BROADCASTER INC
Form 10KSB
October 15, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **June 30, 2007**

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TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____________ to _____________

BROADCASTER, INC.

(Name of small business issuer in its charter)

Delaware	**0-15949**	**94-2862863**
(State or Other Jurisdiction of Incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

9201 Oakdale Avenue, Suite 200, Chatsworth, CA 91311

(Address of Principal Executive Office) (Zip Code)

(818) 206-9274

Issuer s telephone number

N/A

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value $0.001

(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ¨

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý

Issuer's revenues for its most recent fiscal year: **$6,913,000.**

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the average bid and asked price of the common stock as of **September 28, 2007** was approximately **$116,875,101.**

As of **September 28, 2007 51,261,000** shares of the issuer's common stock, $.001 par value, were outstanding.

Documents incorporated by reference: **None**

Transitional small business disclosure format: Yes ¨ No ý

BROADCASTER, INC.

FORM 10-KSB ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007

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PART III

PART I

Item 1.

Description of Business

Our Business

Broadcaster, Inc. (Broadcaster) is a Delaware corporation which is primarily engaged in the business of operating a Social Video Network over the Internet. Among its innovative features, Broadcaster s Social Video Network provides a two-way interactive video chat interface. Broadcaster s website which contains its Social Video Network is located at www.broadcaster.com. In July 2007, we released our free Social Video Network.

Broadcaster.com is 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. Broadcaster.com is a Social Video Network that empowers registered members to become broadcasters, either of themselves through webcam video chat, or as producers broadcasting from playlists of live and pre-recorded content. Broadcasters are able to edit their programming with free Broadcaster tools, find an audience by inviting and adding other viewers to their friends list, and notify their audience of broadcast schedules and updates to channel content. Since its launch in December of 2006, Broadcaster.com has amassed loyal audiences that upload and view millions of video files each month. Broadcaster s ever expanding library of content offers a wide variety of full-length movies, music videos, news feeds, original and proprietary content.

In July 2007, we released our free Social Video Network a two-way interactive video and chat interface and community building tool - which we believe will be the next evolutionary step in online social communications. In August 2007, we released our breakthrough remote video technology. By simply embedding HTML code, any of the over 100 million MySpace and Facebook users can stream live video from a webcam to their MySpace or Facebook page. The remote video embedded code is available free on our Broadcaster.com website and seamlessly works with any website which permits HTML code to be embedded, including tens of thousands of blogs, bulletin boards, and social networking sites.

Our innovative products and content offerings redefine the user experience on the Internet. Here is a list of our innovative products and content offerings:

Innovative Products

Broadcaster s technologies are utilized throughout its product suite to create innovative, leading edge products for the support of video entertainment on demand:

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BroadcasterLive! this is the core of the Social Video Network which features a two-way interactive video and chat interface and community building tool. In simple terms, BroadcasterLive! permits a person who has a webcam, or camera, to have direct and visual communications with other persons who have webcams.

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Broadcaster s Remote Video - by simply embedding HTML code, any of the over 100 million MySpace and Facebook users can stream live video from a webcam to their MySpace or Facebook page.

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Broadcaster s Video Mail allows registered Broadcaster users to capture video images of themselves, and send these images through email.

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Broadcaster s iGrab a powerful media search tool that allows users to find, download and organize videos and images to their hard drive.

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Broadcaster Video empowers users to upload and share video content within the Broadcaster community. Registered members can leave messages with other community members.

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Broadcaster s StudioPRO allows users to capture and re-broadcast any video playing on their desktop, including live streaming video, pre-recorded video clips, and picture images. It is similar to a digital video recorder or Tivo© device.

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Broadcaster s Toolbar notifies users of interesting content based upon their preferences; it will be released in the future.

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Broadcaster s Parental Control assures that only authenticated users are able to access mature content while surfing anywhere on the Internet; it will be released in the future.

Content Offerings

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User-Generated Content as one of its most popular features, Broadcaster Video offers users the ability to upload and share their own clips and short movies with other users within the Broadcaster community and around the Internet.

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On Demand Entertainment users can search countless movie and music facts and reviews. In addition, users can download or stream full-length movies, television shows, music videos and hi-definition content.

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Breaking News users can access real-time news articles, photos and video downloads covering everything from entertainment and sports to world news and celebrity gossip.

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Music In addition to hundreds of thousands of artist profiles and album reviews, users can watch over 6,000 music videos and listen to over 600,000 sample MP3s.

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***Games** and Mobile Media* Broadcaster offers a variety of interactive computer games and flash videos. Users can also download viral videos, podcasts and vodcasts directly to their PSP, iPod or mobile device by accessing our *Mobile Media* channel.

Business History

We historically operated as a software company. Prior to the acquisition of AccessMedia Networks, Inc. (AccessMedia) on June 1, 2006, we operated in two business segments: (i) computer aided design and precision engineering (Precision Design) and (ii) house plans and architectural drawings (Houseplans). We disposed of Precision Design in June 2006 and Houseplans in May 2007. The Social Video Network and Broadcaster business described above is operated by a wholly-owned subsidiary, Broadcaster Interactive Group, Inc. (BIG). We previously operated an Internet-based business that provided entertainment content including old television shows and other media through AccessMedia. AccessMedia s business model was a subscription-based model where it charged users a fee in exchange for a period of time within which the user had complete access to www.AccessMedia.tv. We continued to support the AccessMedia business but ceased selling subscriptions in about November 2006. We recently closed down this business as all of the subscriptions lapsed. We expect to launch a different subscription-based Internet offering later in 2007.

In 2004, we began exploring various ways to enhance shareholder value, including the further migration of Broadcaster 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.

Until about December 2006, we relied upon the AccessMedia subscription model for our Internet business, not including the Houseplans business which we sold in May 2007. In December 2006, we switched our Internet entertainment model from AccessMedia s subscription business concept to a free model relying on providing a robust variety of services and content with the aim of generating revenues from the sale of advertising. Additionally, our Social Video Network was launched in July 2007. Accordingly, we have limited historical operating and financial data on which to plan our future operating expenses or forecasting our future results of operations. The revenues we are currently receiving are insufficient to generate positive cash flows from operations. Because of the new business model, we face risks and uncertainties relating to our ability to implement our business plan successfully. In particular, we are relying upon our ability to attract users to an instant video method of communication.

The Acquisition

As a result of our change of focus, we entered into an acquisition agreement with AccessMedia in which we issued a large block of our shares to the AccessMedia shareholders. We completed the acquisition with AccessMedia on June 1, 2006 pursuant to which we issued 14,500,000 shares of our common stock and agreed to issue up to an additional 17,500,000 shares of our common stock upon achievement of certain revenue milestones to the former shareholders of AccessMedia. Concurrent with the completion of the acquisition of AccessMedia, we changed our name to Broadcaster, Inc. During fiscal 2007, we issued additional shares. See Item 6, Management s Discussion and Analysis or Plan of Operation for further details on the acquisition.

Our Relationship with Alchemy, Inc.

As an Internet-based business, we depend substantially on the ability to provide continual and immediate access to users. One of our principal shareholders, Mr. Nolan Quan, was one of the principal shareholders of AccessMedia. Mr. Quan also controls Alchemy, Inc., a California-based corporation that provides all of our backend needs including the use of its servers and databases. Alchemy, under the direction of Mr. Quan, also provides us various technical services including programming and research and development and network management. See Item 12, Certain Relationships and Related Transactions which describes the transactions between Alchemy and Broadcaster. Additionally, see Item 6, Management s Discussion and Analysis or Plan of Operation which describes the expenses we incurred during the fiscal year ended June 30, 2007 with regard to Alchemy. We are subleasing our facilities directly from Alchemy and the sublease expires on October 31, 2007.

Sales and Marketing

Our sales and marketing efforts are divided into two categories first, we need to attract sufficient users or traffic to our website. Once we reach that point, we need to generate revenues. Beginning in fiscal 2007 and continuing to date, we have spent substantial sums placing Internet advertising on other websites seeking to attract users to our site with the expectation that many will become regular users or visitors and enable us to be able to sell advertising profitably. We outsource all of our purchasing of advertising using third party brokers to place the advertisements for us.

Our primary revenue model is through the sale of Internet advertising. We commenced selling Internet advertising on our website in July 2007. Our revenues to date from this aspect of our business have been nominal. We hired one employee who is responsible for our Internet advertising. Additionally, part of his duties encompasses placing Internet advertising in order to generate traffic. With the recent launch of our Social Video Network and the remote video tool, we are hopeful that users of social networks like MySpace and Facebook will use our webcam HTML code on these websites and gravitate back to Broadcaster.com and take advantage of the enhanced tools available on our website. In turn, if we can attract large numbers of users, we will be able to sell advertising at higher rates.

Additionally, part of our business model envisions the sale of webcams as part of a bundled package where we will also provide specialized content on a subscription basis. We expect to launch this new feature later in 2007.

Competitive Business Conditions

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.

We believe we compete with three Internet websites YouTube, Go Fish and Paltalk. YouTube dominates the market for user-generated content or videos which are uploaded to YouTube. Go Fish provides its own produced content, as well as third party content which it licenses. Paltalk competes with our Social Video Network and originated the concept of a two-way video cam concept. Based upon publicly available metrics complied by third party services, we believe that both Go Fish and Paltalk each have a larger user base. The principal methods of competition are the available tools and products and services offered by us and by our competitors, as well as brand name recognition. We also believe that because we combine all of the concepts and features, that provide us with a competitive advantage because users do not have to jump from website to website.

Dependence on Major Customers

No single customer accounted for greater than 10% of our revenues in fiscal year 2007 or 2006.

Product Development

The majority of development costs relating to the Internet content segment relate to development of our website and databases to host the content. All of our web development is internally developed by our own staff and outsourced as needed principally from Alchemy.

Our research and development expenses for fiscal 2007 are related to BIG which did not generate revenue during the 2007 fiscal year. Because BIG began generating revenue in July 2007, we expect that our research and development expenses will be reduced on a proportionate basis as many of these expenses will now be classified as costs of goods sold. Our research and development expenses consisted primarily of salaries and benefits for research and development employees and payments to independent contractors. We spent approximately $1,814,000 and $0 on research and development in the years ended June 30, 2007 and 2006, respectively. Our 2007 research and development expenses included $739,000 paid to Alchemy controlled by Nolan Quan, one of our principal shareholders. We will continue to invest in existing and new products and services which reflect our commitment to developing our core products and services 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: Broadcaster and AccessMedia.

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:

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

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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.

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

Several of the licenses are licensed from related parties. Some of these licenses were acquired from related parties in the AccessMedia acquisition. The licensor of these licenses is Broadcaster LLC, a company controlled by Mr. Nolan Quan, one of our principal shareholders. In the ordinary course of business we will continue to acquire licenses to allow us to deliver our products and services in a timely manner. During the fiscal year ended June 30, 2007, we paid $545,000 to buy additional licenses, of which $434,000 was paid to related persons. Related person licenses consisted of $86,000 paid to Mr. Nolan Quan, $220,000 paid to Alchemy F/X, Inc. (Alchemy F/X), $105,000 paid to Alchemy, a company controlled by Mr. Quan, $8,000 paid to each of Blair Mills our Chief Financial Officer and Sanger Robinson, President of BIG, and $2,000 paid to Rob Gould, Vice President of Marketing BIG. All of the licenses acquired in 2007 were related to software used in the development of the broadcaster.com web sites. The acquisition of these licenses provided for the company to obtain the exclusive license to the peer to peer software that was acquired in the AccessMedia acquisition, and for other software necessary in the development of the site. Messrs. Quan and Gould each own 50% of Alchemy FX.

Sale of Houseplans, Inc.

On May 2, 2007, we sold 100% of the issued and outstanding capital stock of Houseplans to Kransco Houseplans, LLC, for $8 million. The selling price is composed of $5 million in cash on closing and a note receivable of $3 million, paid in installments over a three-year period. The note receivable consists of eight quarterly payments of $250,000 commencing on March 31, 2008, and a final payment of $1,000,000 payable on March 31, 2010. The note receivable bears interest at a rate of 5% and any accrued interest will be paid on each installment.

Acquisition Strategy

Our management believes that it is important to diversify its interests in Internet businesses and is actively seeking to acquire controlling or other interests in other Internet businesses. While we regularly engage in these kinds of discussions, they may or may not result in our entering into definitive agreements or closing any transactions. Because any acquisitions represent strategic changes in the direction of our business and are likely to involve the issuance of our securities and use of material cash resources, approval of our Board of Directors will be required. Because there is significant competition from many other companies including private equity firms for Internet companies, we may not be successful in closing any acquisitions or may be required to pay a higher price than is otherwise required. See the Risk Factors at the conclusion of this Item 1.

Corporate History

We were incorporated in California in 1982. In May 2007, we reincorporated in the State of Delaware.

Employees

As of September 28, 2007, we had 50 employees, of which 47 are full-time employees and three part-time employees. 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.

Reverse Split

Our Board of Directors and our shareholders approved a one-for-two reverse stock split. This split was effective June 22, 2007.

All historical numbers relating to shares of our common stock and the per share price, including the number of and the exercise price of options and warrants, have been adjusted to reflect the one-for-two reverse stock split effective on June 22, 2007.

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 Report, 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 Company

If we are unable to expand the number of users to our website and generate sufficient revenues from Internet advertising, your investment may be jeopardized.

In order to operate our website profitably, we must attract sufficient users, including users who regularly visit our website. Advertisers reply upon various metrics, including the number of unique visitors, the number of unique page views, and the number of repeat visitors. These metrics help advertisers determine whether or not to advertise on our website and the price which we will receive from them. If we unable to attract sufficient users, we will not generate sufficient revenues and your investment may be jeopardized.

We place advertisements with third parties to attract users to our website. We believe that our business will continue to rely on this method for attracting users in the foreseeable future. If we are unable to purchase these advertisements on cost-effective terms, this could limit our ability to attract users cost-effectively. If online advertising become less effective or more expensive, this method may not remain a useful means of attracting new users. If we were unable to continue to obtain Internet advertising on a cost-effective basis, our ability to attract new users would be impaired, which could harm our business.

Until persons begin to regularly visit our website because they find our products and services attractive, we will be required to spend substantial sums attracting users to our website.

During the fiscal year ended June 30, 2007, we spent approximately $6,288,000 on Internet advertising on other websites seeking to encourage persons to visit our website. Because the products and services we offered may not have been compelling to persons, we did not generate enough repeat visitors. Accordingly, we are continuing to spend substantial sums to encourage visitors to our website. While we are hopeful that our new Social Video Network will be attractive and encourage persons to visit our website regularly, we cannot assure you that this will occur. Accordingly, as we continue to change the products and services offered on our website, we are continuing to spend large sums attracting visitors.

If we fail to increase the number of users who regularly visit our website or fail to attract a sufficient number of advertisers, we will not be able to generate substantial revenues.

Advertising is currently a significant part of our business model. The success of our business depends in part on our ability to offer our advertising customers access to a large audience of users. As a result, it is critical to our success that we continually add substantial numbers of new users including many who regularly visit our website. 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 we are unable to meet these goals, we will not be able to generate substantial revenues.

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

We recently launched our Social Video Network. It depends upon users being willing to use webcams as part of their regular communications with third parties including strangers. Our business model employs no proprietary technology and is subject to willingness of users to utilize webcams and visit our website. Because our business model is unproven, we may not generate material revenues or become profitable. It is too early to predict whether consumers will accept, and continue to use on a regular basis, online video distribution and participate in our online video and webcam communities. In addition, distributing video and providing infrastructure for our Social Video Network will involve substantial operational costs. If we are unable to generate substantial repeat visitors to our website and sell advertising, our business model will not be successful.

If our Social Video Network and other services we offer on broadcaster.com are not successful, we will be required to write off significant goodwill from our balance sheet.

At June 30, 2007, our balance sheet contained approximately $68.2 million of goodwill arising from the AccessMedia acquisition. If our Social Video Network and other related Internet services are not successful in fiscal 2008, we will be required to write off part or all of this goodwill, which will be reflected as an additional net loss.

If we fail to enhance our existing services and products or develop and introduce new features in a timely manner to meet changing customer requirements, our ability to grow our business will suffer.

Our Social Video Network depends in part on rapidly changing technologies, which will impact our capacity to allow multiple users. These market characteristics are heightened by the emerging nature of the Internet and the continuing trend of companies from many industries to offer Internet-based applications and services. The widespread adoption of new Internet, networking, streaming media, or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our operating practices or infrastructure. Our future success will depend in large part upon our ability to:

- identify and respond to emerging technological trends in the market;
- encourage users to develop channels and bring attractive and entertaining video to their channels;
- develop programming that attracts and retains large numbers of unique viewers and visitors;
- enhance our products by adding innovative features that differentiate our digital media services and applications from those of our competitors;
- acquire and license leading technologies;
- bring multimedia broadcast services and applications to market and scale our business on a timely basis at competitive prices; and
- respond effectively to new technological changes or new product and services announcements by others.

We will not be competitive unless we continually introduce new services and programs or enhancements to existing services and programs that meet evolving industry standards and user needs.

Because there is a growing trend for persons to access the Internet through devices such as PDAs and cell phones, our Social Video Network may not gain widespread adoption by users of such devices.

In the United States, there are an increasing number of people who regularly access the Internet through PDAs, including BlackBerries and Treos, and cell phones rather than a personal computer. Our Social Video Network has been designed for rich graphical environments such as those available on desktop and laptop computers. The lower resolution, functionality and memory associated with alternative devices may make the use of our services through such devices difficult. As we have limited experience to date in operating versions of our service developed or optimized for users of alternative devices, it is difficult to predict the problems we may encounter in doing so, and we may need to devote significant resources to the creation, support and maintenance of such versions. If we are unable to attract and retain a substantial number of alternative device users to our online services, we may fail to capture a sufficient share of an increasingly important portion of the market for user-generated video.

We cannot assure you that persons who regularly access the Internet through PDAs and cell phones will be attracted to our Social Video Network because:

- The small screens may make it impractical to use our Social Video Network;
- The lower resolution functionality and memory associated with these alternative devices may make the use of our services through such devices difficult; and
- Webcams have not been, to date, included on PDAs and cell phones, and adding webcams might be awkward given the size of these devices.

If we are successful in making acquisitions, it could disrupt our operations and harm our operating results.

Part of our business model centers around our ability to continue making acquisitions, principally involving companies engaged in Internet businesses. Acquisitions involve numerous risks, including the following:

- we face major competition in seeking acquisitions of Internet companies;
- difficulties in integrating the operations, technologies, products, and personnel of the acquired company;
- diversion of management's attention from normal daily operations of the business;
- potential difficulties in completing projects associated with in-process research and development;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- insufficient revenues to offset increased expenses associated with acquisitions; and
- the potential loss of key employees of any acquired company.

Acquisitions may also cause us to:

- issue common stock that would dilute our current shareholders' percentage ownership;
- use our limited resources;
- assume liabilities;
-

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

- 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 we are not able to retain our executive officers and key personnel, we may not be able to expand our business.

Our ability to generate substantial revenues depends our retaining our management team and attracting, assimilating, and retaining other highly qualified employees, including information technology, marketing, sales and support personnel. There is substantial competition for highly skilled employees in our industry, and due to California law, our key employees are not bound by agreements preventing them from terminating their employment with us at any time and competing with us. If we fail to attract and retain key employees, our business could be harmed.

If we are unsuccessful in increasing and maintaining our simultaneous viewer capacity, we will be unable to achieve broad appeal with a multiple user format.

Our ability to be an attractive platform for a multiple user format requires us to support a large number of simultaneous viewers and web broadcasters. Adding the necessary network capacity to meet increasing demand will be expensive, and we may not be able to do so successfully. If we are unable to expand capacity successfully and on acceptable terms, we will be unable to support major viewer draw events, which may limit our market opportunities. In particular, all of the backend or computer server hosting and other hardware is supplied by Alchemy, which is controlled by Mr. Nolan Quan, one of our principal shareholders. If Alchemy is unable to provide appropriate levels of service, it could disrupt our Social Video Network and substantially harm our business.

Because we rely on Alchemy for important services, any failure by it to continue to provide these services could materially harm our business.

In addition to providing the computer hardware and related services, Alchemy provides various programming, technical and consulting services and license technology to us.

In the fiscal year ended June 30, 2007, the various services provided by Alchemy and the other affiliated company cost us $1,849,000, not including office space which we sublet from Alchemy. If Alchemy were unable to continue providing these important services to us, we may have difficulty in recruiting sufficient replacement services and/or the cost will be substantially higher.

If we encounter system failures, it could damage our reputation and harm our business.

Continuous and uninterrupted performance of our systems is 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 and primary operations are located in Southern California as are Alchemy s servers and data center. Southern California is an area susceptible to earthquakes and possible power outages. We have been advised by Alchemy that it does not have redundant hardware and systems in another location not susceptible to earthquakes. 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 cannot manage our growth effectively, we may not be able to sustain or increase our profitability.

As a result of our launching of our Social Video Network or if we are able to consummate acquisitions, we anticipate that we may incur material growth. Businesses which grow rapidly often have difficulty managing their growth. If our 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 our limited operating history, it is difficult to evaluate our current business model.

Broadcaster.com launched in the quarter ended December 31, 2006, and we have limited historical financial data upon which to base planned operating expenses or forecast accurately our future operating results for this business model. The revenue received currently is insufficient to generate positive cash flows from our operations. Additionally, the income potential of our business and our website is unproven. Because of the relatively unusual nature of our business plan, and an unproven market, we face risks and uncertainties relating to our ability to implement our business plan successfully. Our future revenues and success depend significantly upon continuing consumer acceptance of, and participation in, user-generated video. User-generated video emerged as a new media approximately 18 months ago, and we cannot predict whether its popularity will remain.

If we cannot effectively compete, our future results of operations and financial condition will be adversely affected.

The markets in which we compete are intensely competitive, highly fragmented and characterized by rapidly changing technology and evolving standards. Because some of our competitors have substantially greater resources in market share, in order to compete effectively we may have to offer our products and services including our advertising revenue at prices which will not be profitable. The markets in which we operate are intensely competitive and characterized by rapidly changing technology and evolving standards. Moreover, because we have no proprietary technology which can impede future potential competition, we may face new competitors in the future. Currently, YouTube dominates the video uploading market and its parent, Google, Inc., has substantially greater financial, technical, marketing and other resources than we do. Our other competitors are Go Fish and Paltalk; both of these competitors have greater market share than we do currently. In the Internet business, being first is an important competitive advantage. Among other things, competitors may attract users and reduce the amount of time users visit our website. As a result, we may incur additional costs in attracting new users and be required to sell advertising at lower prices. This competition could materially adversely affect our business, operating results and financial condition.

Because of improper conduct by users of our website, we could be subject to claims and compliance costs.

We are subject to laws and regulations directly applicable to providers of Internet services both domestically and internationally. The application of existing domestic and international laws and regulations relating to issues such as user privacy and data protection, and intellectual property ownership and infringement in many instances is unclear or unsettled. In addition, we will also be subject to any new laws and regulations directly applicable to our Internet activities. Internationally, we may also be subject to domestic laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country. We may incur substantial liabilities for expenses necessary to comply with these laws and regulations or penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

A number of United States federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act (DMCA) is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act (CDA) are intended to provide statutory protections to online service providers who distribute third party content. We rely on the protections provided by both the DMCA and CDA in conducting its business. Any changes in these laws or judicial interpretations narrowing their protections will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain lines of business. The Children s Online Protection Act and the Children s Online Privacy Protection Act are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. The costs of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failures on our part to comply with these regulations may subject us to significant liabilities.

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.

The Internet and electronic commerce industries are characterized by:

- rapidly changing technology;
- evolving industry standards and practices that could render our website and proprietary technology obsolete;
- changes in consumer tastes and user demands;
- challenges, such as click fraud, that cast doubt on otherwise legitimate activities and practices; and

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frequent introductions of new services or products that embody new technologies.

Our future performance will depend, in part, on our ability to develop, license or acquire leading technologies and program formats, enhance our existing services and respond to technological advances and consumer tastes and emerging industry standards and practices on a timely and cost-effective basis. Developing website and other proprietary technology involves significant technical and business risks. We also cannot assure you that we will be able to successfully use new technologies or adapt our website and proprietary technology to emerging industry standards. We may not be able to remain competitive or sustain growth if we do not adapt to changing market conditions or customer requirements.

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 us 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 we 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. We may also be obligated to indemnify our business partners in any such litigation, which could further exhaust our resources. Furthermore, as a result of an intellectual property challenge, we may be prevented from providing some or all of its services unless it enters into royalty, license or other agreements. We may not be able to obtain such agreements at all or on terms acceptable to us, and as a result, we may be precluded from offering most or all of its products and services.

In order to comply with Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to incur substantial expenses, and we may not be able to report that our internal controls are adequate.

In our Annual Report on Form 10-K for the year ended June 30, 2008, our management will be required to provide an assessment as to the effectiveness of our internal controls. Our Annual Report on Form 10-K for the year ended June 30, 2008 must be filed with the SEC by September 28, 2008. The assessment process required by Section 404 of the Sarbanes-Oxley Act of 2002 is new for small business issuers like Broadcaster and our financial and other management have no experience in testing or complying with these requirements. Accordingly, we may encounter problems or delays in completing our obligations. We expect that in order to do so we have to spend money on software, hire a consulting firm to assist us and devote substantial management time. Larger companies have incurred substantial expenses and time in complying with Section 404, although they did so under a more rigorous accounting standard and were required to also have an audit of their internal controls. We can not assure you we will be able to report that our internal controls are adequate.

Risks Relating to Our Common Stock

Because our stock price may be volatile due to factors beyond our control, you may lose all or part of your investment.

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

- our failure to generate increases in revenues,
- our failure to achieve or 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,

- changes in market valuations of similar companies,

- future acquisitions,

- compliance expenses including the costs required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the cost of remediation, if any, or

- independent reports relating to the metrics of our website, including the number of visitors.

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.

If we are required to raise capital in the future in order to meet the requirements of our business, such capital may be available, if at all, on unfavorable terms and may be very dilutive to our existing shareholders.

While we believe we have sufficient capital to meet our needs for the next 12 months, our inability to achieve meaningful revenues or reduce our costs may cause us to seek new financing. We may also need capital to complete acquisitions. Our ability to raise future equity or debt capital will be dependent upon future market conditions as well as our results of operations. Such capital may be available, if at all, on very unfavorable terms and may be extremely dilutive to existing shareholders. Accordingly, this may cause our future stock price to fall.

Since our common stock is 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. Although we have applied to list our common stock on the American Stock Exchange, we do not meet the $3.00 minimum stock price and, as a result, for this and other reasons, our common stock may never be listed on the American Stock Exchange. 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.

Messrs. Nolan Quan and Michael Gardner control approximately 65% of our common stock. Although they have no written agreement, they have agreed to vote together and have acted together in controlling Broadcaster since we acquired AccessMedia on June 1, 2006. Accordingly, acting together, they are able to control all matters which come before our shareholders including amendments to our certificate 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.

Because so many of our shares of common stock may be publicly sold, the large supply may cause our stock price to decline.

As of September 28, 2007, we had 51,261,008 shares of common stock outstanding, 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**
1,767,719 shares	Now, without limitation
16,557,281 shares under an effective Registration Statement	May be publicly sold now under a Registration Statement
50,000 shares	Now, subject to the limitations of Rule 144
18,375,000 shares	May be publicly sold beginning December 29, 2007, subject to the limitations of Rule 144

The three-month average daily volume of our stock between July 1 and September 30, 2007 was approximately 91,142 shares. The number of our shares available for resale in the public market 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.

Because securities analysts may not initiate coverage on our common stock, this may have a negative impact on its market price.

The depth of the trading market for our common stock will depend on the research and reports that securities analysts publish about us and our business. We do not have any control over these analysts. There is no guarantee that securities analysts will cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect our market price. If we are covered by securities analysts,

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and our stock is downgraded, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Item 2.

Description of Property

Our principal offices are located in Chatsworth, California. We currently sublease 17,900 square feet from Alchemy, for which the lease expires on October 31, 2007. We have executed a new lease for the same premises with the lease commencing on November 1, 2007 and expiring on December 31, 2008, with no option to renew. The lease that commences on November 1, 2007 is for 22,918 square feet of which we intend to sublease 3,000 square feet to Alchemy. The monthly cost of this lease is $49,000.

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

Item 3.

Legal Proceedings

As previously reported, our subsidiary, AccessMedia, was named as one of a number of co-defendants in a lawsuit filed by the Federal Trade Commission on August 8, 2006 in the United States District Court for the District of Central California, challenging the use of pop-up payment reminders for software licenses in conjunction with free trial offers that have negative option features. This matter has been settled with AccessMedia agreeing to certain injunctive relief and compliance monitoring and paying the FTC $501,367.95.

On March 16, 2007, America s Biggest, Inc. filed suit in Superior Court in Santa Clara, California against Broadcaster, Inc., Baytree Capital Associates, LLC, Michael Gardner, and Nolan Quan, alleging claims of breach of contract, breach of the covenant of good faith and fair dealing, fraud in the inducement, fraud (concealment), intentional misrepresentation, negligent misrepresentation, breach of fiduciary duty, intentional interference with existing economic advantage, negligent interference with existing economic advantage, intentional interference with prospective economic advantage, negligent interference with prospective economic advantage, unfair business practices, unjust enrichment, misappropriation of trade secrets, conversion, and conspiracy. America s Biggest seeks damages in an unspecified amount. On or about July 6, 2007, America s Biggest filed a First Amended Complaint, alleging the same causes of action. Management believes that the claims are without merit and intends to defend the actions vigorously. Due to the uncertainty surrounding the litigation process, and the early stage of this matter, no reasonable estimate of loss is currently available.

On March 27, 2007, Broadcaster filed suit in Los Angeles Superior Court for declaratory relief and damages in an unspecified amount against former officers Paul A. Jakab and Gordon Landies, alleging that they breached their fiduciary duty to the corporation by engaging in waste and self-dealing. On May 7, 2007, Jakab filed suit against Broadcaster alleging claims for breach of contract, conversion, and money had and received. Jakab alleges damages in excess of $490,000, plus attorneys fees and punitive damages. On June 28, 2007, Landies filed suit against Broadcaster alleging claims for breach of contract and conversion. Landies alleges damages in excess of $525,000, plus attorneys fees and punitive damages. The actions were consolidated and are currently pending in Marin County Superior Court. Management intends vigorously to pursue its claims and to defend against the counterclaims. While we believe in the merits of our claims, and that there is no legal basis for liability on defendants claims, due to the uncertainty surrounding the litigation process, and the early stage of this matter, no reasonable estimate of outcome, including potential loss, is available.

As previously reported, our subsidiary AccessMedia was named as one of a number of defendants in a suit filed by the Washington State Attorney General on or about August 8, 2006. This matter was fully and finally resolved on April 19, 2007, when AccessMedia entered into a final settlement agreement, together with all other named defendants, which did not include any finding or admission of wrongdoing and a one time payment of $50,000 to the State of Washington.

In addition, we are 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.

Item 4.

Submission of Matters to a Vote of Security Holders

Set forth is information concerning each matter submitted to a vote at our Annual Meeting of Shareholders held on May 9, 2007. We did not solicit proxies and the majority of votes cast were by our principal shareholders.

Proposal No. 1: The shareholders elected each of the following persons as a director to hold office until the 2008 Annual Meeting of Shareholders or until earlier retirement, resignation or removal.

Director	Votes For	Votes Withheld
Martin R. Wade, III	33,993,950	
Paul Goodman	33,993,950	
Richard J. Berman	33,993,950	
Blair Mills	33,993,950	
Sean Deson (1)	33,993,950	

(1)

Resigned from the Board of Directors July 13, 2007

Proposal No. 2

The Shareholders approved our reincorporation in Delaware and the merger of Broadcaster-CA with and into its wholly-owned Delaware subsidiary, Broadcaster, Inc. (the Surviving Corporation), for the sole purpose of changing Broadcaster-CA s state of domicile and becoming a Delaware corporation.

Proposal No. 3

The shareholders ratified the appointment of Choi, Kim & Park, LLP as our independent registered accounting firm for the year ending June 30, 2007.

PART II

Item 5.

Market for Common Equity and Related Shareholder Matters

Market for Common Stock

The Company's common stock currently trades on the OTC Bulletin Board under the symbol BCAS. The following table sets forth the quarterly high and low sales prices of our common stock for fiscal years 2007 and 2006, 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. All information related to stock price and numbers of common stock are post-split, which reflect a one-for-two split which occurred on June 22, 2007.

	High	Low
Fiscal Year 2006		
First Quarter	$3.10	$1.80
Second Quarter	$2.38	$1.34
Third Quarter	$2.68	$1.90
Fourth Quarter	$3.98	$2.16
Fiscal Year 2007		
First Quarter	$2.80	$1.90
Second Quarter	$2.70	$1.82
Third Quarter	$3.68	$2.18
Fourth Quarter	$3.00	$2.18

As of September 12, 2007, there were approximately 170 registered holders of record of the common stock. We believe that there are approximately 1,926 persons who hold our common stock in street name.

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 the Company's compensation plans as of the fiscal year ended June 30, 2007.

	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
Equity compensation plans approved by security holders (1)	4,752,040	$	2.40	179,857
Equity compensation plans not approved by security holders (2)	1,982,941	$	3.64	0
Total	**6,734,981**	**$**	**2.76**	**179,857**

(1)

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

(2)

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 were equal to the closing price of our common stock on the grant date.

Item 6.

Management's Discussion and Analysis or Plan of Operation

The following discussion should be read together with the information contained in the financial statements and related notes included elsewhere in this Form 10-KSB.

Overview

Prior to November 2006, AccessMedia s business model consisted of an online entertainment portal that charged users a monthly subscription fee. In November 2006, we decided to focus our efforts and resources related to building a user base. Because of this, we incorporated BIG, which focuses on building innovative products online and offering our community numerous content offerings. AccessMedia s business recently ceased when the last subscription ended, and we no longer had to support its website. In July 2007, we started to generate revenue from BIG. We are currently concentrating on building an increasing number of unique monthly visitors and repeat use of broadcaster.com by these visitors.

Highlights for the year ended 2007 consisted of:

- We incurred a non-cash operating expense of $4,897,000 resulting from a partial impairment of our goodwill.

- 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 $2,713,000 for the year ended June 30, 2007.

- We released new innovative products such as iGrab, StudioPro, Videomail and BroadcasterLive.

- With the sale of Houseplans which occurred on May 2, 2007, management s resources will be focused on growing our online business.

- We completed the move of our headquarters from Northern California to Southern California.

- We incurred a $1,398,000 charge for the write down of America s Biggest, Inc. s assets.

Sale of Houseplans, Inc

On May 2, 2007, we sold 100% of the issued and outstanding capital stock of Houseplans to Kransco Houseplans, LLC, for $8 million. The selling price is composed of $5 million in cash on closing and a note receivable of $3 million, paid in installments over a three year period. The note receivable consists of eight quarterly payments of $250,000 commencing on March 31, 2008, and a final payment of $1,000,000 payable on March 31, 2010. The note receivable bears interest at a rate of 5% and any accrued interest will be paid on each installment.

Acquisition of AccessMedia

We completed the acquisition of AccessMedia on June 1, 2006 pursuant to which we issued 14,500,000 shares of our common stock and agreed to issue up to an additional 17,500,000 shares of our common stock upon achievement of certain revenue milestones to the former shareholders of AccessMedia. The shares were issued to four limited liability companies controlled by Mr. Nolan Quan and to Mr. Michael Gardner. During the quarter ended December 31, 2006, our Board of Directors amended the revenue milestone to include unique visitors with each visitor equal to $1.00. We accomplished the first milestone in the quarter ended December 31, 2006. In the quarter ended March 31, 2007, we accomplished the remaining four milestones.

In order to understand the issuance of the shares, the following chart depicts the number of shares issued to each person and when. Mr. Gardner controls Baytree Capital Associates, LLC which received fees relating to consulting and financial advisory services in connection with the acquisition. As required by a consulting agreement, we are required to issue Baytree 5% of all shares issued under the AccessMedia earn-out.

Shareholder	On June 1, 2006	During the Fiscal Year Ended June 30, 2007
Nolan Quan (1)	10,440,000	12,600,000
Michael Gardner	4,060,000	4,900,000
Baytree	725,000	875,000

(1)

Mr. Quan s shares are held by four limited liability companies controlled by him.

Critical Accounting Estimates

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

Our significant accounting estimates are more fully described in the notes to our consolidated financial statements. The 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

Revenues are recognized in accordance with American Institute of Certified Public Accountants Statement of Position (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, product or service has been delivered, the fee is fixed and determinable, and collection of the resulting account is probable.

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Revenues related to the display of advertisements on the Internet 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 a period, the Company will defer recognition of the corresponding revenues until the remaining guaranteed amounts are achieved.

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

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Subscription revenues are recognized ratably over the contract period.

Impairment

We are required to annually review our goodwill to determine if we must recognize an 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. Our assessment of goodwill at June 30, 2007 indicated that an impairment charge of $4,897,000 will be taken related to the AccessMedia acquisition. At June 30, 2007, our balance sheet included $68,192,000 in goodwill remaining from the AccessMedia acquisition. In fiscal 2006, there was no charge to goodwill.

Stock Based Awards

On July 1, 2006, the Company adopted SFAS 123(R) which requires the measurement and recognition of compensation expense in the statement of operations for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values. SFAS 123(R) supersedes the Company s previous accounting under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

Income Taxes

Income taxes are accounted for using an asset and liability approach for financial reporting. We recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amount and the tax basis of assets and liabilities and net operating loss and tax credit carry forwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Results of Operations

The following table sets forth our results of operations for the year ended June 30, 2007 and the one month ended June 30, 2006 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. We include the one month period because we only owned AccessMedia for one month in fiscal 2006. We are not required to report the results of operations of businesses we sold in 2006 and 2007. See Discontinued Operations.

(In Thousands)

	Fiscal Year ended June 30,					
	2007		2006		$ Change from	
	$	As % of sales	$	As % of sales	Variance	%
Net revenues	$ 6,913	100 %	$ 945	100 %	$ 5,968	632 %
Product cost	2,952	43 %	426	45 %	2,526	593 %
Gross margin	3,961	57 %	519	55 %	3,442	663 %
Operating expenses						
Sales and marketing	7,562	109 %	428	45 %	7,133	1,667 %
General and administrative	10,712	155 %	499	53 %	10,213	2,047 %
Research and development	1,814	26 %		0 %	1,814	
Total operating Expenses	20,087	291 %	927	98 %	19,160	2,067 %
Operating Income (loss)	(16,126)	-233 %	(408)	-43 %	(15,718)	3,852 %
Other income (expenses)						
Interest and other, net	337	5 %	67	7 %	269	401 %
Realized/unrealized gain (loss) on marketable securities		0 %	765	81 %	(765)	-100 %
Gain (loss) on disposal of fixed assets	(104)	-2 %			104	-100 %
Impairment	(6,235)	-90 %			(6,235)	
Settlement of litigation	(501)	-7 %			(501)	
Total other income (loss)	(6,504)	-94 %	832	88	(7,336)	-822 %
Income (loss) before income tax benefit	(22,630)	-327 %	424	45 %	(23,054)	-5,437 %

Income tax benefit	1,085	16 %	(101)	-11 %	1,168	-1,174 %
Income (loss) from continuing operations	(21,545)	-312 %	303	34 %	(21,868)	-6,770 %
Gain (loss) from discontinued operations, net of income tax	(1,025)	-15 %	(4,309)	-456 %	3,284	-76 %
Gain (loss)from the sale of discontinued operations, net of income tax	2,577	37 %	4,834	512 %	(2,257)	-47 %
Net income (loss)	(19,993)	-289 %	$ 848	90 %	(20,841)	-2,458 %

Net Revenues

With the sale of Houseplans, we have two operating subsidiaries. AccessMedia operates our subscription model and BIG operates our free model. AccessMedia generated revenues of $6,913,000 and $945,000 for the year ended June 30, 2007 and the one month ended June 30, 2006. Revenues include 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. BIG, which operates our free entertainment portal, began generating revenues in August 2007.

Related Person Expenses

During the year ended June 30, 2007, we incurred expenses of $1,580,000 related to services provided by Alchemy, which is controlled by Mr. Nolan Quan, one of our principal shareholders. These expenses and other related person expenses are reflected in each of the expense categories which follow. Additionally, our balance sheet at June 30, 2007 contained $269,000 related to products and services provided by Alchemy. More specifically, this sum consisted of a prepaid license fee and computer equipment we purchased from Alchemy. Our balance sheet also reflected $294,000 owed to Alchemy for services rendered.

Gross Margin

Our consolidated gross margin was $3,961,000 and $519,000 for the year ended June 30, 2007, and the one month ended June 30, 2006, respectively. In fiscal 2008, BIG will generate revenues and include cost of sales charges related to gaining users.

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. During the year ended June 30, 2007, cost of sales expenses included $612,000 related to services provided by Alchemy.

Sales and Marketing

Sales and marketing expenses were $7,562,000 and $428,000 for the year ended June 30, 2007 and the one month ended June 30, 2006. This was principally due to the launch of BIG.

Sales and marketing expense for BIG 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. BIG s expense levels have increased because of staffing and costs involved in testing and prototyping BIG s programs for selling its software, advertising and text-based links. BIG anticipates that the percentage of sales and marketing expense will decrease due to BIG s generation of revenues starting in July 2007; costs that were allocated to sales and marketing in fiscal 2007 will now be allocated to costs of sales in fiscal 2008. This change is due to BIG s switch from building an audience only to building an audience and generating revenues.

During the year ended June 30, 2007, sales and marketing expenses included $30,000 related to services provided by Alchemy Communications, a company controlled by Mr. Nolan Quan, one of our principal stockholders.

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 personnel in management and administration to support the increasing activity levels and as a result of amortization of assets acquired during 2007. Additionally, the adoption of SFAS 123R resulted in a non-cash expense of $2,713,000 for the year ended June 30, 2007. We expect we will incur approximately $631,000 of non-cash stock option expense in fiscal 2008 related to the fair value of options unvested at June 30, 2007.

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

During the year ended June 30, 2007, general and administrative expenses included $198,000 related to services provided by Alchemy.

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 year ended June 30, 2007, research and development expenses included $739,000 related to services provided by Alchemy.

Interest and Other, Net

Interest and other, net, was a net gain of $336,000 for the year ended June 30, 2007. This was 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 and Houseplans. Our interest expenses included $69,000 related to a loan from Mr. Nolan Quan.

Provision for State and Federal Income Taxes

We recorded income tax benefit of $1,085,000 for the year ended June 30, 2007. The tax benefit for the year ended June 30, 2007 primarily represented the release of deferred tax provision on amortization of intangible assets.

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, 2007 as the realizability of our net operating loss carry-forwards is not determinable.

Net Loss

Net loss of $19,993,000 for fiscal year ended June 30, 2007 included $2,713,000 of stock option expense, $4,897,000 of impairment and $1,403,000 of asset write downs. Without these, the net loss would have been $11,156,000.

Discontinued Operations

Sale of Precision Design

In June 2006, we sold Precision Design, our legacy software business as part of our overall strategy to position the Company solely as an online business. We received a combination of $6.5 million in cash which $0.5 million was deposited in an escrow to back our representations and warranties in the sale Agreement, and an interest free note of $1.5 million which was paid in full on July 3, 2006. The escrow was released during the quarter. Included in the assets sold were the TurboCad and DesignCAD product lines as well as other design and personal productivity titles.

As a result of this sale, we have categorized the assets, liabilities and operations of the Precision Design as discontinued operations for the year ended June 30, 2006.

Sale of Houseplans

On May 2, 2007, we sold 100% of the issued and outstanding capital stock of Houseplans to Kransco Houseplans, LLC, for $8 million. The selling price is composed of $5 million in cash on closing and a note receivable of $3 million, paid in installments over a three year period. The note receivable consists of eight quarterly payments of $250,000 commencing on March 31, 2008, and a final payment of $1,000,000 payable on March 31, 2010. The note receivable bears interest at a rate of 5% and any accrued interest will be paid on each installment. Houseplans results of operations have been disclosed in discontinued operations on our Consolidated Statements of Operations and Comprehensive Income (Loss).

Liquidity and Capital Resources

Our operating activities during fiscal 2007 used net cash of $10.7 million. This compares to net cash used in operations of $2.7 million for the one month of fiscal 2006 on net income of $848,000 for the same period. Non-cash depreciation and amortization expenses of $3.1 million during fiscal 2007 (mainly relating to amortization expense incurred as a result of our acquisition strategy) is higher from fiscal 2006, which was $1.7 million.

As a result of the sale of Houseplans in fiscal 2007 and Precision Design in 2006, gain and loss from discontinued operations increased net cash from operations of $3.7 million in fiscal 2007 and decreased net cash used in operations by $6.0 million in fiscal 2006. The terms of the sale of Houseplans required that we take a promissory note for part of the purchase price. As a result of the note receivable, we used cash of $1.3 million compared to an increase of cash of $272,000 in fiscal 2006.

As we continue to build on the Broadcaster business model, we expect cash to be generated from subscription products and advertising.

Our investing activities provided net cash of $6.5 million during fiscal 2007 and of $13.7 million during fiscal 2006. The main sources of cash from investing were the sale of the Houseplans and Precision Design.

Our financing activities provided net cash of $1.0 million during fiscal 2007. This compares to $3.0 million of net cash used by financing activities during the previous fiscal year. The cash provided by our financing activities for fiscal 2007 was primarily related to payments received from option holders exercising their rights to acquire stock. The use of cash in fiscal 2006 was a repayment of notes payables.

Historically, we have financed our working capital and capital expenditure requirements primarily from short-term and long-term notes and bank borrowings, capitalized leases and sales of common stock. The sale of Houseplans in 2007 and Precision Design in 2006 provided us with additional sources of funds to support future growth.

As of September 30, 2007, we had approximately $6,214,000 in cash and cash equivalents. This represents a $3,173,000 decrease from the $9,387,000 balance as of June 30, 2007.

To achieve our growth objectives, we are considering different strategies, including growth through mergers and/or acquisitions. As a result, we are evaluating and we will continue to evaluate other companies and businesses for potential synergies that would add value to our existing operations.

Notwithstanding our current negative cash flow, based on anticipated revenues, we expect we will have sufficient capital. However, if we do not meet our revenue targets or if we use our cash for acquisitions, we will require additional financing. We expect that any financing will be of common stock, convertible debt or convertible preferred stock, which will dilute our existing shareholders. We believe that we will be able to obtain any additional financing required on competitive terms particularly if we are successful in improving our financial performance. In addition, we will continue to seek opportunities and discussions with third parties concerning the sale or license of certain product lines and/or the sale or license of a portion of our assets.

We have no material commitments for capital expenditures except for those required to support the normal operating activities.

Material Balance Sheet Change

At June 30, 2007, our total intangible assets were approximately $81.3 million compared to approximately $42.5 million at June 30, 2006. This resulted from the issuance of 17,500,000 shares of common stock in connection with the AccessMedia acquisition earn-out. The total shareholders equity was approximately $84.3 million at June 30, 2007 compared to approximately $52.2 million at June 30, 2006, again resulting from the issuance of the earn-out shares, offset by the cumulated deficit increase from approximately $24.5 million at June 30, 2006 to approximately $44.5 million at June 30, 2007.

Forward-Looking Statements

This Report on Form 10-KSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including our future growth including the growth of our Social Video Network, completion of acquisitions which add value to our shareholders, our liquidity, our plans to launch a new subscription offering and our continuing to invest in existing new products and services. Additionally, the words will, believe, anticipate, plan, intend, estimate, expect, project 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 Report are reasonable, we cannot assure you that these plans, intentions, or expectations will be achieved. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. Some or all of the results anticipated by these forward-looking statements will not be achieved. Actual results may differ materially from those stated in these forward-looking statements as a result of a variety of factors including acceptance by consumers of our current and future products and services, our ability to complete development of new products and services, our ability to reach agreements with third parties relating to acquisitions, the competition among potential acquirers for Internet companies, acceptance by users of our Social Video Network and our ability to provide content which attracts users, our Board of Directors evaluation of our plans for a new subscription model, availability of working capital, the future condition of the capital markets and our future stock price. We do not undertake any duty and do not intend to update the results of these forward-looking statements.

Related Person Transactions

We receive services from Alchemy, a company controlled by Mr. Nolan Quan, one of our principal shareholders. For the year ended June 30, 2007, we incurred $1,579,000 of expenses related to Alchemy, $220,000 related to Alchemy F/X, another company controlled by Mr. Quan, $69,000 in interest related to a loan from Mr. Quan and consulting fees of $9,000 payable to Mr. Quan. AccessMedia also owes Mr. Quan $1,725,000 evidenced by demand promissory notes bearing 4% per annum interest and secured by our assets. See Item 12, Certain Relationships and Related Transactions.

Item 7.

Financial Statements

Documents filed as part of this annual report on Form 10-KSB:

Financial Statements

Report of Independent Registered Accounting Firm for the year ended June 30, 2007

Report of Independent Registered Accounting Firm for the year ended June 30, 2006

Consolidated Balance Sheets at June 30, 2007 and 2006

Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended June 30, 2007 and 2006

Consolidated Statements of Shareholders' Equity for the years ended June 30, 2007 and 2006

Consolidated Statements of Cash Flows for the years ended June 30, 2007 and 2006

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Broadcaster, Inc.

We have audited the accompanying consolidated balance sheet of Broadcaster, Inc. and subsidiaries (the Company) as of June 30, 2007 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Broadcaster, Inc. and subsidiaries as of June 30, 2007, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the adjustments to the 2006 consolidated financial statements to retroactively apply the change in accounting for discontinued operations, as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2006 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the 2006 consolidated financial statements taken as a whole.

/s/ Choi, Kim & Park, LLP

September 15, 2007

Los Angeles, California

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Broadcaster, Inc.

We have audited the accompanying consolidated balance sheet of Broadcaster, Inc. and subsidiaries (the Company) as of June 30, 2006 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Broadcaster, Inc. and subsidiaries as of June 30, 2006, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr, Pilger & Mayer, LLP

October 5, 2006

San Francisco, California

BROADCASTER INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2007	June 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,387	$ 12,508
Receivables, less allowances for doubtful accounts, discounts and returns of $0 in 2007 and $0 in 2006	437	409
Notes receivable	500	1,604
Other current assets	337	400
Assets related to discontinued operations	99	1,820
Total current assets	10,760	16,741
Fixed assets, net	363	286
Long term notes receivable, net	2,350	
Intangible assets		
Goodwill	68,192	26,897
Other intangible assets, net	13,092	15,616
Total intangible assets	81,284	42,513
Assets related to discontinued operations		6,405
Total assets	$ 94,757	$ 65,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short term debt, related party	$ 1,725	$ 1,777
Trade accounts payable	794	1,352
Due to related party	557	
Accrued and other liabilities	1,730	1,696
Liabilities related to discontinued operations	35	815
Deferred revenues	308	674
Total current liabilities	5,149	6,314
Long term debt and other related obligations		178
Unearned contract fee	68	122
Deferred tax	5,264	7,180

Total liabilities		10,481		13,794
Shareholders' equity				
Common stock, par value $0.001; authorized 300,000,000 shares; issued and outstanding 51,152,490 shares in 2007 and 31,562,259 shares in 2006		51		31
Additional paid-in capital		128,402		76,273
Accumulated deficit		(44,476)		(24,483)
Other comprehensive income		299		330
Total shareholders' equity		84,276		52,151
Total liabilities and shareholders' equity	$	94,757	$	65,945

See Notes to Consolidated Financial Statements

BROADCASTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

	Fiscal Year Ended June 30, 2007	2006
Net revenues	$ 6,913	$ 945
Product costs	2,952	426
Gross margin	3,961	519
Costs and expenses		
Sales and marketing	7,562	428
General and administrative	10,662	499
Research and development	1,814	
Total operating expenses	20,088	927
Operating (loss)	(16,127)	(408)
Other income and (expense)		
Interest and other, net	337	67
Realized / unrealized gain (loss) on marketable securities		765
(Loss) gain on disposal of fixed assets	(104)	
Impairment	(6,235)	
Settlement	(551)	
Income (loss) before income tax	(22,630)	424
Income tax benefit (provision)	1,085	(101)
Income (loss) from continuing operations	(21,545)	323
(Loss) from discontinued operati		