

BROADCASTER INC  
Form 10-Q  
May 20, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

**ý QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2008**

**“ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

**For the transition period from: \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-15949**

\_\_\_\_\_  
**BROADCASTER, INC.**

(Exact name of small business issuer as specified in its charter)

\_\_\_\_\_  
**Delaware** **94-2862863**  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)  
**9201 Oakdale Avenue, Suite 200, Chatsworth, California 91311**

(Address of principal executive offices)

**(818) 206-9274**

(Issuer's telephone number)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 12, 2008, 51,342,453 shares of the issuer's common stock, par value of \$0.001 per share, were outstanding.

**BROADCASTER, INC.**  
**AND SUBSIDIARIES**  
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**PART I FINANCIAL INFORMATION****Item 1****Condensed Consolidated Financial Statements****BROADCASTER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

	<b>March 31, 2008</b>	<b>June 30, 2007</b>
	<b>Unaudited</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,016	\$ 9,059
Receivables, less allowances for doubtful accounts, discounts and returns of \$16 as of March 31, 2008 and \$11 as of June 30, 2007.	114	437
Notes receivable	1,000	500
Other current assets	130	228
Assets related to discontinued operations	737	1,007
<b>Total current assets</b>	<b>4,997</b>	<b>11,231</b>
<b>Fixed assets, net</b>	<b>38</b>	<b>64</b>
Long term notes receivable, net	1,850	2,350
Intangible assets		
Goodwill		68,192
Other intangible assets, net	3,156	12,920
<b>Total intangible assets</b>	<b>3,156</b>	<b>81,112</b>
<b>Total assets</b>	<b>\$ 10,041</b>	<b>\$ 94,757</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Short term debt related party	\$ 1,725	\$ 1,725
Trade accounts payable	387	393
Accrued and other liabilities	1,096	1,261
Liabilities related to discontinued operations	640	1,462
Deferred revenues		308
<b>Total current liabilities</b>	<b>3,848</b>	<b>5,149</b>
Unearned contract fees	28	68
Deferred tax	4,746	5,264
<b>Total liabilities</b>	<b>8,622</b>	<b>10,481</b>

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Shareholders' equity

Common stock, par value \$.001; 300,000,000 authorized;

51,342,453 issued and outstanding as of March 31, 2008

and 51,152,490 issued and outstanding as of June 30, 2007.

	51	51
Additional paid-in capital	128,751	128,402
Accumulated deficit	(127,685 )	(44,476 )
Accumulated other comprehensive income	302	299
<b>Total shareholders' equity</b>	<b>1,419</b>	<b>84,276</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,041</b>	<b>\$ 94,757</b>

See Notes to Condensed Consolidated Financial Statements

## BROADCASTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME / (LOSS)

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
Net revenues	\$ 156	\$ 1,226	\$ 924	\$ 6,068
Product costs	21	2,473	273	5,076
<b>Gross margin</b>	135	(1,247 )	651	992
<b>Costs and expenses</b>				
Sales and marketing	0	210	4	3,454
General and administrative	1,405	2,300	12,740	6,439
Research and development	0	105	0	105
<b>Total operating expenses</b>	1,405	2,615	12,744	9,998
<b>Operating loss</b>	(1,270 )	(3,862 )	(12,093 )	(9,006 )
<b>Other income and (expense)</b>				
Interest and other, net	(3 )	63	76	263
Impairment	0	0	(68,192 )	
Loss on disposal of assets		(104 )		(104 )
Loss before income tax	(1,273 )	(3,903 )	(80,209 )	(8,847 )
Income tax (benefit) provision	0	203	(518 )	(241 )
<b>Loss from continuing operations</b>	(1,273 )	(4,106 )	(79,691 )	(8,606 )
Income (loss) from discontinued operations, net of income tax	(363 )	(12 )	(3,521 )	(773 )
Income (loss) from the sale of discontinued operations, net of income tax		997		997
<b>Net (loss) income</b>	(1,636 )	(3,121 )	(83,212 )	(8,382 )
Other comprehensive income (loss)				
Foreign currency translation adjustments			3	
<b>Comprehensive (loss) Income</b>	\$ (1,636 )	\$ (3,121 )	\$ (83,209 )	\$ (8,382 )
<b>Basic and diluted earnings (loss) per share</b>				
Loss from continuing operations	\$ (0.03 )	\$ (.06 )	\$ (1.56 )	\$ (.13 )
	\$ (0.01 )	\$	\$ (0.07 )	\$ (.01 )

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Income (loss) from discontinued operations, net of income tax				
Gain (loss) from the sale of discontinued operations, net of income tax			.01	.01
Net Income (loss)	\$ (0.04 )	\$ (0.05 )	\$ (1.63 )	\$ (.13 )
Shares used in computing basic earnings (loss) per share	51,186	70,820	51,128	66,731
Shares used in computing diluted earnings (loss) per share	51,186	70,820	51,128	66,731

See Notes to Condensed Consolidated Financial Statements



**BROADCASTER, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY****Nine months ended March 31, 2008****(In thousands, except share amounts)**

	<b>Shares</b>	<b>Common Stock Amount</b>	<b>APIC Amount</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehen- sive Loss</b>	<b>Total</b>
<b>Balance at July 1, 2007</b>	51,152,490	\$ 51	\$ 128,402	\$ (44,476 )	\$ 299	\$ 84,276
Issuance of common stock related to:						
Stock options exercised	189,963		349			349
Net (loss) Income				(83,209 )		(83,209 )
Foreign currency translation adjustment, net of income tax					3	3
<b>Balance at March 31, 2008</b>	51,342,453	\$ 51	\$ 128,751	\$ (127,685 )	\$ 302	\$ 1,419

See Notes to Condensed Consolidated Financial Statements

**BROADCASTER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	<b>Nine Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
<b>Net cash used in operating activities</b>	\$ (6,723 )	\$ (7,481 )
<b>Cash flows from investing activities:</b>		
Proceeds from sale of discontinued operations		1,500
Acquisition of intangible assets		(500 )
Purchase of equipment and software		730
<b>Net cash provided by investing activities</b>		1,730
<b>Cash flows from financing activities:</b>		
Repayments of notes		(50 )
Proceeds from warrants and options exercised	349	1,023
<b>Net cash provided by financing activities</b>	349	973
Effect of exchange rate change on cash and cash equivalents	3	(125 )
Net increase (decrease) in cash and cash equivalents	(6,371 )	(4,903 )
Cash and cash equivalents at beginning of period	9,387	12,508
Cash and cash equivalents at end of the period	\$ 3,016	\$ 7,605

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION**

Interest paid	\$ 68	\$ 38
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**SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING  
ACTIVITIES**

Capital stock issued in conjunction with acquisition of intangible assets		47,187
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See Notes to Condensed Consolidated Financial Statements



**BROADCASTER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The interim condensed consolidated financial statements have been prepared from the records of Broadcaster, Inc., a Delaware corporation, and subsidiaries ( Broadcaster, we or the Company ) without audit. All significant inter-company balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments, which consist of only normal recurring adjustments, to present fairly the financial position at March 31, 2008 and the results of operations and cash flows for the three and nine months ended March 31, 2008 and 2007, have been made. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007. The results of operations for the three months and nine months ended March 31, 2008 are not necessarily indicative of the results to be expected for any other interim period or for the full year.

**Use of Estimates**

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

**Reclassifications**

Reclassifications have been made to the amounts reported for the three months and nine months ended March 31, 2008 and for the year ended June 30, 2007 to conform to the current period s presentation. The amounts reported for the three months and nine months ended March 31, 2008 present results of operations of the discontinued operations due to the sale of Houseplans, Inc. ( Houseplans ) on May 2, 2007 and the shutdown of Broadcaster Interactive Group ( BIG ).

**Reverse Stock Split**

All references to shares of common stock including per share amounts have been adjusted to give effect to a one-for-two reverse stock split in June 2007.

**2. STOCK BASED AWARDS**

On July 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, ( 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 ( APB 25 ). In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ( SAB 107 ) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R). Using the modified prospective transition method of adopting SFAS 123(R), the Company began recognizing compensation expense for stock-based awards granted or modified after June 30, 2006 and awards that were granted prior to the adoption of SFAS 123(R) but were still unvested at June 30, 2006. Under this method of implementation, no restatement of prior periods is required or has been made. Stock-based compensation expense

**BROADCASTER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**2. STOCK BASED AWARDS (Continued)**

recognized under SFAS 123(R) in the unaudited condensed consolidated statement of operations for the three months and nine months ended March 31, 2008 related to stock options was \$0 and \$0 respectively. At December 31, 2007, \$610,000 was expensed but was reversed to reflect an increase in the forfeiture rate in the second quarter.

The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards vesting period on a straight-line basis. As a result of adopting SFAS 123(R), the Company's loss before income taxes and net loss for the nine months ended March 31, 2008 was increased by \$610,000. The implementation of SFAS 123(R) reduced basic and diluted earnings per share by \$0.00 for the three months and \$0.01 for the nine months ended March 31, 2008. The implementation of SFAS 123(R) did not have an impact on cash flows from operations during the three months and nine months ended March 31, 2008. SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's statements of operations. Prior to July 1, 2006, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method under APB 25 and related interpretations. Stock-based compensation expense recognized in the Company's statement of operations for the three months and nine months ended March 31, 2008 included compensation expense for share-based payment awards granted prior to, but not yet vested as of June 30, 2006, based on the grant date fair value estimated in accordance with the pro forma provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123). Effective July 1, 2006, as new grants occur, our stock-based compensation expense will also include compensation expense for the share-based payment awards granted subsequent to June 30, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). As stock-based compensation expense recognized in the consolidated statement of operations for the three months and nine months ended March 31, 2008 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. On November 10, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 123(R)-3 Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards. This FSP provides a practical transition election related to the accounting for the tax effects of share-based payment awards to employees, as an alternative to the transition guidance for the additional paid-in capital pool (APIC pool) in paragraph 81 of SFAS 123(R). The alternative transition method includes simplified methods to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and statements of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123(R).

**3. DISCONTINUED OPERATIONS**

**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 sale price was composed of \$5 million in cash that we received on closing and a note receivable of \$2.85 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 net payment of \$850,000 payable on

March 31, 2010. Subsequent to the quarter the first payment of the Note plus accrued interest was received. The final payment is net of an offset of \$150,000 subject to the contract of sale. The note receivable bears interest at a rate of 5% and any accrued interest will be paid on each installment.

**Shutdown of Broadcaster Interactive Group Inc. BIG**

On December 13<sup>th</sup> 2007, the board decided to substantially reduce the Company's operations and as a result, BIG has been reclassified as a discontinuing operation.

**BROADCASTER, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****4. ACQUISITIONS****AccessMedia Acquisition**

On June 1, 2006, Broadcaster completed its acquisition of AccessMedia, Inc. Broadcaster accounted for the business combination as a purchase.

The purchase price for accounting purposes of approximately \$79.3 million was comprised as follows:

(In thousands)

<b>Description</b>	<b>Amount</b>
Fair value of common stock	\$ 75,607
Direct transaction costs	3,690
<b>Total</b>	<b>\$ 79,297</b>

The calculation is based on the issuance of 14,500,000 shares of Broadcaster common stock to the shareholders of AccessMedia on June 1, 2006 and 17,500,000 shares issued for the quarter ending March 31, 2007 as a result of attainment of the earn-outs pursuant to the amended merger agreement. The purchase price included \$32.1 million on June 1, 2006, \$9.6 million on December 31, 2006 and \$37.6 million in the quarter ended March 31, 2007. We also issued 1,250,000 and 875,000 shares of our common stock to Baytree Capital Associates, LLC on June 1, 2006 and the quarter ending March 31, 2007 respectively. Baytree is controlled by a former AccessMedia shareholder. For the shares Baytree received on June 1, 2006, 725,000 shares were a financial advisory fee and 500,000 shares were for consulting services. For the shares Baytree received in the quarter ended March 31, 2007, 875,000 shares were a financial advisory fee and related to the earn-out.

The value of AccessMedia's net tangible and intangible assets is based upon their estimated fair value as of the date of the completion of the business combination. The estimated fair value is independent of the preliminary values historically recorded on the books and records of AccessMedia. The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows:

(In thousands)

<b>Description</b>	<b>Amounts (unaudited)</b>
Cash acquired	\$ 134
Other tangible assets acquired	719
Amortizable intangible assets	
Software	9,800



Domain names	80
Media content	5,800
Goodwill	73,089
Liabilities assumed	(3,944 )
Deferred tax liability	(6,381 )
<b>Total</b>	<b>\$ 79,297</b>

\$15,680,000 has been allocated to amortizable intangible assets with useful lives of 5 or 10 years as follows: software 5 years, domain names and content 10 years.

The residual purchase price of \$73,089,000 had been recorded as goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill will not be amortized and will be tested for impairment at least annually. The acquisition agreement provided that 17.5 million additional shares may be earned and awarded to the shareholders of AccessMedia. Any additional shares earned would be a future addition to goodwill. All of the 17.5 million earn-out shares were earned in the quarter ended

**BROADCASTER, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****4. ACQUISITIONS (Continued)**

March 31, 2007. In addition, as part of its consulting agreement, Baytree Capital was to receive 5% of the earn-out shares issued to former AccessMedia shareholders. Therefore, we issued Baytree 875,000 shares in the quarter ended March 31, 2007.

During the quarter ended December 31, 2006, our Board of Directors had agreed to amend the definitive merger agreement to include, unique visitors in the calculation of the earn-out of the additional shares. The earn-out is based on revenues from AccessMedia's broadcaster.com website and is not related to earnings. Under the amendment, each unique visitor is equal to \$1.00. Each earn-out issuance received the further approval of Broadcaster's Board of Directors.

AccessMedia's acquired technology includes certain additional products with market opportunities. These opportunities were significant contributing factors to the establishment of the purchase price, resulting in the recognition of a significant amount of goodwill. In addition, the acquisition provided an experienced workforce, development of certain technology assets permitting the Company to deliver content to consumers over the Internet, existing business knowledge and practice supporting the proposed products and services, marketing programs and a base level of customers.

As of December 31, 2007, we determined the software intangible assets related to the AccessMedia acquisition have a value of approximately \$3.1 million and we have written off \$8.6 million of AccessMedia's intangible assets other than goodwill.

As of December 31, 2007, we determined that all of the goodwill related to the AccessMedia acquisition has no value and the full amount has been written off.

**Acquisition of America's Biggest, Inc. Assets**

On September 29, 2006, Broadcaster completed the acquisition of 100% of the assets of America's Biggest, Inc. The consideration paid to America's Biggest consisted of 500,000 shares of Broadcaster stock and \$500,000 in cash. America's Biggest failed to and later refused to deliver a list of assets, and Broadcaster accordingly did not complete delivery of the 500,000 shares of common stock. This disagreement led to America's Biggest filing a lawsuit against Broadcaster and its principal shareholders.

The allocation of the purchase price to the assets acquired based on their estimated fair values was as follows:

(In thousands)

<b>Description</b>	<b>Amounts (unaudited)</b>
Amortizable intangible assets	

Domain names	\$	525
Software		350
Customer lists		250
Trademark		150
Marketing materials		209
Goodwill		65
<b>Total</b>	<b>\$</b>	<b>1,549</b>

As of June 30, 2007, we determined the assets of America's Biggest have no value and the full amount has been written off.

**5. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of cash and cash equivalents, trade receivables, trade payables and debt approximates carrying value due to the short maturity of such instruments.

**BROADCASTER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**6. FIXED ASSETS**

Fixed assets are stated at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the respective assets of 3 years. Depreciation of software and computer equipment is computed using the straight-line method over an estimated useful life of 3 years.

**7. INTANGIBLE ASSETS**

**Software Development Costs and License Fees**

Costs incurred in the initial design phase of software development are expensed as incurred in research and development. Once the point of technological feasibility is reached, direct production costs are capitalized in compliance with Statement of Financial Accounting Standards ( SFAS ) No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed*. We cease capitalizing computer software costs when the product is available for general release to customers. Costs associated with acquired completed software are capitalized.

We amortize capitalized software development costs and visual content license fees on a product-by-product basis. The amortization for each product is the greater of the amount computed using (a) the ratio of current gross revenues to the total of current and anticipated future gross revenues for the product or (b) 18, 36, or 60 months, depending on the product. We evaluate the net realizable value of each software product at each balance sheet date and record write-downs to net realizable value for any products for which the carrying value is in excess of the estimated net realizable value.

**Other Intangible Assets**

Other intangible assets other than goodwill represent Internet domain names, acquired customer lists and contracts, distribution rights and relationships, trade names and trademarks and media content. These assets are amortized using the straight-line method over the estimated useful lives, generally three to ten years. The software intangible assets acquired from the Accessmedia acquisition have been written down by an additional \$8.6 million as of March 31, 2008 based on the inability to gain traction in sales from this software.

**Impairment of Long-Lived Assets**

We review long-lived assets and identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. We assess these assets for impairment based on estimated undiscounted future cash flows from these assets. If the carrying value of the assets exceeds the estimated future undiscounted cash flows, a loss is recorded for the excess of the asset's carrying value over the fair value.

**Goodwill**

In accordance with SFAS No. 142, *Goodwill and Intangible Assets*, goodwill is being assessed for impairment on a quarterly basis. We have no goodwill as of March 31, 2008. We have recognized \$0 of goodwill impairment during

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the three months ending March 31, 2008 and \$68,192,000 for the nine months ended March 31, 2008 related to the Accessmedia acquisition. We have recognized \$68,192,000 of impairment related to the valuation of AccessMedia in fiscal 2007 based on the inability to gain traction in sales from this acquisition.

**BROADCASTER, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****8. DEBT**

The following table details our outstanding debt as of March 31, 2008:

(In thousands)

	<b>As of March 31, 2008</b>
<b>Short-term</b>	
Demand notes payable to related party	\$ 1,725
<b>Subtotal short-term</b>	\$ 1,725
<b>Grand total</b>	\$ 1,725

Demand notes payable consisted of a 4% secured note payable to Mr. Nolan Quan, one of our principal shareholders, and are secured by the assets of the Company.

**9. EARNINGS PER SHARE POTENTIALLY DILUTIVE SECURITIES**

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common and potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of the incremental common shares issuable upon on exercise of stock options and warrants (using the treasury stock method). Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive. The following table summarizes the weighted average shares outstanding (In thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Basic weighted average shares outstanding</b>	51,186	35,410
Total stock options outstanding	4,120	4,365
Less: anti dilutive stock options due to loss	(4,120 )	(4,365 )
Total warrants outstanding	1,349	2,090
Less: anti dilutive warrants due to loss	(1,349 )	(2,090 )
<b>Diluted weighted average shares outstanding</b>	51,186	35,410

**Nine Months Ended  
March 31,**

	<b>2008</b>	<b>2007</b>
<b>Basic weighted average shares outstanding</b>	51,128	33,365
Total stock options outstanding	4,120	4,365
Less: anti dilutive stock options due to loss	(4,120 )	(4,365 )
Total warrants outstanding	1,349	2,090
Less: anti dilutive warrants due to loss	(1,349 )	(2,090 )
<b>Diluted weighted average shares outstanding</b>	51,128	33,665

**BROADCASTER, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****10. STOCK-BASED AWARDS**

The Company has two stock option plans, The 2004 Incentive Stock Option Plan (the 2004 Plan ) adopted during fiscal 2004 and the 1993 Incentive Option Plan adopted on June 30, 1993 (the 1993 Plan ). The purpose of the 2004 and the 1993 Plans was to further the growth and general prosperity of Broadcaster by enabling our employees to acquire our common stock, increasing their personal involvement in the Company and thereby enabling Broadcaster to attract and retain our employees. The 1993 Plan is no longer used

Broadcaster believes that the ability to grant incentive stock options to its employees is critically important. We hope to offer incentive compensation to such employees on par with those provided by our competition and others in the high-tech industry. In addition, tax laws and incentive compensation policies have changed since adoption of the 1993 Plan. As a result, our Board of Directors has adopted and our shareholders approved the 2004 Plan to permit Broadcaster to offer a wide range of incentives, including incentive and non-statutory stock options and stock purchase rights.

Stock options are granted at an exercise price equivalent to the closing fair market value on the date of grant. All options are granted at the discretion of the Company's Board of Directors and have a term of not greater than 10 years from the date of grant. Options are exercisable when vested. Vesting requires continuous employment up to the vesting date and the vesting schedule is determined by the Board of Directors at the time of each option grant.

**The 2004 Plan**

The 2004 Plan provides for the granting of options to purchase up to an aggregate of 10,500,000 shares of common stock to employees, directors and other service providers of Broadcaster. Any options that expire prior to exercise will become available for new grants from the pool of options. Options that are granted under the 2004 Plan may be either options that qualify as incentive stock options under the Internal Revenue Code ( Incentive Options ), or those that do not qualify as such incentive stock options ( Non-Qualified Options ).

The Incentive Options may not be granted at a purchase price less than the fair market value of the common stock on the date of the grant (or, for an option granted to a person holding more than 10% of the Company's voting stock, at less than 110% of fair market value) and Non-Qualified Options may not be granted at a purchase price less than 85% of fair market value on the date of grant. As a matter of policy, Broadcaster's Board of Directors will not grant options at less than fair market value. The term of each option, under the 2004 Plan, which is fixed at the date of grant, may not exceed 10 years from the date the option is granted (by law, an Incentive Option granted to a person holding more than 10% of the Company's voting stock may be exercisable only for five years). As of the date of this Report, 826,233 options remain available for grant.

The following table summarizes options at March 31, 2008.

<b>Number of Shares</b>	<b>Weighted Average Exercise</b>
-----------------------------	--



			<b>Price</b>
<b>Outstanding, June 30, 2007</b>	4,752,041	\$	2.36
Granted	25,000		2.30
Exercised	189,963		1.99
Cancelled	2,244,146		2.81
<b>Outstanding, March 31, 2008</b>	2,292,932	\$	1.96

## BROADCASTER, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10. STOCK-BASED AWARDS (Continued)

The following table summarizes options at March 31, 2008.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (\$000 s)
Outstanding	2,292,932	\$1.96	8.37	
Vested and Expected to Vest	2,291,574	\$1.96	8.36	
Exercisable	2,271,057	\$1.96	8.36	

At March 31, 2008, the Company had \$14,831 of unrecognized compensation expense, net of forfeitures, related to stock options that may be recognized over the weighted average remaining vesting period of 3.25 years.

## Warrants

Warrants have been granted from time to time in conjunction with financings, debt settlements, Board of Directors and employee compensation and consulting arrangements. The following table summarizes warrant activity for the nine months ended March 31, 2008.

	Number of Warrants	Average Exercise Price
<b>Outstanding, June 30, 2007</b>	1,982,941	\$ 3.71
Granted		
Exercised		
Exercised cashless		
Expired	788,500	
<b>Outstanding, March 31, 2008</b>	1,194,441	\$ 4.69

## Other Information Regarding Stock Options and Warrants

Additional information regarding stock options and warrants outstanding as of March 31, 2008 is as follows:

## Options Outstanding

## Options Exercisable

<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Avg. Remaining Life</b>	<b>Weighted Avg. Exercise Price</b>	<b>Number Exercisable</b>	<b>Weighted Avg. Exercise Price</b>
<b>\$0-\$2.97</b>	2,217,932	8.5	\$2.01	2,196,057	\$1.98
<b>\$2.9701-\$5.94</b>	75,000	8.8	\$3.31	75,000	\$3.42
<b>\$5.9401-\$8.94</b>			\$		\$0.00
	2,292,932	5.6	\$1.97	2,271,057	\$1.96

**Warrants Outstanding**

**Warrants Exercisable**

<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Avg. Exercise Price</b>	<b>Number Exercisable</b>	<b>Weighted Avg. Exercise Price</b>
<b>\$0.0-\$2.97</b>	697,295	\$ 1.69	699,295	\$ 1.69
<b>\$2.97-\$5.94</b>	300,000	\$ 3.95	300,000	\$ 3.95
<b>\$8.91-\$11.88</b>	62,500	\$10.00	62,500	\$10.00
<b>\$11.8801-\$14.85</b>	62,500	\$12.96	62,500	\$12.96
<b>\$26.73-\$29.70</b>	72,146	\$29.56	72,146	\$29.56
	1,194,441	\$ 4.69	1,196,441	\$ 4.96

**BROADCASTER, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****10. STOCK-BASED AWARDS (Continued)**

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Risk-free interest rates		4.7 %
Expected dividend yields		
Expected volatility		72 %
Expected option life (in years)		5.0
	<b>Nine Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Risk-free interest rates		4.7 %
Expected dividend yields		
Expected volatility		79 %
Expected option life (in years)		5.0

There were no grants made during the quarter ended March 31, 2008. The weighted average fair value as of the grant date for grants made during the quarter ended March 31, 2007 was \$1.70.

## Item 2

### Management's Discussion and Analysis of Financial Condition and Results of Operations

**The following discussion should be read together with the information contained in the Financial Statements and related notes included elsewhere in this Form 10-QSB.**

#### 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 Broadcaster Interactive Group, Inc. (BIG), which focused on building innovative products online and offering our community numerous content offerings. AccessMedia's business ceased marketing new subscriptions and no more support was required for its website. However, Accessmedia continues to operate and earn revenue based on recurring subscriptions.

Revenues in BIG have not met projections which has required us to shut down the operations of BIG, but we continue to support www.broadcaster.com with the remaining staff. Because, we stopped marketing for new subscriptions for Accessmedia we have written down the value of the AccessMedia acquisition. As a result on December 13<sup>th</sup> 2007, the board of directors decided to cease operations of BIG on December 31<sup>st</sup> 2007.

Highlights for the nine months ended March 31, 2008 consisted of:

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We incurred a non-cash impairment charge of \$68,192,000 relating to the AccessMedia acquisition.

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We incurred a non-cash impairment charge of \$8,600,000 relating to the write-down of AccessMedia's intangible assets

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We have reduced the number of full-time employees from 47 to 4, in an effort to preserve cash.

#### Critical Accounting Estimates

Our significant accounting policies 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.

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.

### **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.

.

Subscription revenues are recognized ratably over the contract period.

**Results of Operations**

The following tables set forth our results of operations that have been adjusted to reflect the sale of Houseplans and the shutdown of BIG and include only results from continuing operations for the three months ended March 31, 2008 and 2007.

**Three months ended March 31, 2008 compared to the Three months ended March 31, 2007.**

(In Thousands)

	Three Months Ended March 31,					
	2008		2007		\$ Change from	
	\$	As % of sales	\$	As % of sales	Variance	%
Net revenues	\$ 156	100 %	\$ 1,226	100 %	\$ (1,070 )	-87 %
Product cost	21	13 %	2,473	202 %	(2,452 )	-99 %
<b>Gross margin</b>	135	87 %	(1,247 )	-102 %	1,382	-111 %
Research and Development			105	9 %	(105 )	-100 %
Sales and marketing	0	0 %	210	17 %	(210 )	-100 %
General and administrative	1,405	901 %	2,300	188 %	(895 )	-37 %
<b>Total operating Expenses</b>	1,405	901 %	2,615	213 %	(1,210 )	-46 %
<b>Loss</b>	(1,270 )	-814 %	(3,862 )	-315 %	2,592	-67 %
Other income (expenses)						
Interest and other, net	(3 )	-2 %	63	-5 %	66	-105 %
Realized/unrealized gain (loss) on marketable securities		0 %		0 %	0	0 %
Loss on disposal of assets			(104 )	8 %	(104 )	-100 %
Impairment	0	0 %			0	
<b>Total other income (loss)</b>	(3 )	-2 %	(41 )	3 %	38	-93 %

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<b>Loss before income tax benefit</b>	(1,273 )	-816 %	(3,903 )	-318 %	2,630	-67 %
Income tax benefit	0	0 %	203	17 %	(203 )	-100 %
<b>Loss from continuing operations</b>	(1,273 )	-816 %	(4,106 )	-335 %	2,833	-68 %
Loss from discontinued operations, net of income tax	(363 )	-233 %	(12 )	1 %	(351 )	-2,925 %
Gain from the sale of discontinued operations			997	85 %	(997 )	-100 %
<b>Net loss</b>	(1,636 )	-1,049 %	(3,121 )	255 %	1,485	-48 %



The following tables set forth our results of operations that have been adjusted to reflect the sale of Houseplans and the shutdown of BIG and include only results from continuing operations for the nine months ended March 31, 2008 and 2007.

*Nine months ended March 31, 2008 compared to the Nine months ended March 31, 2007.*

(In Thousands)

	2008		2007		\$ Change from	
	\$	As % of sales	\$	As % of sales	Variance	%
Net revenues	\$ 924	100 %	\$ 6,068	100 %	\$ (5,144 )	-85 %
Product cost	273	30 %	5,076	84 %	(4,803 )	-95 %
<b>Gross margin</b>	651	70 %	992	16 %	(341 )	-34 %
Research and development			105	2 %	(105 )	-100 %
Sales and marketing	4	0 %	3,454	57 %	(3,450 )	-100 %
General and administrative	12,740	1,379 %	6,439	106 %	6,301	99 %
<b>Total operating Expenses</b>	12,744	1,379 %	9,998	165 %	2,746	27 %
<b>Loss</b>	(12,093 )	-1,309 %	(9,006 )	-148 %	(3,087 )	34 %
Other income (expenses)						
Interest and other, net	76	8 %	263	4 %	(187 )	-71 %
Loss on disposal of assets			(104 )	-2 %	104	
Impairment	(68,192 )	-7,380 %			(68,192 )	-65669 %
<b>Total other income (loss)</b>	(68,116 )	-7,372 %	159	3 %	(67,957 )	42740 %
<b>Loss before income tax benefit</b>	(80,209 )	-8,681 %	(8,847 )	-146 %	(71,362 )	807 %

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Income tax benefit	518	56 %	(241 )	4 %	277	115 %
<b>Loss from continuing operations</b>	(79,691 )	-8,625 %	8,606	-142 %	(71,085 )	826 %
Loss from discontinued operations, net of income tax	(3,521 )	-380 %	(773 )	-13 %	(2,748 )	355 %
Gain from sale of discontinued operations			997	16 %	(997 )	100 %
Foreign Currency Translation	3	0 %	0		3	100 %
<b>Net loss</b>	(83,209 )	-9,005 %	(8,382 )	-138 %	(74,827 )	893 %
<b>Loss</b>						

Loss from the continuing operations for the three and nine months ended March 31, 2008 was \$1,273,000 and \$79,691,000 as compared to loss of \$4,106,000 and \$8,606,000 for the three and nine months ended March 31, 2007. The increase in the loss for the nine months ended March 31, 2008 is attributed to a decrease in net revenues and an increase in operating expenses. Net loss for the three and nine months ended March 31, 2008 was \$1,636,000 and 83,212,000 as compared to net loss of \$3,121,000 and \$8,382,000 for the three and nine months ended March 31, 2007. The increase in net loss for the nine months ended March 31, 2008 is primarily attributed to the recognition of impairment relating to the valuation of AccessMedia, and the costs of operating BIG, which is classified as a discontinued operation.

### ***Net Revenues***

With the sale of Houseplans and cessation of BIG's free model, during the quarter ended March 31, 2008 we had one operating subsidiary, AccessMedia generated revenues of \$156,000 and \$924,000 for the three and nine months ended March 31, 2008 as compared to \$1,226,000 and \$6,068,000 for the three and nine months ended March 31, 2007. The decrease in revenue is attributed to a decrease in sales of AccessMedia products resulting from the fact that we had ceased marketing efforts for AccessMedia subscriptions. 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.

### ***Gross Margin***

Our consolidated gross margin was \$135,000 and \$651,000 for the three and nine months ended March 31, 2008. AccessMedia's cost of revenues consists of costs related to the products and services AccessMedia provided to customers. These costs include materials, salaries and related expenses for product support personnel, depreciation and maintenance of equipment used in providing services to customers and facilities expenses. The gross margin as a percentage of sales for the three and nine months ended March 31, 2008 as compared to the three and nine months ended March 31, 2007 has increased due to the decrease in product costs, including marketing costs, resulting from Access Media product being sold only as a recurring subscription. As a result, a recurring subscription requires no additional costs.

### ***Sales and Marketing***

Sales and marketing expenses \$0 and \$4,000, and for the three and nine months ended March 31, 2008, respectively.

Due to the decision to stop marketing the AccessMedia product the sales and marketing expenses are minimal.

### ***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 amortization of assets. Amortization expenses were \$55,306 and \$9,819,000 for the three and nine months ended March 31, 2008. Legal and professional fees were \$1,209,085 and \$1,885,779 for the three and nine months ended March 31, 2008.

### ***Research and Development***

We had no research and development costs for the three and nine months ended March 31, 2008.

### ***Interest and other, net***

Interest and other, net, changed from a net gain of \$263,000 to a net gain of \$73,000 for the nine months ended March 31, 2007 and March 31, 2008 respectively. This was due to a decrease in cash balances. Our interest expenses included \$17,000 and \$51,000 for the three and nine months ended March 31, 2008, related to a loan from Mr. Nolan Quan.

***Provision for State and Federal Income Taxes***

***Accounting for Uncertainty in Income Taxes*** - In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 was effective for us beginning July 1, 2007.

We recorded income tax benefit of 0 and \$518,000 for the three and nine months ended March 31, 2008. The tax benefit for the quarter ended March 31, 2008 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 March 31, 2008 as the realizability of our net operating loss carry-forwards is not determinable.

### **Discontinued Operations**

#### ***(Loss) from discontinued operations, net of income tax***

##### *Sale of Houseplans*

On May 1, 2007, we sold 100% of the issued and outstanding capital stock of Houseplans to Kransco Houseplans, LLC, for \$8 million. The sale price was 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 \$850,000 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. Subsequent to the quarter the first payment of the Note plus accrued interest was received. The results of operations for the quarter ended March 31, 2007 have been revised to eliminate the operations of Houseplans.

### **Shutdown of Broadcaster Interactive Group Inc. BIG**

On December 13<sup>th</sup> 2007, the board decided to substantially reduce the company's operations and as a result, BIG has been reclassified as a discontinuing operation.

As a result of BIG being disclosed as a discontinued operation certain amounts paid to Alchemy Communications, Inc., a company controlled by Mr. Nolan Quan, one of our principal shareholders, have been reclassified to discontinued operations. During the three and nine months ended March 31, 2008, amounts paid to Alchemy included Internet connectivity, hosting services, programming services and equipment and office facilities (to October 31, 2007), as well as sales and marketing and general and administrative. The amounts paid for the three and nine months ended March 31, 2008 were \$0 and \$778,000.

### **Liquidity and Capital Resources**

Net cash used in operating activities was \$6,723,000 for the nine months ended March 31, 2008 in contrast to \$7,481,000 for the nine months ended March 31, 2007.

Net cash provided by investing activities was \$0 for the nine months ended March 31, 2008 in contrast to \$1,730,000 in the nine months ended March 31, 2007. The cash provided by investment activities during the nine months ended March 31, 2007 primarily was attributable to \$1,500,000 received from the sale of Precision Design during the nine months ended March 31, 2007.

Our net cash provided by financing activities was \$349,000 for the nine months ended March 31, 2008 in contrast to \$973,000 for the nine months ended March 31, 2007 respectively, reflecting the proceeds from options and warrants exercises.

To achieve our growth objectives, we are considering different strategies, including growth through 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.

At May 12, 2008, we had \$2,839,000 in cash which is projected to meet all of our working capital needs for the next twelve months.

Notwithstanding our current negative cash flow, based on cash on hand and cost reductions, we expect we will have sufficient capital for the next twelve months. However, 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.

### **Related Person Transactions**

We receive services from Alchemy, a company controlled by Mr. Nolan Quan, one of our principal shareholders. For the three and nine months ended March 31, 2008 we incurred \$0 and \$778,000 of expenses related to Alchemy. For the three and nine months ended March 31, 2008 \$17,000 and \$51,000 in interest related to a loan from Mr. Quan and for the three and nine months ended March 31, 2008 we incurred consulting fees of \$0 and \$6,000 payable to Mr. Quan. The company also owes Mr. Quan \$1,725,000 evidenced by demand promissory notes bearing 4% per annum interest and secured by the company's assets. During the three and nine months ended March 31, 2008, we incurred \$0 and \$14,000 in legal fees from Ms. Elaine Rosen. In addition, for the three and nine months ended March 31, 2008, we paid Mr. Kevin Rosen-Quan \$0 and \$28,000 as our Executive Producer. Ms. Rosen and Mr. Rosen-Quan are the wife and son of Mr. Nolan Quan, one of our principal shareholders.

### **Forward-Looking Statements**

This quarterly report on Form 10-QSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including our future operations and our liquidity. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. When used in this report, 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. 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, including our new business model, the repeated usage of our free website, the acceptance by advertisers of our website metrics, and our ability to complete development of new products. Investors should also review the risk factors contained herein and in our Form 10-KSB for the year ended June 30, 2007 and the additional risk factors contained in this Report. We do not undertake any duty to update these forward-looking statements.

### **Item 4T**

#### **Controls And Procedures**

(a)

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-14(c) promulgated under the Securities Exchange Act of 1934, as of March 31, 2008, the end of the period covered by this quarterly report. Based on their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective.

(b)

We have evaluated our accounting procedures and control processes in place as of March 31, 2008 related to material transactions to ensure they are recorded timely and accurately in the financial statements. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in paragraph (a) above.



## PART II OTHER INFORMATION

### Item 1

#### Legal Proceedings

As previously reported, Broadcaster filed suit against former officers Paul A. Jakab and Gordon Landies, each of whom filed counterclaims against Broadcaster. The lawsuit against Gordon Landies and Paul Jakab have been resolved by Broadcaster making payments to Mr. Landies and Mr. Jakab.

Also as previously reported, America's Biggest, Inc. filed suit against Broadcaster, Baytree Capital Associates, LLC, Michael Gardner, and Nolan Quan. 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.

The Company and/or its officers and directors are named as defendants in four related actions which appear to relate to certain actions taken by the Company's shareholders with regard to the composition of the Board of Directors. On December 21, 2007 shareholders of Broadcaster representing 58% of the voting power of the outstanding voting stock of Broadcaster executed and delivered a written consent removing Dr. Vincent Orza and Paul Goodman from the board of directors of Broadcaster effective March 5, 2008. On December 21, 2007, the Company filed with the Securities and Exchange Commission an Information Statement on Schedule 14C describing the action taken by such shareholders to remove Messrs. Orza and Goodman. On February 13, 2008 the Securities and Exchange Commission authorized the mailing to the shareholders of the Company of the definitive Information Statement, and on February 14, 2008, a definitive Information Statement was mailed to the shareholders of Broadcaster advising them that Messrs. Orza and Goodman would be removed from the Board of Directors on March 5, 2008 by reason of the consents from a majority of the shareholders on December 21, 2007, without any further action. On March 3, 2008, in connection with an action he commenced against the Company and others (discussed below), Mr. Goodman sought and obtained an ex parte Temporary Restraining Order against his removal as a director of Broadcaster. Broadcaster believes that the removal was effected in compliance with all state and securities regulations and is vigorously defending such removal.

On January 16, 2008, Mr. Goodman commenced an action in New York State Court against Broadcaster and certain of its officers, directors, and shareholders, seeking monetary damages in an amount to be determined but not less than \$10 million plus other special, punitive and compensatory damages for alleged defamation contained in a Company filing with the SEC. Mr. Goodman sought and obtained an ex parte temporary restraining order, which was vacated by the Court upon hearing argument from the defendants. This action has been removed to Federal District Court for the Southern District of New York and it is anticipated that a motion to transfer this case to United States District Court for the Central District of California will be filed at the end of May. Management believes that the action is without merit and intends to defend the action 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 February 15 2008, one of our shareholders and former advisors, Baytree Capital Associates, LLC, ( Baytree ) filed a shareholders derivative action in Federal Court in the Southern District of New York against the Company and certain of its officers and directors, as well as several other individual and corporate defendants. The Complaint seeks monetary damages in an amount to be established at trial but not less than \$22,630,000 for allegations of breaches of fiduciary duties, waste of corporate assets, self-dealing, conversion, restitution and disgorgement, violations of the securities laws. Additionally, the Complaint alleges violations of RICO and seeks treble damages for those violations.

Baytree sought and obtained an ex parte Temporary Restraining Order restraining Defendants from transferring assets. That Order was thereafter modified by the Court. Upon motion made by the Company, this case was transferred to the United States District Court for the Central District of California. Management believes that the action is without merit and intends to defend the action 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 3, 2008, Mr. Goodman commenced an action in the New York State Court against Broadcaster, Martin Wade, Nolan Quan and Blair Mills. The Complaint contains allegations similar to those set forth in the Baytree action and also seeks a declaration that the shareholders' removal of Mr. Goodman as a director was unlawful. This is the matter referred to above in which Mr. Goodman sought and obtained an ex parte Temporary Restraining Order against his removal as a director of Broadcaster. The Company removed this action to Federal District Court and, upon motion made by the Company; this case was transferred to the United States District Court

for the Central District of California. Management believes that the action is without merit and intends to defend the action vigorously. Due to the uncertainty surrounding the litigation process, and the early stage of this matter, no reasonable estimate of loss is currently available.

Michael Gardner, a principal of shareholder Baytree Capital Associates, LLC, filed a Complaint on March 3, 2008, in New York State Court against the Company's CEO Martin Wade III. Mr. Gardner seeks monetary damages in an amount to be determined but believed to be not less than ten million dollars (\$10,000,000.00) plus interest together with costs of this action and attorneys fees and punitive damages in an amount not less than thirty million dollars (\$30,000,000.00) for alleged defamation set forth in a letter Mr. Wade wrote and Broadcaster then filed as an exhibit to its Current Report on Form 8-K filed with the SEC. The Company is not named in the suit. This action has also been removed to Federal District Court for the Southern District of New York and it is anticipated that a motion to transfer this case to United States District Court for the Central District of California will be filed at the end of May.

## **Item 2**

### **Unregistered Sales of Equity Securities and Use of Proceeds**

Not Applicable

## **Item 3**

### **Defaults Upon Senior Securities**

Not Applicable

## **Item 4**

### **Submission of Matters to a Vote of Security Holders**

Not Applicable

## **Item 5**

### **Other Information**

Not Applicable

## **Item 6**

### **Exhibits**

### **Exhibits**

The following exhibits are filed as part of, or incorporated by reference into this Report:

<b>Exhibit Number</b>	<b>Exhibit Title</b>
<u>31.1</u>	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u>	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u>	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>32.2</u>	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 20, 2008

**BROADCASTER, INC.**

By: /s/ MARTIN WADE, III  
Martin Wade, III  
Chief Executive Officer

By: /s/ BLAIR MILLS  
Blair Mills  
Chief Financial Officer (Principal Accounting  
Officer)

**INDEX TO EXHIBITS**

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