



Edgar Filing: CrowdGather, Inc. - Form 10-Q

(Address of principal executive offices) (Zip Code)

**(818) 435-2472**

(Registrant's telephone number, including area code)

---

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

Indicate by check mark whether the issuer (1) has 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. x Yes " No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x 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 " Accelerated filer "  
Non-accelerated filer "(Do not check if a smaller reporting company) Smaller reporting company x

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

As of December 1, 2015, there were 120,063,572 shares of the issuer's \$.001 par value common stock issued and outstanding.

**TABLE OF CONTENTS**

**PART I**

|         |                                                                                              |    |
|---------|----------------------------------------------------------------------------------------------|----|
| Item 1. | <u>Financial Statements</u>                                                                  | 3  |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 19 |
| Item 3. | <u>Quantitative and Qualitative Disclosures about Market Risk</u>                            | 25 |
| Item 4. | <u>Controls and Procedures</u>                                                               | 25 |

**PART II**

|          |                                                                    |    |
|----------|--------------------------------------------------------------------|----|
| Item 1.  | <u>Legal Proceedings</u>                                           | 25 |
| Item 1A. | <u>Risk Factors</u>                                                | 25 |
| Item 2.  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 25 |
| Item 3.  | <u>Defaults Upon Senior Securities</u>                             | 26 |
| Item 4.  | <u>Mine Safety Disclosures</u>                                     | 26 |
| Item 5.  | <u>Other Information</u>                                           | 26 |
| Item 6.  | <u>Exhibits</u>                                                    | 26 |

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****CROWDGATHER, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS**

|                                                                                                         | <b>OCTOBER 31,<br/>2015</b> | APRIL 30, 2015 |
|---------------------------------------------------------------------------------------------------------|-----------------------------|----------------|
|                                                                                                         | <b>(UNAUDITED)</b>          |                |
| <b>ASSETS</b>                                                                                           |                             |                |
| Current assets                                                                                          |                             |                |
| Cash                                                                                                    | \$ 16,012                   | \$ 73,801      |
| Accounts receivable                                                                                     | 169,246                     | 214,255        |
| Investments                                                                                             | 21,480                      | 21,480         |
| Inventory                                                                                               | 31,648                      | 31,744         |
| Prepaid expenses and deposits                                                                           | 56,838                      | 37,389         |
| Total current assets                                                                                    | 295,224                     | 378,669        |
| Property and equipment, net of accumulated depreciation of \$639,209 and \$625,097, respectively        | 27,033                      | 41,143         |
| Intangible and other assets, net of accumulated amortization of \$1,202,716 and \$812,846, respectively | 7,260,838                   | 7,664,328      |
| Goodwill                                                                                                | 1,817,400                   | 1,817,400      |
| Total assets                                                                                            | \$ 9,400,495                | \$ 9,901,540   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                             |                             |                |
| Current liabilities                                                                                     |                             |                |
| Accounts payable                                                                                        | \$ 283,089                  | \$ 184,113     |
| Line of credit                                                                                          | 297,415                     | 449,760        |
| Deferred revenue                                                                                        | 407,549                     | 278,982        |
| Accrued vacation                                                                                        | 101,791                     | 96,564         |
| Other accrued liabilities                                                                               | 264,822                     | 243,821        |
| Convertible notes payable, net of discount                                                              | 517,431                     | 223,316        |
| Derivative liabilities                                                                                  | 378,922                     | 819,240        |

Edgar Filing: CrowdGather, Inc. - Form 10-Q

|                                                                                                                                     |              |               |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| Notes payable, net of discount                                                                                                      | 2,710,167    | 1,455,859     |
| Notes payable to related parties, net of discount                                                                                   | 299,336      | 296,359       |
| Total current liabilities                                                                                                           | 5,260,522    | 4,048,014     |
| Stockholders' equity                                                                                                                |              |               |
| Common stock, \$0.001 par value, 975,000,000 shares authorized,<br>120,036,572 and 117,283,509 issued and outstanding, respectively | 120,037      | 117,284       |
| Additional paid-in capital                                                                                                          | 36,347,828   | 35,657,048    |
| Accumulated deficit                                                                                                                 | (32,299,372) | ) (29,892,286 |
| Accumulated other comprehensive loss                                                                                                | (28,520)     | ) (28,520 )   |
| Total stockholders' equity                                                                                                          | 4,139,973    | 5,853,526     |
| Total liabilities and stockholders' equity                                                                                          | \$ 9,400,495 | \$ 9,901,540  |

See accompanying notes to financial statements.

**CROWDGATHER, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS AND SIX MONTHS ENDED October 31, 2015 AND 2014****UNAUDITED**

|                                                        | Three Months |                | Six Months     |                |
|--------------------------------------------------------|--------------|----------------|----------------|----------------|
|                                                        | 2015         | 2014           | 2015           | 2014           |
| Revenue                                                | \$518,964    | \$393,734      | \$1,228,115    | \$800,324      |
| Cost of revenue                                        | 95,976       | 147,445        | 253,268        | 254,914        |
| Gross profit                                           | 462,989      | 246,289        | 974,847        | 545,410        |
| Operating expenses                                     |              |                |                |                |
| Payroll and related expenses                           | 312,295      | 573,641        | 666,489        | 1,246,683      |
| Stock based compensation                               | 17,900       | 100,000        | 78,900         | 199,000        |
| General and administrative                             | 485,771      | 1,162,210      | 1,223,234      | 2,395,914      |
| Legal settlements, net                                 | -            | 50,000         | -              | 50,000         |
| Loss on disposal of assets                             | -            | -              | -              | 1,529,262      |
| Total operating expenses                               | 815,966      | 1,885,851      | 1,968,623      | 5,420,859      |
| Loss from operations                                   | (392,977 )   | (1,639,562 )   | (993,776 )     | (4,875,449 )   |
| Other income (expense), net                            |              |                |                |                |
| Stated interest and issuance (expense)                 | (104,916 )   | (13,749 )      | (200,859 )     | (13,508 )      |
| Debt discount (expense), net fair value adjustment     | (233,911 )   | -              | (419,939 )     | -              |
| Gain (Loss) on notes payable                           | (64,785 )    | 2442           | (124,412 )     | 2,442          |
| Other interest (expense)                               | (1,448 )     | -              | (2,236 )       | -              |
| Total Other income (expense), net                      | (405,060 )   | (11,307 )      | (747,446 )     | (11,066 )      |
| Net loss before provision for income taxes             | (798,037 )   | (1,650,869 )   | (1,741,222 )   | (4,886,515 )   |
| Provision for income taxes                             | -            | -              | 800            | 800            |
| Net loss                                               | \$(798,037 ) | \$(1,650,869 ) | \$(1,742,022 ) | \$(4,887,315 ) |
| Weighted average shares outstanding- basic and diluted | 118,201,197  | 116,733,508    | 117,742,353    | 111,046,333    |
| Net loss per share – basic and diluted                 | \$(0.01 )    | \$(0.01 )      | \$(0.01 )      | \$(0.04 )      |

See accompanying notes to financial statements.

**CROWDGATHER, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED OCTOBER 31, 2015 AND 2014****UNAUDITED**

|                                                                             | 2015          | 2014          |
|-----------------------------------------------------------------------------|---------------|---------------|
| Cash flows from operating activities:                                       |               |               |
| Net loss                                                                    | \$(1,742,022) | \$(4,887,315) |
| Adjustments to reconcile net loss to net cash used in operating activities: |               |               |
| Depreciation and amortization                                               | 208,492       | 448,243       |
| Stock-based compensation                                                    | 78,900        | 199,000       |
| Loss on disposal of assets                                                  | -             | 1,529,262     |
| Change in fair value of derivative liabilities                              | (414,692 )    | (2,442 )      |
| Loss on extinguishment of debt                                              | 124,412       | -             |
| Changes in operating assets and liabilities:                                |               |               |
| (Increase) decrease in accounts receivable                                  | 10,346        | (69,294 )     |
| Decrease in inventory                                                       | 26            | 113           |
| (Increase) decrease in prepaid expenses and deposits                        | (10,816 )     | (18,388 )     |
| Increase in accounts payable and accrued liabilities                        | (36,494 )     | 819,045       |
| Net cash used in operating activities                                       | (1,781,848)   | (1,981,776)   |
| Cash flows from investing activities:                                       |               |               |
| Purchase of property and equipment                                          | -             | (12,384 )     |
| Proceeds from sale of intangible assets, net of fees                        | 16,120        | 1,430,847     |
| Purchase of intangible assets                                               | -             | -             |
| Net cash provided by investing activities                                   | 16,120.00     | 1,418,463     |
| Cash flows from financing activities:                                       |               |               |
| Cash account acquired with the purchase of subsidiary                       | -             | 102,358       |
| Proceeds from the issuance of debt                                          | 1,611,859     | 154,000       |
| Payments on capital lease obligations                                       | -             | -             |
| Net cash provided by financing activities                                   | 1,611,859     | 256,358       |
| Net increase (decrease) in cash                                             | (153,869 )    | (306,955 )    |
| Cash, beginning of period                                                   | 169,881       | 546,158       |
| Cash, end of period                                                         | \$16,012      | \$239,203     |
| Supplemental disclosure of cash flow information:                           |               |               |
| Cash paid for:                                                              |               |               |



Edgar Filing: CrowdGather, Inc. - Form 10-Q

|                                                                                 |          |             |
|---------------------------------------------------------------------------------|----------|-------------|
| Interest                                                                        | \$-      | \$-         |
| Income taxes                                                                    | \$800    | \$800       |
| Non-cash transactions:                                                          |          |             |
| Purchase of property and equipment                                              | \$-      | \$27,538    |
| Accounts payable and accrued liabilities assumed for acquisition of Plaor, Inc. |          | 232,000     |
| Stock-based compensation                                                        | \$78,900 | \$199,000   |
| Stock issued for the acquisition of Plaor, Inc.                                 | \$-      | \$6,058,338 |

See accompanying notes to financial statements.

**CROWDGATHER, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2015**

**(UNAUDITED)**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

CrowdGather, Inc. (hereinafter referred to as “we”, “us”, “our”, or “the company”) is a social networking, internet company that specializes in developing and hosting forum based websites and provides targeted advertising and marketing services for online customers. Through our merger with Plaor, Inc on May 19, 2014, we also develop, market and operate online social games as live services played over the Internet and on social networking sites and mobile platforms. Plaor’s initial social gaming platform is a simulated casino environment referred to as Mega Fame Casino. We are headquartered in Calabasas, California, and were incorporated under the laws of the State of Nevada on April 20, 2005.

**Principles of Consolidation**

The accompanying consolidated financial statements include our activities and our wholly-owned subsidiaries, Adisn, Inc. and Plaor, Inc. All intercompany transactions have been eliminated.

**Basis of Presentation**

The condensed consolidated unaudited financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements included in our annual report on Form 10-K for the year ended April 30, 2015. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating

results for the three months ended October 31, 2015, are not necessarily indicative of the results that may be expected for any other interim period or the entire year. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2015, included in our annual report on Form 10-K.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates.

### **Identifiable Intangible Assets**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 350, *Intangibles – Goodwill and Other* (ASC 350), goodwill and intangible assets with indefinite lives are not amortized but instead are measured for impairment at least annually in the fourth quarter, or when events indicate that impairment exists. As required by ASC 350, in the impairment tests for indefinite-lived intangible assets, we compare the estimated fair value of the indefinite-lived intangible assets, website domain names, using a combination of discounted cash flow analysis and market value comparisons. If the carrying value exceeds the estimate of fair value, we calculate the impairment as the excess of the carrying value over the estimate of fair value and accordingly record the loss.

Intangible assets that are determined to have definite lives are amortized over the shorter of their legal lives or their estimated useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired in accordance with ASC 360, *Property, Plant and Equipment* discussed below.

### **Impairment of Long-Lived Assets**

In accordance with ASC 360, we estimate the future undiscounted cash flows to be derived from the asset to assess whether or not a potential impairment exists when qualitative events or circumstances indicate the carrying value of a long-lived asset may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair value.



**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Investments**

Investments are classified as available for sale and consist of marketable equity securities that we intend to hold for an indefinite period of time. Investments are stated at fair value and unrealized holding gains and losses, net of the related tax effect, are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are computed on the “specific identification” method and are reported as income or loss in the period of disposition on our consolidated statements of operations.

**Inventory**

Inventory is valued at the lower of cost or market, using the first-in, first-out (FIFO) method.

**Revenue Recognition**

We currently work with third-party advertising networks and advertisers pay for advertising on a cost per thousand impressions, cost per click or cost per action basis. We also derive revenue from the sale of virtual goods associated with our online games, as well as from services provided for customer events. All sales are recorded in accordance with ASC 605, *Revenue Recognition*. Revenue is recognized when all the criteria have been met:

- When persuasive evidence of an arrangement exists.
- The services have been provided to the customer.
- The fee is fixed or determinable.
- Collectability is reasonably assured.

*Online Game*

We operate Mega Fame Casino (“MFC”), a full-featured free-to-play online social casino. MFC is available on Facebook, Google Play, and the Apple App Store. MFC generates revenue through the sale of virtual currency to players that they may exchange to play at any of our online slot machines, video poker machines, Hold’em style poker tables, or for other features and experiences available within MFC. Players can pay for our virtual currency using Facebook credits (prior to July 2013) or Facebook local currency payments (beginning July 2013) when playing our games through Facebook and can use other payment methods such as credit cards or PayPal on other platforms.

Revenue from the sale of virtual currency to players is recognized when the service has been provided to the player, assuming all other revenue recognition criteria have been met. We have determined that an implied obligation exists by the Company to the paying player to continue displaying the purchased virtual goods within the online game over their estimated life or until they are consumed. The proceeds from the sale of virtual goods are initially recorded as deferred revenue. We recognize revenue as the goods are consumed, assuming all other revenue recognition criteria have been met, which is generally over a period of 90 days.

#### *Events*

Our games also offer unique interactions with a large number of well-known celebrities from film, television, professional sports, and the music industry. Through a combination of regularly scheduled events and special events, our players can play and interact with their favorite stars in ways not known to be available in other social games. Our most popular celebrity event is our bi-weekly celebrity shootout tournament. We recognize revenue upon conclusion of the event, assuming all other revenue recognition criteria have been met.

#### *Deferred Revenue*

Advance payments from customers that are non-refundable and relate to non-cancellable contracts that specify our obligations are recorded to deferred revenue until the aforementioned revenue recognition criteria have been met.

### **Cost of Revenue**

Our cost of revenue consists primarily of the direct expenses incurred in order to generate online game revenue. Such costs are recorded as incurred. Our cost of revenue consists primarily of hosting and data center costs related to operating our online games, royalty fees and expenses for hosting celebrity events, primarily appearance and facility fees. Additionally, expenses relating to the fulfillment of specific customer advertising campaigns and the costs associated with the manufacturing and distribution of our synthetic human pheromone consumer products are included in our cost of revenue as well.

### **Stock Based Compensation**

We account for employee stock option grants in accordance with ASC 718, *Compensation – Stock Compensation*. ASC 718 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. ASC 718 requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period).

For options and warrants issued as compensation to non-employees for services that are fully vested and non-forfeitable at the time of issuance, the estimated value is recorded in equity and expensed when the services are performed and benefit is received as provided by ASC 505-50, *Equity – Disclosure* .. For unvested shares, the change in fair value during the period is recognized in expense using the graded vesting method.

### **Internal-Use Software Development Costs**

We expense costs as incurred for internal-use software during the preliminary stages of development. Costs incurred by us during the application development stage are capitalized, subject to their recoverability. All costs incurred after the software has been implemented and is fully operational are expensed as incurred. As of October 31, 2015, we have not capitalized any internal-use software development costs.

### **Comprehensive Loss**

We apply ASC No. 220, *Comprehensive Income* (ASC 220). ASC 220 establishes standards for the reporting and display of comprehensive income or loss, requiring its components to be reported in a financial statement that is displayed with the same prominence as other financial statements. Our comprehensive loss was \$798,000 and \$1,741,000 for the three and six months ended October 31, 2015, respectively.

### **Recent Accounting Pronouncements**

There were various accounting updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on our condensed consolidated financial position, results of operations or cash flows.

### **Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

## **2. GOING CONCERN**

We have incurred a net loss of \$1,741,000 for the six months ended October 31, 2015 and have an accumulated deficit of \$32,299,000 as of October 31, 2015, and additional debt or equity financing will be required to fund our activities and to support our operations. However, there is no assurance we will be able to obtain additional financing. Furthermore, there is no assurance that rapid technological changes, changing customer needs and evolving industry standards will enable us to introduce new products on a continual and timely basis so that profitable operations can be attained.

We are currently devoting our efforts to assimilate our business combination with Plaor to enhance our product offerings and revenues as further described in Management's Discussion and Analysis. There can be no assurance that our efforts will translate in a beneficial manner. The accompanying statements do not include any adjustments that might result should we be unable to continue as a going concern.



**3. ACQUISITION**

On May 19, 2014, we completed a merger agreement for 100% of the issued and outstanding common stock of Plaor, Inc. (Plaor), a social gaming company, pursuant to which Plaor survived as our wholly-owned subsidiary (“Merger”). The Company issued 55,075,801 shares of its \$0.01 par value common stock to the shareholders of Plaor. These shares were valued for the Company's accounting purposes at \$0.11 per share which represented the closing share price of the Company’s stock on May 19, 2014. The total value of the acquisition was approximately \$6,058,000 and has been allocated in accordance with ASC 805 as per the Company’s valuation estimate as follows:

|                                                |             |
|------------------------------------------------|-------------|
| Cash and cash equivalent                       | \$ 102,000  |
| Accounts receivable, Net                       | 87,000      |
| Prepays and other assets                       | 25,000      |
| Property and equipment                         | 18,000      |
| Amortizable intangible assets:                 |             |
| Trademarks, trade name, licensing and branding | 4,240,938   |
| Goodwill allocated                             | 1,817,400   |
| <br>                                           |             |
| Total assets acquired                          | 6,290,338   |
| Fair value of liabilities assumed              | (232,000 )  |
| Net fair value                                 | \$6,058,338 |

**4. INVENTORY**

As of October 31, 2015, inventory consisted of all finished goods of our synthetic human pheromone consumer products in the amount of approximately \$31,000.

**5. INVESTMENTS**

Pursuant to our agreement with Human Pheromone Sciences, Inc., we converted our \$50,000 advance payment into 714,286 shares of Human Pheromone restricted common stock in January 2012. These securities are classified as available for sale and are stated at fair value.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

|                                          | October 31, 2015 | April 30, 2015 |
|------------------------------------------|------------------|----------------|
| Furniture, fixtures and office equipment | \$ 34,000        | \$ 34,000      |
| Computers, servers and equipment         | 620,000          | 620,000        |
| Leasehold improvements                   | 12,000           | 12,000         |
|                                          | 666,000          | 666,000        |
| Less: accumulated depreciation           | (639,000 )       | (625,000 )     |
|                                          | \$ 27,000        | \$ 41,000      |

Depreciation expense was \$12,000 and \$59,000 for the six months ended October 31, 2015 and 2014, respectively.

## **7. CONCENTRATIONS OF CREDIT RISK**

As of October 31, 2015 100% of our social game outstanding receivables were derived from three platforms, Facebook, Google, and Apple. This concentration of receivable sources causes us to face significant risks related to both our standing with these platforms and also their commercial success and user participation.

**8. INTANGIBLE ASSETS**

Intangibles are either amortized over their estimated lives, if a definite life is determined, or are not amortized if their life is considered indefinite. We account for the intangible assets at cost. Intangible assets acquired in a business combination, if any, are recorded under the purchase method of accounting at their estimated fair values at the date of acquisition. For the six months ended October 31, 2015 and 2014, we recorded \$390,000 and \$389,000 respectively, of amortization associated with its definite lived intangibles. Intangibles consist of the following:

|                                    | Est. Life  | October 31, 2015 | April 30, 2015 |
|------------------------------------|------------|------------------|----------------|
| Online forums and related websites | Indefinite | \$ 4,398,000     | \$ 4,411,000   |
| Plaor acquisition                  | 5 years    | 4,066,000        | 4,066,000      |
|                                    |            | 8,464,000        | 8,477,000      |
| Less: accumulated amortization     |            | (1,203,000 )     | (813,000 )     |
|                                    |            | \$ 7,261,000     | \$ 7,664,000   |

During the six months ended October 31, 2015 we recorded reduction of approximately \$16,000 of asset value related to online forums and related websites in connection with sale of our PbNation online community to VerticalScope during our 2015 fiscal year.

On August 11, 2015, we acquired the digital assets of CouponsForWeed.com and related mobile application in exchange for a \$1,000 cash payment due at closing and 28,571 shares of our \$0.001 par value common stock, valued for accounting purposes at \$0.05 per share which represented the volume weighted average share price on the closing date of the transaction.

**9. GOODWILL**

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. As October 31, 2015, we determined that the fair value of the goodwill exceeded its carrying value and therefore goodwill was not impaired.

**10. PREFERRED SERIES B STOCK**

On April 8, 2013, we filed with the Secretary of State of Nevada the Certificate of Designation of the Relative Rights and Preferences of the Series B Preferred Stock (the "Certificate of Designation") specifying the designations, preferences and relative rights of the Series B Convertible Preferred Stock ("Series B Shares"). The Certificate of Designation created a series of preferred stock consisting of 1,000,000 out of the 25,000,000 shares of our preferred stock, which will be designated "Series B Preferred Stock." The Certificate of Designation provides, among other things, that: (i) the conversion price for the shares of Series B Shares is the price per share equal to the quotient of the original issue price of \$1.00 per share (the "Original Issue Price") divided by the number of shares of common stock into which each share of Series B Shares may be converted (the "Conversion Rate"), subject to adjustment from time to time for recapitalizations and as otherwise set forth in the Certificate of Designation; (ii) each share of Series B Shares is convertible into shares of common stock at the option of the holder at any time after the date of issuance at a Conversion Rate of 20 shares of common stock for each share of Series B Shares; (iii) the holder of outstanding Series B Shares will be entitled to receive dividends, when declared by the Board of Directors, at an annual dividend rate of 10% per share of Series B Shares, with such right to receive dividends being cumulative and will accrue and be payable annually; (iv) the shares of Series B Shares may be redeemed by us, at our option, at a redemption price equal to 120% of the amount obtained by multiplying the Original Issue Price of the Series B Shares by the number of shares of Series B Shares to be redeemed from the investor; and (v) so long as any shares of Series B Shares remain outstanding, we will not, among other things, amend or restate any provisions of our Articles of Incorporation or Bylaws, declare or pay dividends on any shares of common stock or other security other than Series B Shares, authorize or issue any equity security having a preference over or being on parity with the Series B Shares, change the authorized number of directors, or enter into indebtedness of more than \$1,000,000, without the prior written consent of a majority of outstanding shares of Series B Shares.

During fiscal years 2013 and 2014, we sold 1,000,000 shares of our Series B Shares to various investors in exchange for \$1,000,000, or \$1.00 per share, pursuant to securities purchase agreements (“Purchase Agreements”). In connection with the sale of Series B Shares, the investors also received warrants to purchase 10,000,000 shares of our common stock at a purchase price of \$0.08 per share. The warrant agreements (“Warrants”) provide for an expiration period of five years from the date of the investment.

On December 1, 2014, we entered into a separate exchange agreement with each holder (collectively, the “Holders”) of (i) shares of our Series B Preferred Stock (“Preferred Stock”), and (ii) warrants to purchase 10,000,000 shares of common stock issued in connection with the Preferred Stock (the “Old Warrants”) pursuant to which we issued Secured Promissory Notes (“Exchange Notes”) in the aggregate principal amount of \$1,100,000 and warrants to purchase 5,500,000 shares of our common stock (the “Exchange Warrants”) to the Holders in the amounts as specified in the separate Exchange Agreements in exchange for all of the issued and outstanding Preferred Stock and all of the Old Warrants held by the Holders. Following the consummation of the transactions contemplated by each Exchange Agreement, the Preferred Stock and Old Warrants were no longer outstanding, and we removed from reservation 30,000,000 shares of common stock underlying the Preferred Stock and Old Warrants. The Exchange Warrants grant the Holders the right to purchase five shares of our common stock for every one dollar of principal of the Exchange Notes issued to the Holders at an exercise price equal to \$0.11 per share. The Exchange Warrants have an exercise term equal to five years and are exercisable commencing on December 3, 2014. In connection with the issuance of the Exchange Notes, we entered into a security agreement with the Holders to secure the timely payment and performance in full of our obligations pursuant to the Exchange Notes.

## **11. STOCK OPTIONS**

In May 2008 our board of directors approved the CrowdGather, Inc. 2008 Stock Option Plan (the Plan). The Plan permits flexibility in types of awards, and specific terms of awards, which will allow future awards to be based on then-current objectives for aligning compensation with increasing long-term shareholder value.

For the three months ended October 31, 2015 and 2014, we recognized \$18,000 and \$100,000 of stock-based compensation costs, respectively, as a result of the issuance of stock options to employees, directors and consultants in accordance with ASC 505.

There were no new grants for the three months ended October 31, 2015

A summary of the status of our unvested shares as of October 31, 2015 is presented below:

|                                      | <b>Number<br/>of Shares</b> | <b>Weighted-Average Grant-<br/>Date Fair Value</b> |
|--------------------------------------|-----------------------------|----------------------------------------------------|
| Non-vested balance, August 1, 2015   | 3,210,261                   | \$ 0.1                                             |
| Granted                              | 0                           | -                                                  |
| Vested                               | (69,688 )                   | 0.06                                               |
| Forfeited/Expired                    | (261,198 )                  | -                                                  |
| Non-vested balance, October 31, 2015 | 2,879,375                   | \$ 0.09                                            |

As October 31, 2015, total unrecognized stock-based compensation cost related to unvested stock options was \$189,323 which is expected to be recognized over a weighted-average period of approximately 8.71 years.

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

|                                 | October 31, 2015 |
|---------------------------------|------------------|
| Risk-free interest rate         | 0.00% to 0.50%   |
| Expected volatility             | 100.00 %         |
| Expected option life (in years) | 4.00             |
| Expected dividend yield         | 0.00             |

The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero coupon issues. The expected volatility is primarily based on historical volatility levels of our public company peer group. The expected option life of each award granted was calculated using the “simplified method” in accordance with ASC 718.

## **12. COMMITMENTS AND CONTINGENCIES**

As of October 31, 2015, we lease approximately 1,309 square feet of office space located at 23945 Calabasas Road, Suite 115, Calabasas California. The term of our lease is for twelve months and expires on June 30, 2016. Our rent is \$2,553 per month.

We also rent approximately 10,000 square feet of office space at 12 Channel Street, Boston, MA 02210. The term of our lease is for six years and expires on July 31, 2020. Our rent is \$14,000 per month.

## **13. SEGMENT INFORMATION**

The Company has two (2) principal operating segments, which are (1) forum advertising, and (2) social gaming. These operating segments were determined based on the nature of the products and services offered. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Company’s chief executive officer and chief operating officer have been identified as the chief operating decision makers. The Company’s chief operating decision makers direct the allocation of resources to operating segments based on the profitability and cash flows of each respective segment. Interim segment information for sales and related costs for the six months ended October 31, 2015 and 2014 was as follows:

|                        | <b>Six Months Ended<br/>October 31, 2015</b> | <b>Six Months Ended<br/>October 31, 2014</b> |
|------------------------|----------------------------------------------|----------------------------------------------|
| Revenues:              |                                              |                                              |
| Forum advertising      | 257,000                                      | 385,000                                      |
| Social gaming          | 971,000                                      | 415,000                                      |
| Total revenues         | 1,228,000                                    | 800,000                                      |
| Cost of Revenues:      |                                              |                                              |
| Forum advertising      | 1,000                                        | 2,000                                        |
| Social gaming          | 252,000                                      | 253,000                                      |
| Total cost of revenues | 253,000                                      | 255,000                                      |
| Gross Profit:          |                                              |                                              |
| Forum advertising      | 256,000                                      | 383,500                                      |
| Social gaming          | 719,000                                      | 162,000                                      |

|                    |         |         |
|--------------------|---------|---------|
| Total gross profit | 975,000 | 545,500 |
|--------------------|---------|---------|

#### **14. PROVISION FOR INCOME TAXES**

For the years to date ended April 31, 2015 and 2014, we have recognized the minimum amount of franchise tax required under California corporation law of \$800. We are not currently subject to further federal or state tax since we have incurred losses since our inception.

#### **15. NOTES PAYABLE AND DERIVATIVE LIABILITIES**

##### **Promissory Notes and Note Purchase Agreements**

On April 13, 2015, we entered into a Note Purchase Agreement (Agreement) and related Security Agreement. Under the Agreement, our CEO Sanjay Sabnani agreed to loan the Company \$50,000. As part of the Agreement, we issued to Mr. Sabnani a Promissory Note whereby we will repay the \$50,000 including interest at 12% or the maximum allowable under the law, whichever is lower. The note, including interest is due April 13, 2016.



On April 17, 2015, we issued a Promissory Note for \$238,976 received from Mr. Sanjay Sabnani. The proceeds were used to pay off a short-term convertible note issued to KBM Worldwide, Inc. on October 20, 2014, as well as to provide us with \$25,000 in working capital. Under the terms of the note, we agree to repay the \$238,976 including interest at 12%. The note, including interest, was due October 20, 2015. Mr. Sabnani has granted a waiver of default and the note is currently in good standing.

On July 16, 2015, we entered into a Note Purchase Agreement (Agreement) and related Security Agreement for \$50,000 with an investor. As part of the Agreement, we issued to the investor a Promissory Note whereby we will repay the \$50,000 including interest at 12% or the maximum allowable under the law, whichever is lower. The note, including interest is due one year from the issue date.

On July 16, 2015, we entered into a Note Purchase Agreement (Agreement) and related Security Agreement for \$96,000 with Vinay Holdings. As part of the Agreement, we issued to the Vinay Holdings a Promissory Note whereby we will repay the \$96,000 including interest at 12% or the maximum allowable under the law, whichever is lower. The note, including interest is due one year from the issue date.

On July 23, 2015, we entered into a Note Purchase Agreement (Agreement) and related Security Agreement for \$372,000 with Vinay Holdings . As part of the Agreement, we issued to Vinay Holdings a Promissory Note whereby we will repay the \$372,000 including interest at 12% or the maximum allowable under the law, whichever is lower. The note, including interest was due 60 days from issue date. Vinay Holdings has granted a waiver of default and the note is currently in good standing.

On August 18, 2015, we entered into a Note Purchase Agreement (Agreement) and related Security Agreement for \$100,000 with Vinay Holdings . As part of the Agreement, we issued to Vinay Holdings a Promissory Note whereby we will repay the \$100,000 including interest at 12% or the maximum allowable under the law, whichever is lower. The note, including interest was due 60 days from issue date. Vinay Holdings has granted a waiver of default and the note is currently in good standing.

On September 15, 2015, we issued a Promissory Note for \$10,000 received from Mr. James Sacks, a member of our board. The proceeds will be used for general working capital. Under the terms of the note, we agree to repay the \$10,000 including interest at 12%. The note, including interest, is due March 13, 2016.

On September 15, 2015, we issued a Promissory Note for \$10,000 received from Mr. Hazim Ansari, a member of our board. The proceeds will be used for general working capital. Under the terms of the note, we agree to repay the \$10,000 including interest at 12%. The note, including interest, is due March 13, 2016.

On September 17, 2015, we issued a Promissory Note for \$10,000 received from Mr. Richard Corredera, our CFO. The proceeds will be used for general working capital. Under the terms of the note, we agree to repay the \$10,000 including interest at 12%. The note, including interest, is due March 15, 2016.

On October 14, 2015, we issued a Promissory Note for \$50,000 received from Vinay Holdings. The proceeds will be used for general working capital. Under the terms of the note, we agree to repay the \$50,000 including interest at 12%. The note, including interest, is due April 11, 2016.

On October 22, 2015, we issued a Promissory Note for \$40,000 received from Vinay Holdings. The proceeds will be used for general working capital. Under the terms of the note, we agree to repay the \$10,000 including interest at 12%. The note, including interest, is due April 19, 2016.

**Notes and Warrant Purchase Agreements**

Embedded warrant and host contract summary as of October 31, 2015

| Instrument Date | Fair value | Gains (losses) | Carrying Value | Amortization Costs |
|-----------------|------------|----------------|----------------|--------------------|
| Nov. 20, 2014   | \$ 18,871  | \$ (7,104 )    | \$ 96,426      | \$ 15,658          |
| Nov. 21, 2014   | \$ 28,307  | \$ (10,655 )   | \$ 144,639     | \$ 23,488          |
| Dec. 01, 2015   | \$ 208,024 | \$ (161,708 )  | \$ 1,038,400   | \$ 343,468         |
| Dec. 02, 2015   | \$ 37,743  | \$ (14,207 )   | \$ 192,852     | \$ 31,317          |

In the cases of each instrument summarized in the table above and detailed in the paragraphs below we determined the embedded warrants attached to the notes meet the definition of a derivative under ASC 815 and require bifurcation and are accounted for as separate embedded derivatives. We have estimated the fair market value of the embedded derivatives of the notes as the difference between the fair market value of the notes with the conversion feature and the fair market value of the notes without the conversion feature associated with the embedded derivative, in both cases using relevant market data. In the case of the fair market value of the notes with the conversion feature, a binomial lattice model was used utilizing a discount rate based on variable conversion probability. In the case of the fair market value of the notes without the conversion feature associated with the embedded derivative, a discounted cash flow approach was used. The key valuation assumptions used consist of the price of our common stock, a risk free interest rate based on the average yield of a similarly termed Treasury Note and the historical volatility of our common stock over a period of similar length to the term of the instrument, all as of the measurement dates. The embedded derivatives were recorded on the balance sheet at their estimated fair values. Debt discounts are amortized over the life of the debt using the effective interest rate method. The fair value of the embedded derivative will be measured and recorded at fair value each subsequent reporting period and changes in fair value will be recognized in the statement of operations as a gain or loss on derivative

We have recorded each of the instruments' derivative liability balances on our balance sheet in the Derivative liabilities account; the carrying amount of each host contract has been recorded in Notes payable, net of discount; on our statement of operations we have recorded gains (losses) resulting from fair value adjustments in Change in fair value of derivative liabilities; we have recognized the amortization costs in Interest expense, net

On November 20, 2014 and November 21, 2014, we entered into two Note and Warrant Purchase Agreements with two investors ("Investors") providing for the purchase of Secured Promissory Notes ("Notes") in the aggregate principal amount of \$250,000 and warrants to purchase an aggregate amount of 1,250,000 shares of our common stock (the "Warrants"). The Notes were issued on November 20, 2014 and November 21, 2014, respectively. The Notes bear interest at the rate of 12% per annum and were due and payable one year from the date of issuance. The investors have granted waivers of default valid until February 14, 2016 and the notes are currently in good standing. The Warrants grant the Investors the right to purchase five shares of our common stock for every one dollar of principal of the Notes purchased by the Investors at an exercise price equal to 110% of the closing price of our common stock on the date of investment. The Warrants have an exercise term equal to five years and are exercisable commencing on November

20, 2014 and November 21, 2014, respectively. In connection with the issuance of the Notes, we entered into a security agreement with the Investors to secure the timely payment and performance in full of our obligations pursuant to the Notes.

On December 2, 2014, we entered a Note and Warrant Purchase Agreement with one investor providing for the purchase of a Secured Promissory Note (“Note”) in the principal amount of \$200,000 and warrants to purchase 1,000,000 shares of our common stock (the “Warrants”). The Note was issued and funded on December 2, 2014. The Note bears interest at the rate of 12% per annum and was due and payable one year from the date of issuance. The investors have granted waivers of default and the notes are currently in good standing. The Warrants grant the investor the right to purchase five shares of our common stock for every one dollar of principal of the Note purchased by the investor at an exercise price of \$0.11 per share which is equal to 110% of the closing price of our common stock on the date of investment. The Warrants have an exercise term equal to five years and are exercisable commencing on the date of issuance. In connection with the issuance of the Note, we entered into a security agreement with the investor to secure the timely payment and performance in full of our obligations pursuant to the Note.

## **Exchange Notes and Warrant Purchase Agreements**

On December 1, 2014, we entered into a separate exchange agreement with each holder (collectively, the “Holders”) of (i) shares of our Series B Preferred Stock (“Preferred Stock”), and (ii) warrants to purchase 10,000,000 shares of our common stock issued in connection with the Preferred Stock (the “Old Warrants”) pursuant to which we issued Secured Promissory Notes (“Exchange Notes”) in the aggregate principal amount of \$1,100,000 and warrants to purchase 5,500,000 shares of our common stock (the “Exchange Warrants”) to the Holders in the amounts as specified in the separate Exchange Agreements in exchange for all of the issued and outstanding Preferred Stock and all of the Old Warrants held by the Holders. Following the consummation of the transactions contemplated by each Exchange Agreement, the Preferred Stock and Old Warrants were no longer outstanding, and we removed from reservation 30,000,000 shares of common stock underlying the Preferred Stock and Old Warrants. The Notes bear interest at the rate of 12% per annum and were due and payable one year from the date of issuance. The investors have granted waivers of default and the notes are currently in good standing. The Exchange Warrants grant the Holders the right to purchase five shares of our common stock for every one dollar of principal of the Exchange Notes issued to the Holders at an exercise price equal to \$0.11 per share. The Exchange Warrants have an exercise term equal to five years and are exercisable commencing on December 3, 2014. In connection with the issuance of the Exchange Notes, we entered into a security agreement with the Holders to secure the timely payment and performance in full of our obligations pursuant to the Exchange Notes.

## **Equity Purchase Agreement**

On January 30, 2015, we entered into an Equity Purchase Agreement (“Purchase Agreement”) and a Registration Rights Agreement (“Registration Rights Agreement”) with Aladdin Trading, LLC (“Aladdin”) pursuant to which Aladdin has agreed to provide up to \$1,400,000 of funding upon effectiveness of a registration statement on Form S-1. Following effectiveness of the registration statement, we can deliver puts to Aladdin under the Equity Purchase Agreement under which Aladdin will be obligated to purchase shares of our common stock based on the investment amount specified in each put notice, which investment amount may be any amount up to \$1,400,000 less the investment amount received by us from all prior puts, if any. Puts may be delivered by us to Aladdin until the earlier of December 31, 2015, or the date on which Aladdin has purchased an aggregate of \$1,400,000 of put shares. The number of shares of our common stock that Aladdin will purchase pursuant to each put notice (“Put Shares”) will be determined by dividing the investment amount specified in the put by the purchase price. The purchase price per share of common stock will be set at sixty (60%) of the Market Price for our common stock with Market Price being defined as the volume weighted average trading price for our common stock during the three consecutive trading days immediately following the date of our put notice to Aladdin (the “Pricing Period”). There is no minimum amount that we can put to Aladdin at any one time. On the put notice date, we are required to deliver put shares (“Estimated Put Shares”) to Aladdin in an amount determined by dividing the closing price on the trading day immediately preceding the put notice date multiplied by 60% and Aladdin is required to simultaneously deliver to us the investment amount indicated on the put notice. At the end of the Pricing Period, when the purchase price is established and the number of Put Shares for a particular put is determined, Aladdin must return to us any excess Put Shares provided as Estimated Put Shares or alternatively we must deliver to Aladdin any additional Put Shares required to cover the shortfall between the amount of Estimated Put Shares and the amount of Put Shares. At the end of the Pricing Period, we must also return to Aladdin any excess

related to the investment amount previously delivered to us. Pursuant to the Equity Purchase Agreement, Aladdin and its affiliates will not be issued shares of our common stock that would result in Aladdin's beneficial ownership equaling more than 9.99% of our outstanding common stock. Pursuant to the Registration Rights Agreement, we will be registering 17,500,000 shares of our common stock for issuance to and sale by Aladdin pursuant to the Equity Purchase Agreement.

**Note, Securities Purchase Agreement, and Warrant Purchase Agreement**

Embedded convertible feature and host contract summary as of October 31, 2015

| Instrument Date | Fair value | Gains (losses) | Carrying Value | Amortization Costs |
|-----------------|------------|----------------|----------------|--------------------|
| Jan. 23, 2015   | \$ 97,800  | \$ (23,417 )   | \$ 170,812     | \$ 144,315         |
| Feb. 16, 2015   | \$ 0       | \$ (9,369 )    | \$ 0           | \$ 40,848          |
| Mar. 25, 2015   | \$ 0       | \$ (32,487 )   | \$ 0           | \$ 19,603          |
| May 5, 2015     | \$ 21,795  | \$ 50,579      | \$ 164,161     | \$ 86,534          |
| Jun. 6, 2015    | \$ 18,114  | \$ 21,205      | \$ 112,993     | \$ 52,312          |
| Sep. 21, 2015   | \$ 103,573 | \$ 316         | \$ 69,464      | \$ 12,666          |

In the cases of each instrument summarized in the table above and detailed in the paragraphs below we determined the conversion feature of the notes meet the definition of a derivative under ASC 815 and require bifurcation and are accounted for as separate embedded derivatives. We have estimated the fair market value of the embedded derivatives of the Notes as the difference between the fair market value of the Notes with the conversion feature and the fair market value of the Notes without the conversion feature associated with the embedded derivative, in both cases using relevant market data. In the case of the fair market value of the Notes with the conversion feature, a binomial lattice model was used utilizing a discount rate based on variable conversion probability. In the case of the fair market value of the Notes without the conversion feature associated with the embedded derivative, a discounted cash flow approach was used. The key valuation assumptions used consist of the price of our common stock, a risk free interest rate based on the average yield of a similarly termed Treasury Note and the historical volatility of our common stock over a period of similar length to the term of the instrument, all as of the measurement dates. The embedded derivatives were recorded on the balance sheet at their estimated fair values. Debt discounts are amortized over the life of the debt using the effective interest rate method. The fair value of the embedded derivative will be measured and recorded at fair value each subsequent reporting period and changes in fair value will be recognized in the statement of operations as a gain or loss on derivative

We have recorded each of the instruments' derivative liability balances on our balance sheet in the Derivative liabilities account; the carrying amount of each host contract has been recorded in Convertible note payable; On our statement of operations we have recorded gains (losses) resulting from fair value adjustments in Change in fair value of derivative liabilities and Gain on extinguishment of debt; we have recognized the amortization costs in Interest expense, net

#### KBM Worldwide, Inc

On January 23, 2015, we entered into a similar Securities Purchase Agreement with KBM Worldwide, Inc. ("KBM") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$154,000. The Note was signed as of January 23, 2015 and was funded on January 23, 2015, with the Company receiving \$150,000 of net proceeds after payment of KBM's legal fees. The Note bears interest at the rate of 8% per annum, is due and payable on October 16, 2015, and may be converted by KBM at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. On July 16, 2015 with a payment of \$213,908, constituting a repayment of the principle as well as payment of interest and a prepayment fee of 25% of the outstanding balance at payoff, the Note was assigned to Vinay Holdings. The Note was prepaid using funds invested by Vinay expressly for the purpose of purchasing the KBM Note.

#### Iconic Holdings, LLC

*Note #1*

On February 13, 2015, we entered into a Note Purchase Agreement with Iconic Holdings, LLC ("Iconic") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$108,000. On February 13, 2015, the Note was funded and we received \$100,000 with \$8,000 retained by Iconic through an original issue discount for due diligence and legal expenses related to this transaction. The Note bears interest at the rate of 8% per annum, is due and payable on February 13, 2016. Iconic shall have the right to convert any unpaid sums into our common stock at the rate of 60% of the lowest trading price reported in the 15 days prior to date of conversion, subject to adjustment as described in the Note. The Note also provides that Iconic will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by Iconic and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 9.99% of our outstanding shares of common stock.

During the first 180 days following the date of the Note, we had the right to prepay the principal and accrued but unpaid interest due under the Note, together with any other amounts we may owe the holder under the terms of the Note, at a graduating premium ranging from 105% to 135% of face value. After this initial 180 day period, we do not have a right to prepay the note without written consent from Iconic. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults.

On August 10, 2015 we elected to prepay the Note. We fully extinguished the Note with a payment of \$154,440 constituting a repayment of the principal as well as accrued interest and a 35% prepayment fee.

*Note #2*

On September 21, 2015, we entered into an additional Note Purchase Agreement with Iconic providing for the purchase of a second Convertible Promissory Note ("Second Note") in the aggregate principal amount of \$162,000. On September 21, 2015, the Second Note was funded and we received \$150,000 with \$12,000 retained by Iconic through an original issue discount for due diligence and legal expenses related to this transaction. The proceeds of the Second Note were used to extinguish the outstanding JMJ Financial note (see below) in addition to general working capital. The Second Note bears interest at the rate of 8% per annum, is due and payable on February 13, 2016. Iconic shall have the right to convert any unpaid sums into our common stock at the rate of 60% of the lowest trading price reported in the 15 days prior to date of conversion, subject to adjustment as described in the Second Note. The Second Note also provides that Iconic will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by Iconic and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 9.99% of our outstanding shares of common stock.



During the first 180 days following the date of the Second Note, we have the right to prepay the principal and accrued but unpaid interest due under the Second Note, together with any other amounts we may owe the holder under the terms of the Second Note, at a graduating premium ranging from 105% to 135% of face value. After this initial 180 day period, we do not have a right to prepay the note without written consent from Iconic. The Second Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Second Note in the event of such defaults.

#### JMJ Financial

On March 24, 2015, we issued to JMJ Financial (the "Investor") a convertible promissory note in the principal amount of \$250,000 with an original issue discount of \$25,000 (the "Note"). The Note is due in March 2017. As of March 25, 2015, the Investor funded \$65,000 pursuant the Note. We may repay the Investor within 90 days of issuance without any interest payment. Thereafter, we may not make any payment until the Note matures, unless such payment is approved by the Investor. Interest accrues at the rate of 12% per annum with respect to any payment made after the initial 90-day period. At any time after 180 days of the Effective Date, the Investor may convert all or part of the Note into shares of our common stock at (a) the lesser of \$0.08 or (b) 65% of the lowest trading price in the 25 trading days prior to the conversion.

On September 22, 2015 we elected to prepay the Note. We fully extinguished the Note with a payment of \$121,333 constituting a repayment of the principal as well as accrued interest and a 50% prepayment fee.

#### Typenex Co-Investment, LLC

On March 2, 2015, we entered into a Securities Purchase Agreement with Typenex Co-Investment, LLC ("Typenex"), for the sale of a 10% convertible note in the principal amount of \$168,000 (which includes Typenex legal expenses in the amount of \$3,000 and a \$15,000 original issue discount) (the "Note") in exchange for proceeds of \$150,000 to the Company.

The Note bears interest at the rate of 10% per annum. All interest and principal must be repaid on February 2, 2016. The Note is convertible into common stock, at Typenex's option, at the lesser of (i) \$0.10, and (ii) 65% (the "Conversion Factor") of the average of the three (3) lowest Closing Bid Prices in the twenty (20) Trading Days immediately preceding the applicable conversion, provided that if at any time the average of the three (3) lowest Closing Bid Prices in the twenty (20) Trading Days immediately preceding any date of measurement is below \$0.05, then in such event the then-current Conversion Factor shall be reduced to 60% for all future Conversions, subject to other reductions set forth in the Note. In the event we elect to prepay all or any portion of the Note, we are required to

pay to Typenex an amount in cash equal to 125% multiplied by the sum of all principal, interest and any other amounts owing. The Note includes customary event of default provisions.

Typenex has agreed to restrict its ability to convert the Note and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock. The Note is a debt obligation arising other than in the ordinary course of business, which constitutes a direct financial obligation of the Company. The Note also provides for penalties and rescission rights if we do not deliver shares of our common stock upon conversion within the required timeframes.

We extinguished the Note on July 30, 2015 with a payment of \$218,934 constituting a repayment of the principle as well as payment of interest and a prepayment fee of 25% of the outstanding balance at payoff.

Additionally, we granted Typenex warrants (“Warrants”) to purchase shares of our common stock, \$.001 par value. The Warrants will entitle the holder to purchase a number of shares equal to \$84,000 divided by the Conversion Factor multiplied by the average of the three (3) lowest Closing Bid Prices in the twenty (20) Trading Days immediately preceding March 2, 2015, as such number may be adjusted from time to time pursuant to the terms of the Warrants. The Warrants are exercisable for five years at \$0.10 per share subject to certain anti-dilution provisions set forth in the Warrants. On September 23, 2015 Typenex elected to fully exercise their Warrants and were issued 2,724,493 shares according to the terms of the agreement.

All of the above Notes and Warrants were issued in transactions which we believe satisfies the requirements of that exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and Rule 506 of Regulation D promulgated pursuant to that act by the SEC.

### Vinay Holdings

On May 4, 2015, we entered into a Securities Purchase Agreement with Vinay Holdings. ("Vinay") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$150,000. The Note bears interest at the rate of 8% per annum, is due and payable on November 4, 2015, and may be converted by Vinay at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults.

In addition on June 6, 2015, we entered into a similar Securities Purchase Agreement with Vinay Holdings. ("Vinay") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$100,000. The Note bears interest at the rate of 8% per annum, is due and payable on October 16, 2015, and may be converted by Vinay at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults.

On July 16, 2015 Vinay was assigned the Note formerly held by KBM Worldwide, Inc. dated January 23, 2015. The note was due and payable on October 16, 2015. Vinay has granted a waiver of default and the note is currently in good standing. The assignment was the result of our prepayment of the Note to KBM Worldwide, Inc. with funds invested by Vinay Holdings expressly for the purpose of the Note assignment.

## **16. DEPARTURES OF OFFICERS AND DIRECTORS**

On July 16, 2015, Jonathan Weiss resigned as our Chief Financial Officer. Mr. Weiss's resignation was not the result of any disagreement with our policies, practices or procedures. Mr. Weiss continues to hold 320,000 shares of our restricted common stock or approximately 0.3% of the issued and outstanding common.

On July 16, 2015, the Board of Directors appointed Richard Corredera as our new Chief Financial Officer. Mr. Corredera joined CrowdGather in May 2014 resulting from the merger with Plaor, Inc., and has served, and will continue to serve, as our Chief Operating Officer. Mr. Corredera has approximately 20 years of experience in software engineering, systems design and business development. From April 2012 to the present, Mr. Corredera has served as President and Chief Operating Officer of Plaor where he manages the business operations of Plaor including strategic business development, compliance, and accounting. Mr. Corredera is an enrolled agent and admitted to practice before the Internal Revenue Service.

On July 17, 2015, Jonathan Dariyanani resigned as a director of CrowdGather, Inc. Mr. Dariyanani's resignation was not the result of any disagreement with our policies, practices, or procedures.

## **17. SUBSEQUENT EVENTS**

On November 15, 2015, we issued a Promissory Note for \$50,000 received from Vinay Holdings. The proceeds are used to provide us with working capital. Under the terms of the Note, we agree to repay the principal including interest at 12%. The Note, including interest, is due November 15, 2016.

On December 1, 2015, we issued a Promissory Note for \$50,000 received from Vinay Holdings. The proceeds are used to provide us with working capital. Under the terms of the Note, we agree to repay the principal including interest at 12%. The Note, including interest, is due December 1, 2016.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion relates to the financial condition and results of operations of CrowdGather, Inc., a Nevada corporation herein used in this report, unless otherwise indicated, under the terms “Registrant,” “Company,” “CrowdGather,” “we,” “us” and similar terms.

**Forward Looking Statements**

The following information specifies certain forward-looking statements of management of the Company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as “may,” “shall,” “could,” “expect,” “estimate,” “anticipate,” “predict,” “probable,” “possible,” “should,” “continue,” or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

- changes in our business;
- general economic, industry and market sector conditions;
- the ability to generate increased revenues from our forums and Plaor’s social games;
- the ability to obtain additional financing to fund our operations;
- the ability to manage our growth;
- our ability to develop and market new technologies to respond to rapid technological changes;
- competitive factors in the market(s) in which we operate; and
- and other events, factors and risks disclosed from time to time in our filings with the Securities and Exchange Commission

No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

**Critical Accounting Policies and Estimates.** Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. In addition, these accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this report for the period ended October 31, 2015.

**Overview.** CrowdGather operates a media network of forum and online communities focused on a broad number of vertical interests, as well as social casino games. Following the merger with Plaor we began to operate a social casino game available free to play on Facebook, iOS, and Android. We continue to focus on building and maintaining our online social communities, and expand our portfolio of social games while pursuing opportunities to improve and increase monetization of our consolidated media network. Through our Merger with Plaor, we believe will be able to leverage our newly acquired engineering talent to offer additional engagement and retention features for both our forum and our game user bases. These features may also facilitate new channels of user acquisition as we cross promote and integrate our forums and our social games.

Our forum business specializes in monetizing a network of online forums and message boards designed to engage, provide information to and build community around users. We are in the process of building what we hope will become an important social, advertising and user generated content network by consolidating existing groups of online users who post on message boards and forums. Our goal is to create superb user experiences for forum communities and world class service offerings for forum owners. We believe that the communities built around message boards and forums are one of the most dynamic sources of information available on the web because forums are active communities built around interest and information exchange on specific topics.

Our network is comprised of two types of forum communities: branded and hosted communities that are built on one of our forum hosting platforms. The branded communities, such as Pocketables.com and Digishoptalk.com, are wholly owned by us and we monetize them through a combination of text and display ads. The hosted communities comprise the majority of our revenues, traffic, and page views, and are built upon one of our leading forum hosting platforms - Yuku.com and Freeforums.org. We monetize the web traffic on these sites through a combination of Internet advertising mediums at our discretion in exchange for providing free software, support and hosting. In some instances, we may derive subscription revenues in lieu of or in addition to advertising revenue because the site administrator has decided to pay monthly fees in exchange for providing an ad-free experience and other services for their members. Our goal is to ultimately build an advertising network that allows us to leverage the targeted demographics of the combined network in order to generate the highest advertising rates for all of our member sites.

As a result of the Merger with Plaor, we have subsequently devoted a significant portion of our operations to the business of Plaor and expect to continue to do so in order to expand our operations. Plaor specializes in developing highly scalable multi-platform social games that are available on Facebook, Google Play, and the Apple App Store. Plaor's initial social gaming platform is a simulated casino environment referred to as Mega Fame Casino wherein individual gamers are able to play online casino style games socially with other players from around the world. Unlike traditional casinos or their online counterparts, the betting on Mega Fame is virtual and no real money bets are accepted and there is no ability for a player to redeem their winnings for cash. Despite the lack of traditional cash betting, we believe that players experience the same entertainment as they experience in a casino setting. Mega Fame Casino is a gaming platform, which includes multiple games, combined to emulate a casino environment. Along with the company's initial offering, the Mega Fame Casino also includes Video Poker, multiple slot machines, and a daily celebrity challenge designed to increase engagement and retention of players.

We continue to focus on improving our forum network to enhance our user and community experience, and on seeking avenues to grow our business and contribute to our long-term viability, whether through improving advertising opportunities on our existing ad inventory or developing partnerships with third party publishers to improve monetization. We recognize that many online advertisers seek engagement with online enthusiasts and users who are passionate about specific topics and products. We believe that forums offer a significant opportunity to advertisers, as they are tightly knit social communities with concentrations of influencers who are often experts on the forum subject matter. Forum users have traditionally been inaccessible to advertisers with larger budgets and who prefer making broad category or vertically oriented purchases. Through the use of technology we intend to pursue a strategy that will help us better connect advertisers to our users in niche specific verticals. We will also focus on promoting our social games across our forum communities to gain new users, as well as engage in cost-effective

advertising to attract users from across the internet. Additionally, we are evaluating strategic options, including potential business combinations as well as debt and equity financing.

Across our network we are committed to delivering quality, brand safe content for forum advertisers. Since advertisers are drawn to quality content and curated home pages, we have been working diligently to improve our branded sites. We have thousands of volunteer moderators and forum administrators patrolling our network, and we are in the process of deploying a proprietary inventory management system that will help identify and prune non-monetizable content that violates our terms of service.

We also continue to conduct ongoing software development across all of our forum network properties to keep improving the administrator and user experience in the communities. We are constantly working toward offering our communities favorable terms, features and incentives to help them grow and prosper.

Throughout the last three quarters we have explored the feasibility of launching a cannabis and technology focused crowd-funding platform. Although we believe there is a strong future market for such an offering we have recently concluded to focus our expansion effort more narrowly on our digital publishing and brands business due to the risk profile of both general crowd-funding businesses and specifically financial services businesses focused on the cannabis sector. We continue to be committed to developing a strong business in the digital cannabis space and we are looking forward to leveraging our community building, marketing, and business intelligence capabilities to provide targeted digital cannabis services in the coming months.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements for the period ended October 31, 2015, together with notes thereto, which are included in this report.

## **Performance Metrics**

Management regularly reviews the following key metrics in the assessment of our current performance, to evaluate our business, and in the preparation of reports and formation of strategic decisions.



## Bookings

Bookings are a non-GAAP financial measure we used in both the social gaming and forums operations. Social gaming bookings are equal to (1) social gaming revenue recognized during the period plus (2) the change in social gaming deferred revenue during the period plus (3) social gaming platform transaction fees for virtual goods sales accrued during the period. Platform transaction fees include fees paid to online transaction platforms such as Google and Apple. Generally those fees are 30% of the transaction amount. We record the sale of virtual goods as deferred revenue and then recognize that revenue over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. We also include in bookings our revenue from forum operations including advertising revenue. Forum bookings are generally equal to recognized forum revenue for a period. Bookings, as opposed to revenue, are the fundamental top-line metric we use to manage our business, as we believe it is a better indicator of the sales activity in a given period. Over the long term, the factors impacting our bookings and revenue are the same. However, in the short term, there are factors that may cause revenue to exceed or be less than bookings in any period.

We use bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for revenue recognized in accordance with US GAAP. In addition, other companies, including companies in our industry, may calculate bookings differently or not at all, which reduces its usefulness as a comparative measure. Further, to reflect the impact of seasonality, we will compare the current quarter to the same quarter in the prior year beginning in the second quarter of fiscal year 2016 as we began to report Bookings in the second quarter of fiscal year 2015.

|                                                                          | Three Months<br>Ended<br>October 31, 2015 | Six Months Ended<br>October 31, 2015 |
|--------------------------------------------------------------------------|-------------------------------------------|--------------------------------------|
| Bookings to Revenue Reconciliation:                                      |                                           |                                      |
| Forum Revenue                                                            | \$ 119,000.00                             | \$ 257,000.00                        |
| Social Gaming Revenue                                                    | 399,000.00                                | 971,000.00                           |
| Changes to Social Gaming Deferred Revenue                                | 39,000.00                                 | (28,000.00 )                         |
| Changes to Deferred Allowance for Social Gaming Refunds and Charge-backs | (10,000.00                                | ) (4,000.00 )                        |
| Changes in Accrued Social Gaming Transaction Fees                        | (35,000.00                                | ) (35,000.00 )                       |
| Bookings                                                                 | \$ 512,000.00                             | \$ 1,161,000.00                      |

## Key Performance Metrics Specific to Social Gaming

### DAU

We define DAU, Daily Active Users, as the number of unique players who have played Mega Fame Casino during any given day. Where possible we attempt to count only unique players across all supported platforms. For example, a single player accessing Mega Fame Casino twice during a given day, once from a desktop platform and once from a mobile platform would be counted as a single DAU under this metric.

## **MAU**

We define MAU, Monthly Active Users, as the number of unique players who have played Mega Fame Casino during a given 30-day period ending with the measurement date. Similarly to DAU, we attempt to count players accessing Mega Fame Casino multiple times within a given 30-day period from different platforms as a single MAU.

## **DUP**

We define DUP, Daily Unique Payers, as the number of unique players making a payment within Mega Fame Casino within a given day. Where a single payer has made multiple payments on different platforms, for example Facebook and Apple, we count that payer only once under this metric.

## **MUP**

We define MUP, Monthly Unique Payers, as the number of unique players making a payment within Mega Fame Casino within a given 30-day period. Where a single payer has made multiple payments on different platforms within a 30-day period, for example Facebook and Apple, we count that payer only once under this metric.

**ABPU**

ABPU, Average Bookings Per User, is a fundamental metric we calculate in the following way: (1) Total Social Gaming Bookings in a given period, divided by (2) the number of days in that period, divided by (3) the average DAU during the measurement period. We believe ABPU provides useful information to investors and other for the evaluation and assessment of our social game performance in a given period. Management utilizes the metric on a nearly constant basis to understand and measure the effectiveness of new features, events, and the general health of Mega Fame Casino.

**Social Gaming Performance Metrics****Three Months Ended October 31, 2015 and 2014**

|                        | <b>Three Months Ended</b> | <b>Three Months Ended</b> |
|------------------------|---------------------------|---------------------------|
|                        | <b>October 31, 2015</b>   | <b>October 31, 2014</b>   |
| Average Daily Bookings | \$ 4,749                  | \$ 5,740                  |
| ABPU                   | \$ .29                    | \$ .24                    |
| Average DAU            | 16,542                    | 24,154                    |
| Average MAU            | 59,747                    | 118,727                   |
| Average DUP            | 208                       | 287                       |
| Average MUP            | 1,819                     | 2,567                     |

Taken together we believe bookings, DAU, MAU, DUP, MUP, and ABPU reflect a key data set for the understanding and management of Mega Fame Casino. Our managers, developers, and product managers focus on these metrics to measure and improve the overall economic value of various elements within the social game experience.

Overall we have seen a decrease of 21% in Average Daily Bookings from the three months ended October 31, 2014 and the three months ended October 31, 2015. During the same period of time we have increased our ABPU 21% from \$0.24 to \$0.29. The changes are the result of an overall reduction in our DAU, from 24,000 to 17,000, combined with an increased focus on pre-player monetization techniques aimed to increased players' individual bookings potential. We believe the expanding diversity of slot machines is a key factor in our players' monetization behaviors. We anticipate continuing to add new slot machines to our casino at a steady pace throughout the upcoming year and furthermore we expect to continue to work with our slot machine partners to license additional slot themes for future additions to the casino.

Our user count metrics have fallen between the two compared periods with our average DAU falling 29% from 24,000 in the second fiscal quarter of 2014 to 17,000 in second fiscal quarter of 2015; our average MAU fell 50% from 119,000 to 60,000 between the same two periods. The reduction in average DAU and MAU are largely the result of

refocused advertising efforts on top-tier locales and higher value users along with a significant reduction in our overall advertising spending. We believe our ability to improve our ratio of daily players over monthly players (DAU/MAU) from 20% in the second fiscal quarter of 2014 to 28% in the second fiscal quarter of 2015 is a signal our strategy has been effective.

We anticipate in the coming fiscal year to focus from growth of our ABPU and DAU/MAU performance to a focus on an increase of our average DAU and MAU. It is our belief that the casino has achieved a sufficient level of monetization and retention performance levels that it can now more effectively support expansion of our player count.

**For the three months ended October 31, 2015, as compared to the three months ended October 31, 2014.**

**Results of Operations**

**Revenues and Gross Profit.** We realized revenues of \$519,000 for the three months ended October 31, 2015, as compared to revenues of \$394,000 for the three months ended October 31, 2014. The increase of approximately 32% between comparable periods was driven primarily by revenue related to Mega Fame Casino. We continue to focus on the refinement of monetization and retention systems within Mega Fame Casino with the goal of driving the increased per player revenue and play characteristics possible.

Our cost of revenue for the three months ended October 31, 2015 was approximately \$96,000, as compared to cost of revenue of \$147,000 for the three months ended October 31, 2014. As we work to enhance the per-player efficiency of our in game systems our cost of revenue has declined as a result of an overall lower transaction volume and a reduction of certain marketing campaigns.

Our gross profit for the three months ended October 31, 2015 was \$463,000 as compared to gross profit of \$246,000 for the three months ended October 31, 2014.

**Operating Expenses.** For the three months ended October 31, 2015, our total operating expenses were \$816,000, as compared to total operating expenses of \$1,886,000 for the three months ended October 31, 2014. Payroll and related expenses decreased by \$262,000 from \$574,000 for the three months ended October 31, 2014 to \$312,000 for the three months ended October 31, 2015. The reduction of payroll expenses was the result our cost cutting program begun during the second half of our 2015 fiscal year. That cost cutting effort has largely concluded and our expectation is that our payroll and related expenses will remain at their current levels for at least the next two quarters. We also reduced our general and administrative expenses approximately 58% or \$676,000 from \$1,162,000 for the three months ended October 31, 2014 to \$486,000 for the three months ended October 31, 2015. The reduction of our general and administrative expenses was the result of the same cost cutting program we started last fiscal year.

**Other Income (Expense.)** For the three months ended October 31, 2015, we had other expenses of \$405,000 as compared to other expenses of \$11,000 for the three months ended October 31, 2014. The increase in these expenses was largely an increase of our interest and amortization expenses related to debt financing.

**Net Loss.** For the three months ended October 31, 2015, our net loss was \$(798,000), as compared to a net loss of \$(1,651,000) for the three months ended on October 31, 2014.

**For the six months ended October 31, 2015, as compared to the six months ended October 31, 2014.**

**Results of Operations**

**Revenues and Gross Profit.** We realized revenues of \$1,228,000 for the three months ended October 31, 2015, as compared to revenues of \$800,000 for the six months ended October 31, 2014. The increase of approximately 54% between comparable periods was driven primarily by revenue related to Mega Fame Casino. We continue to focus on the refinement of monetization and retention systems within Mega Fame Casino with the goal of driving the increased per player revenue and play characteristics possible.

Our cost of revenue for the six months ended October 31, 2015 was approximately \$253,000, as compared to cost of revenue of \$255,000 for the six months ended October 31, 2014. Our cost of revenue has declined with our continued optimization and elimination of less effective marketing campaigns and a focus on per-player monetization and

retention systems in Mega Fame Casino.

Our gross profit for the six months ended October 31, 2015 was \$975,000 as compared to gross profit of \$545,000 for the six months ended October 31, 2014.

**Operating Expenses.** For the six months ended October 31, 2015, our total operating expenses were \$1,969,000, as compared to total operating expenses of \$5,421,000 for the six months ended October 31, 2014. Payroll and related expenses decreased by \$518,000 from \$1,247,000 for the six months ended October 31, 2014 to \$666,000 for the six months ended October 31, 2015. The reduction of payroll expenses was the result our cost cutting program begun during the second half of our 2015 fiscal year. That cost cutting effort has largely concluded and our expectation is that our payroll and related expenses will remain at their current levels for at least the next two quarters. We also reduced our general and administrative expenses by \$1,173,000 from \$2,396,000 for the six months ended October 31, 2014 to \$1,223,000 for the six months ended October 31, 2015. The reduction of our general and administrative expenses was the result of the same cost cutting program we started last fiscal year.

**Other Income (Expense.)** For the six months ended October 31, 2015, we had other expenses of \$747,000 as compared to other expenses of \$11,000 for the six months ended October 31, 2014. The increase in these expenses was largely an increase of our interest and amortization expenses related to debt financing.

**Net Loss.** For the six months ended October 31, 2015, our net loss was \$(1,742,000), as compared to a net loss of \$(4,887,000) for the six months ended on October 31, 2014.

**Liquidity and Capital Resources.** Our total assets were \$9,400,000 as of October 31, 2015, which consisted of cash of \$16,000, accounts receivable of \$169,000, investments of \$21,000, inventory of \$32,000, prepaid expenses and deposits of \$57,000, property and equipment with a net value of \$27,000, intangible and other assets of \$7,259,000, represented by our domain names and other intellectual property owned, and goodwill of \$1,817,000 related to our acquisition of Plaor.

Our current liabilities as of October 31, 2015, were approximately \$5,261,000, which is comprised of accounts payable of \$283,000, line of credit of \$297,000, deferred revenue of \$408,000, accrued vacation of \$102,000, other accrued liabilities of \$265,000, derivative liabilities of 379,000, and notes payable of 3,526,000. We had no other liabilities and no long-term commitments or contingencies at October 31, 2015.

As of October 31, 2015, we had approximately \$16,000 cash. Subsequent to October 31, 2015 we have raised additional debt financing but estimate that our cash on hand will not be sufficient for us to continue our current operations for the next twelve months. The period for which our existing financial resources as well as the financial resources necessary to support our operations involves risks and uncertainties and could differ as a result of a number of factors including our assumptions for increasing revenues through the monetization of our forum advertising and social gaming businesses, anticipated efficiencies gained from the completion of ongoing automation and technical initiatives and anticipated further cost reductions. We remain optimistic about our ability to increase revenues in the coming months and are concentrating on optimizing our network of forum properties and social casino games. However, in addition to generating revenues from our current operations, we will need to raise additional capital to sustain our operations and expand our business to the point at which we are able to operate profitably.

We have been, and intend to continue, working toward identifying and obtaining new sources of financing. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a negative impact on our business, prospects, financial condition, results of operations and cash flows.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our assets and could also adversely affect our ability to fund our continued operations and our expansion efforts.

The majority of our research and development activity is focused on development of the social casino games on our forum network. For Plaor's business, we believe it is necessary to invest in the development of new games, code, and tools in an effort to achieve our strategic goals and objectives.

We do not anticipate that we will purchase any significant equipment over the next twelve months.

We do not anticipate any significant changes in the number of employee unless we significantly increase the size of our operations. We believe that we do not require the services of additional independent contractors to operate at our current level of activity. However, if our level of operations increases beyond the level that our current staff can provide, we may need to supplement our staff in this manner.

## Material Contracts

Note Warrant Purchase Agreement dated November 20, 2014 and November 21, 2014. Aggregate principal amount of \$250,000 and a 12% annual interest rate due one year from issuance. Filed as an exhibit with our Form 8-K dated and filed November 26, 2014.

Exchange Agreement dated December 1, 2014. Aggregate principal amount of \$1,100,000 and a 12% annual interest rate due one year from issuance. Additionally we granted a warrant to purchase 5,500,000 shares of our common stock. Filed as an exhibit with our Form 8-K dated and filed December 5, 2014.

Promissory Note and Securities Purchase Agreement with KBM Worldwide, Inc. dated January 23, 2015. Aggregate principle amount of \$154,000 and an 8% annual interest rate due October 16, 2015. Now assigned to Vinay Holdings. Vinay Holdings may, at any time after 180 days of issuance, convert some or the entire principle into our common stock at a conversion price equal to a 39% discount of the lowest trading price as calculated in the note. The initial Note agreement is filed as an exhibit with our Form 8-K dated and filed January 26, 2015. The assignment of the Note to Vinay Holdings was filed as an exhibit with our Form 8-K file January 17, 2015.

On May 4, 2015, we entered into a Securities Purchase Agreement with Vinay Holdings. ("Vinay") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$150,000. The Note bears interest at the rate of 8% per annum, was due and payable on November 4, 2015, and may be converted by Vinay at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. Vinay has granted a waiver of default and the note is currently in good standing.

In addition on June 6, 2015, we entered into a similar Securities Purchase Agreement with Vinay Holdings. ("Vinay") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of \$100,000. The Note bears interest at the rate of 8% per annum, was due and payable on October 16, 2015, and may be converted by Vinay at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. Vinay has granted a waiver of default and the note is currently in good standing.



On July 16, 2015 Vinay was assigned the Note formerly held by KBM Worldwide, Inc dated January 23, 2015. The note was due and payable on October 16, 2015. The assignment was the result of our prepayment of the Note to KBM Worldwide, Inc with funds invested by Vinay Holdings expressly for the purpose of the Note assignment. Vinay has granted a waiver of default and the note is currently in good standing.

Promissory Note and Securities Purchase Agreement with Iconic Holders, LLC dated September 21, 2015. Aggregate principle amount of \$162,000 and an 8% annual interest rate due February 13, 2016. Iconic may convert some or the entire principle into our common stock at a conversion price equal to a 40% discount of the lowest trading price as calculated in the note. Filed as an exhibit with our Form 8-K dated and filed September 21, 2015.

### **Off Balance Sheet Arrangements**

We had no off balance sheet arrangements at October 31, 2015.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

Not applicable.

### **Item 4. Controls and Procedures.**

**Evaluation of disclosure controls and procedures.** We maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures. Based upon their evaluation of those controls and procedures performed as of the end of the period covered by this report, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective.

**Changes in internal controls.** There were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially

affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not currently involved in any legal proceeding that we believe has a material adverse effect on our business, financial condition or operating results.

### **Item 1A. Risk Factors.**

Not applicable.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

**Item 6. Exhibits.**

- 31.1 Certification of Principal Executive Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934
  - 31.2 Certification of Principal Financial Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934
  - 32.1 Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 32.2 Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.ins Instance Document  
101.sch XBRL Taxonomy Schema Document  
101.cal XBRL Taxonomy Calculation Linkbase Document  
101.def XBRL Taxonomy Definition Linkbase Document  
101.lab XBRL Taxonomy Label Linkbase Document  
101.pre XBRL Taxonomy Presentation Linkbase Document

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CrowdGather, Inc.,**

**a Nevada corporation**

December 18, 2015 By: /s/ Sanjay Sabnani  
Sanjay Sabnani  
Its: President, Secretary, Director  
(Principal Executive Officer)

December 18, 2015 By: /s/ Richard Corredera  
Richard Corredera  
Its: Chief Financial Officer  
(Principal Financial and Accounting Officer)