

BROADCASTER INC
Form 424B3
February 08, 2007

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Registration No. 333-138647

PROSPECTUS SUPPLEMENT NO. 2

TO PROSPECTUS DATED DECEMBER 18, 2006

BROADCASTER, INC.

33,114,562 Shares of Common Stock

This prospectus supplement supplements and amends the prospectus dated December 18, 2006 and replaces supplement no. 1 dated January 23, 2006 relating to the resale by certain selling stockholders of up to 33,114,562 shares of common stock of Broadcaster, Inc.

This prospectus supplement should be read in conjunction with the prospectus. This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus.

On January 4, 2007, Broadcaster, Inc., AccessMedia Networks, Inc., Andrew Garroni, as stockholders representative, and the former stockholders of AccessMedia Networks, Inc. entered into an Amendment to the Amended and Restated Agreement and Plan of Merger, which modified the earn-out payment provision. The definition of revenue used to measure whether certain target revenue performance levels are met was amended to include the number of monthly unique visitors to Broadcaster's website multiplied by one dollar (\$1.00).

The amendment was made in response to Broadcaster's shift from a subscription revenue model to an advertising revenue model based on unique page visits similar to that used by YouTube and other Internet entertainment portals.

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The subscription model is currently in the process of being phased out. Broadcaster anticipates it will take approximately seven to eight months to fully switch over to an advertising based revenue model.

At a meeting of the Broadcaster Board of Directors on February 1, 2007, the Board of Directors concluded that the first revenue target of \$20 million had been exceeded as of December 31, 2006. Accordingly, Broadcaster issued 7,000,000 additional shares of common stock, with the four limited liability companies controlled by Mr. Nolan Quan receiving 5,040,000 shares of common stock and Mr. Michael Gardner receiving 1,960,000 shares. In addition, another 350,000 additional shares were issued to a company controlled by Mr. Gardner under a Consulting Agreement through which Mr. Gardner's company receives an additional 5% of any earn-out shares. Further, the same company controlled by Mr. Gardner received an additional 50,000 shares under the same Consulting Agreement for services rendered in connection with a related transaction, the asset acquisition of America's Biggest, Inc. As the result of the issuance of these shares, Messrs. Gardner and Quan beneficially own 39,074,300 shares of Broadcaster common stock or 53.8% of outstanding shares. As a result, the Parent and Company Voting Agreements which controlled selection of the Board of Directors expired. Broadcaster also agreed to issue 100,000 shares of its common stock to a third party for services rendered or to be rendered and 1,645,500 stock options to various employees

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

The date of this prospectus supplement is February 7, 2007.