



DEMOCRASOFT, INC.

Financial Statements

March 31, 2010

Accountants' Compilation Report

To the Board of Directors
Democrasoft, Inc.

We have compiled the accompanying balance sheet of Democrasoft, Inc. (the Company) as of March 31, 2010, and the related statements of operations and comprehensive income, stockholders' equity, and cash flows for the period of three months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of the departures from generally accepted accounting principles described in the following paragraphs. The information included in the accompanying Supplemental Information is presented only for supplementary analysis purposes. Such information has been compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Generally accepted accounting principles require that income taxes be accrued. Management has informed us that the Company has not accrued income taxes in the accompanying financial statements, and the effects of this departure from generally accepted accounting principles have not been determined. In addition, generally accepted accounting principles require the Company to record stock option compensation expense. The Company has not recorded stock option compensation expense in the accompanying financial statements, and the effects of this departure from generally accepted accounting principles have not been determined.

Management has elected to omit substantially all disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DZH Phillips LLP

San Francisco, California
June 1, 2010

DEMOCRASOFT, INC.

Balance Sheet

March 31, 2010

Assets

Current assets

Cash and cash equivalents	\$	369,045
Investments in treasury notes		6,291,333
Prepaid expenses and advances		<u>16,646</u>
		6,677,024

Property and equipment, net

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Other assets

Other assets		<u>8,740</u>
		<u>8,740</u>
	\$	<u><u>6,685,764</u></u>

Liabilities and Stockholders' Equity

Current liabilities

Accrued expenses and accounts payable	\$	35,269
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Stockholders' equity

Convertible preferred stock, \$.00001 par value; 20,000,000 shares authorized; none issued and outstanding		-
Common stock, \$.00001 par value; 100,000,000 shares authorized; 43,800,480 issued and outstanding		426
Additional paid-in-capital		67,382,442
Accumulated deficit		(59,916,860)
Stockholders' notes receivable, including accrued interest of \$159,452		(825,742)
Accumulated other comprehensive income: Unrealized gain on marketable securities		<u>10,229</u>
		<u>6,650,495</u>
	\$	<u><u>6,685,764</u></u>

See accountants' compilation report.

DEMOCRASOFT, INC.

Statement of Operations and Comprehensive Income

Three Months Ended March 31, 2010

Revenue	\$	-
Costs and expenses:		
General and administrative		234,243
Research and development		482,941
Legal fees and costs associated with licensing revenue		<u>52,514</u>
		<u>769,698</u>
Loss from operations		(769,698)
Other income:		
Interest income		5,515
Gain on sale of securities		<u>3,876</u>
		<u>9,391</u>
Loss before income taxes		(760,307)
Income taxes paid		<u>6,800</u>
Net loss		(767,107)
Unrealized gain		<u>1,169</u>
Total comprehensive loss	\$	<u><u>(765,938)</u></u>

See accountants' compilation report.

DEMOCRASOFT, INC.

Statement of Stockholders' Equity

Three Months Ended March 31, 2010

	<u>Common Stock</u>	<u>Amount</u>	<u>Stockholders'</u> <u>Notes</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Additional Paid-</u> <u>In Capital</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2009	42,500,480	\$ 426	\$ (820,232)	\$ 9,060	\$ 67,382,442	\$ (59,149,753)	\$ 7,421,943
Net loss	-	-	-	-	-	(767,107)	(767,107)
Unrealized gain on securities	-	-	-	1,169	-	-	1,169
Interest earned on notes receivable	-	-	(5,510)	-	-	-	(5,510)
Balance, March 31, 2010	<u>42,500,480</u>	<u>\$ 426</u>	<u>\$ (825,742)</u>	<u>\$ 10,229</u>	<u>\$ 67,382,442</u>	<u>\$ (59,916,860)</u>	<u>\$ 6,650,495</u>

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DEMOCRASOFT, INC.

Statement of Cash Flows

Three Months Ended March 31, 2010

Cash flows provided by operating activities:

Net loss	\$	(767,107)
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized gain on securities		1,169
Realized gain on sale of securities		3,876
(Increase) decrease in assets:		
Income tax recoverable		789,679
Interest receivable on income tax recoverable		108,534
Interest receivable on stockholder notes		(5,510)
Prepaid expenses		(13,698)
Increase in liabilities:		
Accounts payable and accrued expenses		<u>(87,672)</u>
Net cash provided by operating activities		29,271

Cash flows provided by investing activities:

Proceeds from sale of available-for-sale securities, net		<u>147,088</u>
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Cash flows provided by financing activities:

Proceeds from note receivable, stockholder		<u>10,759</u>
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Net increase in cash and cash equivalents 187,118

Cash and cash equivalents, beginning of year 181,927

Cash and cash equivalents, end of year \$ 369,045

Supplemental disclosures:

Cash paid for income taxes	\$	73,200
Cash paid for interest	\$	-

See accountants' compilation report.

DEMOCRASOFT, INC.

Supplemental Information

March 31, 2010

On March 19, 2010, Burst.com, Inc. changed its name to Democrasoft, Inc.