BROADCASTER INC
Form 424B3
December 18, 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 December 15, 2006.

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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;

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incur amortization expenses related to certain intangible assets;

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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 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

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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

•

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

- 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 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