained operations utilizing funds in the amount of $599,321 that were part of an $845,000 amount originally raised during 2002. In July 2004, we raised additional funds in the total amount of $779,875, which were designated for maintaining operations as we pursued our litigation against Microsoft and other licensing activities.

In 2004 we had $2,500 derived from fees for software licenses and none from the licensing of our intellectual property. Our monthly operating expenses are currently less than $40,000 per month.

As of December 31, 2004, we had approximately $650,338 cash on hand. Upon receipt of payment from Microsoft, anticipated by April 11th, 2005, we will pay off liabilities, reserve an amount for state tax, schedule a cash dividend of $.90 per share in May, and create a cash reserve of approximately $4 million for continued operations, which we believe will enable us to sustain our current operations, even with modest cost increases, into late summer of 2009, without the benefit of revenues or additional fund-raising. We are pursuing licensing revenues; however, there can be no assurance our efforts will be successful. Our success will depend, in large part, on our ability to protect the intellectual property that we have developed through patents, trademarks, trade secrets, copyrights, licenses and other intellectual property rights.

We plan to aggressively enforce our intellectual property rights. We have already begun contacting companies beyond Microsoft, whom we believe should be licensing our technology in order to avoid infringing our patents. In our recently resolved litigation against Microsoft, our attorneys were being retained under a 100% contingency agreement, including all costs. We plan to pursue a similar contingency arrangement with our attorneys while we pursue other potential licensees, however we anticipate that the percentage which we share with our attorneys will be substantially lower than it was in the Microsoft litigation, and we may also elect not to utilize a contingency arrangement at all. While we pursue new patent licensing opportunities, we will continue to engage in discussions with potential licensees of our Burstware® media delivery software, and attempt to license our technology, as opportunity permits. While we believe that our recent success in licensing our technology to Microsoft should improve our likelihood of successfully licensing other companies beyond Microsoft, there can be no assurance that this will in fact be the case.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Our independent auditors for fiscal year 2004 were Sterck, Kulik & O'Neill, of San Francisco, CA. There were no disagreements with our auditors over any items.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officer, key employee and directors and their ages as of December 31, 2004, are as follows:

Name	Age	Position
Richard A. Lang	51	Chairman, President, Chief Executive Officer and Chief Financial Officer
Eric H. Walters	48	Vice President, Operations
Brian Murphy	49	Director
Barry L. Ritholtz	43	Director

The following sets forth biographical information as to the business experience of each Executive Officer and Director of the Company for the year ended December 31, 2004:

Richard A. Lang is our Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer. From September 1997 through the end of May 2000 he served as President and from September 1997 through September 2000 he served as Chief Executive Officer. From January 31, 1997 through August 1997, Mr. Lang served as one of our directors. Mr. Lang served as our Chairman of the Board and Treasurer until January 31, 1997. He had served as Chairman of the Board, Chief Executive Officer and Treasurer from December 1993 to September 1995 and as a Director since August 1992. He has been a Director of our subsidiary, Explore Technology, Inc., since February 1990, and served as its President from February 1990 to August 1992. Mr. Lang has presided over the development of our patent portfolio. He is the inventor of record for the bulk of our Intellectual Property. Mr. Lang was also a co-founder of Go-Video, Inc., Scottsdale, Arizona and co-inventor of Go-Video's patented dual-deck VCRs. Mr. Lang received his A.A. degree in Communications with a Foreign Language minor from Scottsdale Community College in 1973. Starting April 1, 2001, Mr. Lang again became Chief Executive Officer as a result of the resignation of Douglas Glen.

Brian Murphy has been one of our directors since January 1997. He is a partner in O.J. Kilkenny & Company, Chartered Accountants specializing in the entertainment industry with offices in London, England and Dublin, Ireland. The firm provides a wide range of services to their clients, consisting of major international entertainment artists, covering all areas of financial management and audit and accountancy advise. Mr. Murphy is involved with a number of companies in the property and entertainment business, particularly in the field of digital post-production, film and television. Mr. Murphy received a Bachelors Degree in Commerce from Dublin University, and became a fellow of the Institute of Chartered Accountants in Ireland, England and Wales.

Barry L. Ritholtz has been one of our directors since March 8, 2002. Since August 2002, he has been Chief Market Strategist for Maxim Group of New York. Mr. Ritholtz is responsible for writing the firm's weekly market commentary for the firm's clients, traders and brokers. He maintains a proprietary econometric model used as the basis of managed monies by private banking portfolio managers. Mr. Ritholtz publishes regularly commentary at TheStreet.com. He has been a contributor to CBS Marketwatch and his perspective on the markets have been quoted by various media, including Wall Street Journal, Barron's, Forbes, Wired, Los Angeles Times, Dow Jones, Reuters, Bloomberg, CBS Marketwatch, and the San Jose Mercury News, amongst others. He has appeared as a guest on CNBC's Kudlow & Cramer, as a guest host on CNBC's Squawk Box, and as guest on CNNfn, Bloomberg TV, Fox (*Bulls & Bears*, *Your World with Neil Cavuto*, and *Forbes on Fox*, as well as CBS and Bloomberg Radio. Mr. Ritholtz received a Bachelor of Arts Degree in Political Science from State University of New York at Stony Brook and a Juris Doctorate (cum laude) from the Benjamin N. Cardozo School of Law.

Eric H. Walters, a key employee, has served as our Vice-President of Operations since October 2001. He is responsible for our administrative operations as well as intellectual property management. From March 2000 to October 2001, Mr. Walters served as the Manager of our Intellectual Property Department. From March 1999 to March 2000, he was our Manager of Inside Sales. Mr. Walters has been associated with us since our formation in 1990. He held the position of Director of Corporate Communications during 1991 and 1992. Prior to joining us in 1990 and again in 1999, Mr. Walters worked at Intel Corporation in Press Relations for the Digital Imaging and Video Division. Mr. Walters is the co-inventor of record for several of our patents.

EXECUTIVE COMPENSATION AND OTHER MATTERS.

Summary of Compensation. The following table sets forth all compensation earned or paid for services rendered to us in all capacities by our Chief Executive Officer for the fiscal year ended December 31, 2004. No other executive officer earned more than $100,000 in salary and bonus for the fiscal year ended December 31, 2004.

Summary Compensation Table

	Annual Compensation			Long-Term Compensation
Name and Principal Position	Year	Salary	Bonus Underlying Options (#)	Securities All Other Compensation($)
Richard A. Lang,	2004	130,000		$ 44,942 (1)
Chairman	2003	130,000		5,948
of the Board	2002	120,000		8,700
President and Chief Executive Officer				

(1) Represents monthly auto allowance payments made to Mr. Lang totaling $5,948 for the year, as well as an accrued bonus of $38,994 from successful fundraising efforts.

Payment of accrued compensation. In April of 2001, the Company's CEO, Richard Lang, entered into an agreement with the Company whereby his compensation was reduced by 50% in order to help the Company reduce its operating expenses until such time as it raised additional capital or received additional licensing or other revenues. According to that agreement, going forward, in addition to his reduced base compensation, Mr. Lang was to receive 10% of any licensing revenues received and 5% of any new equity monies raised by the Company, as additional compensation, subject to an annual cap of $120,000 in bonus payments. Subsequently, Mr. Lang offered to accrue but not actually receive compensation amounts under due under the agreement, in conjunction with company financings in October of 2002 and July of 2004, until such time as additional funds were received from other sources. In February 2004, the Company's Board of Directors, in recognition of important past and ongoing contributions to the company, and consistent with the Company's original agreement with Mr. Lang, and in recognition of additional funds being received by the company from the then recent exercise of options and warrants, approved payments of previously accrued compensation to Mr. Lang in the amount of $4,000 per month, these ongoing additional monthly amounts to reduce the total accrued salary and bonuses owed to Mr. Lang by the Company, until those amounts have been paid in full to Mr. Lang.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to beneficial ownership of our common stock by each person who beneficially owns more than 5% of our common stock; each of our executive officers; each of our Directors; and all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned. The applicable percentage of ownership for each stockholder is based on 27,072,871 shares of common stock outstanding on December 31, 2004 together with applicable options and warrants for that stockholder. Shares of common stock issuable upon exercise of options and other rights beneficially owned are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options and other rights, but are not deemed outstanding for computing the percentage ownership of any other person.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding
5% Stockholders		
Not Us Ltd.	1,725,769 (1)	6.33%
Gordon Rock	11,628,002 (2)	33.38%
SBC Venture Capital Corporation	2,077,676 (3)	7.34%
John Lyddon	1,708,849 (4)	6.20%
Executive Officers and Directors		
Richard A. Lang	2,871,160 (5)	10.61%
Brian Murphy	542,645 (6)	2.04%
Barry L. Ritholtz	250,000 (7)	.91%
All executive officers and directors as a group (3 persons)	3,663,805	13.21%

(1) Includes 1,525,769 shares held plus options to purchase 200,000 shares of our common stock.

(2) Includes 3,860,678 shares of our common stock beneficially held by the Rock family and Mercer Management and warrants to purchase 7,767,324 shares of our common stock held by Mercer Management, Inc, at prices between $.15 per share and $3.50 per share.

(3) Includes 857,633 shares of our common stock and warrants to purchase 1,220,043 shares of our common stock.

(4) Includes 450,150 shares and 75,075 warrants held be the Dorothy Stauffer Lyddon Irrevocable Living Trust; 307,949 shares held by the Dorothy S Lyddon Trust; and 450,450 shares and 425,225 warrants held by John Lyddon.

(5) Includes 477,346 shares of our common stock in the name of the Lisa Walters and Richard Lang Revocable Trust, 2,221,761 shares of our common stock held by Richard Lang, and options to purchase 122,000 shares of our common stock held by Lisa Walters, Mr. Lang's spouse, 50,000 of which expired in January 2005 and 72,000 of which expired in March 2005. Also includes 100,000 shares transferred to the family's irrevocable trust fund in 2002.

(6) Includes options to purchase 460,000 shares of our common stock and warrants to purchase 102,645 shares of our common stock.

(7) Represents options to purchase 250,000 shares of our common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Since January 1, 2004, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds $60,000 and in which any director, executive officer or holder of more than 5% of our common stock, or an immediate family member of any of the foregoing, had or will have a direct or indirect interest other than compensation arrangements that are described in Executive Compensation and Other Matters, above, and the transactions described below.

SUBSEQUENT EVENTS

In January and February of 2005, a total of 6,768,807 warrants to purchase shares of the Company's stock expired. The warrants were priced at $3.50/share. The expiration of these warrants is already taken into account in the preceding section, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

In December 2004, the company renegotiated seven Promissory Notes that were originally due either in December 2004 or in January 2005. As a result of these negotiations, the due dates on six of these Promissory notes, totaling $1,700,000, were extended until March 31, 2008. In exchange for the extension of due dates, the Company granted the Note holders new warrants to purchase a total of 348,000 shares of the Company's common stock. The purchase price of the warrants is $1.50 per shares. The seventh Promissory Note, in the amount of approx. $23,576.00, was reduced by the value of related $1.50 warrants exercised in March 2005, leaving a remaining balance of approx. $16,000 due on March 31, 2008.

In March 2005, the Board issued its CEO Richard Lang 72,000 warrants at $1.00 per share, to compensate him for the loss of 72,000 options at $1.00 per share, which were scheduled to expire in March 2005. The expiring options were beneficially owned by Mr. Lang, but held in his wife's name. Mr. Lang elected to exercise all 72,000 new warrants on March 16th, with the use of a 60-day Promissory Note in the amount of $72,000.

On March 16th, 2005, the company's two outside members of the Board of Directors elected to exercise virtually all of their options and warrants. Mr. Ritholtz exercised 100,000 options priced at $.28 per share and 150,000 options priced at $.75 per share. Mr. Murphy exercised 210,000 options priced at $.28 per share, 150,000 options priced at $.75 per share, and 82,645 warrants priced at $.75 per share.

On March 16th, 2005 the company's largest and secured creditor exercised a total of 7,638,840 warrants priced between $.15 per share and $1.50 per share. The exercise eliminated a total of $1,534,743 secured funds and interest due to this individual and resulted in an additional cash payment of $1,087,888 from this individual to the Company.

In February 2005, two former executives of the company agreed to amend existing settlement agreements to extend the due date for cash payments totaling $63,116, originally due on March 27, 2005, to March 31, 2008. In return for the extensions, the company issued these individuals warrants to purchase a total of 12,623 shares of the company's common stock at a purchase price of $1.50 per share. The warrants will expire 3 years from the dates of issue.

With regard to certain Promissory Notes dated in December 2001 and January 2002, the original intention of the Board of Directors and understanding with holders of these notes was that a total of 333,333 associated warrants would not expire prior to the repayment of the promissory notes. In March 2005, the company took the necessary steps to rectify entry errors and provided these individuals with revised warrant expiration dates of June 30, 2005.

BURST.COM, INC.

Dated: April 8th, 2005 By /s/ Richard A. Lang

Richard A. Lang

Chairman, Chief Executive Officer and Chief Financial Officer

AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2004 and 2003

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders of
Burst.com, Inc. and Subsidiaries
Santa Rosa, California