BROADCASTER INC
Form SB-2/A
December 14, 2006

As filed with the Securities and Exchange Commission on December 14, 2006.

Registration No. 333-138647

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BROADCASTER, INC.

(Formerly known as International Microcomputer Software, Inc.)

(Name of Small Business Issuer in its charter)

California	**7372**	**94-2862863**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Number)	(I.R.S. Employer Identification No.)

9201 Oakdale Avenue, Suite 200
Chatsworth, CA 91311

(818) 206-9274

(Address and Telephone Number of Principal Executive Offices)

Martin R. Wade, III
Chief Executive Officer
Broadcaster, Inc.
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Chatsworth, CA 91311

(818) 206-9274

(Name, Address and Telephone Number of Agent for Service)

Copies to:

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Approximate Date of Commencement of Proposed Sale to the Public: **As soon as practicable after this registration statement becomes effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ý

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock(1)	33,114,562	$1.125	$37,253,882	$3,987

(1)

Originally included 36,605,310 shares of common stock including 166,250 shares issuable upon the exercise of outstanding warrants. The additional 3,490,748 shares have been removed from this Registration Statement since they are eligible for sale under Rule 144 including Rule 144(k). The Proposed Maximum Aggregate Offering Price and Amount of Registration Fee have been amended accordingly. The actual fee paid was $4,407.

(2)

Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act based on the average of the high and low prices for the registrant s common stock as reported on the OTC Bulletin Board on November 7, 2006. The proposed maximum aggregate offering price of the registrant s common stock was calculated with the proposed maximum offering price per share multiplied by the number of shares of the registrant s common stock.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission of which this prospectus is a part becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED December 14, 2006

PROSPECTUS

BROADCASTER, INC.

33,114,562 Shares of Common Stock

TO BE OFFERED BY CERTAIN HOLDERS OF SECURITIES OF BROADCASTER, INC.

This prospectus relates to the sale of up to an aggregate of 33,114,562 shares of our common stock by certain of our shareholders who are referred to as the Selling Shareholders. We are not selling any shares of common stock in this offering and therefore will not receive any of the proceeds from this offering. All costs associated with this registration shall be borne by Broadcaster, Inc.

Our common stock is quoted on the OTC Bulletin Board under the symbol BCSR.OB. On November 27, 2006, the closing price of our common stock was $1.20.

Our principal executive office is located at 9201 Oakdale Avenue, Suite 200, Chatsworth, California 91311, and our telephone number is (818) 206-9274. Additional information about Broadcaster is available on our website at www.broadcaster.com, which does not constitute a part of this prospectus.

Investing in our common stock is highly speculative and involves a high degree of risk. See the section entitled Risk Factors beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is ______________________ ,2006.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not, and the Selling Shareholders have not, authorized anyone to provide you with information different from that contained in this prospectus. The Selling Shareholders are offering to sell securities and seeking offers to buy securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on their covers, regardless of the time of delivery of this prospectus or any accompanying prospectus supplement or any sale of the securities.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the information under Risk Factors and our financial statements and related notes before making an investment decision. Unless otherwise indicated, all references in this prospectus to Broadcaster, we, us and our refer to Broadcaster, Inc., a California corporation, and our subsidiaries. All references to the Merger refer to our June 1, 2006 acquisition of AccessMedia Networks, Inc.

Our Business

We historically operated as a software company. Prior to the acquisition of AccessMedia on June 1, 2006, we operated in two business segments: (i) our Precision Design business and (ii) our Houseplans business.

In 2004, we began exploring various ways to enhance shareholder value, including our further migration from a traditional or packaged software company to offering downloadable media and content over the Internet. We believed that the growth and reach of the Internet coupled with the predictability of recurring revenues should lead to enhanced Broadcaster shareholder value. As such, during 2005 we began discussions with AccessMedia, a developer of a platform for delivering real-time and interactive media over the Internet through its unique virtual set-top box technology. We completed the Merger in June 2006, and changed our name to Broadcaster, Inc. We subsequently disposed of Precision Design and, as a result, we now operate in the two business segments of AccessMedia and Houseplans. The AccessMedia business is owned and operated by our wholly-owned subsidiary, AccessMedia, Inc. The Houseplans business is owned and operated through our wholly-owned subsidiary Houseplans, Inc.

Our current primary focus is on our AccessMedia entertainment portal. We are a global Internet entertainment network, providing consumers with access to online entertainment that is fast, easy, safe, fun, and of great value. We provide users with delivery of digital entertainment from short items such as video clips of current events all the way to full length television shows and movies – giving them the power to download content to their desktop computer, laptop, PSP, iPod or preferred mobile entertainment device. We enable consumers to easily find, organize, download, and enjoy the growing volumes of high quality content available online. Our capabilities span our proprietary media library, media under license, and media readily available on the Internet. We are also in discussions with major studios, cable and television networks, music labels, and game producers to become a gateway for the direct delivery of first run movies, popular television shows, music and online games.

Our AccessMedia business generates its revenue from the sale of software online. The software are tools that enable the consumer to download and manage content. The customer pays for the tools through a license, which is sold on a monthly or annual basis. Because of the nature of the sale, no single customer accounted for greater than 10% of our revenues in fiscal year 2006. AccessMedia also earns income from selling advertising based on unique visits and page views to its various sites.

Internet users can register online to become a member of accessmedia.tv and obtain full access to our site offerings. Membership in accessmedia.tv is free with the purchase of our Download Manager software. Once a member has downloaded the software, they can start adding titles to their library. The member can watch it immediately after download or at a later time at their convenience. Downloaded files can be viewed for as long as that person is a member of accessmedia.tv.

In addition to the Download Manager software, we also provide Entertainment Meta Search, Content Manager, Mobile Transfer Capabilities, Peer-to-Peer Technology, Social Networking Tools, and Parental Lock functionality, among others. These tools allow users to improve their entertainment access and controls. Our Entertainment Meta Search is one of the most advanced search tools available on the Internet and is optimized for rich media content, allowing for advanced identification and indexing of media and content.

In addition to our Internet entertainment network, we are also a leading online distributor of stock architectural house plans. We have an extensive library of over 25,000 unique stock architectural house plans with more than 150,000 registered members. Our stock architectural house plans are sold to developers, builders, architects and individuals allowing our customers to substantially reduce upfront planning and building costs.

The Merger with AccessMedia

We completed the Merger with AccessMedia on June 1, 2006 pursuant to which we issued 29,000,000 shares of our common stock and agreed to issue up to an additional 35,000,000 shares of our common stock upon achievement of certain revenue milestones to the former shareholders of AccessMedia. In addition, we issued 1,450,000 shares of our common stock to Baytree Capital Associates, LLC as an advisory fee related to the Merger, and an additional 1,000,000 shares to Baytree Capital for consulting services and agreed to reimburse Baytree for its reasonable expenses. In connection with the Merger, we changed our name from International Microcomputer Software, Inc. to Broadcaster, Inc. All of the shares issued as Merger consideration and to Baytree Capital are offered for sale by this prospectus.

AccessMedia is led by seasoned Internet entrepreneurs. This team has been one of the foremost innovators of technologies, marketing, and advertising strategies for Internet-based consumer media offerings, and until now this team has operated in a private company environment. Additionally, this team has been a leader in providing website development, traffic, database management and hosting for many of the largest worldwide media companies.

We believe that the Merger offers us an opportunity to enter into the highly scalable Internet media industry. The underlying growth in the Internet media industry, coupled with the potential for high margin product offerings, innovative marketing strategies, and exceptional management team, should combine to provide us with substantial growth and profit opportunities, creating significant shareholder value.

Acquisition of Weinmaster Homes, Ltd.

On July 1, 2005, Houseplans, Inc, our wholly-owned subsidiary, completed the acquisition of all the stock of Weinmaster Homes, Ltd. The purchase price of approximately $4,000,000 consisted of $2,000,000 in cash, $1,000,000 in a promissory note, which was fully paid in the third quarter of 2006, and $1,000,000 of our unregistered common stock, or 826,583 shares, which stock is being offered for sale by this prospectus.

Sale of Precision Design

In June 2006, we sold our legacy Precision Design software business as part of our overall strategy to position the company solely as an online business We received a combination of $6,500,000 in cash of which $500,000 was deposited in an escrow to secure our representations and warranties to the purchaser, and an interest free note of $1,500,000 which was paid in full on July 3, 2006. Included in the assets sold were the TurboCad and DesignCAD product lines as well as other design and personal productivity titles.

A more detailed discussion regarding our business can be found under the heading Business.

The Offering

We have filed a registration statement on Form SB-2 with the Securities and Exchange Commission with respect to the common stock offered by this prospectus. Following the effective date of the registration statement, the Selling Shareholders listed in this prospectus and any of their respective pledgees, donees, assignees and other successors-in-interest may, from time to time, offer and sell up to an aggregate of 33,114,562 shares of our common stock on any stock exchange, market or trading facility on which the registered shares are traded or in private transactions. These sales may be at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. However, the Selling Shareholders may choose not to sell any of their registered shares, and may have no intention of selling any securities offered pursuant to this prospectus in the near future. Additionally, we have no reason to believe that any Selling Shareholder has entered into an agreement, or made a commitment, to sell any securities offered in this prospectus.

Number of shares of common stock offered by the Selling Shareholders	33,114,562
Common stock outstanding as of November 27, 2006	65,020,844
Termination of the offering	The offering will conclude when all of the 33,114,562 shares of common stock have been sold, the shares no longer need to be registered or we decide to terminate the registration of the shares.
Terms of the offering	The Selling Shareholders will determine when and how they will sell the common stock offered in this prospectus.
OTC Bulletin Board symbol	BCSR.OB

INVESTING IN OUR COMMON STOCK IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. SEE THE SECTION ENTITLED RISK FACTORS BEGINNING ON PAGE 5.

SUMMARY FINANCIAL INFORMATION

The following summary consolidated financial information should be read together with Broadcaster s historical consolidated financial statements and related notes, the audited financial statements of AccessMedia and the unaudited pro forma condensed consolidated financial statements and the discussion under the heading Management s Discussion and Analysis or Plan of Operation included elsewhere within this prospectus.

The unaudited pro forma condensed consolidated financial statements presented herein has been prepared based on the historical consolidated financial statements of Broadcaster, after giving effect to the acquisition of AccessMedia. The unaudited pro forma consolidated statement of operations for the year ended June 30, 2006 gives effect to the acquisition of AccessMedia and the disposal of Precision Design as if they had occurred at the beginning of each period.

The unaudited pro forma condensed consolidated financial statements have been prepared by Broadcaster for illustrative purposes only and are not necessarily indicative of the condensed consolidated financial position or results of operations in future periods, or the results that actually would have been realized had Broadcaster and AccessMedia been a combined company during the specified periods.

(Tabular amounts shown in thousands of U.S. Dollars, except per share amounts)

	Broadcaster Historical				**Pro Forma**
Statement of Operations Data:	**For the three months ended September 30,**		**For the year ended June 30,**		**For the year ended June 30,**
	2006	**2005**	**2006**	**2005**	**2006**
	(Unaudited)				(Unaudited)
Net revenues	$ 4,635	$ 1,717	$ 8,203	$ 4,347	$ 13,594
Gross profit	2,802	1,043	5,029	2,523	7,823
Total operating expenses	4,764	1,440	6,922	2,896	11,868
Operating loss	(1,962)	(397)	(1,893)	(373)	(4,045)
Other income and expense	98	(3)	(1,004)	(453)	(3,224)
Loss from discontinued operations	33	(708)	(2,971)	(3,311)	(2,971)
Gain (loss) from sale of discontinued operations		(843)	4,834	2,035	4,834
Net income (loss)	(1,689)	(1,951)	848	(1,754)	(1,372)
Net income (loss) per common share	$ (0.03)	$ (0.07)	$ 0.03	$ (0.06)	$ (0.02)

Balance Sheet Data: **As of**

	September 30, 2006 (Unaudited)	As of June 30, 2006	As of June 30, 2005
Cash	$ 12,926	$ 14,107	$ 4,347
Current assets	14,700	16,741	23,122
Total assets	64,944	65,945	26,415
Long-term debt	181	178	230
Current liabilities	5,489	6,314	7,955
Total liabilities	12,779	13,794	8,185
Total shareholders equity	$ 52,165	$ 52,151	$ 18,230

RISK FACTORS

An investment in our common stock is highly speculative and involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this prospectus, before making an investment decision. If any of the circumstances described in these risk factors actually occur, our business, financial condition, or results of operations could be materially adversely affected. In that event, the trading price of our shares could decline, and you may lose part or all of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Because our operating results may fluctuate due to factors beyond our control, prior operating results may not be indicative of future ones.

Our operating results have been in the past, and will continue to be, subject to quarterly and annual fluctuations as a result of numerous factors, including:

- fluctuations in demand for our products and services;
- price and product competition;
- overall movement toward industry consolidation;
- variations in sales channels, product costs, or mix of products sold;
- fluctuations in our gross margins;
- our ability to achieve cost reductions;
- actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our condensed consolidated financial statements;
- how well we execute on our strategy and operating plans;
-

changes in accounting rules, such as recording expenses for employee stock option grants and changes in tax accounting principles;

- compliance expense including the costs of procedures required for Sarbanes-Oxley Section 404 reporting and the costs of procedure remediation, if any; and

- merger and acquisition activity.

As a consequence, operating results for a particular future period are difficult to predict. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations, and financial condition.

Because our revenues for a particular period are difficult to predict, a shortfall in revenues or our inability to properly estimate operating expenses for a period may adversely impact our operating results.

We plan our operating expense levels based primarily on forecasted levels of revenues. These expenses and the impact of long-term commitments are relatively fixed in the short term. As a result of a variety of factors, our revenues for a particular quarter are difficult to predict. Our net sales may grow at a slower rate than in past periods, or may decline. Our ability to meet financial expectations could also be adversely affected by the timing and mix of individual sales. A shortfall in revenues could lead to operating results being below expectations because we may not be able to quickly reduce these fixed expenses in response to short-term business changes.

Because our gross margins may fluctuate due to factors beyond our control, past gross margins may not be indicative of future ones.

Our product gross margins may not be sustainable and may be adversely affected by numerous factors, including:

- changes in customer or product mix;
- introduction of new products;
- increased price competition;
- changes in distribution channels;
- how well we execute on our strategy and operating plans;
- inability to achieve targeted cost reductions;
- ability to generate license revenues from users who have installed specialized media software on their personal computers; and
- costs associated with litigation (please see the heading entitled Legal Proceedings for more details).

We have made and expect to continue to make acquisitions that could disrupt our operations and harm our operating results.

Our growth depends upon market growth, our ability to enhance our existing products, and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel. Acquisitions involve numerous risks, including the following:

- difficulties in integrating the operations, technologies, products, and personnel of the acquired companies;
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diversion of management s attention from normal daily operations of the business;

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potential difficulties in completing projects associated with in-process research and development;

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difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;

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insufficient revenues to offset increased expenses associated with acquisitions; and

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the potential loss of key employees of the acquired companies.

Acquisitions may also cause us to:

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issue common stock that would dilute our current shareholders percentage ownership;

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assume liabilities;

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record goodwill and non-amortizable intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;

•

incur amortization expenses related to certain intangible assets;

•

incur large and immediate write-offs and restructuring and other related expenses; and

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become subject to intellectual property or other litigation.

Mergers and acquisitions of high-technology companies are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful and will not materially adversely affect our business, operating results, or financial condition. Failure to manage and successfully integrate acquisitions could materially harm our business, operating results, or financial condition.

If pending litigation is adversely resolved against us, we may incur unexpected costs which may adversely affect our operating results and financial condition.

Our wholly-owned subsidiary, AccessMedia, is presently a party to two recent lawsuits brought by regulators with regard to the operation of its business, one brought by the Federal Trade Commission, or FTC, and the other by the Washington State Attorney General (for details on the allegations of these suits, please see Legal Proceedings). If either of these lawsuits is adversely determined against AccessMedia, it may, depending upon any court ruling, cause AccessMedia to incur unexpected costs or the loss of revenues which could adversely affect AccessMedia future operation results and financial condition and AccessMedia may be required to make changes to its business model. Because of the uncertainty of litigation and the early stage of these disputes, no reasonable estimate of whether they may have a material effect on our future revenues and operating income is available.

If we incur unexpected network interruptions caused by system failures, natural disasters or unauthorized tampering with our computer systems, our operations could be disrupted and we could incur a loss of revenues.

We rely on the Internet for our business. The continuous and uninterrupted performance of our systems is, therefore, critical to our success. We must protect these systems against damage from fire, power loss, water damage, earthquakes, telecommunications failures, viruses, vandalism and other malicious acts, and similar unexpected adverse events. Our operations depend upon our ability to maintain and protect our computer systems, data centers and server locations. Our corporate headquarters, data center and primary operations are located in California, an area susceptible to seismic activity and possible power outages. We cannot eliminate the risk of downtime caused by factors such as natural disasters and other events. Further, individuals may attempt to breach our network security, such as hackers, which could damage our network. The occurrence of any of these events could harm our business, operating results and financial condition.

If we are not able to retain our executive officers and key personnel, we may not be able to maintain and expand our business if we are not able to retain, hire and integrate key management and operating personnel.

The success of the AccessMedia acquisition depends on our ability to retain our management team and to attract, assimilate, and retain other highly qualified employees, including engineering, technology, marketing, sales and support personnel. There is substantial competition for highly skilled employees in our industry and due to California law AccessMedia s key employees are not bound by agreements preventing them from terminating their employment with us at any time. If we fail to attract and retain key AccessMedia employees, our business could be harmed.

If we cannot manage our growth effectively, we may not be able to sustain or increase our profitability.

As a result of our acquisition of AccessMedia, we anticipate that we may incur material growth. Businesses which grow rapidly often have difficulty managing their growth. If AccessMedia s business grows as we anticipate, we will need to expand our management by recruiting and employing experienced executives and key employees capable of providing the necessary support. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial, and management controls and our reporting systems and procedures. We cannot assure you that our management will be able to manage our growth effectively or successfully. Our failure to meet these challenges could cause us to lose money, and your investment could be lost.

Because we have incurred significant costs associated with the acquisition of AccessMedia, if we are unable to successfully integrate the AccessMedia entities, our profitability may be adversely affected.

We estimate that we have incurred indirect transaction costs of approximately $ 3,690,000 associated with the AccessMedia acquisition, including direct costs of the acquisition as well as liabilities to be accrued in connection with the acquisition. There is no assurance that we will not incur additional material charges in

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subsequent quarters to reflect additional costs associated with the acquisition. If the benefits of the acquisition do not exceed the costs of acquiring AccessMedia, our financial results may be adversely affected.

Because AccessMedia s business model is unproven, it may not result in the generation of material revenues or profitability.

Our business is substantially dependent upon AccessMedia s ability to generate license revenues from users who have installed specialized media software on their personal computers. This is a relatively new industry and product and there can be no assurances it will be accepted by potential customers. The revenue and income potential of this business is unproven.

Because we license the software used in our AccessMedia business from third parties on a non-exclusive basis, the software could be licensed to an unlimited number of potential competitors thereby adversely affecting our business.

The principal intellectual property that underlies AccessMedia s virtual set-top box technology used in distributing online media content is not owned by us but is licensed from third parties, generally on a non-exclusive basis. The third party licensors are free to exploit the intellectual property themselves or license it to an unlimited number of other competitors. This competition could result in price reductions, fewer customers and orders, reduced gross margins and loss of market share, any of which would materially adversely affect our business, operating results and financial condition. In addition, we are not in control of the protection or prevention of infringement of such intellectual property.

Because we generally do not have the right to modify the licensed technology used in our AccessMedia business or receive updates or upgrades, our products may become obsolete.

We generally do not have the right to modify the licensed technology used in our AccessMedia business, nor do we have the right to receive updates or upgrades or to obtain a copy of the source code for such technology. In the limited circumstances where we have the right to modify the licensed technology, the licensor owns such modifications. In acquiring AccessMedia, we acquired limited rights to technology that we may not have the rights to improve in the future to maintain a competitive offering or support existing products or service offerings.

Because AccessMedia has incurred losses in the past, it may not be able to achieve profitability in the future.

AccessMedia experienced startup losses in each quarterly and annual period from its inception through the first calendar quarter of 2006. AccessMedia may not be able to achieve or maintain profitability in the future. We expect that AccessMedia s operating expenses will continue to increase. We cannot assure you that AccessMedia will be able to generate sufficient revenues to achieve profitability, which failure would have a material adverse effect on our business.

Because the online entertainment business is highly competitive, we may not able to offer our services at prices which are profitable.

The markets in which AccessMedia competes are intensely competitive, highly fragmented and characterized by rapidly changing technology and evolving standards. We expect that we will continue to experience vigorous competition from current competitors and new competitors, including Disney/ABC, NBC, CBS, Apple and others that may have significantly greater financial, technical, marketing and other resources than we do and may have large current customer bases and content agreements in place. Many other companies will compete in specific areas of our business. We expect additional competition as other established and emerging companies enter into our product market. This competition could result in price reductions, fewer customers and sales, reduced gross margins and loss of market share, any of which would materially adversely affect our business, operating results and financial condition.

If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses, pay substantial damages and prevent service delivery.

The license agreements that permit AccessMedia to use the licensed technology contain only limited representations and warranties of the licensor and limited rights to indemnification for claims of infringement. Third parties may claim that our products or services infringe or violate their intellectual property rights. Any such claims could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using licensed technology that may be fundamental to our business service delivery. Even if AccessMedia were to prevail, any litigation regarding its intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. AccessMedia may also be obligated to indemnify its business partners in any such litigation, which could further exhaust our resources. Furthermore, as a result of an intellectual property challenge, AccessMedia may be prevented from providing some or all of its services unless it enters into royalty, license or other agreements. AccessMedia may not be able to obtain such agreements at all or on terms acceptable to us, and as a result, AccessMedia may be precluded from offering most or all of its products and services.

Because we are dependent upon a limited number of third parties for the support, distribution and development of our services, particularly Alchemy Communications, Inc., if they were unavailable, our future business may be materially and adversely harmed.

We depend on agreements with a limited number of third parties, particularly Alchemy Communications, Inc. which is controlled by our principal shareholder. Alchemy provides office and operating space, staffing, technical services and consulting, bandwidth and hosting, network infrastructure, and other related services. Given the scope of the services provided by Alchemy, it is our most significant vendor relationship. If Alchemy were unable to provide appropriate levels of service as our business grows or our relationship proved to be unworkable and we are forced to seek new providers, our business could be materially and adversely harmed.

Because we depend on Internet advertising to promote our services, if we are unable to purchase these advertisements on a cost-effective basis, our profitability could be adversely affected.

We depend in part on the use of online advertisements purchased from third parties to attract new users by promoting our services. We believe that our business will continue to rely on this method for attracting our audience in the future. If online advertising becomes less effective or more expensive and our ability to attract new users is thereby impaired, our business could be harmed.

If we fail to sustain and expand the number of users who install our software or fail to attract advertisers, we will not be able to sustain or increase revenue.

Advertising is currently a significant part of our proposed revenues. The success of our business depends in part on our ability to offer our advertising customers access to a large audience, comprised of users who have downloaded our software products. As a result, it is critical to our success that we continually add substantial numbers of new users. In addition, we must attract users who respond to our ads by clicking through to advertisers web pages or purchasing the advertisers products, because these click through and conversion rates are critical to our ability to maintain and grow our advertising rates. If fewer users download our software, we would not be able to maintain or expand the number of active users.

If our services do not perform as expected, our business may be harmed.

If our services fail to perform properly, our customers and advertisers may discontinue their use of our products and services. Despite testing, our existing services may not perform as expected due to unforeseen problems. Any defects may cause us to incur significant expenses and divert the attention of our management and key personnel from other aspects of our business.

If there are negative perceptions and adverse publicity concerning our business practices, it could damage our reputation and harm our business.

The digital media distribution industry is vulnerable to negative public perception. Negative perception of our business practices or negative press reports linking our services to questionable business practices of other companies in our industry could damage our reputation, cause new users not to install or existing users to uninstall our software, or cause consumers to use technologies that impede our ability to deliver ads. This negative perception could also lead to increased regulation of our industry or other regulations that adversely affect our business practices. Any of these events could reduce the demand for our services among advertisers and significantly harm our business.

Because our business depends upon the continued growth of the Internet and Internet-based systems, any slowdown in such growth could impair our ability to be profitable.

Our business and revenues depend on growth of the Internet and on its use as a sales and distribution mechanism. To the extent that the Internet does not support this activity whether through changes in its use, lowered reliability or other factors, we could experience material harm to our business, operating results, and financial condition.

Changes in industry structure and market conditions could lead to charges related to discontinuances of certain of our services or businesses and asset impairments.

In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses. Any decision to limit investment in or dispose of or otherwise exit businesses may result in the recording of special charges, such as technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of our products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Additionally, we are required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances, which may result in a charge to earnings.

Because some of our competitors have substantially greater resources, in order to compete effectively we may have to offer our services at prices which would not be profitable.

Our AccessMedia business revenues, customer base and operations are much smaller than certain other providers of entertainment and media products and services. Very large media companies continue to view online media as a channel for distribution of their existing products or as an area in which to expand their business. These competitors have substantially more resources and could adversely impact AccessMedia s business.

If there are changes in laws and regulations relating to the Internet, it could affect our ability to offer our services or materially increase our operating costs and adversely affect our future results of operations and our financial condition.

There are currently few laws or regulations that specifically regulate communications or commerce on the Internet. Laws and regulations may be adopted in the future, however, that address issues including content, copyrights, distribution, antitrust matters, user privacy, pricing, and the characteristics and quality of products and services. An increase in regulation or the application of existing laws to the Internet could significantly increase our costs of operations and harm our business, particularly our AccessMedia business. For example, the Communications Decency Act of 1996 sought to prohibit the transmission of certain types of information and content over the Internet. Additionally, several telecommunications companies have petitioned the Federal Communications Commission to regulate Internet service providers and online service providers in a manner similar to long distance telephone carriers and to impose access fees on these companies. Imposition of access fees could increase the cost of transmitting data over the Internet. Moreover, it may take years to determine the extent to which existing laws relating to issues such as property ownership, obscenity, libel and personal privacy are applicable to the Internet or the application of laws and regulations from jurisdictions whose laws do not currently apply to our business.

If the federal or state governments impose sales and use taxes on all Internet sales, this could curtail the use of the Internet as a commerce channel. Due to the global nature of the Internet, it is possible that multiple federal, state or foreign jurisdictions might inconsistently regulate Internet activities. Any of these developments could harm our business.

The regulatory environment with respect to online media and data privacy practices is also evolving. Electronic privacy is a public and governmental concern in the United States. The Federal Trade Commission has increasingly focused on issues affecting online media, particularly online privacy and security issues. Please see the heading entitled Legal Proceedings for more detail with respect to our current litigation with the FTC and the Washington State Attorney General.

Foreign legislation has been enacted, and there is federal and state legislation pending that is aimed at regulating the collection and use of personal data from Internet users. For example, the European Union has adopted directives to address privacy and electronic data collection concerns, which limit the manner in which the personal data of Internet users may be collected and processed. Our relationship with our customers will often involve the collection of personal data.

The enactment of new legislation, changes in the regulatory climate, or the expansion, enforcement or interpretation of existing laws could preclude us from offering some or all of our services or expose us to additional costs and expenses, require substantial changes to our business or otherwise substantially harm our business. Further, additional legislation or regulation could be proposed or enacted at any time in the future, which could materially and adversely affect our business.

Because our market may undergo rapid technological change, our future success may depend on our ability to develop and launch products and services of interest to consumers.

If new industry standards and practices emerge in the Internet and online media industry, our existing services, technology and systems may become obsolete. If we cannot address technological change in our industry in a timely fashion and develop new products and services, our future results of operations may be adversely affected.

Because we have only recently introduced our products and services, there can be no assurances they will be accepted by potential customers.

Our services are relatively new in their current form and we cannot rely upon historical customer acceptance. Our technology which involves peer-to-peer networking may not be acceptable to consumers or, if accepted, may fall from favor and require us to develop new products and services, both of which could adversely affect our ability to generate revenues.

Because some of our products are related to the construction industry, our operating results may be adversely affected by unfavorable economic and market conditions in that industry.

Because certain of our Houseplans products are associated with the construction industry, we are subject to negative trends affecting that industry. After years of robust growth in residential construction, the home construction market has trended down beginning in 2006. This trend can be expected to reduce future revenues from this business segment and adversely affect our future earnings.

RISKS RELATED TO OUR COMMON STOCK

Because we have changed the focus of our business from software to being an Internet media company, the stock markets may not be receptive to this change.

Achieving the benefits of the acquisition of AccessMedia will depend in part on:

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the extent to which the public markets are receptive to our transformation from a software company to primarily to an Internet media company,

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the acceptance of AccessMedia s management team, technology and media library, and

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the success of AccessMedia s software.

If the stock market is not receptive to these changes, our business operations could be adversely affected.

The sale of the common stock under this prospectus may cause our stock price to decline.

As of November 27, 2006, we had outstanding 65,020,844 shares of common stock not including shares issuable upon exercise of warrants or options. Most of our outstanding shares may be sold publicly as follows:

Number of Shares	May be Publicly Sold
24,643,288 shares	Now, without limitation
7,238,223 shares	Now, subject to the limitations of Rule 144
33,114,562 shares by this prospectus	Beginning with the date of this prospectus

The Selling Shareholders have not engaged an underwriter in connection with this registration, and have indicated that they do not intend to do so. The three-month average daily volume of our stock between July and September 2006 was approximately 27,833 shares. The number of our shares available for resale in the public market as a result of this registration may therefore exceed the number of shares that purchasers wish to buy. This potential increase in the number of shares that may be available for public trading may dramatically and detrimentally reduce the price of our common stock on the basis of supply and demand alone.

The large number of additional shares of common stock that may be issued in connection with the acquisition of AccessMedia or future acquisitions may substantially dilute the holdings of current shareholders.

In connection with the acquisition of AccessMedia on June 1, 2006, we agreed to issue up to an additional 35,000,000 shares of our common stock to the former shareholders of AccessMedia upon the achievement of certain revenue milestones. The issuance of any such additional shares may result in a reduction of the book value or market price of the outstanding shares of our common stock, a reduction in the proportionate ownership and voting power of all other shareholders.

We intend to continue to address the need to develop new products and enhance existing products through acquisitions of other companies, product lines, technologies, and personnel. These arrangements may involve the issuance of new shares of our common stock, which would in turn result in a dilution of the ownership interests of existing common shareholders and potentially reduce the book value or market price of our common stock.

Our stock price may be volatile because of factors beyond our control and you may lose all or part of your investment.

Any of the following factors could affect the market price of our common stock:

- our failure to generate increases in revenues,
- our failure to maintain profitability,
- actual or anticipated variations in our quarterly results of operations,
- announcements by us or our competitors of significant contracts, new products, acquisitions, commercial relationships, joint ventures or capital commitments,
- the loss of significant business relationships, or

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changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management s time and attention, which would otherwise be used to benefit our business.

Since our common stock will be subject to the Securities and Exchange Commission s penny stock rules, you may experience substantial difficulty in selling our common stock ..

Our common stock is a penny stock because it is not traded on a national securities exchange and sells at less than $5.00 per share. The SEC has established penny stock rules, which limit the ability of a broker to solicit purchasers, which reduces liquidity. They also generally require a broker to deliver a standardized risk disclosure document prior to a transaction in a penny stock. The broker must also provide the customer with bid and offer quotations for the penny stock, the compensation of the broker and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer s account. These additional requirements may hinder your ability to sell your common stock.

Because our common stock is not listed on a stock exchange, investors may be unable to resell their shares at publicly quoted prices.

Our common stock is quoted on the Over-the-Counter Bulletin Board or OTCBB, which is less liquid than the New York Stock Exchange, the American Stock Exchange or The Nasdaq Stock Market. This may hinder

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your ability to sell your common stock and result in you receiving a lower price than the quoted price when you sell your shares. Accordingly, investors may lose money due to this lack of liquidity.

Because the ownership of our common stock is highly concentrated, it will prevent you and other shareholders from influencing significant corporate decisions and will allow a few significant shareholders to control the direction of our business.

With the AccessMedia Merger, Mr. Nolan Quan and Mr. Michael Gardner acquired 31,245,000 shares of our common stock and thereby acquired control of Broadcaster. They are also parties to two voting agreements which provide for continuity of membership on our Board of Directors until AccessMedia achieves cumulative revenues of $20,000,000 at which time control of the Board of Directors will pass to Mr. Quan. Meanwhile, outside of the voting agreements which only relate to the selection of directors, Messrs. Quan and Gardner acting together own almost 50% of our outstanding common stock and are thereby, acting together, able to control all other matters which come before our shareholders including amendments to our articles of incorporation, mergers and the sale of assets. This control may impede a further change in control of Broadcaster, which may reduce the market price of our common stock. The interests of our existing shareholders may conflict with interests of Messrs. Quan and Gardner.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the securities laws. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements other than statements of historical facts included or incorporated by reference in this prospectus, including the statements under Prospectus Summary and elsewhere in this prospectus regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans, and objectives, are forward-looking statements. When used in this prospectus, the words will, believe, anticipate, plan, intend, estimate, expect, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Although we believe that our plans, intentions, and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we cannot assure you that these plans, intentions, or expectations will be achieved. Actual results may differ materially from those stated in these forward-looking statements as a result of a variety of factors, including those described under Risk Factors. All forward-looking statements speak only as of the date of this prospectus. Neither we nor any of the selling security holders undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

USE OF PROCEEDS

The Selling Shareholders will receive all of the proceeds from the sale of the shares offered for sale by them under this prospectus. Apart from nominal consideration to be received upon exercise of the warrants, we will not receive any proceeds from the sale of common stock by the Selling Shareholders in connection with this prospectus.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market for Common Stock

Broadcaster s common stock currently trades on the OTC Bulletin Board under the symbol BCSR.OB. The following table sets forth the quarterly high and low sales prices of our common stock for fiscal years 2006 and 2005, as quoted on the OTC Bulletin Board. This information represents prices between dealers and does not include retail mark-ups, markdowns or commissions and may not represent actual transactions. The information below was obtained from the OTC Bulletin Board for the respective periods.

	High	**Low**
Fiscal Year 2005		
First Quarter	$1.30	$0.90
Second Quarter	$1.21	$0.73
Third Quarter	$1.46	$1.01
Fourth Quarter	$1.50	$1.06
Fiscal Year 2006		
First Quarter	$1.55	$0.90
Second Quarter	$1.19	$0.67
Third Quarter	$1.34	$0.95
Fourth Quarter	$1.94	$1.08

As of November 7, 2006, there were approximately 1,048 registered holders of record of the common stock. We believe that additional beneficial owners of our common stock hold shares in street names.

Dividend Policy

We have not paid any cash dividends on our common stock and do not plan to pay any such dividends in the foreseeable future. Our Board of Directors will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, and general business conditions.

Equity Compensation Plan Information

The following table summarizes the number of outstanding options granted to employees, service providers and directors, as well as the number of securities remaining available for future issuance, under Broadcaster s compensation plans as of the fiscal year ended June 30, 2006.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (1)**
Equity compensation plans approved by security holders (2)	4,521,507	$1.19	6,689,419
Equity compensation plans not approved by security holders (3)	4,536,993	$1.42	0
Total	9,058,500	$1.30	6,689,419

(1)

The amounts indicated in this column exclude securities listed in the column titled Number of securities to be issued upon exercise of outstanding options, warrants and rights.

(2)

Consists of the 2004 Incentive Stock Option Plan and the 1993 Incentive Option Plan.

(3)

Represents outstanding warrants which have been granted from time to time in conjunction with Board of Directors and employee compensation and consulting arrangements. These warrants generally vest, and are exercisable, over periods ranging from one to four years from the date of grant. The exercise price of the warrants granted generally is equal to the closing price of our common stock on the grant date.

CAPITALIZATION

		As of September 30, 2006 (in thousands, except share amounts)
Cash and cash equivalents	$	12,926
Short-term debt(1)	$	1,776
Shareholders equity		
Common stock, no par value, 300,000,000 shares authorized, 64,576,109 shares issued and outstanding		77,990
Accumulated deficit		(26,172)
Other comprehensive income		347
Total shareholders equity		52,165
Total capitalization	$	53,941

(1)

Includes $1,725,000 short-term loan to a related party, $50,000 to an unrelated party and a $1,000 acquisition related obligation.

BUSINESS

History

We historically operated as a software company. Prior to the acquisition of AccessMedia on June 1, 2006, we operated in two business segments: (i) our Precision Design business and (ii) our Houseplans business.

We were incorporated in November 1982, and grew to become a developer and publisher of productivity software in the precision design, graphic design, and other related business applications fields over the following 16 years. We acquired TurboCAD in 1985, and developed and acquired numerous products and product categories through the years. By the end of 1998, we developed, marketed and distributed our products worldwide, primarily through the retail channel. Beginning in 1998, we made various acquisitions and dispositions of software and content products with the principal strategy of migrating from retail distribution to Internet-based distribution of such products.

In 2004, we began exploring various ways to enhance shareholder value, including our further migration from a traditional or packaged software company to offering downloadable media and content over the Internet. We believed that the growth and reach of the Internet coupled with the predictability of recurring revenues should lead to enhanced Broadcaster shareholder value. As such, during 2005 we began discussions with AccessMedia, a developer of a platform for delivering real-time and interactive media over the Internet through its unique virtual set-top box technology. We completed the Merger in June 2006, and changed our name to Broadcaster, Inc. We subsequently disposed of Precision Design and, as a result, we now operate in the two business segments of AccessMedia and Houseplans. The AccessMedia business is owned and operated by our wholly-owned subsidiary, AccessMedia, Inc. The Houseplans business is owned and operated through our wholly-owned subsidiary Houseplans, Inc.

Our Internet Businesses

Our current primary focus is on our AccessMedia entertainment portal. We are a global Internet entertainment network, providing consumers with access to online entertainment that is fast, easy, safe, fun, and of great value. We provide users with delivery of digital entertainment from short items such as video clips of current events all the way to full length television shows and movies – giving them the power to download content to their desktop computer, laptop, PSP, iPod or preferred mobile entertainment device. We enable consumers to easily find, organize, download, and enjoy the growing volumes of high quality content available online. Our capabilities span our proprietary media library, media under license, and media readily available on the Internet. We are also in discussions with major studios, cable and television networks, music labels, and game producers to become a gateway for the direct delivery of first run movies, popular television shows, music and online games.

Our wide variety of on-demand programming includes:

- Movies We have a large library of movies to which we are constantly adding. Members can watch anything from a horror movie to a western and everything in between, many in high definition.

- Music Whether a member is a fan of music from the 1980 s or something more contemporary, our large music collection is likely to satisfy the need. Our website offers downloads across a wide swath of the music spectrum.

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Television Our library of television shows includes episodes from such classics such as The Lucy Show and The Beverly Hillbillies to more contemporary shows dealing with music, cooking, sports and more.

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News Members can both read articles and download videos concerning the issues of the day in entertainment, sports, business and more.

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Games Members have access to a variety of computer games including sports, role playing games and such classics as Tetris and pinball.

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Viral videos The term viral video refers to video clip content usually produced by amateurs which gains widespread popularity through the process of Internet sharing. We feature on our site many of the most popular viral videos currently making the rounds on the Internet.

Our proprietary virtual set-top box technology available at www.accessmedia.tv puts Internet users in control of their entertainment experience, allowing them to choose when and on which device they want to view media and content. Other than a computer meeting certain required specifications and Internet connectivity, no additional hardware purchase is necessary.

Our AccessMedia business generates its revenue from the sale of software online. The software are tools that enable the consumer to download and manage content. The customer pays for the tools through a license, which is sold on a monthly or annual basis. Because of the nature of the sale, no single customer accounted for greater than 10% of our revenues in fiscal year 2006. AccessMedia also earns income from selling advertising based on unique visits and page views to its various sites.

Internet users can register online to become a member of accessmedia.tv and obtain full access to our site offerings. Membership in accessmedia.tv is free with the purchase of our Download Manager software. Once a member has downloaded the software, they can start adding titles to their library. The member can watch it immediately after download or at a later time at their convenience. Downloaded files can be viewed for as long as that person is a member of accessmedia.tv.

In addition to the Download Manager software, we also provide Entertainment Meta Search, Content Manager, Mobile Transfer Capabilities, Peer-to-Peer Technology, Social Networking Tools, and Parental Lock functionality, among others. These tools allow users to improve their entertainment access and controls. Our Entertainment Meta Search is one of the most advanced search tools available on the Internet and is optimized for rich media content, allowing for advanced identification and indexing of media and content.

We are also a leading online distributor of stock architectural house plans. We have an extensive library of over 25,000 unique stock architectural house plans with more than 150,000 registered members. Our stock architectural house plans are sold to developers, builders, architects and individuals, allowing our customers to substantially reduce upfront planning and architectural costs. No single customer accounted for greater than 10% of our Houseplans revenues in fiscal year 2006 or 2005.

Competitive Business Conditions

The Internet entertainment industry is experiencing tremendous growth and 2006 is the year that the public has recognized the value of using the Internet as a video entertainment medium. Because of this there are numerous start-ups that have been formed to seek viewers. Notably, the largest competitor is YouTube which was only started in 2005. In 2006 Google announced an agreement to acquire YouTube for $1,650,000,000 and future consideration. Because of this acquisition and YouTube s popularity, we anticipate that the online entertainment space will continue to be crowded with competitors.

The Internet industry is highly competitive and characterized by several key factors:

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Rapid changes in technology and customer requirement: New opportunities for existing and new competitors can quickly render existing technologies less valuable.

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Relatively low barriers to entry: Start-up capital requirements for software companies can be very small, and distribution over the Internet is inexpensive and easily outsourced.

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Significant price competition: Direct distribution of competing products over the Internet may cause prices and margins to decrease in traditional sales channels.

These factors could have a material adverse effect on our future operating results, including reduced profit margins and potential loss of market share.

Our main products and their primary competition are listed in the following table:

Broadcaster Product Group	Competitor
Houseplans	Hanley-Wood
	Move Inc.
AccessMedia	RealOne
	Vongo
	Blinx.tv

Sales and Marketing

We rely on Internet advertising we place on third-party websites to attract customers to our accessmedia.tv website. Our Houseplans business attracts its customers from Internet advertising, primarily using search engines Google and Yahoo.

International Operations

We operate outside of the United States through our Canadian subsidiary, Weinmaster Homes, Ltd., which is part of the Houseplans segment. We acquired Weinmaster in July 2005.

The Merger

We completed the Merger with AccessMedia on June 1, 2006 pursuant to which we issued 29,000,000 shares of our common stock and agreed to issue up to an additional 35,000,000 shares of our common stock upon achievement of certain revenue milestones to the shareholders of AccessMedia. In addition, we issued 1,450,000 shares of our common stock to Baytree Capital Associates, LLC as an advisory fee related to the Merger, and an additional 1,000,000 shares to Baytree Capital for consulting services and agreed to reimburse Baytree for its reasonable expenses. In connection with the Merger, we changed our name from International Microcomputer Software, Inc. to Broadcaster, Inc.

AccessMedia is led by seasoned Internet entrepreneurs. This team has been one of the foremost innovators of technologies, marketing, and advertising strategies for Internet-based consumer media offerings, and until now, this team has operated in a private company environment. Additionally, this team has been a leader in providing website development, traffic, database management, and hosting for many of the largest worldwide media companies.

We believe that the Merger offers a unique opportunity to enter into the highly scalable Internet media industry. The underlying growth in the Internet media industry, coupled with high margin product offerings, innovative marketing strategies and exceptional management team, should combine to provide us with substantial growth and profit opportunities, creating significant shareholder value. We expect this substantial revenue growth and positive cash flow to begin almost immediately.

Sale of Precision Design

In June 2006, we sold our legacy Precision Design software business as part of our overall strategy to position the company solely as an online business We received a combination of $6,500,000 in cash of which $500,000 was deposited in an escrow to secure our representations and warranties to the purchaser, and an interest free note of $1,500,000 which was paid in full on July 3, 2006. Included in the assets sold were the TurboCad and DesignCAD product lines as well as other design and personal productivity titles.

Product Development

The majority of development costs relating to the Internet content segment relate to development of websites and databases to host the content. All of our Internet development is internally developed by our team of six software designers.

Our research and development expenses consist primarily of salaries and benefits for research and development employees and payments to independent contractors. We spent approximately $218,000 and $68,000 on research and development in the years ended June 30, 2006 and 2005, respectively. We will continue to invest in existing and new products which reflects our commitment to developing our core products as well as maintaining strong relationships with our internal and contract development teams.

Proprietary Rights and Licenses

We use the following trademarks and service marks in our business: Houseplans, Homeplan and AccessMedia. Our subsidiary, AccessMedia, holds non-exclusive licenses to certain software technologies that are key to its current business operations. All such licenses are in perpetuity and royalty free. Mr. Nolan Quan, our principal shareholder, is one of several inventors of these technologies and owns a controlling interest in Broadcaster, LLC, which provides a majority of the non-exclusive licenses to us.

We are in the process of acquiring the technologies which are subject to these licenses and new technologies which we plan to introduce on accessmedia.tv. In the event we complete our acquisition of these technologies, we intend to further develop and exploit these technologies. We may in turn further license these technologies to third parties. The development costs associated with some of the technologies could be significant; however, we do not anticipate acquiring these rights and incurring further development costs unless the overall benefits to us outweigh such costs.

Our ability to compete effectively depends in part on our ability to develop and maintain the proprietary aspects of our technology. We take certain steps to protect our technology including:

- We rely on a combination of copyrights, patents, trademarks, trade secret laws, restrictions on disclosure, and transferring title and other methods.

- We enter into confidentiality or license agreements with our employees and consultants, and control access to and distribution of our documentation and other proprietary information.

- We provide our products to end users under non-exclusive licenses, which generally are non-transferable and have a perpetual term.

Software companies face a number of risks relating to proprietary rights and licenses. The greatest technology risk arises from the fact that we make source code available for some products. The provision of source code may increase the likelihood of misappropriation or other misuse of our intellectual property.

There can be no assurance that the steps taken by us will prevent misappropriation or infringement of our technology. In addition, litigation may be necessary to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation presents several additional risk factors to us:

- Litigation could result in substantial costs and diversion of resources that could have a material adverse effect on our business, operating results and financial condition.

- As the number of software products in the industry increases and the functionality of these products further overlaps, software developers and publishers may increasingly become subject to infringement claims.

- If any valid claims or actions were asserted against us, we might seek to obtain a license under a third party s intellectual property rights. There can be no assurance, however, that under such circumstances a license would be available on commercially reasonable terms, or at all.

From time to time we have received, and may receive in the future, notice of claims of infringement of other parties proprietary rights. Although we investigate claims and respond as we deem appropriate and believe we do not infringe upon the intellectual property rights of others, there can be no assurance that infringement claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us.

Employees

As of October 31, 2006, we had 45 employees, of which 42 are full-time employees and three part-time employees, including 16 in sales and marketing, 17 in product development and 12 in administration and finance. All employees are located in North America. None of our employees are represented by a labor union and we have experienced no work stoppages. Our success depends to a significant extent upon the performance of our executive officers, key technical personnel, and other employees.

Properties

Our principal offices are located in Chatsworth, California, occupying approximately 14,650 square feet of office space. The lease term expires in September 2007. We also occupy approximately 10,000 square feet of leased office space in Novato, California, approximately 5,000 square feet which is sub-leased to an unrelated third party on similar terms to those of the master lease. The lease expires in March 2007. Except for 12 Houseplans employees who will remain in our Novato offices, we plan to move our corporate employees to our Chatsworth offices by late November 2006.

We believe the space is adequate for our immediate needs. Additional space may be required as we expand our activities. However, we do not foresee any significant difficulties in obtaining any required additional facilities.

LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business.

Our subsidiary, AccessMedia , was named as one of a number of co-defendants in a suit filed by the FTC on August 8, 2006 in the United States District Court for the Central District of California alleging a violation of Section 5 of the FTC Act arising from products known as Movieland.com, Moviepass.tv, and Popcorn.net. The complaint challenges the validity of the use of pop-up payment reminders for software licenses in conjunction with a free trial offer for the Movieland.com, Moviepass.tv and Popcorn.net products. A copy of the complaint may be viewed online at http://www.ftc.gov/os/caselist/0623008/060808movielandcmplt.pdf. A United States District Court judge denied the FTC s request to issue a temporary restraining order. The parties have entered into an interim consent order that allows the pop-up payment reminders to continue to issue at least until time of trial and on a reduced frequency per day. Trial on the merits of the case will be scheduled for a later time. Our management believes the claims are without merit and intends to defend the actions vigorously. While our management believes there is no legal basis for liability, due to the uncertainty surrounding the litigation process, no reasonable estimate of loss is available. In addition, AccessMedia was also named as one of a number of co-defendants in a suit filed by the Washington State Attorney General on or about August 8, 2006 in King County Superior Court, alleging violations of the Washington Spyware Act and Consumer Protection Act and arising from products known as Movieland.com, Moviepass.tv, and Popcorn.net. A copy of the Washington complaint can be viewed online at http://www.atg.wa.gov/releases/2006/Documents/MovielandComplaint8-14-06.pdf. AccessMedia intends to vigorously defend the allegations. While management believes there is no legal basis for liability, due to the uncertainty surrounding the litigation process, no reasonable estimate of loss is available.

We are also subject to legal proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

The following discussion should be read in conjunction with the financial statements and the related notes included elsewhere in this prospectus. This prospectus, and in particular this Management s Discussion and Analysis or Plan of Operation, may contain forward-looking statements regarding future events or our future performance, as well as historical information. These future events and future performance mentioned in forward-looking statements involve risks and uncertainties. Actual events or our actual future results could differ materially from those projected or assumed in such forward-looking statements. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. This analysis is not intended to serve as a basis for projection of future events.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States or GAAP. These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management s judgment in its application. There are also areas in which management s judgment in selecting any available alternative would not produce a materially different result.

Critical Accounting Policies

Those material accounting policies that we believe are the most critical to an investor s understanding of our financial results and condition are discussed below.

Our significant accounting policies are more fully described in the notes to our consolidated financial statements. Two of these policies, discussed immediately below, are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management to determine the appropriate assumptions to be used in the determination of certain estimates.

Revenue Recognition

Revenue is recognized in accordance with American Institute of Certified Public Accountants Statement of Position or SOP 97-2, *Software Revenue Recognition*, and SOP 98-9, *Modification of SOP 97-2, With Respect to Certain Transactions*. Revenue is recognized when persuasive evidence of an arrangement exists (generally a purchase order), product or service has been delivered, the fee is fixed and determinable, and collection of the resulting account is probable.

- Revenue from packaged product sales to resellers and end users is recorded at the time of the sale net of estimated returns.

- Revenue from sales to distributors is recognized when the product sells through to retailers and end users. Sales to distributors permit limited rights of return according to the terms of the contract.

- For software and content delivered via the Internet, revenue is recorded when the customer downloads the software, activates the subscription account or is shipped the content. For online media, revenue is recorded when payment is collected.

- Revenue from post-contract customer support is recognized ratably over the contract period.

- Subscription revenue is recognized ratably over the contract period.

- We use the residual method to recognize revenue when a license agreement includes one or more elements to be delivered at a future date. If there is an undelivered element under the license arrangement, we defer revenue based on vendor-specific objective evidence of the fair value of the undelivered element, as determined by the price charged when the element is sold separately. If vendor-specific objective evidence of fair value does not exist for all undelivered elements, we defer all revenue until sufficient evidence exists or all elements have been delivered.

•

Non-refundable advanced payments received under license agreements with no defined terms are recognized as revenue when the customer accepts the delivered software.

•

Revenue from software licensed to developers, including amounts in excess of non-refundable advanced payments, is recorded as the developers ship products containing the licensed software.

•

Revenue from minimum guaranteed royalties in republishing agreements is recognized ratably over the term of the agreement. Royalties in excess of the guaranteed minimums are recognized when collected.

•

Revenue from original equipment manufacturer contracts is recognized upon completion of our contractual obligations.

•

Revenue related to the display of advertisements on its Internet properties is recognized as impressions (the number of times that an advertisement appears in pages viewed by users) are delivered, as long as no significant obligations remain at the end of the period. To the extent that significant obligations remain at the end of the period, Broadcaster defers recognition of the corresponding revenue until the remaining guaranteed amounts are achieved.

•

Revenue from the display of text-based links to the websites of its advertisers is recognized as the click-throughs (the number of times a user clicks on an advertiser s listing) occur.

Impairment

Property, equipment, intangible and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management s estimates of the period that the assets will generate revenues. We account for the impairment and disposition of long-lived assets in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with SFAS 144, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In accordance with SFAS No. 142, *Goodwill and Intangible Assets,* goodwill is being assessed for impairment annually or more frequently if circumstances indicate impairment.

Overview

In 2004, we began exploring various ways to enhance shareholder value, including our further migration from a traditional or packaged software company to offering downloadable media and content over the Internet. We believe that the growth and reach of the Internet coupled with the predictability of recurring revenues should lead to enhanced Broadcaster shareholder value. As such, during 2005 we began discussions with AccessMedia, a developer of a platform for delivering real-time and interactive media over the Internet through its unique virtual set-top box technology. Concurrent with the completion of the acquisition of AccessMedia, we changed our name to Broadcaster, Inc.

Highlights for the year ended June 30, 2006 include the following:

- We acquired AccessMedia on June 1, 2006 and effectively doubled the number of outstanding shares. With this acquisition, the nature of our business changed and our primary emphasis became focusing on AccessMedia s business;

- In June 2006, we sold Precision Design, Inc., our legacy software business, and received $6,500,000 in cash, of which $500,000 was deposited in escrow. We also received a note of $1,500,000 which was paid in July 2006;

- As of July 1, 2005, the first day of fiscal 2006, we sold another subsidiary, Allume Systems, Inc., for $11,000,000 in cash and 397,547 shares of common stock having a fair market value, based upon an agreed-upon formula, of $1,750,000. At September 30, 2006, $312,000 was being held in escrow;

- Houseplans, Inc, our wholly-owned subsidiary, purchased Weinmaster Homes, Ltd., a Canadian competitor, on July 1, 2005 of approximately $4,200,000 including $2,000,000 of cash, $1,021,000 representing the fair value of common stock, a 1,000,000 promissory note and $146,000 in expenses.

Highlights for the quarter ended September 30, 2006 consisted of:

- The first full quarter of contribution from AccessMedia, with revenues of $2,936,000;

- We adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)), effective July 1, 2006, resulting in a non-cash expense of $507,000;

- On September 29, 2006, we acquired the assets of America s Biggest, Inc in exchange for 1,000,000 shares of Broadcaster stock and $500,000 in cash;

- Despite a downturn in the housing market and increased interest rates, revenues at our Houseplans segment remained stable.

We are now a global Internet entertainment network providing consumers with access to online entertainment that is fast, easy, safe, fun, and of great value. We offer a wide variety of on-demand programming including movies, music, television shows, viral videos, mobile media, games, news, sports, and other entertainment focused content, in one place that can be viewed or downloaded at anytime and on any device. Our proprietary virtual set-top box technology available at www.accessmedia.tv puts Internet users in control of their entertainment experience allowing users to choose what, when and on which device they want to view media and content.

We provide users with delivery of both short and long form digital entertainment content – giving them the power to download content to their desktop computer, laptop, PSP, iPod or preferred mobile entertainment device. We enable consumers to easily find, organize, download and enjoy the growing volumes of high quality content available online. Our capabilities span our proprietary media library, media under license, and media readily available on the Internet. We are also in discussions with major studios, cable and television networks, music labels, and game producers to become a gateway for the direct delivery of first run movies, popular television shows, music and online games.

Our multi-channel Internet entertainment network redefines the user experience on the Internet, putting more control into the hands of the user with the most advanced technologies including a Download Manager, Entertainment Meta Search, Content Manager, Mobile Transfer Capabilities, Peer-to-Peer Technology, Social Networking Tools and Parental Lock functionality, among others. In addition, our Entertainment Meta Search is one of the most advanced search tools on the Internet and is optimized for rich media content allowing for advanced identification and indexing of media and content.

In addition to our Internet entertainment network, we are also a leading online distributor of stock architectural house plans. We have an extensive library of over 25,000 unique stock architectural house plans with more than 150,000 registered members. Our stock architectural house plans are sold to developers, builders, architects and individuals allowing our customers to substantially reduce upfront planning and building costs.

Strategy and Growth

We believe that consistent growth of both revenues and earnings can be achieved through internally developed products and services, and through acquisitions. Management believes that good value target companies are present in the marketplace and that business combinations with these entities would help us achieve our growth potential in addition to providing synergies that would improve profitability.

We had approximately $14,100,000 cash or cash equivalents as of June 30, 2006. Our current cash and cash equivalents balance represents our largest balance on hand within the past two fiscal years.

Acquisitions and Dispositions

Acquisition of Weinmaster Homes, Ltd.

On July 1, 2005, Houseplans, our wholly owned subsidiary, consummated the acquisition of all the stock of Weinmaster Homes, Ltd., pursuant to a stock purchase agreement between Weinmaster Homes, Ltd., Bruce Weinmaster and Janice Weinmaster, and Houseplans, Inc. The purchase price of approximately $4,000,000 consisted of $2,000,000 in cash, $1,000,000 in a promissory note, which was fully paid in the third quarter of 2006, and $1,000,000 (based on the five-day trading average immediately preceding and including June 28, 2005) in Broadcaster s unregistered common stock, which we committed to register for resale and which shares are offered for sale.

Sale of Allume

On July 1, 2005, we sold all of the issued and outstanding capital stock of Allume Systems, Inc. to Smith Micro for an aggregate sales price of $12,800,000 made up as follows (in millions):

Description		**Amount**
Cash	$	11.0
Fair value of 397,547 unregistered shares of Smith Micro common stock		1.8
Total	$	12.8

The fair value of the common stock was based on the five-trading-day average price of Smith Micro s common stock surrounding the date the business combination was announced.

At closing an indemnity escrow was established to secure certain representations and warranties included in our stock purchase agreement with Smith Micro. The following sale proceeds were deposited into the escrow (in millions):

Description		**Amount**
Cash	$	1.25
170,398 unregistered shares of Smith Micro common stock		0.784
Total	$	2.034

The value of the common stock was based on the date of closing.

On November 2, 2005, we replaced the shares of Smith Micro common stock in escrow with cash, as permitted by the escrow agreement.

On November 10, 2005, we sold 100% of our holdings of Smith Micro shares at a gain of $923,000 which was included in Other Income as Realized Gain on Securities in the December quarter.

Pursuant to the stock purchase agreement, Smith Micro released $500,000 plus interest of $7,000 and $750,000 plus interest of $26,000 of the escrowed cash to us in December 2005 and March 2006, respectively. These amounts, when released, added to our calculation of gain or loss on the sale.

As a result of this sale, we have categorized the assets, liabilities, and operations of Allume as discontinued operations for the fiscal year ended June 30, 2005 and in the fiscal year ended June 30, 2006. We recorded a gain on the sale of discontinued operations of $776,000, representing the amount released from escrow on March 31, 2006 plus accrued interest. The gain on the sale of Allume totaled $302,000 as of March 31, 2006. This gain calculation does not consider the remaining cash held in escrow of approximately $300,000 and is subject to change in future reporting periods depending upon the future release of cash from escrow. The escrow is expected to close on December 31, 2006.

Acquisition of AccessMedia

We completed the Merger with AccessMedia on June 1, 2006 pursuant to which we issued 29,000,000 shares of our common stock and agreed to issue up to an additional 35,000,000 shares of our common stock upon achievement of certain revenue milestones to the former shareholders of AccessMedia. In connection with the Merger, we changed our name to Broadcaster, Inc. We also issued 2,450,000 shares of our common stock as merger-related fees.

We believe that the Merger offers us an opportunity to enter into the highly scalable Internet media industry. The underlying growth in the Internet media industry, coupled with the potential for high margin product offerings, innovative marketing strategies, and exceptional management team, should combine to provide us with substantial growth and profit opportunities, creating significant shareholder value.

Sale of Precision Design Business

On June 9, 2006, we sold our legacy Precision Design software business as part of our overall strategy to position us solely as an online business. We received a combination of $6,500,000 in cash of which $500,000 was deposited in an escrow to back our representations and warranties in the sale Agreement, and an interest free note of $1,500,000 which was paid in full on July 3, 2006. Included in the assets sold were the TurboCad and DesignCAD product lines as well as other design and personal productivity titles.

Results of Operations

Continuing Operations

Year Ended June 30, 2006 Compared to Year Ended June 30, 2005

The following table sets forth our results of operations for the twelve months ended June 30, 2006 and 2005 in absolute dollars and as a percentage of net revenues. It also details the changes from the prior fiscal year in absolute dollars and in percentages.

(Tabular amounts shown in thousands of U.S. Dollars, except percentage amounts)

	Fiscal Year ended June 30,					
	2006		2005		$ Change from previous year	
	$	As % of sales	$	As % of sales	Variance	%
Net revenues	$ 8,203	100%	$ 4,347	100%	$ 3,856	89%
Product cost	3,174	39%	1,824	42%	1,350	74%
Gross margin	5,029	61%	2,523	58%	2,506	99%
Operating expenses						
Sales & marketing	2,944	36%	1,903	44%	1,041	55%
General & administrative	3,760	46%	925	21%	2,835	306%
Research & development	218	3%	68	2%	150	221%
Total operating expenses	6,922	85%	2,896	67%	4,026	139%
Operating loss	(1,893)	-24%	(373)	-9%	(1,520)	407%
Other income (expenses)						
Interest and other, net	125	1%	(91)	-2%	216	-237%
Realized/unrealized gain (loss) on marketable securities	765	9%	(42)	-1%	807	-1,921%
Gain on sale of product line	(1)	0%	53	1%	(54)	-102%
Total other income (expenses)	889	10%	(80)	-2%	969	-1211%
Loss before income tax	(1,004)	-12%	(453)	-11%	(551)	122%

Income tax provision	(11)	-1%	(25)	-1%	14	-56%
Loss from continuing operations	(1,015)	-12%	(478)	-12%	(537)	112%
(Loss) from discontinued operations, net of income tax	(2,971)	-36%	(3,311)	-76%	340	-10%
Gain (loss)from the sale of discontinued operations, net of income tax	4,834	59%	2,035	47%	2,799	138%
Net Income (loss)	$ 848	8%	$ (1,754)	-39%	$ 2,602	-148%

BROADCASTER, INC. & ACCESSMEDIA, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Fiscal Year Ended June 30, 2006

(In thousands, except per share data)

	Broadcaster Twelve months ended June 30, 2006	AccessMedia Eleven months ended May 31, 2006	Pro Forma Adjustments	Pro Forma Twelve months ended June 30, 2006
Net revenues	$ 8,203	$ 5,391		$ 13,594
Cost of net revenues				
Product costs	3,174	2,903	(306)	5,771
Gross margin	5,029	2,488	306	7,823
Operating expenses:				
Sales and marketing	2,944	2,676		5,620
General and administrative	3,760	3,208	(1,184)	5,784
Research and development	218	246		464
Total operating expenses	6,922	6,130	(1,184)	11,868
Loss/(Income) from operations	(1,893)	(3,642)	1,490	(4,045)
Interest and other income (expense), net	124	(68)		56
Realized / unrealized loss on marketable securities	765			765
Loss before income tax	(1,004)	(3,710)	1,490	(3,224)
Income tax provision	11			11
Loss from continuing operations	(1,015)	(3,710)	1,490	(3,235)
Loss/(Income) from discontinued operations, net	(2,971)			(2,971)

Gain/(loss) from the sale of discontinued operations, net		4,834						4,834
Net (loss) income		848		(3,710)		1,490		(1,372)
Other comprehensive loss								
Foreign currency translation adjustments		432						432
Comprehensive income/(loss)	$	1,280	$	(3,710)	$	1,490	$	(940)
Net loss per share:								
Basic and diluted	$	0.03	$	(0.12)			$	(0.02)
Weighted average shares outstanding used to compute:								
Basic and diluted		32,645	$	31,450				64,095

28

Revenues by Business Segment

In the following discussion all numbers have been rounded to the nearest thousand dollars.

We have two business segments: AccessMedia and Houseplans.

Although it was only recently commercially launched, AccessMedia generated revenues of $945,000 for the one month ended June 30, 2006. Revenue includes software sales, internet media advertising sales, and the sale of text-based internet links. Sales of downloaded products are recognized ratably over the term of the license sold. Sales of advertisements are recognized upon the delivery of the impressions guaranteed. Sales of click throughs are recognized upon delivery of the click throughs guaranteed. We anticipate that in fiscal year 2007, AccessMedia will represent a much larger percentage of our total revenues.

We acquired Houseplans (formerly, Planworks LLC) in November 2003, Abbisoft House Plans, Inc. in September 2004, and Weinmaster Homes, Ltd. in July 2005. We have grown this business to be the leading online seller of stock architectural house plans, targeting general contractors, consumers, and designers. Our websites include houseplans.com, homeplanfinder.com, houseplanguys.com, globalhouseplans.com, and weinmaster.com. Revenues generated by Houseplans grew substantially during the twelve months ended June 30, 2006 as compared to the same period in the previous fiscal year from $4,347,000 to $7,258,000, a 67% increase. Excluding the acquisition of Weinmaster, revenues grew from $4,347,000 to $5,021,000, a 15.6% increase.

Net Revenues

Our net revenues increased to $8,203,000 for the year ended June 30, 2006 from $4,347,000 for the year ended June 30, 2005 reflecting the growth of our Houseplans business. This included $2,236,000 in revenues from Weinmaster which we acquired on July 1, 2005. For the year ended June 30, 2005, which was the period immediately prior to our acquisition of Weinmaster, its net revenues were $623,000.

Gross Profit

Our consolidated gross profit increased by approximately 100% from $2,523,000 to $5,029,000 for the twelve months ended June 30, 2005 and June 30, 2006, respectively. Gross margin increased from 58.02% to 61.3%, primarily as a result of improvements in Houseplans gross profits discussed below. On a pro forma basis, gross profit in fiscal year 2006 was $7,963,000, reflecting a pro forma gross margin of 58%. The difference is due to AccessMedia s gross profit consolidated with Broadcaster s gross profit. AccessMedia s gross margins were impacted by its rollout expenses and ramp-up. As revenues increase, gross margin is expected to increase. Our plan is to emphasize growth opportunities in the AccessMedia business. The cost of revenues increased as a function of increasing activity over the periods and as result of amortization of assets acquired during 2005.

AccessMedia s cost of revenues consists of costs related to the products and services AccessMedia provides to customers. These costs include materials, salaries and related expenses for product support personnel, depreciation and maintenance of equipment used in providing services to customers and facilities expenses.

AccessMedia expects to become cash flow positive after a full product launch, when the overhead costs described above can be amortized over a larger revenue base. AccessMedia also expects its product offerings to expand and the mixture of sales to change. Because of its limited operating history, changes in revenue mix, recent exit from the development stage and evolving business model, AccessMedia believes that analysis of historical cost of revenues as a percentage of revenue is not meaningful.

Houseplans s gross profits increased by 79.0% from $2,523,000 to $4,510,000 for the twelve months ended June 30, 2005 and June 30, 2006 respectively. Gross margin increased from 58.0% to 62.1%, primarily as a result of more competitive royalty rates with our vendors, an increased collection of proprietary royalty-free content and the successful integration of acquisitions.

As described in Related Party Transactions in this Management s Discussion and Analysis or Plan of Operation, AccessMedia has entered into an agreement with Alchemy Communications, Inc., a company controlled by our principal shareholder, Mr. Nolan Quan, which provides a variety of services to AccessMedia. We paid Alchemy $37,452 which were included in the cost of sales.

Sales and Marketing

Sales and marketing expenses increased by 54.6% from $1,903,000 to $2,944,000 for the year ended June 30, 2005 and June 30, 2006, respectively. This increase was principally due to the merger with AccessMedia and the acquisition of Weinmaster. On a pro forma basis, sales and marketing expenses were $5,620,000 for the twelve months ended June 30, 2006.

Sales and marketing expense for AccessMedia consists primarily of salaries and related expenses for sales, support and marketing personnel, commissions, costs and expenses for customer acquisition programs and referrals, a portion of facilities expenses and depreciation and amortization of equipment. AccessMedia s expense levels have increased because of staffing and costs involved in testing and prototyping programs for selling its software, advertising and text-based links. AccessMedia anticipates that sales and marketing expense will continue to increase in absolute dollars as AccessMedia adds sales and marketing personnel and increases its customer acquisition activities.

Sales and marketing expenses for Houseplans increased during the year ended June 30, 2006 as compared to the same period from the previous fiscal year. This increase was mainly the result of the additional sales and marketing expenses related (i) to Weinmaster, our newly acquired business, (ii) to the increased direct marketing expenses, especially relating to advertising necessary to increase the traffic to our websites and (iii) to the increased payroll and related expenses from additional headcount. Despite the increase in sales and marketing expenses for this segment during the year ended June 30, 2006 as compared to the previous fiscal year, we continue to integrate the acquisitions and we continue to implement savings and identify synergies among our business units.

General and Administrative

General and administrative expense consists primarily of salaries and related expenses for administrative, finance, legal, human resources, and executive personnel, fees for professional services and costs of accounting and internal control systems to support its operations. Expenses have increased primarily due to the addition of headcount in management and administration to support the increasing activity levels and as a result of amortization of assets acquired during 2006. Because of the changes in the direction of Broadcaster, the general administrative costs have increased from 21% of sales to 46% of sales. This is mainly a result of the severance and bonus costs and the costs related to the disposition of Precision Design and the acquisition of AccessMedia.

We anticipate that general and administrative expense for AccessMedia will continue to increase in absolute dollars as AccessMedia builds its management team and hires additional administrative personnel and incurs increased costs such as professional fees. AccessMedia expects to secure a number of services from a related party at a market rate. For the month of June 2006, general administrative expenses related to our agreement wtih Alchemy Communications were $16,848.

We expect that general and administrative expense of Houseplans will remain at a consistent fixed percent of overhead. Due to the market conditions, Broadcaster does not foresee any unexpected costs that would increase the overall general and administrative cost of Houseplans.

Effective July 1, 2006, we adopted Statement of Financial Accounting Standards 123(Revised 2004) Share-Based Payment (SFAS 123(R)). SFAS 123(R) requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors including employee stock options based upon estimated fair values. SFAS 123(R) supersedes our previous accounting treatment of these awards under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Although we recognized no compensation expense during the year ended June 30, 2006 related to stock options, we expect that we will incur approximately $976,000 of non-cash stock option expense under SFAS 123(R) in fiscal year 2007 related to the fair value of options unvested at June 30, 2006.

Research and Development

Our research and development expenses consist primarily of salaries and benefits for research and development employees and payments to independent contractors, mainly our third party contract development teams. Our research and development expense was 3% and 2% of sales for the fiscal years 2006 and 2005, respectively. We do not expect that the overall cost of research and development will exceed 5% of sales for fiscal year 2007.

Part of the services provided by Alchemy consists of research and development expenses relating to ongoing changes and upgrades in AccessMedia s Internet business. For the month of June 2006, these expenses consisted of $14,364.

Interest and Other, Net

Interest and other, net, changed from a net expense of $91,000 to a net gain of $125,000 for the years ended June 30, 2006 and June 30, 2005, respectively. The change was principally due to an increase in cash balances and a reduction in debt obligations resulting from the deployment of proceeds from the sale of Allume.

Gain/(Loss) on Marketable Securities

Gain /(Loss) on Marketable Securities increased from ($42,000) to $765,000 for the years ended June 30, 2005 and June 30, 2006, respectively. The change was primarily due to the gain recorded on the sale of Smith Micro shares acquired as part of the consideration for the sale of Allume.

Provision for State and Federal Income Taxes

We recorded income tax expense of $11,000 and $25,000 for the years ended June 30, 2006 and 2005, respectively. The tax expense for the twelve months ended June 30, 2006 primarily represented accrued federal and state income taxes resulting from the limitation of net operating loss carryforwards and accrued Canadian income taxes. The current tax provision was offset by a deferred tax benefit resulting from the amortization of certain purchased intangibles assets. The tax expense for the year ended June 30, 2006 includes state income taxes accrued where we have operations.

We have not recorded a tax benefit for domestic tax losses because of the uncertainty of realization. We adhere to SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Consistent with our past practice, we have recorded a full valuation allowance at June 30, 2006 as the realizeability of our net operating loss carry-forwards is not determinable.

Net Income

During the year ended June 30, 2006 our net income was $848,000 compared to a net loss of $1,754,000 for the year ended June 30, 2005. The principal reason for this change is due to the sale of our Precision Design business. For the year ended June 30, 2006 our operating loss was $1,893,000 compared to $373,000 for the prior year. The principal reasons were severance costs and costs related to acquisitions and dispositions of subsidiaries, which totaled $1,140, 000.

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

The following table sets forth our results of operations for the three months ended September 30, 2006 and 2005 in absolute dollars and as a percentage of net revenues. It also details the changes from the prior fiscal year in absolute dollars and in percentages.

	Three months ended September 30,					
(In Thousands)	**2006**		**2005**		**$ Change from previous year**	
	$	**As % of sales**	**$**	**As % of sales**	**Variance**	**%**
Net revenues	$ 4,635	100 %	$ 1,717	100 %	$ 2,918	170 %
Product cost	1,833	40 %	674	39 %	1,159	172 %
Gross margin	2,802	60 %	1,043	61 %	1,759	169 %
Operating expenses						
Sales & marketing	2,135	46 %	646	38 %	1,489	230 %
General & administrative	2,558	55 %	757	44 %	1,801	138 %
Research & development	71	2 %	37	2 %	34	92 %
Total operating expenses	4,764	103 %	1,440	84 %	3,324	231 %
Operating loss	(1,962)	-42 %	(397)	-23 %	(1,565)	394 %
Other income (expenses)						
Interest expense	(30)	-1 %	(3)	0 %	(27)	900 %
Interest income	125	2 %		0 %	125	
Foreign exchange gain	3	0 %		0 %	3	
Total other income	98	2 %	(3)	0 %	101	-3,367 %
Income (loss) before income tax	(1,864)	-40 %	(400)	-23 %	(1,464)	366 %
Income tax benefit (provision)	(142)	-3 %		0 %	(142)	
Income loss from continuing operations	(1,722)	-37 %	(400)	-23 %	(1,322)	330 %
(Loss) from discontinued operations, net of income tax	33	1 %	(708)	-41 %	741	-104 %
Gain (loss)from the sale of		0 %	(843)	-49 %	843	-100 %

discontinued operations, net of income tax								
Net income (loss)	$	(1,689)	-36 %	$	(1,951)	-114 %	$	262	-13 %

All of the numbers which follow are approximate and have been rounded to the nearest thousand dollars.

Revenues by Business Segment

We have two business segments: AccessMedia and Houseplans.

AccessMedia: Although it was only recently commercially launched, AccessMedia generated revenue of $2,936,000 for the three months ended September 30, 2006. Revenue includes software sales, internet media advertising sales and the sale of text-based internet links. Sales of downloaded products are recognized ratably over the term of the license sold. Sales of advertisements are recognized upon the delivery of the impressions guaranteed. Sales of click-throughs are recognized upon delivery of the click-throughs guaranteed.

Houseplans: We acquired Houseplans Inc (formerly Planworks LLC) in November 2003, Abbisoft House Plans, Inc in September 2004 and Weinmaster Homes, Ltd in July 2005. We have grown this business to be the leading online seller of stock house plans, targeting general contractors, consumers and designers. Our websites include houseplans.com, homeplanfinder.com, houseplanguys.com, globalhouseplans.com and weinmaster.com.

Revenues generated by this segment declined slightly during the three months ended September 30, 2006 as compared to the same period in the previous fiscal year from $1,717,000 to $1,699,000 a 1.0% decrease. Excluding the acquisition of Weinmaster, revenue grew from $1,117,000 to $1,204,000 a 7.8% increase.

Net Revenues

Net revenues increased to $4,635,000 for the quarter ended September 30, 2006 from $1,717,000 for the quarter ended September 30, 2006 or an increase of approximately 170%. The increase is due to the acquisition of AccessMedia.

Gross Profit

Our consolidated gross profit increased from $1,043,000 to $2,802,000 or 168.6% for the three months ended September 30, 2005 and September 30, 2006 respectively. Gross margin decreased from 60.7% to 60.4%.

AccessMedia s cost of revenue consists of costs related to the products and services AccessMedia provides to customers. These costs include materials, salaries and related expenses for product support personnel, depreciation and maintenance of equipment used in providing services to customers and facilities expenses. The cost of revenue increased as a function of increasing activity over the periods and as result of amortization of assets acquired during 2005. Alchemy Communications, Inc, a company controlled by Mr. Nolan Quan, our principal shareholder, provides us with services including Internet connectivity, hosting services, programming services and equipment and office facilities. During the quarter ended September 30, 2006, cost of sales included $130,000 related to these services.

AccessMedia also expects its product offerings to expand and the mixture of sales to change. Because of its limited operating history, changes in revenue mix, recent exit from the development stage and evolving business model, AccessMedia believes that analysis of historical cost of revenues as a percentage of revenues is not meaningful.

Sales and Marketing

Sales and marketing expenses increased from $646,000 to $2,135,000, or 230.5% for the three months ended September 30, 2005 and September 30, 2006 respectively. This increase was principally due to the merger with AccessMedia.

Sales and marketing expense for AccessMedia consists primarily of salaries and related expenses for sales, support and marketing personnel, commissions, costs and expenses for customer acquisition programs and referrals, a portion of facilities expenses and depreciation and amortization of equipment. AccessMedia s expense levels have increased because of staffing and costs involved in testing and prototyping programs for selling its software, advertising and text-based links. AccessMedia anticipates that sales and marketing expense will continue to increase in absolute dollars as AccessMedia adds sales and marketing personnel and increases its customer acquisition activities.

General and Administrative

General and administrative expense consists primarily of salaries and related expenses for administrative, finance, legal, human resources and executive personnel, fees for professional services and costs of accounting and internal control systems to support its operations. Expenses have increased primarily due to the addition of headcount in management and administration to support the increasing activity levels and as a result of amortization of assets acquired during 2006. Additionally, the adoption of SFAS 123 (R) resulted in an expense of $507,000 for the quarter ended September 30, 2006. We expect we will incur approximately $2,729,000 of non cash stock option expense over the next six quarters related to the fair value of options unvested at September 30, 2006.

We anticipate that general and administrative expense will continue to increase in absolute dollars as AccessMedia builds its management team and hires additional administrative personnel and incurs increased costs such as professional fees. AccessMedia expects to secure a number of services from a related party at a market rate.

During the quarter ended September 30, 2006, general and administrative expenses included $55,000 related to services provided by Alchemy Communications.

Research and Development

Our research and development expenses consist primarily of salaries and benefits for research and development employees and payments to independent contractors, mainly our third party contract development teams. During the quarter ended September 30, 2006, research and development costs included $48,000 related to services provided by Alchemy Communications.

Interest and Other, Net

Interest and other, net, changed from a net expense of $3,000 to a net gain of $98,000 for the three months ended September 30, 2005 and September 30, 2006 respectively. The change was principally due to an increase in cash balances and a reduction in debt obligations resulting from the deployment of proceeds from the sale of Precision Design.

Provision for State and Federal Income Taxes

We recorded income tax benefit of $142,000 and $0 for the three months ended September 30, 2006 and 2005, respectively. The tax benefit for the three months ended September 30, 2006 primarily represented the release of deferred tax provision on amortization of intangible assets offset by accrued Canadian income taxes.

We have not recorded a tax benefit for domestic tax losses because of the uncertainty of realization. We adhere to SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Consistent with our past practice, we have recorded a full valuation allowance at September 30, 2006 as the realizeability of our net operating loss carry-forwards is not determinable.

Net Income

During the quarter ended September 30, 2006, we lost $1,689,000, compared to $1,951,000 in the quarter ended September 30, 2005. Any comparison must consider that we owned AccessMedia in 2006 but did not in 2005; similarly, during the quarter ended September 30, 2006 we did not own Precision Design having sold it in June 2006, while in the first quarter of fiscal 2005 we owned Precision Design during the entire period.

Discontinued Operations

Year ended June 30, 2006: Sale of Allume

On July 1, 2005, we sold all of the issued and outstanding capital stock of Allume to Smith Micro for an aggregate sales price of $12,800,000 million consisting of $11,000,000 cash and 397,547 unregistered shares of Smith Micro s common stock, with a fair value of approximately $1,800,000.

The fair value of the common stock was based on the five-day trading average price of Smith Micro s common stock surrounding the date the business combination was announced.

At closing an indemnity escrow was established to secure certain representations and warranties included in our stock purchase agreement with Smith Micro. The following sale proceeds were deposited into the escrow (in millions):

Description	**Amount**
Cash	$ 1.25
170,398 unregistered shares of Smith Micro common stock	0.784

Total	$	2.034

The value of the common stock was based on the date of closing.

On November 2, 2005, we replaced the shares of Smith Micro common stock in escrow with cash, as permitted by the escrow agreement.

On November 10, 2005, we sold 100% of our holdings of Smith Micro shares at a gain of $923,000 which was shown in Other Income as Realized Gain on Securities in the December 2005 quarter.

Pursuant to the stock purchase agreement, Smith Micro released $500,000 plus interest of $7,000 and $750,000 plus interest of $26,000 of the escrowed cash to us in December 2005 and March 2006, respectively. These amounts, when released, added to our calculation of gain or loss on the sale.

As a result of this sale, we have categorized the assets, liabilities and operations of Allume as discontinued operations for the fiscal year ended June 30, 2005 and in the fiscal year ended June 30, 2006 we recorded a gain on the sale of discontinued operations of $776,000 representing the amount released from escrow on March 31, 2006 plus accrued interest. The gain on the sale of Allume totaled $302,000 as of March 31, 2006. This gain calculation does not consider the remaining cash held in escrow of approximately $300,000 and is subject to change in future reporting periods depending upon the future release of cash from escrow.

Year ended June 30, 2006: Sale of Precision Design

On June 9, 2006, Broadcaster sold substantially all of the assets used in the operation of the segment of our business referred to as the Precision Design business. The assets were sold to IMSI Design LLC, a California limited liability company, which was newly formed for the purpose of the acquisition.

In consideration for the transfer of the assets, IMSI Design LLC paid $6,500,000 in cash, of which $500,000 was deposited in an escrow to secure our representations and warranties in the sale agreement. We expect the escrow to close on December 20, 2006. IMSI Design LLC also delivered a promissory note in the principal amount of $1,500,000, which was paid in full on July 3, 2006. In addition, IMSI Design LLC assumed certain liabilities, and agreed to perform a number of contracts that were associated with the Precision Design business.

As a result of this sale, we have categorized the assets, liabilities, and operations of the Precision Design software segment as discontinued operations for the twelve months ended June 30, 2005 and in the twelve months ended June 30, 2006, we recorded a gain on the sale of discontinued operations of $4,532,000. The gain on the sale of Allume for the twelve months ended June 30, 2006 totaled $302,000.

Loss from discontinued operations totaling $2,791,000 for the twelve months ended June 30, 2006 represents the pre-tax loss of the Precision Design segment.

Liquidity and Capital Resources

Net cash used in operating activities for the year ended June 30, 2006 was $1,073,000 in contrast to net cash provided by operating activities of $4,343,000 in the prior fiscal year. The primary components affecting our cash flows from operating activities in fiscal 2006 were a gain of $4,834,000 from the sale of subsidiaries offset by $3,091,000 used by these discontinued operations. Significant changes included net income of $848,000 in the fiscal 2006 compared to a loss of $1,754,000 in the prior year, increased depreciation and amortization of $1,692,000 compared to $418,000 and receipt of $714,000 from marketable securities in contrast to $3,210,000 in the prior year.

Net cash provided by investing activities for fiscal 2006 was $13,688,000 in contrast to $465,000 used in investing activities in the prior year. This primarily resulted from the proceeds from the sale of subsidiaries or discontinued operations in the year ended June 30, 2006, offset by $2,979,000 we used in connection with the acquisition of new subsidiaries.

Net cash used in financing activities for the year ended June 30, 2006 was $3,049,000 in contrast to $2,239,000 for the year ended June 30, 2005. The primary component consisted of $4,570,000 we used to repay notes in fiscal 2006 in contrast to $1,837,000 we used in the prior fiscal year.

Net cash used in operating activities was ($2,389,000) for the three months ended September 30, 2006 in contrast to ($3,094,000) for the three months ended September 30, 2005.

Net cash provided by investing activities was $1,005,000 for the three months ended September 30, 2006 in contrast to $7,469,000 for the same quarter of 2005. A principal factor for the quarter ended September 30, 2006 consisted of $1,500,000 received from the sale of Precision Design. For the three months ended September 30, 2005, the principal factor consisted of $9,304,000 received from the sale of Allume offset by ($1,825,000) used in discontinuing operations and investing activities from the same sale.

Our net cash used in financing activities for the quarter ended September 30, 2006 was $1,094,000 consisting of proceeds received from the exercise of options and warrants, offset by the repayment of notes. For the three months ended September 30, 2005, our net cash used in financing activities was ($2,020,000) consisting of cash used in discontinuing operations and financing activities.

At September 30, 2006, we had $12,926,000 in cash which is sufficient to meet all of our working capital needs during this current fiscal year and beyond. We have no material indebtedness, other than a note payable to a related party discussed in the paragraph below.

Related Party Transactions

AccessMedia receives services from Alchemy Communications, Inc., a company controlled by Mr. Nolan Quan,our principal shareholder. For the year ended June 30, 2006, we paid Alchemy Communications $68,664 for the month of June. For the three months ended September 30, 2006, we paid Alchemy Communications $233,000. AccessMedia also owes Mr. Quan $1,725,000 evidenced by demand promissory notes bearing 4% per annum interest and secured by the assets of AccessMedia.

MANAGEMENT

Board of Directors

The following table sets forth all of the members of the Board of Directors of Broadcaster, and certain information about them as of the date of this prospectus.

Name	Age	Position	Director Since
Bruce Galloway (1)	49	Chairman of the Board of Directors	2001
Martin Wade, III (1)	57	Chief Executive Officer and Director	2001
Evan Binn (2)(3)	67	Director	2001
Donald Perlyn (1)	63	Director	2001
Robert S. Falcone (2)	59	Director	2002
Richard J. Berman (1)(2)(3)	64	Director	2002
Kathryn Felice	37	Director	2006

(1)

Member of the Executive Committee.

(2)

Member of the Audit Committee.

(3)

Member of the Compensation Committee.

***Bruce R. Galloway**, age 49*. Mr. Galloway became Chairman of Broadcaster in August 2001, pursuant to the proposed merger agreement between Broadcaster and Digital Creative Development Corporation or Digital Creative signed on August 31, 2001. Mr. Galloway is currently the President of Galloway Capital Management, LLC based in New York. Galloway Capital Management is an investment firm focusing on investments in and turnaround initiatives for distressed companies. Prior to founding Galloway Capital Management, Mr. Galloway was a Managing Director at Burnham Securities, Inc., an investment bank and NASD broker-dealer based in New York. Prior to joining Burnham Securities, Inc., from 1991 to 1993, Mr. Galloway was a Senior Vice President at Oppenheimer & Company, an investment bank and NASD broker-dealer based in New York. He has been a director of Forward Industries, Inc. (NasdaqCM: FORD) since April 2002 and a director and Chairman of the Board of Command Security Corporation (OTCBB: CMMD) since August 2004. Mr. Galloway serves as the Chairman of the Board and a member of the Executive Committee of Broadcaster.

***Martin R. Wade, III**, age 57*. Mr. Wade became a director and Chief Executive Officer of Broadcaster in August 2001. He brings to us a proven track record in mergers and acquisitions and investment banking. Prior to joining Broadcaster, he served in several executive positions, including chief executive officer, with Digital Creative between 2000 and 2001. Mr. Wade served from 1998 to 2000 as a mergers and acquisitions investment banker at Prudential Securities and from 1996 to 1998 as a Managing Director in mergers and acquisitions at Salomon Brothers. From 1991 to 1996, Mr. Wade was National Head of Investment Banking at Price Waterhouse, LLC. Mr. Wade also spent six years in the mergers and acquisitions department at Bankers Trust and eight years at Lehman Brothers Kuhn Loeb. Mr. Wade is credited with participating in over 200 mergers and acquisitions transactions involving various clients such as, Nike, Cornerstone National Gas Company, Landmark Graphics and Redken Laboratories, Inc. Mr. Wade holds the following directorships:

- director of Alliance One International, Inc. (NYSE: AOI) since February 2001,
- director of NexMEd, Inc. (NasdaqCM: NEXM) since June 2003 and
- director of Command Security Corporation (OTCBB: CMMD) since August 2004.

Evan Binn, *age 67*. Mr. Binn became a director of Broadcaster in August 2001. Mr. Binn is a self employed Certified Public Accountant. Mr. Binn is a certified public accountant in California. He is a member of the California Society of Certified Public Accountants and has maintained a practice in Los Angeles, California for thirty-seven years.

Donald Perlyn, *age 63*. Mr. Perlyn became a director of Broadcaster in August 2001. Mr. Perlyn serves as Executive Vice President of Nathan s Famous, Inc. and President of its subsidiary Miami Subs Corporation. He was hired by Miami Subs in May 1989 and became its President in July of 1998. In October 1999 Miami Subs was acquired by Nathan s Famous Inc. Mr. Perlyn is also a member of the Board of Directors of Nathan s Famous, Inc. (NASDAQ: NATH) since 1999. Mr. Perlyn is an attorney and a 32-year veteran of the restaurant industry.

Robert S. Falcone*, age 59*. Mr. Falcone became a director of Broadcaster in February 2002 and has over thirty-seven years of financial management and board experience. Mr. Falcone is currently President and Chief Executive Officer of Catalyst Acquisition Group, a private equity corporate buyout firm. From 2003 to 2004 he served as the Executive Vice President and Chief Financial Officer of BearingPoint, Inc. an international consulting firm serving Global 2000 companies, medium-sized businesses, government agencies and other organizations. From 2000 to 2002 he was chief financial officer for 800.com, a pioneer in consumer electronics Internet retailing. He served as Senior Vice President and Chief Financial Officer for Nike, Inc. from 1992 to 1998, a time when the company grew annual sales to nearly $10 billion. He began his career at Price Waterhouse, LLP where he spent twenty-one years, eight of which as an audit partner. Mr. Falcone is a certified public accountant and has served on the boards of directors for RadioShack Corporation (NYSE: RSH) and The Nautilus Group (NYSE: NLS) since 2003. Mr. Falcone serves as the Chairman of the Audit Committee and is the designated audit committee financial expert.

Richard J. Berman, *age 64*. Mr. Berman became a director of Broadcaster in February 2002. His business career spans over 35 years of venture capital, management and merger and acquisitions experience. In the last five years, Mr. Berman has served as a professional director and/or officer of about a dozen public and private companies. He has been Chief Executive Officer of NexMed, Inc. since January 2006. From 1998 - 2000, he was employed by Internet Commerce Corporation as Chairman and CEO. Previously, Mr. Berman worked at Goldman Sachs; was Senior Vice President of Bankers Trust Company, where he started the mergers and acquisitions and Leveraged Buyout Departments; created the largest battery company in the world by merging Prestolite, General Battery and Exide to form Exide (NYSE); helped create what is now Soho (NYC) by developing five buildings; and advised on over $4 billion of mergers and acquisitions transactions. He is a past Director of the Stern School of Business of NYU. Mr. Berman holds the following directorships:

- director of NexMed, Inc. (NasdaqCM: NEXM) since June 2002,
- director of Internet Commerce Corporation (NasdaqCM: ICCA) since September 1998,
- director of Dyadic International, Inc. (AMEX: DIL) since January 2005,
- director and chairman of the board of National Investment Managers, Inc. (OTCBB: NIVM) since March 2005,
- director of Advaxis, Inc. (OTCBB: ADXS) since September 1, 2005 and
- director of MediaBay, Inc. (Pink Sheets: MBAY) since June 2003.

Kathryn Felice, *age 37*. Ms. Felice became a director of Broadcaster in May 2006 and also serves as Broadcaster s General Counsel. She served as General Counsel of AccessMedia from May 2005 until October 2006. Before joining AccessMedia, Ms. Felice practiced commercial litigation in San Diego, California, representing various technology companies and venture capital groups. Immediately prior, Ms. Felice served as law clerk to the Honorable Louisa S. Porter in the United States District Court for the Southern District of California. During law school, Ms. Felice was a judicial extern to United States District Court Judge Thomas J. Whelan, served on The San Diego Law Review, was a contributing editor for The Journal of Contemporary Legal Issues, and a member of the National Moot Court Tax Team. Prior to attending law school, Ms. Felice served as a director in the West Coast Region of Kaplan Educational Centers, a wholly owned subsidiary of the Washington Post.

Audit Committee Financial Expert

Our Board of Directors has determined that Robert Falcone qualifies as an audit committee financial expert as that term is defined in Item 407(d)(5) of Regulation S-B. Mr. Falcone is independent, as that term is defined in Nasdaq Marketplace Rule 4200. Shareholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Falcone s experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Falcone any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and Board of Directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Compensation of Members of the Board of Directors

For services in fiscal year 2007, in addition to reasonable expenses incurred in the performance of their duties as directors, including participation on the Board of Directors and its committees, we will compensate our non-management directors according to the following schedule, which became effective as of May 23, 2006:

- A monthly retainer for each non-management member of the board of directors in the amount of $1,500.
- An additional monthly retainer for each non-management member of the Audit Committee in the amount of $500.
- An additional monthly retainer for the Chairman of the Audit Committee in the amount of $500.
- An additional monthly retainer for each non-management member of the Executive Committee in the amount of $500.
- An additional monthly retainer for the Chairman of the Compensation Committee in the amount of $500.

Effective as of May 23, 2006 for services in fiscal year 2007, in addition to the cash compensation detailed above, we grant options to purchase 75,000 common stock options to each non-management director.

All of such options have a vesting requirement over a period of one year from date of grant, which shall be the first day of the month after which the director accepts such position, with 25% of such options to vest as of the last day of each three- month period elapsing after the date of commencement of the director s term. The exercise price of such options shall be the market price of Broadcaster s common stock on the date of grant of the options.

The following table details cash compensation received by our directors for their service on the Board or its committees during fiscal years ended June 30, 2005 and 2006.

Name		**Amount FY 05**		**Amount FY 06**
Richard J. Berman	$	18,000	$	21,000
Evan Binn		18,000		21,000
Robert S. Falcone		18,500		23,000
Bruce R. Galloway (1)		20,000		17,500
Donald Perlyn		13,000		14,000
Kathryn Felice (2)				1,500
Total	$	87,500	$	98,000

(1)

Mr. Galloway also received consulting compensation through June 30, 2006. See the section entitled Related Party Transactions for more detail.

(2)

Ms. Felice s compensation reflects that she began serving as a director in the last month of the fiscal year ending June 30, 2006.

The following table details the options received by our directors for their service on the Board, its committees or as employees during the years ended June 30, 2005 and 2006.

Name	**Amount FY 05**	**Amount FY 06**
Richard J. Berman	75,000	150,000
Evan Binn	50,000	125,000
Robert S. Falcone	75,000	150,000
Bruce R. Galloway	100,000	175,000
Robert Mayer	25,000	45,000
Donald Perlyn	50,000	125,000
Martin R. Wade, III (1)		
Kathryn Felice (2)		75,000
Total	375,000	845,000

(1)

Does not include 200,000 vested options Mr. Wade received in September 2006 that he earned in connection with the closing of the Merger but issuance was delayed pending approval by the Board of Directors. See Employment Agreements and Termination of Employment and Change-In-Control Arrangements below.

(2)

Does not include 150,000 10-year options issued to Ms. Felice, pursuant to her October 2006 employment agreement exercisable at $1.35 per share vesting quarterly over the first year of grant.

The following table outlines the outstanding warrants held as of June 30, 2006 by each member of the Board of Directors who has served as a member during the 2006 fiscal year. None of the persons listed below has exercised any warrants since the grant date.

Name of Holder (1)	**Issue Date**	**Expiration Date**	**Number of Warrants**	**Exercise Price**
Richard J. Berman	04/04/02	1 yr after termination	250,000	$0.81
Evan Binn	04/04/02	1 yr after termination	50,000	$0.81
Robert S. Falcone	04/04/02	1 yr after termination	250,000	$0.81
Bruce R. Galloway	04/04/02	3 yrs after termination	500,000	$0.81
Donald Perlyn	04/04/02	1 yr after termination	50,000	$0.81
Robert Mayer (2)	04/04/02	1 yr after termination	250,000	$0.81
Martin R. Wade, III	07/03/03	07/02/08	46,667	$0.75
Kathryn Felice				
Total Outstanding			1,396,667	

(1)

Except as described in Executive Compensation below with regard to Mr. Wade s services as Chief Executive Officer, Ms. Felice s services as General Counsel and in Related Party Transactions regarding a Consulting Agreement with Mr. Galloway, no director is a party to any other arrangements pursuant to which such director was compensated by us during the fiscal years ended June 30, 2005 and 2006.

(2)

Mr. Mayer ceased to serve on the Board of Directors effective the start of business of October 20, 2005.

Executive Officers and Significant Employee

Martin R. Wade, III, *Chief Executive Officer*. See the subsection entitled Board of Directors above.

Blair Mills, *Chief Financial Officer, age 42*. Mr. Mills joined us in June 2006 as Chief Financial Officer. Previously, he served as Chief Financial Officer of AccessMedia beginning in May 2004. Prior to that date, Mr. Mills served in various management positions at several Internet-based businesses, including most recently Longview Media, Inc. From September 2000 through July 2004, Mr. Mills was a Director, Secretary and Treasurer of Second Stage Ventures, Inc., now known as Dermisonics, Inc. Mr. Mills has also served as an independent consultant to small businesses and emerging growth companies. Mr. Mills is a Chartered Accountant in Canada and a Certified Public Accountant in Illinois.

Kathryn Felice, *General Counsel.* See the subsection entitled Board of Directors above.

Marvin Mauer, *President of Houseplans, age 52.* Mr. Mauer joined Broadcaster in 2002 and has held a variety of positions. In May 2005, he became President of Houseplans, Inc., our wholly-owned subsidiary. Prior to this time he was employed at Autodesk, Inc.

Sanger Powell Robinson II, *Vice President of Marketing and Business Development, AccessMedia, age 38.* Mr. Robinson has been employed by AccessMedia for more than five years. He was a founder and Chief Executive Officer of NetBroadcaster.com, Inc. Mr. Robinson has been important in the development of the AccessMedia software and advises AccessMedia on its marketing strategies and developing strategic relationships with online traffic aggregators and marketing companies. Before joining AccessMedia, he attended Boston University and worked for many years in the music industry.

Other Significant Relationships

Mr. Nolan Quan served as the president of AccessMedia until the closing of the Merger on June 1, 2006 and is a principal shareholder of Broadcaster. He is our largest shareholder through four limited liability companies he controls. However, Mr. Quan is involved and provides advisory services to Broadcaster and recently agreed to enter into a part-time Consulting Agreement with Broadcaster. Mr. Quan has thirty years of business experience including twenty years of experience developing new businesses. Mr. Quan has co-founded a series of successful Internet-related companies which range from Internet infrastructure and service companies to entertainment portal companies, including Alchemy Communications, Inc. in 1995, LongView Media, Inc. in 1997, NetBroadcaster, Inc. in 1998, and AccessMedia in 2002. Mr. Quan has also held the position of: President of Metropolis Pictures, a film production and distribution company whose list of clients included HBO, Showtime, Viewer s Choice, DirecTV, Universal Pictures and Orion. He has also held financial and operational positions at Touche Ross & Company, Getty Oil, ESPN, Mattel Electronics and Magnum Entertainment. Mr. Quan has a Bachelor of Science in Computer Science Engineering and an MBA from the University of California at Los Angeles.

Executive Compensation

The following table sets forth all compensation awarded, earned or paid for services rendered to Broadcaster and its subsidiaries in all capacities during each of the fiscal years ended June 30, 2006, 2005, 2004, respectively to (i) our Chief Executive Officer during fiscal year 2006 and (ii) our four most highly compensated executive officers other than the Chief Executive Officer whose total annual salary and bonus exceeded $100,000 for the year ended June 30, 2006.

SUMMARY COMPENSATION TABLE

			Annual Compensation		Long Term Compensation	
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation($)**	**Securities Underlying Options/SARs (#)**	**All Other Compensation ($)**
Martin R. Wade, III	2006	$ 225,000	$ 415,000	$ 19,940		13,727(1)
Chief Executive Officer	2005	$ 200,000	$ 255,000	$		12,464(1)
	2004	$ 200,000	$	$	46,667	12,246(1)
Gordon Landies(2)	2006	$ 195,000	$ 655,250	$ 22,500		403,727(1)
President	2005	$ 198,750	$ 400,000	$	350,000	12,464(1)
	2004	$ 180,000	$	$	150,000	12,264(1)
Robert Mayer(3)	2006	$ 144,000	$ 108,550	$ 13,732	40,000	92,431(1)
Executive Vice President of Precision Design	2005	$ 138,000	$ 32,540	$	45,000	12,358(1)
	2004	$ 133,500	$ 44,000	$		16,465(1)

Marvin Mauer(4)	2006	$ 130,000	$ 127,100	$		5,946(1)
President of Houseplans	2005	$ 120,000	$ 20,705	$		10,115(1)
	2004	$ 110,000	$ 26,250	$		8,176(1)
Robert O Callahan(5)	2006	$ 140,000	$ 137,500	$ 2,244		58,063(1)
Chief Financial Officer	2005	$	$	$	150,000	
	2004	$	$	$		

(1)

Includes payments of medical and dental insurance premiums by Broadcaster on behalf of the named officers dependents.

(2)

Mr. Landies ceased to serve as our President effective as of February 28, 2006 but remained on our payroll until June 30, 2006. All Other Compensation for Mr. Landies in 2006 includes two years severance as required by his Employment Agreement.

(3)

Following the sale of our Precision Design business, Mr. Mayer resigned as Executive Vice President of Precision Design as of June 30, 2006.

(4)

Mr. Marvin Mauer became President of Houseplans on May 25, 2005.

(5)

Mr. O Callahan ceased to serve as our Chief Financial Officer effective as of June 15, 2006. Mr. O Callahan s options were fully vested.

Options/SAR Grants in the 2006 Fiscal Year

The following table provides the specified information concerning grants of options to purchase our common stock made during the fiscal year ended June 30, 2006, to the persons named in the Summary Compensation Table. No stock appreciation rights were granted during fiscal year 2006.

Option Grants/Warrant Issuances in Last Fiscal Year

Individual Grants

Name	**Number of Securities Underlying Options Granted(1)**	**% of Total Options Granted to Employees in Fiscal Year**	**Exercise or Base Price ($/Sh) (2)**	**Expiration Date**	**Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)**	
					5%	**10%**
Gordon Landies	20,000	1.27%	$1.45	08/08/2015	$18,238	$46,219
Robert Mayer	25,000	1.29%	$1.08	02/23/2016	$16,980	$43,031
Marvin Mauer	40,000	2.54%	$1.45	08/08/2015	$36,476	$92,437
	25,000	1.59%	$1.08	02/23/2016	$16,980	$43,031

(1)

All options granted in the year ended June 30, 2006 were granted pursuant to our 2004 Stock Incentive Option Plan. These options, which typically have a vesting period of up to three years, become exercisable over time based on continuous employment with Broadcaster, and, in certain cases, are subject to various performance criteria or vest in full immediately. Does not include 3,750,000 options to purchase our common stock granted to Mr. Martin Wade, III effective September 12, 2006 at an exercise price of $0.95. Of the options, 200,000 are fully vested and the remaining options will vest if revenue milestones are achieved by AccessMedia. Mr. Wade s Employment Agreement provided he would get the options at the closing of the Merger, but because the board of directors did not authorize the grant by the time of the closing, it was not effective until September 12, 2006, the following fiscal year.

(2)

All options in this table have exercise prices equal to the fair market value on the date of grant.

(3)

Potential gains are net of exercise price, but before taxes associated with exercise. These amounts represent certain assumed rates of appreciation only, based on the SEC rules. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock, overall market conditions and the option holder s continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved. If there is no appreciation, there is no potential realizable value.

Aggregate Option Exercises in 2006 Fiscal Year and Year-End Value

The following table sets forth information on the option exercises during the last fiscal year by each of the named executive officers and the number of shares covered by both exercisable and non-exercisable stock options held by them as of June 30, 2006. Also reported are the values for in-the-money options, which represent the positive spread between the exercise price of any such existing stock option and the fiscal year-end price of the common stock. No stock appreciation rights were held or exercised by the named executive officers during fiscal year 2006.

Aggregated Option/SAR Exercises In Last Fiscal Year and FY-End Option/SAR Values

Name	Exercise #	Value Realized($)	Number of Unexercised Options / SARs At June 30, 2006 Exercisable / Unexercisable	Value of Unexercised In-The-Money Options At June 30, 2006($)(1) Exercisable / Unexercisable
Gordon Landies	30,025	$16,516	350,000 /	$157,500 /
Robert Mayer	57,500	$96,175	120,000 /	$65,600 /
Marvin Mauer	40,000	$43,200	156,250 / 28,750	$48,437 / $9813

(1)

Based on the difference between the market price of the common stock at June 30, 2006 ($1.55 per share) and the aggregate exercise prices of the options.

Employment Agreements and Termination of Employment and Change-In-Control Arrangements

In December 2005, Mr. Martin R. Wade, III, our Chief Executive Officer, entered into an Employment Agreement pursuant to which Mr. Wade receives an annual base salary of $225,000. In fiscal year 2007, he was granted options to purchase 3,750,000 shares of Broadcaster common stock of which 200,000 shares were vested and 3,550,000 shares vest upon AccessMedia s achievement of certain revenue milestones. Under his Employment Agreement, Mr. Wade was to receive the options upon the closing of the Merger; due to an oversight, the grant was not approved by the Board of Directors until September 12, 2006. As a result, the exercise price increased to $0.95 per share from $0.86 per share. Mr. Wade also gets a $100,000 cash bonus upon AccessMedia s achievement of certain revenue milestones. In addition, Mr. Wade receives a 2% bonus of the net sale price upon the completion of sale of certain Broadcaster assets. This Agreement is for a term of three years unless terminated for cause, death, or disability.

Mr. Gordon Landies, our former President, resigned as of February 28, 2006 but remained on our payroll until June 30, 2006. Pursuant to his Employment Agreement, Mr. Landies was provided a severance package equal to two years of full compensation based on an annual salary of $195,000, acceleration of options, and full benefits beginning June 30, 2006. In addition, Mr. Landies received a bonus in the amount of $150,000 as a result of the closing of the acquisition of AccessMedia.

In June 2005, we entered into an Employment Agreement with Mr. Robert Mayer, our former director and Executive Vice President of Precision Design. Mr. Mayer ceased to serve on the Board of Directors effective the start of business of October 20, 2005. Mr. May