BROADCASTER INC
Form 10-Q
February 17, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended December 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 incorporation or organization)	(IRS Employer Identification No.)

353 Bel Marin Keys Boulevard, Suite 9, Novato, California 94949

(Address of principal executive offices)

(415) 883-8369

(Issuer s telephone number)

9201 Oakdale Avenue, Suite 200, Chatsworth, California 91311

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

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 ¨

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	¨	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	ý

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

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 February 13, 2009, 55,797,379 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)

	December 31, 2008 Unaudited	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 631	$ 1,829
Receivables, less allowances for doubtful accounts, discounts and returns of $0 as of December 31, 2008 and $0 as of June 30, 2008.	354	
Notes receivable		1,700
Other current assets	183	13
Assets related to discontinued operations	61	181
Total current assets	1,229	3,723
Fixed assets, net	29	
Intangible assets		
Goodwill	1,458	
Assets related to Discontinued Operations	253	289
Total assets	$ 2,969	$ 4,012
LIABILITIES AND SHAREHOLDERS DEFICIENCY		
Current liabilities:		
Trade accounts payable	$ 1,064	$ 647
Accrued and other liabilities	1,137	986
Liabilities related to discontinued operations	3,125	2,701
Total current liabilities	5,326	4,334
Long-term debt	314	
Total liabilities	5,640	4,334

Shareholders deficiency		
Common stock, no par value; 300,000,000 authorized; 55,797,000 issued and outstanding as of December 31, 2008 and 51,342,000 issued and outstanding as of June 30, 2008.	56	51
Additional paid-in capital	129,605	128,751
Accumulated deficit	(132,631)	(129,426)
Accumulated other comprehensive income	299	302
Total shareholders deficiency	(2,671)	(322)
Total liabilities and shareholders deficiency	$ 2,969	$ 4,012

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 December 31, 2008	Three months ended December 31, 2007
Net revenues	$ 411	$
Product costs	280	
Gross margin	131	
Costs and expenses		
Sales and marketing	4	
General and administrative	1,195	636
Research and development	2	
Total operating expenses	1,201	636
Operating loss	(1,070)	(636)
Interest and other, net	(28)	27
Impairment		(62,992)
Loss before income tax	(1,098)	(63,601)
Income tax (benefit) provision	60	(259)
Loss from continuing operations	(1,158)	(63,342)
Income (loss) from discontinued operations, net of tax	(97)	(9,982)
Net income (loss)	(1,255)	(73,324)
Other comprehensive income (loss)		
Foreign currency translation adjustments	(3)	
Comprehensive (loss) Income	$ (1,258)	$ (73,324)
Basic and diluted earnings (loss) per share		

Loss from continuing operations	$	(0.02)	$	(1.24)
Income (loss) from discontinued operations, net of income tax		(0.00)		(0.19)
Net income (loss)		(0.02)		(1.43)
Shares used in computing basic earnings (loss) per share		55,732		51,186
Shares used in computing diluted earnings (loss) per share		55,732		51,186

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)

	Six months ended December 31, 2008	Six months ended December 31, 2007
Net revenues	$ 618	$
Product costs	333	
Gross margin	285	
Costs and expenses		
Sales and marketing	5	
General and administrative	3,057	1,373
Research and development	3	
Total operating expenses	3,065	1,373
Operating loss	(2,780)	(1,373)
Interest and other, net	5	76
Impairment		(68,192)
Loss before income tax	(2,775)	(69,489)
Income tax (benefit) provision	60	(518)
Loss from continuing operations	(2,835)	(68,971)
Income (loss) from discontinued operations, net of tax	(370)	(12,605)
Net income (loss)	(3,205)	(81,576)
Other comprehensive income (loss)		
Unrealized loss on restricted securities		
Foreign currency translation adjustments	(3)	3
Comprehensive (loss) Income	(3,208)	(81,573)
Basic and diluted earnings (loss) per share		

Loss from continuing operations	$	(0.05)	$	(1.35)
Income (loss) from discontinued operations, net of income tax		(0.01)		(0.25)
Net income (loss)		(0.06)		(1.60)
Shares used in computing basic earnings (loss) per share		53,795		51,128
Shares used in computing diluted earnings (loss) per share		53,795		51,128

See Notes to Condensed Consolidated Financial Statements

BROADCASTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Six months ended December 31, 2008

(In thousands, except share amounts)

	Shares	Common Stock Amount	APIC Amount	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at July 1, 2008	51,342,453	$ 51	$ 128,751	$ (129,426)	$ 302	$ (322)
Issuance of common stock related to:						
Acquisitions	4,455,000	5	854			859
Net loss				(3,205)		(3,205)
Foreign currency translation adjustment, net of income tax					(3)	(3)
Balance at December 31, 2008	55,797,453	$ 56	$ 129,605	$ (132,631)	$ 299	$ (2,671)

See Notes to Condensed Consolidated Financial Statements

BROADCASTER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six months ended December 31, 2008	Six months ended December 31, Restated 2007
Cash flows from operating activities:		
Net cash used in operating activities	$ (2,674)	$ (3,405)
Cash flows from investing activities:		
Acquisition of subsidiaries	26	
Net cash provided by investing activities	26	--
Cash flows from financing activities:		
Repayments of notes	1,450	
Proceeds from warrants and options exercised		217
Net cash provided by financing activities	1,450	217
Effect of exchange rate change on cash and cash equivalents		3
Net (increase) decrease in cash and cash equivalents	(1,198)	(3,185)
Cash and cash equivalents at beginning of period	1,829	9,387
Cash and cash equivalents at end of the period	$ 631	6,202
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 34	$ 27
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Capital stock issued in conjunction with acquisition of intangible assets		984
Capital stock issued in conjunction with acquisition of subsidiary companies	859	

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 December 31, 2008 and the results of operations and cash flows for the three and six months ended December 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-K for the fiscal year ended June 30, 2008. The results of operations for the three and six months ended December 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.

Revenue Recognition

Revenue is 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 (generally a purchase order), product has been delivered, the fee is fixed and determinable, and collection of the resulting account is probable.

Revenues from art services are recognized when invoiced

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Revenues from art services are recognized when invoiced

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

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Revenue from post contract customer support (PCS) is recognized ratably over the contract period.

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Subscription revenue is recognized ratably over the contract period.

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

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

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

In accordance with our revenue recognition policy, we have recorded deferred revenues of $0 and $0 as of December 31, 2008 and June 30, 2008, respectively.

Concentrations

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents and receivables. At times, cash balances held at financial institutions are in excess of federally insured limits.

During the six months ended December 31, 2008 three customers individually accounted for more than 10% of revenues (50%, 16% and 14%).

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. In September 2008 we entered into a Prepayment Agreement and Mutual Release with Houseplans LLC whereby the payments owed to us by Houseplans LLC under the note were accelerated and Houseplans, LLC prepaid $1,450,000 as payment in full of all principal and interest due under the note.

Fair Value of Financial Instruments

On July 1, 2008, we adopted Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements"* , except as it applies to the nonfinancial assets and nonfinancial liabilities that are subject to Financial Accounting Standards Board (FASB) Staff Position (FSP) Financial Accounting Standard (FAS) 157-2, *Effective Date of FASB Statement No. 157* . These nonfinancial items include assets and liabilities such as a reporting unit measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. SFAS No. 157 establishes a three-tier hierarchy that draws a distinction between market participant assumptions based on (1) observable quoted prices in active markets for identical assets or liabilities (Level 1), (2) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2), and (3) unobservable inputs that require us to use other valuation techniques to determine fair value (Level 3).

Reclassifications

Reclassifications have been made to the amounts reported for the three and six months ended December 31, 2007 to conform to the current period s presentation. The amounts reported for the three months ended December 31, 2007 and 2008 present results of operations of the discontinued operations of Broadcaster Interactive Group (BIG) and AccessMedia.

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.

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. STOCK BASED AWARDS

The Company accounts for stock based compensation expense in accordance with 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. Stock-based compensation expense recognized under SFAS 123(R) in the unaudited condensed consolidated statement of operations was $0 and $610,000 for the three months ended December 31, 2008 and three months ended December 31, 2007 respectively.

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. 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. Our stock-based compensation expense also includes compensation expense for the share-based payment awards granted 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 December 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.

3. DISCONTINUED OPERATIONS

Shutdown of Broadcaster Interactive Group Inc. (BIG) and discontinued operations of AccessMedia

In December 2007 we shut down BIG due to poor performance. BIG and AccessMedia have been accounted for as discontinued operations.

4. ACQUISITIONS

Lamplighter Acquisition

On August 28, 2008, Broadcaster completed its acquisition of Lamplighter. Broadcaster accounted for the business combination as a purchase.

The purchase price for accounting purposes of approximately $319,000 was comprised as follows:

(In thousands)

Description	**Amount**

Fair value of common stock	$	319
Direct transaction costs		
Total	$	319

The calculation is based upon the issuance of 1,455,000 shares of Broadcaster stock on August 28, 2008 in connection with the acquisition.

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACQUISITIONS (CONTINUED)

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

(In thousands)

Description		**Amounts (unaudited)**
Cash acquired	$	26
Other tangible assets acquired		112
Goodwill		904
Liabilities assumed		(723)
Total	$	319

EyeCandy Acquisition

On October 1, 2008, Broadcaster completed the purchase of Eyecandy, Inc. (Eyecandy). Broadcaster will account for the business combination as a purchase.

The purchase price for accounting purposes of approximately $540,000 was comprised as follows:

(In thousands)

Description		**Amount**
Fair value of common stock	$	540
Direct transaction costs		

Total	$	540

The calculation is based upon the issuance of 3,000,000 shares of Broadcaster stock on October 1, 2008 in connection with the acquisition.

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.

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

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.

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS (CONTINUED)

Goodwill

In accordance with SFAS No. 142, *Goodwill and Intangible Assets,* goodwill is being assessed for impairment on a quarterly basis. We recognized $0 and $62,992,000 of goodwill impairment during the three months ended December 31, 2008 and the three months ended December 31, 2007 respectively and $0 and $68,192,000 during the six months ended December 31, 2008 and the six months ended December 31, 2007 respectively. Goodwill impairment during the three months ended and six months ended December 31, 2007 related to the AccessMedia acquisition.

At December 31, 2008 and June 30, 2008 we reported goodwill of $1,458,000 and $904,000 respectively. All of the goodwill at June 30, 2008 related to the acquisition of LampLighter.

8. DEBT

The following table details our outstanding debt as of December 31:

(In thousands)

	As of December 31, 2008		As of December 31, 2007	
Short-term				
Demand notes payable to related party	$	1,725	$	1,725
Subtotal short-term	$	1,725	$	1,725
Grand total	$	1,725	$	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. As of December 30, 2008, the demand note payable was accounted for in Liabilities Related to Discontinued Operations,

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):

	Three Months Ended December 31,	
	2008	**2007**
Basic weighted average shares outstanding	55,732	51,186
Total stock options outstanding	2,305	4,120
Less: anti dilutive stock options due to loss	(2,305)	(4,120)
Total warrants outstanding	1,122	1,349
Less: anti dilutive warrants due to loss	(1,122)	(1,349)
Diluted weighted average shares outstanding	55,732	51,186

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. EARNINGS PER SHARE POTENTIALLY DILUTIVE SECURITIES (CONTINUED)

	Six Months Ended December 31,	
	2008	**2007**
Basic weighted average shares outstanding	53,795	51,128
Total stock options outstanding	2,305	4,120
Less: anti dilutive stock options due to loss	(2,305)	(4,120)
Total warrants outstanding	1,122	1,349
Less: anti dilutive warrants due to loss	(1,122)	(1,349)
Diluted weighted average shares outstanding	53,795	51,128

10. STOCK-BASED AWARDS

The Company has two stock option plans with outstanding awards, the 2004 Incentive Stock Option Plan (the 2004 Plan) adopted during fiscal 2004 and the 2008 Long Term Incentive Plan (the 2008 Plan) adopted at the annual meeting of shareholders on August 19, 2008. The purpose of the 2004 and the 2008 Plans are to further the growth and general prosperity of Broadcaster by enabling our employees, directors and consultants to acquire our common stock, increasing their personal involvement in the Company and thereby enabling Broadcaster to attract, motivate and retain our employees, directors and consultants. We had a 1993 Incentive Option Plan which is no longer used.

Broadcaster believes that the ability to grant incentive awards to its employees, directors and consultants is critically important. We hope to offer incentive compensation to such individuals on par with those provided by our competition and others in the high-tech industry. 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 Plans

The 2004 Plan provided 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. The 2008 Plan provides for the granting of awards in the form of stock options, restricted stock, restricted stock units and other stock-based awards to purchase up to an aggregate of 10,000,000 shares of common stock to employees, directors and consultants. Any awards that expire prior to exercise will become available for new grants from the pool of options. Options that are granted under the 2004 Plan or 2008 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 and 2008 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, 8,194,568 options remain available for grant under the 2004 Plan and 10,000,000 awards remain available for issuance under the 2008 Plan.

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. STOCK-BASED AWARDS (CONTINUED)

The following table summarizes outstanding options at December 31, 2008.

	Number of Shares		Weighted Average Exercise Price
Outstanding, June 30, 2008	2,305,432	$	1.96
Granted			
Exercised			
Cancelled			
Outstanding, December 31, 2008	2,305,432	$	1.96

The following table summarizes options outstanding, vested and expected to vest and exercisable at December 31, 2008.

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ($000 s)
Outstanding	2,305,432	2.39	7.9	
Vested and Expected to Vest	2,305,432	2.39	7.9	
Exercisable	2,305,432	2.39	7.9	

At December 31, 2008, the Company had $0 of unrecognized compensation expense, net of forfeitures, related to stock options.

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 three months ended December 31, 2008.

	Number of Warrants		Average Exercise Price
Outstanding, June 30, 2008	1,145,477	$	5.07
Expired	23,334		0.75
Outstanding, December 31, 2008	1,122,143	$	5.82

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. STOCK-BASED AWARDS (CONTINUED)

Other Information Regarding Stock Options and Warrants

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

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Avg. Remaining Life**	**Weighted Avg. Exercise Price**	**Number Exercisable**	**Weighted Avg. Exercise Price**
$0.0-$2.97	2,230,432	7.8	1.91	2,230,432	1.91
$2.9701-$5.94	75,000	7.8	3.50	75,000	3.50
	2,305,432		1.96	2,305,432	1.96

	Warrants Outstanding		Warrants Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Avg. Exercise Price**	**Number Exercisable**	**Weighted Avg. Exercise Price**
$0.0-$2.97	625,000	1.66	625,000	1.66
$2.97-$5.94	300,000	3.95	300,000	3.95
$8.91-$11.88	62,500	10.00	62,500	10.00
$11.88-$14.85	62,500	19.96	62,500	19.96
$26.73-$29.70	72,143	29.56	72,143	29.56
	1,122,143	5.18	1,122,143	5.18

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:

	Three Months Ended December 31,	
	2008	2007
Risk-free interest rates		4.26 %
Expected dividend yields		
Expected volatility		85 %
Expected option life (in years)		5.0

	Six Months Ended December 31,	
	2008	2007
Risk-free interest rates		4.26 %
Expected dividend yields		
Expected volatility		85 %
Expected option life (in years)		3.3

On October 1, 2008, the Board of Directors authorized the grant of options to purchase 1.4 million shares of common stock. At December 31, 2008 these options had not been granted. On December 18, 2008, the Board of Directors authorized the grant of 3,200,000 shares of restricted stock. At December 31, 2008 the restricted stock had not been granted. There were no grants made during the quarter ended December 31, 2007.

BROADCASTER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. SEGMENT INFORMATION

We have two operating segments: Art Services, which comprises Lamplighter Studios and Telecommunications, which comprises Eyecandy. The table below also includes as segment called Corporate and Discontinued, which contains revenues, expenses and assets which cannot be specifically attributed to an operating segment as well as the revenues, expenses and assets of discontinued operations

	Six Months ended December 31, 2008			Six Months ended December 31, 2007		
	Art Services	Tele-communications	Corporate and Discontinued	Art Services	Tele-communications	Corporate and Discontinued
Net Revenues	612		6			
Gross Margin	299		(14)			
Operating Loss	(15)	(116)	(2,649)			(1,373)
Total Assets	1,302	1,471	196			4,012

12. SUBSEQUENT EVENT

On January 15, 2009, Lamplighter Studios Inc entered into a receivables financing agreement with an unrelated third party. Under the terms of the agreement, the lender will advance Lamplighter 90% of approved accounts receivable. The monies advanced under this agreement carry an annualized interest rate of 18%. Repayment of the amounts advanced to Lamplighter is guaranteed by Broadcaster, Inc. Marty Wade, III, the CEO of Broadcaster, and Gordon Landies, the Chairman of the Board of Directors of Lamplighter, are each participants in the financing in the amount of $12,500 and $25,000, respectively, of the total amount loaned in connection with the financing. The terms of their participation agreement provide that their loans will bear interest at a rate of 14% per annum which will be paid from the lender (as opposed to 18% which the lender will receive on the total loan amount), payable monthly upon collection.

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-Q.

Overview

We are primarily engaged in two new lines of business, the game development business and the telecommunications business. During the six months ended December 30, 2008, all of our revenue was derived from our subsidiary, LampLighter Studios, Inc that was acquired in August 2008 and is an art service company that provides graphic art for online games, cell phone games, video games and commercial projects. In October 2008, we entered into the telecommunications business in China with our acquisition of Eyecandy Media, Inc., a company focused on providing video technology and value added services for interactive media. Until recently, we were solely engaged in the operation of a Social Video Network over the Internet which business has been discontinued. All of our revenue derived for the quarter ended December 31, 2007 was derived from our discontinued operations as an Internet based business which included the operation of a Social Video Network over the Internet through our wholly owned subsidiary BIG and an Internet based business which provided entertainment content and old television shows and other media through our other subsidiary, Access Media. We have not added new content to the website and have not derived revenue from this site and so it is being reflected as a discontinued operation despite the fact that we still have registered users that continue to use the website. 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., 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. In December 2007 we substantially reduced the operations of BIG and as of June 30, 2008 the operations of BIG have been reflected as discontinued operations.

Highlights for the six months ended December 31, 2008 consisted of:

.

Revenue of $618,000 substantially all of which was derived from our game development business

.

Increase in intangible assets of $1,458,000 all of which is due to the goodwill derived from the acquisition of LampLighter Studios, Inc and Eyecandy

.

Gross margin of $285,000 from continuing operations

.

General and administrative expenses of $3,057,000 comprised primarily of legal expenses in connection with litigation. See. Item 1 "Legal Proceedings."

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.

.

Revenues from art services are recognized when invoiced.

.

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.

.

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 operations of BIG and AccessMedia as discontinued.

Three months ended December 31, 2008 compared to the Three months ended December 31, 2007.

(In Thousands)

	Three Months Ended December 31,					
	2008		2007		$ Change from	
	$	**As % of sales**	**$**	**As % of sales**	**Variance**	**%**
Net revenues	$ 411	100 %	$		$ 411	%
Product cost	280	68 %			280	%
Gross margin	131	32 %			131	%
Research and Development	2	%			2	%
Sales and marketing	4	1 %			4	%
General and administrative	1,195	291 %	636		559	88 %

Total operating Expenses	1,201	292 %	636	565	89 %
Operating Loss	(1,070)	(260)%	(636)	(434)	68 %
Other income (expenses)					
Interest and other, net	(28)	(7)%	27	(55)	204 %
Impairment		%	(62,992)	62,992	(100)
Total other income (loss)	(28)	(7)%	(62,965)	62,937	(99)%
Loss before income tax benefit	(1,098)	(267)%	(63,601)	62,503	(98)%
Income tax (benefit) provision	60	(15)%	(259)	319	(123)%
Loss from continuing operations	(1,158)	(282)%	(63,342)	62,184	(98)%
Loss from discontinued operations, net of income tax	(97)	(23)%	(9,982)	9,885	99 %
Net loss	(1,255)	(305) %	(73,324)	72,069	(98)%

Six months ended December 31, 2008 compared to the Six months ended December 31, 2007.

(In Thousands)

	Six Months Ended December 31,					
	2008		2007		$ Change from	
	$	As % of sales	$	As % of sales	Variance	%
Net revenues	$ 618	100 %	$		$ 618	%
Product cost	333	54 %			333	%
Gross margin	285	46 %			285	%
Research and Development	3	%			3	%
Sales and marketing	5	1 %			5	%
General and administrative	3,057	495 %	1,373		1,684	122 %
Total operating Expenses	3,065	496 %	1,373		1,692	123 %
Operating Loss	(2,780)	(450)%	(1,373)		(1,407)	102 %
Other income (expenses)						
Interest and other, net	5	1 %	76		(71)	(93)%
Impairment		%	(68,192)		68,192	(100)%
Total other income (loss)	5	1 %	(68,116)		68,121	(99)%
Loss before income tax benefit	(2,775)	(449)%	(69,489)		66,714	(96)%
Income tax (benefit) provision	60	(10)%	(518)		(578)	(112)%
	(2,835)	(459)%	(68,971)		66,136	(96)%

Loss from continuing operations					
Loss from discontinued operations, net of income tax	(370)	(60)%	(12,605)	12,235	(97)%
Net loss	(3,205)	(519)%	(81,576)	78,371	(96)%

Loss

Operating loss for the three months and six months ended December 31, 2008 was $1,070,000 and $2,780,000 as compared to loss of $636,000 and $1,373,000 for the three months and six months ended December 31, 2007. The increase in the operating loss for the three months and six months ended December 31, 2008 as compared with the three and six months ended December 31,2007 is primarily attributed to an increase in general and administrative expenses in Broadcaster Inc as well as to a lesser extent operating losses in Lamplighter and Eyecandy. Net loss for the three months and six months ended December 31, 2008 was $1,255,000 and $3,205,000 as compared to net loss of $73,324,000 and $81,576,000 for the three months and six months ended December 31, 2007. The decrease in net loss for the three months and six months ended December 31, 2008 as compared to the three and six months ended December 31, 2007 is primarily attributed to the recognition in 2007 of impairment relating to the valuation of AccessMedia, and to a lesser extent the costs of operating BIG, which is classified as a discontinued operation. We also incurred operating losses of $15,000 in Lamplighter and $116,000 in Eyecandy during the six months ended December 31, 2008.

Net Revenues

We acquired Lamplighter on August 28, 2008. During the six months ended December 31, 2008 substantially all of our revenue was derived from Lamplighter s operations. Lamplighter s net revenues from the date of acquisition until December 31, 2008, amounted to $612,000. Revenues from BIG and AccessMedia have been included in discontinued operations. Eyecandy did not generate revenues in the period from acquisition to December 31, 2008.

Gross Margin

Our consolidated gross margin for continuing operations was $131,000 or 32% of net revenues and $285,000 or 46% of net revenues for the three months ended and six months ended December 31, 2008. Product costs primarily represent personnel related costs.

Sales and Marketing

Sales and marketing expenses for continuing operations were $4,000 and $5,000 for the three months ended and the six months ended December 31, 2008. Sales and marketing expenses for the three months ended and six months ended December 31, 2007 amounted to $4,000 and $4,000. The 2007 expenses all relate to discontinued operations and have been included in the loss from discontinued operations.

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 as a result of increased legal expenses and costs associated with Lamplighter and Eyecandy, both acquired during fiscal 2008. Offsetting the increase was a reduction in stock based compensation expense.

Interest and other, net

Interest and other, net, changed from a net gain of $76,000 to a net gain of $5,000 for the six months ended December 31, 2007 and December 31, 2008 respectively. This was due to a decrease in cash balances. Our interest expenses included $17,000 for the three months ended December 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 did not record an income tax benefit for the three months ended and six months ended December 31, 2008; however we did record a tax benefit of $259,000 and $518,000 for the three months ended and the six months ended December 31, 2007, respectively. The tax benefit for the six months ended December 31, 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 December 31, 2008 as the realizeability of our net operating loss carry-forwards is not determinable.

Discontinued Operations

(Loss) from discontinued operations, net of income tax

Access Media and BIG

Access Media and BIG ceased operations in December 2007. The results of operations for the three months ended and six months ended December 31, 2007 have been revised to reflect Access Media and BIG as discontinued operations.

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 (see Related Person Transactions below).

Liquidity and Capital Resources

At December 31, 2008, we had a working capital deficit of ($4,097,000) and an accumulated deficit of ($132,631,000). Net cash used in operating activities was $2,674,000 for the six months ended December 31, 2008 in contrast to $3,405,000 for the six months ended December 31, 2007.

During the six months ended December 31, 2008 cash provided by investing activities amounted to $26,000, being the net cash from the acquisition of Lamplighter. During the six months ended December 31, 2007 there was no cash provided by investing activities. Our net cash provided by financing activities was $1,450,000 for the six months ended December 31, 2008 reflecting the repayment of a loan note by Houseplans, Inc. For the six months ended December 31,2007, our cash provided by financing was $217,000 , 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 December 31, 2008, we had $631,000 in cash and cash equivalents which together with anticipated revenue from operations is projected to meet all of our working capital needs for the next twelve months.

At February 13, 2008, we had $925,000 in cash and cash equivalents which together with anticipated revenue from operations 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, anticipated revenue from new continuing operations and cost reductions, we expect we will have sufficient capital for the next twelve months. However, if we use our cash for acquisitions or our newly acquired businesses require funding in addition to or at times not anticipated, we may require additional financing. We expect that any additional financing will require us to issue common stock, convertible debt or convertible preferred stock, which will dilute our existing shareholders. We also expect that we will attempt to use securities as consideration for future acquisitions as opposed to cash. 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

During the first three months ended December 31, 2007 we received services from Alchemy, a company controlled by Mr. Nolan Quan, one of our principal shareholders. We did not receive any such services during the three months ended December 31, 2008. For the three months ended December 31, 2007, we incurred $409,000 of expenses related to Alchemy, which have been reflected in discontinued operations.. For the three months ended December 31, 2008 and 2007, we incurred $17,000 in interest related to a loan from Mr. Quan and for the three months ended September 30, 2007 we incurred consulting fees of $6,000 payable to Mr. Quan. The interest relates to a debt owed to Mr. Quan in the principal amount of $1,725,000 evidenced by demand promissory notes bearing 4% per annum interest and secured by the company s assets. During the three months ended December 31, 2007, we incurred $14,000 in legal fees from Ms. Elaine Rosen. In addition, for the three months ended December 31, 2007, we paid Mr. Kevin Rosen-Quan $14,800 as our Executive Producer. Ms. Rosen and Mr. Rosen-Quan are the wife and son of Mr. Nolan Quan, one of our principal shareholders.

Shared Services

During the six months ended December 31, 2008 and 2007, the Company shared office space with several companies associated with Alchemy and certain of the defendants named in our recent litigation in which we are also named as a defendant. In addition, these same individuals and entities utilized common consultants for the provision of certain services. Regardless of these commonalities, the Company does not believe that these entities or individuals fall within the definition of a related party.

Forward-Looking Statements

This quarterly report on Form 10-Q 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 intend 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 lines, and our ability to complete development of new products. Investors should also review the risk factors contained herein and in our Form 10-K for the year ended June 30, 2008 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 December 31, 2008, the end of the period covered by this quarterly report. Based on this 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 December 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, America s Biggest, Inc. filed suit against Broadcaster, Baytree Capital Associates, LLC, Michael Gardner, and Nolan Quan. A trial is currently scheduled for August 24, 2009. 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 actions (described below) 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 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 moved for a preliminary injunction and sought and obtained an ex parte temporary restraining order. Several days later, following oral argument, this order was vacated by the Court. Goodman s preliminary injunction was denied. A motion to dismiss this action has been filed by Broadcaster. Broadcaster 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 sought monetary damages on behalf of the Company 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, and 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. On August 18, 2008, the Court issued an order denying Baytree s motion for a preliminary injunction, and, as a result of this order, the TRO was terminated. Subsequently, a motion to dismiss the complaint for failure to state a claim was granted on September 29, 2008. Baytree was given leave to amend and filed an amended complaint on October 20, 2008 continuing to allege violations of the securities laws and breaches of fiduciary duties and seeking the same monetary relief as requested in the original Complaint but eliminating all of the previously asserted RICO claims. Broadcaster continues to believe 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. 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. On

August 18, the Court issued an order denying Goodman s motion for a preliminary injunction and, as a result of this order, the Temporary Restraining Order was terminated. On that date, on its own motion, the Court also dismissed the action with thirty days leave to amend. No amended pleading was filed as of the Court s deadline for refiling or as of the present time.

On August 19, 2008, Broadcaster reconvened its annual meeting of shareholders, which had been previously adjourned pending the outcome of the TRO and preliminary injunction sought by Paul Goodman. At the annual meeting of shareholders, the following individuals were named on the slate as candidates to serve as directors: Martin Wade III, Richard Berman, Blair Mills, Arthur Camiolo, Lawrence Johnson and Paul Goodman and the following individuals were elected to serve as directors: Martin Wade III, Richard Berman, Blair Mills, Arthur Camiolo and Lawrence Johnson.

An additional action was also commenced by Michael Gardner, a principal of shareholder Baytree Capital Associates, LLC, who filed a Complaint on March 3, 2008 in New York State Supreme 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 was not named in the suit. This action was also removed to Federal District Court for the Southern District of New York and on June 27, 2008, the Court granted Mr. Wade s motion to dismiss the action for lack of personal jurisdiction.

On September 19, 2008, we filed in the United States District Court for the Central District of California, a claim for rescission against Baytree Capital Associates LLC and cross claim defendants Software People, LLC, Broadcaster, LLC, Trans Global Media, LLC, AccessMedia Technologies, LLC and Michael Gardner requesting return of various shares issued by the Company to those parties.

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 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

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

Exhibit Number	Exhibit Title
10.1	Loan and Security Agreement between Lamplighter Studios, Inc. and Remington Partners, Inc. dated January 9, 2009
10.2	Guaranty between Lamplighter Studios, Inc. and Remington Partners, Inc. dated January 9, 2009
10.3	Participation Certificate between Remington Partners, Inc. and Martin Wade dated January 9, 2009
10.4	Participation Certificate between Remington Partners, Inc. and Gordon Landies dated January 9, 2009
31.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and 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: February 17, 2009

BROADCASTER, INC.

By:	/s/ MARTIN W ADE , III
	Martin Wade, III
	Chief Executive Officer (Principal Executive Officer)
	Chief Financial Officer (Principal Accounting Officer)

INDEX TO EXHIBITS

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