

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

For the Fiscal Year ended: December 31, 2005

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

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

(707) 541-3870

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, 2005, there were 39,950,633 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 \$1.07.

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

BURST.COM, INC.
2005 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 delivery 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 deliver 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, 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®.

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. Burst's license of its patents to Microsoft 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 are now pursuing 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 much 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 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. In fact, on January 4th, 2006, Burst was sued in U.S. District Court in San Francisco by Apple Computer for declaratory relief, alleging patent invalidity or non-infringement. The suit followed a break-down in protracted negotiations for issuance of a license of Burst's patents to cover several of Apple's products and services. There can be no guarantee that we will be successful in our efforts to license our patents or Burstware to Apple Computer or to any other companies beyond Microsoft. If we are unsuccessful in our litigation against Apple Computer, the value of our patent portfolio could be materially affected.

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 and affordable, the demand for high quality video and audio over the Internet, as well as over intranet and other 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. However, we no longer provide any meaningful technical support for our software product, except through independent 3rd parties familiar with our product. 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 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 engaged in litigation against Apple Computer. If we are successful, we believe that this should have the effect of both providing licensing revenue and further validating our patents, thus increasing the likelihood that we will be able to license our patents to other companies without engaging in litigation. Concurrently with our litigation with Apple, we are reviewing patent infringement and licensing opportunities with other companies that we believe should be licensing our intellectual property.

Strategy

Burst.com's goal has been to see its "faster-than-real-time" or "Burst" digital media delivery technology integrated in the broadband-centered media-on-demand industry. We have viewed and continue to 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 require the quality of service and network efficiencies that our technology provides. Our longstanding belief in the necessity of utilizing our technology and intellectual property in order to derive these benefits has been validated by what we believe to be current widespread use of our intellectual property in our industry, in applications ranging from video and audio on-demand to network management. We intend to continue to pursue our business goals 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 continue in our efforts 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, even though we have not yet been successful in those efforts. On a limited basis, we plan to continue to offer 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 continue to 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, 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. We are currently relying almost exclusively on one existing U.S.-based Master Reseller to market our software product and certain derivatives directly to end customers for such software.

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 are assisted by a team of outside attorneys specializing in the enforcement of intellectual property rights.

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, 2005, 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 and/or audio 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 three issued European patents (extending to a number of European countries) that incorporate the subject matter of the first six U.S. patents and that of the most recently issued U.S. Patent, three Australian patents, two South Korean patents, one Japanese patent, two Indian patents, and one Canadian patent. 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 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, network 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 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 2006, which we have extended for an additional one-year term. The current lease provides for rent of \$1210 per month through April 2006. 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, our 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 was 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 on April 4th, 2005, in the form of a patent license and settlement agreement, for which Microsoft paid Burst a one-time fee of \$60 million for a non-exclusive right to use our patents in Microsoft products. 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. Of the funds remaining, we issued a cash dividend of \$.90 per share payable to all of the Company's shareholders of record on May 6, 2005, equaling a total of approximately \$38,350,633 distributed to Burst shareholders. This was the first dividend that the company has paid to its shareholders. After payment of the dividend and a reserve for the payment of anticipated taxes, the company retained approximately \$4 million for its ongoing operations and as a contingency reserve. The Company also paid approximately \$747,000 in Federal Taxes based on Alternative Minimum Tax.

On January 4th, 2006, Burst was sued in U.S. District Court in San Francisco by Apple Computer for declaratory relief, alleging patent invalidity or non-infringement. The suit followed a break-down in protracted negotiations for issuance of a license of Burst's patents to cover Apple's iPod and iTunes products. Subsequently, we have announced our intention to file a counter claim against Apple, claiming that several of Apple's products and service infringe several of Burst's patents. At the time of publication of this report, the deadline for the filing of our response and counterclaim had been extended to April 19th. There can be no guarantee that we will be successful in our efforts to license our patents or Burstware to Apple Computer or to any other companies beyond Microsoft. If we are unsuccessful in our litigation against Apple Computer, the value of our patent portfolio could be materially affected.

We are not aware of any other 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, 2006, 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.

2005	High	Low
1st Quarter	\$ 3.39	\$1.32
2nd Quarter	\$ 1.85	\$.61
3rd Quarter	\$ 1.12	\$.66
4th Quarter	\$ 1.07	\$.63
2004	High	Low
1st Quarter	\$ 1.31	\$.75
2nd Quarter	\$ 1.25	\$.77
3rd Quarter	\$ 1.25	\$.69
4th Quarter	\$ 1.70	\$1.20

The number of holders of record of the Company's \$.00001 par value Common Stock at December 31, 2005, was approximately 281. The closing bid price of our stock was \$1.07 on December 31, 2005.

DIVIDENDS

In May, 2005, the Company distributed most of the net earnings from our litigation with Microsoft to our shareholders, in the form of a cash dividend. We paid a cash dividend of \$.90 per share to all shareholders of record as of May 6th, 2005. The dividend payment was made on or about May 13th, 2005 by our transfer agent, in conjunction with the stock clearing agent.

RECENT SALES OF UNREGISTERED SECURITIES

1. During the quarter ending June 30, 2005, the company issued 2,201,895 shares of its common stock to various individuals, including former employees, consultants and investors, as a result of those individuals exercising their respective options to purchase these shares. The shares were purchased at prices ranging from \$.28 to \$1.00 each, resulting in the company's receipt of a total of \$1,023,133 from the exercise of these options. Of these options, 1,250,000 were exercised by the Company's Chief Executive Officer and 250,000 were exercised by the Company's Vice-President of Operations. Payments for shares by both executives were in the form of 4-year non-recourse notes, approved by the Board of Directors on May 17th, 2005. Also in the same quarter, the company issued a total of 2,321,268 shares of its common stock to various individuals, including former employees, consultants and investors, as a result of those individuals exercising their respective warrants to purchase these shares. The shares were purchased at prices ranging from \$.30 to \$1.50 each, resulting in the company's receipt of a total

of \$1,875,358 from the exercise of these warrants.

2. During the quarter ending March 31, 2005, the company issued 710,000 shares of its common stock to two members of the Company's Board of Directors, as a result of those individuals exercising their respective options to purchase these shares. The shares were purchased at prices ranging from \$.28 to \$.75 each, resulting in the company's receipt of a total of \$387,052 from the exercise of these options. Also in the same quarter, the company issued a total of 7,996,609 shares of its common stock to various individuals, including former employees, consultants and investors, as a result of those individuals exercising their respective warrants to purchase these shares. The shares were purchased at prices ranging from \$.15 to \$1.50 each, resulting in the company's receipt of a total of \$2,899.164 from the exercise of these warrants. Of the exercised warrants, 7,638,840 were exercised by a single individual investor who had received various warrants in connection with various investments into the company, and who subsequently joined the Company's Board of Directors.

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 2004, currently posted on its web site, www.burst.com. Please note that the 2005 Financial Statement is Audited, and 2004 Financial Statement was 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 2005, we maintained operations utilizing funds in the amount of \$694,057, which includes one-time costs totaling \$164,699.

In 2005 we had no income derived from fees for software licenses and \$60,000,000 gross revenues derived from the licensing of our intellectual property to Microsoft. Also, Burst received from Intel Corporation a one-time payment of \$300,000 for the release of a claim that was resolved by settlement. The payment was reduced by attorney's fees and costs. Our current monthly operating expenses are approximately \$70,000 per month.

As of December 31, 2005, we had approximately \$79,605 cash on hand, as well as Treasury Bills available for sale, valued at \$5,483,916. Upon receipt of payment from Microsoft in April,

2005, we paid off liabilities, reserved an amount for taxes, issued a cash dividend of \$.90 per share in May, and created a cash reserve of approximately \$4 million for continued operations and as a contingency reserve, from which we also paid approximately \$747,000 in Federal Taxes based on Alternative Minimum Tax. We believe that after payment of all 2005 taxes, our cash reserve will enable us to sustain our current operations, even with modest cost increases, into late-2009, without the benefit of revenues or additional fund-raising. We are pursuing additional 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, beginning with our litigation with Apple.

We plan to aggressively enforce our intellectual property rights. We have been contacting companies beyond Microsoft, whom we believe should be licensing our technology in order to avoid infringing our patents. At least one such licensing discussion with Apple Computer has so far resulted in Apple initiating litigation by suing Burst in an effort to have 3 of our patents declared invalid so that Apple can avoid paying licensing fees to Burst. Subsequently, we have announced our intention to file a counter claim against Apple, claiming that several of Apple's products and service infringe several of Burst's patents. At the time of publication of this report, the deadline for the filing of our response and counterclaim had been extended to April 19th, 2006. Other companies may follow a similar strategic path as Apple, in which they challenge Burst's right to collect licensing revenues from its patent portfolio, or they may determine that it is in their best interest to pay Burst a reasonable licensing royalty in order to avoid litigation. If Burst succeeds in reaffirming the validity of its patents and/or if Apple or other companies license our technology, we believe it will make it increasingly difficult for other infringers of our patents to avoid paying us a reasonable royalty. However, there can be no assurance that this will be the result of our litigation against Apple or that we will be successful in licensing other companies prior to the resolution of our litigation against Apple.

In our recently resolved litigation against Microsoft, our attorneys were being retained under a 100% contingency agreement, including all costs. We have made similar contingency arrangement with our attorneys while we pursue our litigation against Apple Computer; however with regard to other potential licensees, we anticipate that the terms of our Contingency Fee Agreement with our various attorneys will be better than they were in the Microsoft & Apple litigation, and we may also elect not to utilize a contingency arrangement at all in certain instances. 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, including Apple, 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 2005 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 officers, key employees and Directors and their ages as of December 31, 2005, are as follows:

Name	Age	Position
Richard A. Lang	52	Chairman, President, Chief Executive Officer and Chief Financial Officer
Eric H. Walters	49	Vice President, Operations
Brian Murphy	50	Director
Barry L. Ritholtz	44	Director
Gordon Rock	64	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, 2005:

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. Brian is a partner in O.J. Kilkenny & Company, Ltd in Chartered Accountants specializing in the entertainment industry, with offices in London, and he is also a consultant with Mazars O.J. Kilkenny in Dublin. 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 advice. Mr. Murphy is involved with a number of companies in the property and entertainment business. 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. Brian is also an accredited mediator with CEDR (Centre for Effective Dispute Resolution).

Barry L. Ritholtz has been one of our directors since March 8, 2002. Mr. Ritholtz performed his graduate studies at Yeshiva University's [Benjamin N. Cardozo School of Law](#) in New York, graduating *Cum Laude* with. Mr. Ritholtz is presently Chief Investment Officer at Ritholtz Capital Partners, a New York Hedge fund. He is also Chief Market Strategist for Ritholtz Research, an independent institutional research firm. Most recently, Mr. Ritholtz was Chief Market Strategist for Maxim Group, a New York Investment bank, managing over \$5 Billion in client assets. Mr. Ritholtz is a frequent guest on CNBC, where he has been guest host of [Squawk Box](#), and is a regular on *Kudlow & Company*. He has also appeared on *Your World with Neil Cavuto*, *Bulls & Bears*, *Wall Street Week* and is frequent guest on other shows. His perspectives on the markets are quoted regularly in the *Wall Street Journal*, *Barron's*, and other print media. Beyond weekly commentary and published articles, for the past several years Mr. Ritholtz has been writing [The Big Picture](#), an informal economics weblog covering diverse topics, including investing, digital media, geopolitics, film and music industries, and more.

Gordon Rock has been one of our directors since April 2005. He has an entrepreneurial communications background in cable television, cellular and satellite distribution. Mr. Rock has also advised and invested in several early stage and turnaround companies. He has been an investor in each of the Company's financings since making his original investment in 1992. He was also the Company's only secured creditor until his debt was retired in April of 2005, following the successful licensing of Burst's patent portfolio to Microsoft Corporation in March for \$60 million.

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 and Vice President of Operations for the fiscal year ended December 31, 2005. No other executive officer earned more than \$100,000 in salary and bonus for the fiscal year ended December 31, 2005.

Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation
	Year	Salary	Bonus Underlying Options (#)	Securities All Other Compensation(\$)
Richard A. Lang, Chairman of the Board President and Chief Executive Officer	2005	\$212,550		\$ 63,626 (1)
	2004	130,000		\$ 44,942
	2003	130,000		5,948
Eric H. Walters Vice-President of Operations	2005	\$ 75,500		\$ 49,188 (2)

(1) Represents monthly auto allowance payments made to Mr. Lang totaling \$5,822 for the year, as well as previously accrued but unpaid salary in the amount of \$57,804.

(2) Represents previously accrued but unpaid salary in the amount of \$9,188 and a bonus of \$40,000 paid in May 2005.

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 had been paid in full to Mr. Lang, which they were in May 2005, following Burst's receipt of licensing income from the Microsoft settlement and patent license. Mr. Lang elected not to receive his \$120,000 bonus under his agreement, but was awarded 1,250,000 new options in April 2005, exercisable at \$.50 per share, in conjunction with the execution of a new Employment Agreement with the company. Mr. Lang exercised these options in May 2005. Payment for shares was in the form of a 4-year non-recourse note, collateralized by the shares, approved by the Board of Directors on May 17th, 2005

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 39,950,633 shares of common stock outstanding on December 31, 2005 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		

None identified beyond Executive Officers and Directors		
Executive Officers and Directors		

Richard A. Lang	4,146,160 (1)	10.38%
Brian Murphy	762,645 (2)	1.90%
Barry L. Ritholtz	450,000 (3)	1.12%
Gordon Rock	11,093,702(4)	27.68%

All executive officers and directors as a group (4 persons) 16,452,507 40.62%

- (1) Includes 3,876,160 shares of our common stock in the name of the Lisa Walters and Richard Lang Revocable Trust, and 142,000 shares of our common stock held by Richard Lang. Also includes 100,000 shares transferred to the family's irrevocable trust fund in 2002 and an additional 28,000 shares transferred in 2005.
- (2) Includes options to purchase 200,000 shares of our common stock and warrants to purchase 20,000 shares of our common stock .
- (3) Includes options to purchase 200,000 shares of our common stock.
- (4) Includes 10,965,218 shares owned by Mercer Management, Inc. and Gordon Rock, and 128,484 warrants held by Mercer Management, Inc.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Since January 1, 2005, 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

None

BURST.COM, INC.

Dated: March 27th, 2006

By /s/ Richard A. Lang

Richard A. Lang
Chairman, Chief Executive Officer and Chief Financial Officer