

CrowdGather, Inc.
Form 10-K
July 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2015

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **000-52143**

CrowdGather, Inc.

(Exact name of registrant as specified in its charter)

Nevada 20-2706319
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

20300 Ventura Blvd. Suite 330, Woodland Hills, California 91364
(Address of principal executive offices) (Zip Code)

(818) 435-2472

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

(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:

Title of each class registered: Name of each exchange on which registered:
None None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value \$.001
(Title of Class)

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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.

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. As of October 31, 2014, approximately \$4,655,113.

As of June 19, 2015, there were 117,283,509 shares of the issuer's \$.001 par value common stock issued and outstanding.

Documents incorporated by reference. There are no annual reports to security holders, proxy information statements, or any prospectus filed pursuant to Rule 424 of the Securities Act of 1933 incorporated herein by reference.

TABLE OF CONTENTS

	PAGE
<u>PART I</u>	
Item 1. <u>Description of Business</u>	3
Item 1A. <u>Risk Factors</u>	8
Item 1B. <u>Unresolved Staff Comments</u>	20
Item 2. <u>Properties</u>	20
Item 3. <u>Legal Proceedings</u>	20
Item 4. <u>Mine Safety Disclosures</u>	21
<u>PART II</u>	
Item 5. <u>Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	21
Item 6. <u>Selected Financial Data</u>	23
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operation</u>	23
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 8. <u>Financial Statements and Supplementary Data</u>	30
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	53
Item 9A. <u>Controls and Procedures</u>	53
Item 9B. <u>Other Information</u>	54
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers, Promoters and Corporate Governance</u>	55
Item 11. <u>Executive Compensation</u>	57
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	59
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	61
Item 14. <u>Principal Accountant Fees and Services</u>	62
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	62

PART I

Forward-Looking Information

This Annual Report of CrowdGather, Inc. on Form 10-K contains forward-looking statements, particularly those identified with the words, “anticipates,” “believes,” “expects,” “plans,” “intends,” “objectives” and similar expressions. These statements reflect management’s best judgment based on factors known at the time of such statements. The reader may find discussions containing such forward-looking statements in the material set forth under “Management’s Discussion and Analysis and Plan of Operations,” generally, and specifically therein under the captions “Liquidity and Capital Resources” as well as elsewhere in this Annual Report on Form 10-K. Actual events or results may differ materially from those discussed herein. 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. 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.

Item 1. Description of Business.

Our Background. CrowdGather, Inc. formerly WestCoast Golf Experiences, Inc., (the “Company,” “we” or “CrowdGather”) was incorporated in the State of Nevada on April 20, 2005.

On April 2, 2008, the Company, General Mayhem LLC (“General”) and the Company’s wholly owned subsidiary, General Mayhem Acquisition Corp. (the “Acquisition Subsidiary”), closed the agreement and plan of merger, pursuant to which General merged into the Acquisition Subsidiary, with the Acquisition Subsidiary surviving, and each share of General was converted into and became one (1) share, such that former members of General were issued 26,000,000, or approximately 64.9%, of the outstanding shares at that time. Immediately thereafter, the Acquisition Subsidiary merged with and into the Company, with the Company surviving, and the Company changed its name to CrowdGather, Inc.

Recent Developments.

Sale of PbNation. On May 19, 2014, we sold the online forum PBNation.com and related website and domain names to VerticalScope, Inc. for \$1,380,000 in cash. The Purchase Agreement is attached as Exhibit 10.1 to the Current Report on Form 8-K, which was filed on May 1, 2014.

Merger with Plaor, Inc. On May 19, 2014, we closed the Agreement and Plan of Merger with Plaor, Inc., a Delaware corporation (“Plaor”) and our wholly-owned subsidiary, Plaor Acquisition Corp., pursuant to which Plaor Acquisition Corp. merged with Plaor and Plaor survived as our wholly-owned subsidiary (“Merger”). Pursuant to the Merger, the shareholders of Plaor received 55,075,801 shares of common stock of CrowdGather .

Our Business. 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.

Mega Fame Casino features celebrities from film, television, professional sports, and the music industry and offers weekly celebrity tournaments which we believe bring unique experiences to social games as players can play and interact with their favorite stars. Plaor's mission is to create great social game experiences that bring enjoyment and a sense of community to its players. Plaor strives to "treat everyone like a star" with high quality products, exceptional customer service, and personal attention for all of its players.

In addition to its focus on social games, Plaor has developed a web-based technology platform to facilitate short development cycles and data collection systems. Plaor collects and analyzes large volumes of player behavioral data continually and utilizes analysis of those data to understand its players and maximize its platform's potential as a creative social game environment.

Plaor's technologies include a mixture of native and managed frameworks deployed to both internal and hosted environments. Based on well-known web technologies, Plaor has engineered systems built to maximize operating and development efficiencies while maintaining what we believe is a high quality experience for the user.

Plaor also has a content tool chain that allows for real time and seamless content deployment paths on all of its currently supported distribution channels. This technology is fundamental in our ability to rapidly expand and enhance our game experiences with minimal friction in either the distribution of content or our players' ability to access it.

Our Community of Online Forums. Our forum community connects what we believe is a robust and vibrant network of people sharing their questions, expertise and experiences. We hope that this collection of forums will help users easily access relevant, dynamic, and compelling user-generated content, conversations and commerce.

Our primary objective is to maximize the monetization of page views and user actions across our network of forum properties, with a primary focus on U.S. and Western traffic that can earn more lucrative ad payouts. Among other considerations, defining potential monetization typically includes the review of traffic analytics. Historically, we have reported ranges of monthly page views and monthly unique visitors as of a given point in time. However, when we purchase a site, the seller may not have analytics tags installed to properly gauge traffic and occasionally we must install the analytics tags in order to define and then estimate key traffic statistics. Combined with our ongoing efforts to create premium ad inventory by removing inactive sites, and pruning other sites to remove content that violates our advertising partners' terms of service agreements and international content that is not easily monetized, the use of such estimates can contribute to quarter over quarter variances in traffic analytics. We will from time to time continue to engage in pruning our sites to remove inactive accounts and other content where monetization is not feasible. These activities can contribute to creating an improved ad network capable of earning higher ad rates, but they can also result in reductions of page views, unique visitors, registered users, discussions and posts. Although traffic analytics such as monthly page views and monthly unique visitors can be useful indicators, a more important determinant of value from a business perspective is our ability to generate and increase the revenues we receive from higher ad rates since not all traffic can be efficiently monetized.

We seek to continually add to the number of communities our website services by acquiring additional active forums, thereby increasing traffic to our site and the number of forums we host.

Revenues. We derive revenue principally from the sale of Internet advertising and sponsorships, as well as from subscription services on free forum hosting platforms and e-commerce. The Internet is an attractive forum for certain advertisers, depending on the number of users we have and a variety of other factors. Internet advertising spending continues to increase on an annual basis. We believe that significant revenues can be generated from online advertising both for our Company-owned sites as well as on a commission sales basis for our third-party network sites.

Plaoor generates revenue from Mega Fame Casino 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 Mega Fame Casino. Players can pay for our virtual currency using Facebook local currency payments when playing our games through Facebook and can use other payment methods such as credit cards or PayPal on other platforms. Mega Fame Casino currently has nearly 20,000 daily active users.

Sales, Marketing and Distribution. We intend to pursue direct sales with advertisers interested in exposing their products or services to our forum populations on a targeted basis. We will work not only with direct advertisers, but also advertising networks as represented by intermediaries. A key component of our strategy will be to customize advertising programs that are directly relevant to an advertiser, while not at odds with our online communities. We will also allow for direct personalized advertising sales to the members of our respective forum communities who wish to market their products or services to their fellow members.

We hope to develop a widely recognized brand, which will enable us to attract, retain, and more deeply engage users, forum owners, advertisers, publishers, and developers. We believe a great brand begins with a great product, services, and content. We focus on each step of product and services development, deployment, and management and content design to understand our offerings and how best to market them to our communities of potential and existing users. We hope to use online advertising, and leverage our online network and our distribution partnerships to market our products and services to the right people at the right time. With continued investment in brand and product marketing, we believe we can continue to attract and engage users, advertisers, publishers, and developers.

In order to highlight our capabilities beyond traditional Internet advertising, we undertook a social media marketing initiative wherein we partnered with a technology company in order to create and market a fragrance product called Erox. In May 2011, we acquired the Erox.com domain name, “Erox” trademark in the United States and produced a limited amount of product. Our investment in this project has been immaterial to date.

Plaor’s users are primarily acquired through the Facebook advertising platform for both desktop and mobile users. We have invested in the creation of an advanced advertising tool set that has been tightly integrated with our game products. This tool set enables our marketing teams to more efficiently study, segment, and target user segments inside of and outside of our products.

Plaor also operates product web sites, Facebook fan pages, and other social media accounts to connect and cultivate players into a thriving community of dedicated fans. Fans can join these online sites to interact with other players of Plaor’s games and to receive special promotions and sale items exclusively for participants in these sites and pages.

Competition. We operate in the Internet products, services, and content markets, which are highly competitive and characterized by rapid change, converging technologies, and increasing competition from companies offering communication, information, and entertainment services integrated into other products and media properties.

We compete for users, advertisers, publishers, and developers with many other providers of online services, including Web businesses where expertise in a particular market segment may provide a competitive advantage and with social media and networking competitors. Ad networks which create specialized marketing solutions for specific advertiser or publishers segments, also compete with us for a share of marketing budgets.

We compete with companies to attract users and developers as well as attract advertisers and publishers to our forums. The principal competitive factors relating to attracting and retaining users include the usefulness, accessibility, integration, and personalization of the forums that we offer and the overall user experience on our sites.

Many of our current and potential competitors have longer operating histories, more industry experience, larger customer or user bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. We may not be able to compete with either the large or mid-sized companies. We are also at a significant competitive disadvantage within the Internet industry because we have limited capital resources. Our ability to compete will depend on our ability to obtain users of our products without spending any significant funds to market and promote our products.

The social gaming industry in which Plaor operates is also highly competitive, and we expect to face constant competition as new titles emerge onto the marketplace due to the low development costs and negligible barriers to entry in launching social games. We face competition from a number of entities who develop games as well as many traditional and digital forms of entertainment. These competitors include established gaming companies such as King.com, Electronic Arts Inc., Zynga Inc. and numerous smaller privately-held companies as well as independent developers. We also face increased competition if large companies with significant online presences such as Facebook, Inc., Google Inc., Amazon.com, Inc., Apple, Inc., The Walt Disney Company or Yahoo! Inc., choose to enter or expand in the games space or develop competing social casino games. Many of our potential competitors have significant resources for developing or acquiring additional games, and may be able to incorporate appealing brands and assets into their games or distribution of their titles. We also face potential competition from the established casino companies who may develop their social casino own platforms in competition with ours.

Intellectual Property. Our intellectual property assets include domain names and websites; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We also currently own the web domain www.crowdgather.com, which serves as our corporate website, and www.plaor.com, which serves as Plaor's corporate website. Our portfolio currently consists of over 500 domain names and over 70 web properties at various stages of development.

Under current domain name registration practices, no one else can obtain an identical domain name, but someone might obtain a similar name, or the identical name with a different suffix, such as ".org", or with a country designation. The regulation of domain names in the United States and in foreign countries is subject to change, and we could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our domain names.

We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws of the United States and other countries, and through contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with third parties with whom we conduct business in order to secure our proprietary rights and additionally limit access to, and disclosure of, our proprietary information. We consider our trademarks to be our most valuable assets and we will seek to register these trademarks in the United States and will seek to protect them. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights, such as trademark, patent, copyright, and trade secret rights to third parties.

Government Regulation. We are subject to regulations and laws directly applicable to providers of online content and services. Many laws and regulations, however, are pending and may be adopted in the United States, individual states and local jurisdictions and other countries with respect to the Internet. The federal government and some state governments have introduced or considered legislation relating to Internet usage generally, including measures relating to privacy and data security, as well as specific legislation aimed at social networking sites, such as ours. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could negatively affect our business. We do not know for certain how existing laws governing issues such as property ownership, copyright and other intellectual property issues, digital rights management, security, illegal or obscene content, retransmission of media, spyware, and personal privacy and data protection apply to the Internet. We monitor pending legislation to ascertain relevance, analyze impact and develop strategic direction surrounding regulatory trends and developments within the industry.

A number of U.S. federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act ("DMCA") is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party Websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act ("CDA") are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and CDA in conducting our business. Any changes in these laws or judicial interpretations narrowing their protections will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain

lines of business. The Children’s Online Privacy Protection Act of 1998 (“COPPA”) prohibits web sites from collecting personally identifiable information online from children under age 13 without prior parental consent. The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM”) regulates the distribution of unsolicited commercial emails, or “spam.” Online services provided by us may be subject to COPPA and CAN-SPAM requirements. Congress and individual states may also consider online privacy legislation that would apply to personal information collected from teens and adults. We believe that we are in material compliance with the requirements imposed by those laws and regulations.

Plaor's games are based upon traditional casino games, such as poker. We have structured and operate our casino-themed games with the gambling laws in mind and believe that playing such games does not constitute gambling.

We are also subject to federal, state and local laws and regulations applied to businesses generally. We believe that we are in conformity with all applicable laws in all relevant jurisdictions. We do not believe that we have not been affected by any of the rules and regulations specified in this section.

Research and Development. We seek to continually enhance, expand, and launch products and features to meet evolving user, advertiser, and publisher needs for technological innovation and a deeper, more integrated experience for the online community of users. We intend to leverage our internal development efforts through technology acquisitions.

As Plaor is a social games company, we believe that the need to anticipate social and technical trends is significant. 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. Plaor's research and development costs were approximately \$0.9 million for the fiscal year ended April 30, 2015, as compared to approximately \$2.5 million for the year ended April 30, 2014. The reduction in research and development costs is largely a factor of Plaor's technology platform's maturity and the lower costs associated with further expansion of its capabilities.

Our Subsidiaries. Our wholly owned subsidiaries are Plaor, Inc and Adisn, Inc.

Employees. As of June 19, 2015, we have 11 full time employees. None of our employees are covered by a collective bargaining agreement, nor are they represented by a labor union. We have not experienced any work stoppages, and we consider relations with our employees to be good.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this report before making an investment decision with regard to our securities. If any of the following risks actually occurs, our business, financial condition, and/or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should only purchase our securities if you can afford to suffer the loss of your entire investment.

Risks Related to Our Business:

We have a history of net losses which will continue and which may negatively impact our ability to achieve our business objectives.

For the year ended April 30, 2015, we had revenue of \$2,399,842 and a net loss of \$7,149,564 compared to revenue of \$1,537,051 and a net loss of \$7,725,770 for the year ended April 30, 2014. There can be no assurance that our future operations will result in net income. Our failure to increase our revenues will harm our business. We may not be able to operate profitably on a quarterly or annual basis in the future. If our revenues grow more slowly than we anticipate or our operating expenses exceed our expectations, our operating results will suffer.

Our auditors have questioned our ability to continue operations as a “going concern.” Investors may lose all of their investment if we are unable to continue operations.

We hope to obtain significant revenues from future sales. In the absence of significant sales and profits, we will seek to raise additional funds to meet our working capital needs principally through the additional sales of our securities. However, we cannot guarantee that we will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to us. As a result, our auditors believe that substantial doubt exists about our ability to continue operations. In the event we are not able to continue operations, our securities will become worthless.

Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations.

We have a relatively limited operating history. Such limited operating history and the unpredictability of the success of online forums and Plaor's social casino makes it difficult for investors to evaluate our business and future operating results. An investor in our securities must consider the risks, uncertainties, and difficulties frequently encountered by companies in our industry. The risks and difficulties we face include challenges in accurate financial planning as a result of limited historical data and the uncertainties resulting from having had a relatively limited time period in which to implement and evaluate our business strategies as compared to older companies with longer operating histories.

We will need additional financing to execute our business plan.

The revenues from the sale of advertising and forum memberships and the projected revenues from Plaor are not currently adequate to support our expansion and product development programs. We will need additional funds to:

- effectuate our business plan;
- expand our online reach and presence;
- develop and enhance our technological capabilities, including new social casino games;
- file, prosecute, defend and enforce our intellectual property rights; and
- hire and retain key employees.

We will seek additional funds through public or private equity or debt financing, via strategic transactions, and/or from other sources. There are no assurances that future funding will be available on favorable terms or at all. If additional funding is not obtained, we may need to reduce, defer or cancel development programs, planned initiatives, or overhead expenditures to the extent necessary. The failure to fund our operating and capital requirements could have a material adverse effect on our business, financial condition and results of operations.

Additional capital may be costly or difficult to obtain.

Additional capital, whether through the offering of equity or debt securities, may not be available on reasonable terms or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business and, further, we may not be able to continue operating if we do not generate sufficient revenues from operations needed to stay in business. We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution

expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

A small number of games currently generate a substantial majority of Plaor's revenue.

Plaor's top game currently accounts for nearly 100% of our total gross revenues from Plaor. In future periods, we expect this game to represent a smaller percentage of our total gross revenues from Plaor as we diversify our game portfolio. If the gross revenues from our top game are lower than anticipated and we are unable to broaden our portfolio of games or increase gross revenues from those games, we will not be able to maintain or grow our revenue and our financial results could be adversely affected.

We must develop new games and enhance Plaor's existing games so that our players will continue to play our games and make purchases of virtual items within our games.

Our continued growth will depend on our ability to regularly develop new games and enhance our existing games in ways that improve the gaming experience for both paying and non-paying players while encouraging the purchase of virtual items within our games. In the event our current game development model ceases to be effective in generating revenues, our operating results will suffer. It is possible that only a small number of our games, if any, will generate significant revenues through purchases of virtual items.

Our resources may not be sufficient to manage our potential growth; failure to properly manage our potential growth would be detrimental to our business.

We may fail to adequately manage our potential future growth. Any growth in our operations will place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our technical, accounting, finance, marketing and sales staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. There may be greater strain on our systems mainly because we have acquired a business and significant number of Internet properties over the last 60 months and have had to devote significant management time and expense to the ongoing integration and alignment of management, systems, controls and marketing. To the extent we acquire other businesses, we will also need to integrate and assimilate new operations, technologies and personnel. If we are unable to manage growth effectively, such as if our sales and marketing efforts exceed our capacity to install, maintain and service our products or if new employees are unable to achieve performance levels, our business, operating results and financial condition could be materially and adversely affected.

Interest-group forums may not prove to be a viable business model.

Interest-group forums as a business model for delivering information and entertainment over the Internet is unproven, and we have only recently developed a business centered on this model. It is too early to predict whether consumers will accept, and use our products on a regular basis, in significant numbers, and participate in our online community. Our products may fail to attract significant numbers of users, or, may not be able to retain the usership that it attracts, and, in either case, we may fail to develop a viable business model for our online community. In addition, a significant portion of the content that we provide is available for free. If we are unable to successfully monetize the use of our content, either through advertising or fees for use, we may not be able to generate sufficient revenues.

If players do not find our social casino games compelling and engaging, we could lose players and our revenue could decline.

Our most successful game to date has been our Mega Fame Casino and Slots and we intend to continue to develop new games in this genre. It is possible that players could lose interest in our social casino over time due to a variety of reasons, including the emergence of new formats that players find more engaging, increased popularity of other game titles, or lack of sustained interest or loss of interest in particular games or the genre of games. If large numbers of players were to lose interest on our social casino or if we are not able to develop games in new casual sub-genres or if

we cannot develop new game formats, we could lose players, and our revenue and business could be harmed.

Plaor has a short history offering games on mobile and social platforms on a free-to-play basis. This model and these platforms are relatively new and evolving. These factors make it difficult to evaluate our future prospects and financial results.

Prior to the Merger, we primarily generated revenue from online forums and from sales of advertising available on our forums. As a result of the Merger with Plaor, we offer Plaor's games through Facebook and on mobile platforms through the Apple App Store and the Google Play Store. Accordingly, we have had limited experience offering games using these new distribution platforms, which makes it difficult to effectively assess their long-term prospects. In addition, mobile platforms and social networks have only recently become significant distribution platforms. As a result, we have limited experience with our model and we also have limited information operating in these markets. Thus, it is difficult for us to forecast our future revenue growth, if any, and to plan our operating expenses appropriately, which in turn makes it difficult to predict our future operating results.

If the use of mobile devices as game platforms and the proliferation of mobile devices generally do not increase, Plaor's business could be adversely affected.

While the number of people using mobile Internet-enabled devices, such as smartphones and handheld tablets, has increased dramatically in the past few years, the mobile market, particularly the market for mobile games, is still emerging and it may not grow as we anticipate. Our future success is substantially dependent upon the continued growth of use of mobile devices for games. The proliferation of mobile devices may not continue to develop at historical rates and consumers may not continue to use mobile Internet-enabled devices as a platform for games. In addition, we do not yet offer our games on all mobile devices. Therefore, if the mobile devices on which our games are available decline in popularity, we could experience a decline or a slow in growth in revenue until we are able to develop versions of our games for other mobile devices or platforms. Any decline in the usage of mobile devices for games could harm our business.

Plaor's free-to-play business model depends on the sale of virtual currency to players, and our business, financial condition and results of operations will be materially and adversely affected if we do not continue to successfully implement this model.

Plaor derives nearly all of its revenue from the sale of virtual currency in its social casino. Our games are available to players for free, and we generally generate revenue only 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 Mega Fame Casino. If we offer games that do not attract purchases of virtual currency, our business, financial condition and results of operations will be materially and adversely affected.

We may be unable to attract advertisers to our online forums.

Advertising revenue comprises a significant portion of the revenue generated by the forums that we own. Most large advertisers have fixed advertising budgets, only a small portion of which has traditionally been allocated to Internet advertising. In addition, the overall market for advertising, including Internet advertising, has been generally characterized in recent periods by softness of demand, reductions in marketing and advertising budgets, and by delays in spending of budgeted resources. Advertisers may continue to focus most of their efforts on traditional media or may decrease their advertising spending. If we fail to convince advertisers to spend a portion of their advertising budgets with us, we will be unable to generate revenues from advertising as we intend.

Our forum business generates revenue almost entirely from advertising and retaining other sites as paid participants in our community, and the reduction in spending by, or loss of, advertisers and members could seriously harm our ability to generate revenues.

Our forum business generates revenues from advertisers and other communities that pay to affiliate with our sites. If we are unable provide value to potential advertisers or other online communities, we may not be able to sell any ad space or memberships, which would negatively impact our revenues and business. In addition, we expect that advertisers will be able terminate their contracts with us at any time. We may also encounter difficulty collecting from our advertisers because we are a very small company with limited resources to collect outstanding balances.

If we are unable to compete effectively in the forum sector or the social gaming sector of the Internet industry, our business will fail.

The forum sector and social gaming sector of the Internet industry is extremely competitive. The competition comes from both companies within the same business and companies in other media which create alternative forms of entertainment. We compete with several major Internet companies which are dominant in the industry, as well as with numerous small and independent Internet companies. Many of the organizations with which we compete have significantly greater financial and other resources than we do. The major companies are typically large, diversified entertainment and media companies or subsidiaries of diversified corporations which have strong relationships with advertisers and others involved in the Internet industry. We may not be able to compete with those companies for users and advertisers.

We may not be able to sustain or grow our business unless we keep up with changes in technology and consumer tastes.

The Internet and electronic commerce industries are characterized by:

rapidly changing technology;
evolving industry standards and practices that could render our website and proprietary technology obsolete;
changes in consumer tastes and user demands;
challenges, such as “click fraud,” that cast doubt on otherwise legitimate activities and practices; and
frequent introductions of new services or products that embody new technologies.

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

We face significant competition from large-scale Internet content, product and service aggregators, principally Google, Microsoft, Yahoo and Facebook.

Our forum business faces significant competition from companies, principally Google, Microsoft, Yahoo and Facebook that have developed or acquired similar online sites. These services may directly compete with us for affiliate and advertiser arrangements, which is key to our business and operating results. Some of these competitors offer services that indirectly compete with our services, including: consumer e-mail services, desktop search, local search, and instant messaging services; photos, maps, video sharing, content channels, mobile applications, and shopping services; movie, television, music, book, periodical, news, sports, and other media holdings; access to a network of cable and other broadband users and delivery technologies; advertising offerings; and have considerable resources for future growth and expansion. Some of the existing competitors and possible additional entrants may have greater operational, strategic, financial, personnel or other resources than we do, as well as greater brand recognition either overall or for certain products and services. We expect these competitors increasingly to use their financial and engineering resources to compete with us, individually and potentially in combination with each other. In certain of these cases, our competition has a direct billing relationship with a greater number of their users through Internet access and other services than we have with our users through our premium services. This relationship may permit such competitors to be more effective than us in targeting services and advertisements to the specific preferences of their users thereby giving them a competitive advantage. If our competitors are more successful than we are in developing compelling products or attracting and retaining users, advertisers, or publishers, then our revenues and growth rates could decline.

We face significant competition from traditional media companies which could negatively impact our future operating results.

Our forum business also competes with traditional media companies for advertising, both offline as well as increasingly with their online assets as media companies offer more content directly from their own websites. Most advertisers currently spend a small portion of their advertising budgets on Internet advertising. If we fail to persuade existing advertisers to retain and increase their spending with us and if we fail to persuade new advertisers to spend a portion of their budget on advertising with us, our revenues could decline and our future operating results could be adversely affected.

Plaor's business faces significant competition from number of entities who develop games as well as low development costs and negligible barriers to entry in launching social games.

The social gaming industry in which Plaor operates is also highly competitive, and we expect to face constant competition as new titles emerge onto the marketplace due to the low development costs and negligible barriers to entry in launching social games. We face competition from a number of entities who develop games as well as many traditional and digital forms of entertainment. These competitors include established gaming companies such as King.com, Electronic Arts Inc., Zynga Inc. and numerous smaller privately-held companies as well as independent developers. We also face increased competition if large companies with significant online presences such as Facebook, Inc., Google Inc., Amazon.com, Inc., Apple, Inc., The Walt Disney Company or Yahoo! Inc., choose to enter or expand in the games space or develop competing social casino games. Many of our potential competitors have significant resources for developing or acquiring additional games, and may be able to incorporate appealing brands and assets into their games or distribution of their titles. We also face potential competition from the established casino companies who may develop their social casino own platforms in competition with ours.

We anticipate that the majority of our forum revenues will be derived from advertising to our users, and the reduction in spending by or loss of current or potential advertisers would cause our revenues and operating results to decline.

We anticipate that our forum business will primarily rely on our ability to generate revenues from advertising on our sites and from paid subscriptions from our members. Our ability to develop revenue from advertising revenue depends upon:

- establishing and maintaining our user base;
- establishing and maintaining the popularity of our Internet forums;
- broadening our relationships with advertisers to small- and medium-sized businesses;
- attracting advertisers to our user base;
- increasing demand for our services by advertisers, users, businesses and affiliates, including prices paid by advertisers, the number of searches performed by users, the rate at which users click-through to commercial search results and advertiser perception of the quality of leads generated by our forums;
- the successful development and deployment of technology improvements to our advertising platform;
- establishing and maintaining our affiliate program for our search marketing;
- deriving better demographic and other information from our users; and
- driving acceptance of the Web in general and of our sites in particular by advertisers as an advertising medium.

We anticipate that our agreements with advertisers will likely have terms of one year or less, or may be terminated at any time by the advertiser. Accordingly, it is difficult to forecast advertising revenues accurately. Any reduction in spending by or loss of existing or potential future advertisers would cause our revenues to decline. Further, we may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall.

We are substantially dependent on a small number of direct advertisers and advertising networks, which account for a vast majority of our revenues for our forum business.

Our forum business currently generate revenues from approximately fifteen advertising networks. For the year ended April 30, 2015, our top five advertisers accounted for approximately 50% of our forum related revenues. We expect to continue to generate the vast majority of our revenues from advertising for the foreseeable future. We do not have any long-term contractual agreements with any advertiser or advertising network. If our relationships with any of these advertisers or advertising networks were to be disrupted, our operating results will suffer.

Decreases or delays in advertising spending by our advertisers due to general economic conditions could harm our ability to generate advertising revenues from our forum business.

Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenues from advertising, any decreases in or delays in advertising spending due to general economic conditions could reduce our revenues or negatively impact our ability to grow our revenues.

Quarterly financial results will vary.

Factors that may contribute to the variability of quarterly revenue and operating results include:

fluctuations in revenue due to cyclical nature of our customers' forum advertising spend; commencement, completion and termination of contracts during any particular quarter; additions and departures of key personnel; and strategic decisions made by us and our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments and changes in business strategy, such as our recent acquisition of Plaor, Inc.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our brand image and harm our business and our operating results.

We hope to create, own and maintain a wide array of intellectual property assets, including copyrights, patents, trademarks, trade dress, trade secrets and rights to certain domain names, which we believe will be among our most valuable assets. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws of the United States and other countries of the world, and through contractual provisions. The efforts we have taken or will take to protect our intellectual property and proprietary rights may not be sufficient or effective at stopping unauthorized use of those rights. In addition, effective trademark, patent, copyright and trade secret protection may not be available or cost-effective in every country in which our products and media properties are distributed or made available through the Internet. There may be instances where we are not able to fully protect or utilize our intellectual property assets in a manner to maximize competitive advantages. Protection of the distinctive elements of our site may not be available under copyright law or trademark law. If we are unable to protect our proprietary rights from unauthorized use, the value of our brand image may be reduced. Any impairment of our brand could negatively impact our business. In addition, protecting our intellectual property and other proprietary rights is expensive and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and consequently harm our operating results.

We are subject to U.S. and foreign government regulation of Internet services which could subject us to claims, judgments and remedies including monetary liabilities and limitations on our business practices.

We are subject to regulations and laws directly applicable to providers of Internet content and services. In addition, we will also be subject to any new laws and regulations directly applicable to our domestic and international activities. We may incur substantial liabilities for expenses necessary to defend such litigation or to comply with these laws and regulations, as well as potential substantial penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

We rely on third-party providers for our principal Internet connections and technologies, databases and network services critical to our properties and services, and any errors, failures or disruption in the services provided by these third parties could significantly harm our business and operating results.

We rely on private third-party providers for our principal Internet connections, co-location of a significant portion of our data servers and network access. A key element of our strategy is to generate a high volume of traffic to our forums. Our ability to generate revenues will depend substantially on the number of customers who use our websites. Accordingly, the satisfactory performance, reliability and availability of our websites and network infrastructure are critical to our ability to generate revenues, as well as to our reputation. Any disruption, from natural disasters, technology malfunctions, sabotage or other factors, in the Internet or network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business, operating results and financial condition. We have little control over these third-party providers, which increases our vulnerability to disruptions or problems with their services. Any financial difficulties experienced by our providers may have negative effects on our business, the nature and extent of which we cannot predict.

Furthermore, we depend on hardware and software suppliers for prompt delivery, installation and service of servers and other equipment to deliver our services. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand, our business, and operating results.

Plaor relies on Facebook to advertise, acquire, and retain players, to distribute our games, and to collect revenue. If we are unable to maintain a good relationship with Facebook, if their terms and conditions or pricing changed to our detriment, if we violate, or if they believes that we have violated, the terms and conditions of its platform, or if their platform were unavailable for a prolonged period of time, our business will suffer.

Plaor derives a majority of its revenue from distribution of games on Facebook, and the virtual currency we sell is purchased using the payments processing system of their platform. Facebook also serve as significant online distribution platforms for our games and the primary means by which we advertise to, acquire, and retain players. We are subject to their standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms. In addition, if we violate, or if Facebook believes that we have violated, its terms and conditions, they may discontinue or limit our access to that platform, which would harm our business. Our business would be harmed if they discontinue or limit our access to their platform, if their platform declines in popularity, if they modify their current discovery mechanisms, communication channels available to developers, respective terms of service or other policies, including fees, or change how the personal information of players is made available to developers or develop their own competitive offerings.

Plaor relies on third-party mobile platforms such as the Apple App Store and Google Play to distribute our games and collect revenue from mobile players. If we are unable to maintain a good relationship with such platform providers, if their terms and conditions or pricing changed to our detriment, if we violate, or if a platform provider believes that we have violated, the terms and conditions of its platform, or if any of these platforms were unavailable for a prolonged period of time, our business will suffer.

Plaor derives significant revenue from distribution of games on the Apple App Store and the Google Play Store, and the virtual currency we sell to players on certain mobile devices is purchased using the payments processing systems of these platform providers. These platforms also serve as significant online distribution platforms for our games. We are subject to their standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms. In addition, if we violate, or if a platform provider believes that we have violated, its terms and conditions, the particular platform provider may discontinue or limit our access to that platform, which would harm our business. Our business would be harmed if they discontinue or limit our access to their platforms, if their platforms decline in popularity, if they modify their current discovery mechanisms, communication channels available to developers, respective terms of service or other policies, including fees, or change how the personal information of players is made available to developers or develop their own competitive offerings.

Security breaches, computer viruses and computer hacking attacks could harm our business and results of operations.

Security breaches, computer malware and computer hacking attacks have become more prevalent in our industry. Any security breach caused by hacking, including efforts to gain unauthorized access to our applications, servers or websites, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and operating results. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our application, servers or website may result in significant expenses, loss of revenue and other adverse effects to our business.

If we are not able to retain the full-time services of senior management, there may be an adverse effect on our operations and/or our operating performance until we find suitable replacements.

Our business is dependent, to a large extent, upon the services of our senior management. We do not maintain key person life insurance for any members of our senior management at this time. The loss of services of our chief executive officer or any other key members of our senior management could adversely affect our business until suitable replacements can be found. There may be a limited number of personnel with the requisite skills to serve in these positions, and we may be unable to locate or employ such qualified personnel on acceptable terms.

Our inability to diversify our operations may subject us to economic fluctuations within our industry.

Our limited financial resources reduce the likelihood that we will be able to diversify our operations. Our probable inability to diversify our activities into more than one business area will subject us to economic fluctuations within the Internet industry and therefore increase the risks associated with our operations.

If there are changes in regulations or user concerns regarding privacy and protection of user data, or we fail to comply with such laws, we may face claims brought against us under any of these regulations and it could adversely affect our business.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. Any failure, or perceived failure, by us to comply with regulations of privacy and protection of user data or with any data-related consent orders, Federal Trade Commission requirements or orders, or other federal, state, or international privacy or consumer protection-related laws, regulations or industry

self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business. As a company that provides services over the Internet, we may be subject to a claim or class-action lawsuit brought under any of these or future laws governing online services. The successful assertion of these claims against us could result in potentially significant monetary damages, diversion of management resources and require us to make significant payments and incur substantial legal expenses. Even if a claim is not successfully pursued to judgment by a claimant, we may still incur substantial legal expenses defending against such a claim. In either situation, any claims with respect to violation of privacy or user data brought against us may adversely affect our business.

The costs to meet our reporting requirements as a public company subject to the Exchange Act of 1934 is substantial and may result in us having insufficient funds to operate our business.

We are a public reporting company in the United States and, accordingly, subject to the information and reporting requirements of the Securities Exchange Act of 1934 and other federal securities laws, and the compliance obligations of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley). We will incur ongoing expenses associated with professional fees for accounting and legal expenses associated with being a public company. We estimate that these costs will range up to \$200,000 per year for the next few years. Those fees will be higher if our business volume and activity increases. Those obligations will reduce resources to fund our operations and may limit us in expanding our operations.

We operate as a public company, which means we are subject to evolving corporate governance and public disclosure regulations that may result in additional expenses and continuing uncertainty regarding the application of such regulations.

Changing laws, regulations, and standards relating to corporate governance and public disclosure, including Sarbanes-Oxley and related rules and regulations, are creating uncertainty for public companies. We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional compliance costs we may incur or the timing of such costs. These new or changed laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by courts and regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Maintaining appropriate standards of corporate governance and public disclosure may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, if we fail to comply with new or changed laws, regulations, and standards, regulatory authorities may initiate legal proceedings against us and our business and our reputation may be harmed.

We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as executive officers.

We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Related to Owning our Common Stock:

Volatility of stock price may restrict sale opportunities.

Our stock price is affected by a number of factors, including stockholder expectations, financial results, the introduction of new products by us and our competitors, general economic and market conditions, estimates and projections by the investment community and public comments by other persons, and many other factors, many of which are beyond our control. We may be unable to achieve analysts' revenue or earnings forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others. There can be no assurance that we will achieve projected levels of revenues. As a result, our stock price is subject to significant volatility and stockholders may not be able to sell our stock at attractive prices.

Our shares may have limited liquidity.

Our shares of common stock are quoted on the OTCQB, which has limited liquidity. Due to this limited liquidity, our stockholders may be unable to sell their shares into the open market. In addition, they may encounter difficulty selling large blocks of shares or obtaining a suitable price at which to sell their shares.

Our stock price may be volatile, which may result in losses to our stockholders.

The stock markets have experienced significant price and trading volume fluctuations, and the market prices of companies quoted on the OTCQB marketplace, where our shares of common stock are quoted, generally have been very volatile and have experienced sharp share price and trading volume changes. The trading price of our common stock is likely to be volatile and could fluctuate widely in response to many of the following factors, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;

- additions or departures of key personnel; and
- future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations. These fluctuations, as well as general economic and political conditions unrelated to our performance, may adversely affect the price of our common stock. In particular, the market prices for stocks of companies often reach levels that bear no established relationship to the operating performance of these companies. These market prices are generally not sustainable and could vary widely.

Our management owns a substantial portion of our outstanding common stock, which enables them to influence many significant corporate actions and in certain circumstances may prevent a change in control that would otherwise be beneficial to our stockholders.

Our management beneficially controls approximately 20% of our outstanding shares of common stock as of June 19, 2015. Such concentrated control could have a substantial impact on matters requiring the vote of the stockholders, including the election of our directors and most of our corporate actions. This control could delay, defer, or prevent others from initiating a potential merger, takeover or other change in our control, even if these actions would benefit our stockholders and us. This control could adversely affect the voting and other rights of our other stockholders and could depress the market price of our common stock.

Our common shares may be thinly-traded, and our stockholders may be unable to sell at or near ask prices or at all if they need to sell their shares to raise money or otherwise desire to liquidate such shares.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained due to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors, and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained.

The market for our common shares may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. The potential volatility in our share price is attributable to a number of factors. First, as noted above, our common shares

may be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price. Secondly, an investment in us is a speculative or “risky” investment due to our lack of significant revenues or profits to date and uncertainty of future market acceptance for current and potential products. As a consequence of this enhanced risk, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer.

We do not anticipate paying any cash dividends.

We presently do not anticipate that we will pay any dividends on our common stock in the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

Our common stock may be subject to penny stock rules, which may make it more difficult for our stockholders to sell their common stock.

Broker-dealer practices in connection with transactions in “penny stocks” are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than \$5.00 per share. The penny stock rules require a broker-dealer, prior to a purchase or sale of a penny stock not otherwise exempt from the rules, to deliver to the customer a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules.

Volatility in our common stock price may subject us to securities litigation.

The market for our common stock is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management’s attention and resources.

We will need additional capital, and the sale of additional shares or other equity securities could result in additional dilution to our stockholders.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will not be sufficient to meet our anticipated cash needs for the near future. We may also require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. Consequently, we will seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities will result in additional dilution to our stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing, if necessary, will be available in amounts or on terms acceptable to us, if at all.

The exercise of outstanding options and warrants to purchase our common stock could substantially dilute your investment, impede our ability to obtain additional financing, and cause us to incur additional expenses.

Under the terms of our outstanding options and warrants to purchase our common stock issued to employees and others, the holders are given an opportunity to profit from a rise in the market price of our common stock that, upon the exercise of the options and/or warrants, could result in dilution in the interests of our other stockholders. The terms on which we may obtain additional financing may be adversely affected by the existence and potentially dilutive impact of our outstanding options and warrants. In addition, holders of the warrants have registration rights with respect to the common stock underlying such warrants, the registration of which has caused and will continue to cause us to incur a substantial expense.

We have a substantial number of authorized common shares available for future issuance that could cause dilution of our stockholders' interest and adversely impact the rights of holders of our common stock.

We have a total of 975,000,000 shares of common stock authorized for issuance. As of June 19, 2015, we had approximately 857,000,000 shares of common stock available for issuance. We have reserved 6,823,750 shares for issuance upon the exercise of outstanding options and 14,873,182 shares for issuance upon the exercise of outstanding warrants. We may seek financing that could result in the issuance of additional shares of our capital stock and/or rights to acquire additional shares of our capital stock. We may also make acquisitions that result in issuances of additional shares of our capital stock. Those additional issuances of capital stock would result in a significant reduction of your percentage interest in the Company. Furthermore, the book value per share of our common stock may be reduced. This reduction would occur if the exercise price of any issued warrants is lower than the book value per share of our common stock at the time of such exercise or conversion.

The addition of a substantial number of shares of our common stock into the market or by the registration of any of our other securities under the Securities Act of 1933 may significantly and negatively affect the prevailing market price for our common stock. The future sales of shares of our common stock issuable upon the exercise of outstanding warrants and options may have a depressive effect on the market price of our common stock, as such warrants and options would be more likely to be exercised or converted at a time when the price of our common stock is greater than the exercise or conversion price.

Our board of directors has the authority, without stockholder approval, to issue preferred stock with terms that may not be beneficial to common stockholders and may grant voting powers, rights and preference that differ from or may be superior to those of the registered shares.

Our articles of incorporation allow us to issue 25,000,000 shares of preferred stock without any vote or further action by our stockholders. As of June 19, 2015, we had 25,000,000 shares of preferred stock available for issuance. Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval, including large blocks of preferred stock. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We do not own any interests in real estate. We lease approximately 1,578 square feet of office space located at 20300 Ventura Blvd., Suite 330, Woodland Hills, California. The term of our lease is for six months and expires on July 31, 2015. Our rent is \$3,242 per month. At this time we do not expect to extend our lease at 20300 Ventura Blvd and are currently in late stage discussions with an unrelated organization for our Southern California office. We are expecting to enter into a new short-term one-year lease of approximately 1,309 square feet at a rate of \$1.95 per square foot. Our expected monthly expense is approximately \$2,553 if we choose to finalize the perspective lease.

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.

Item 3. 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.

On July 28, 2014, Plaor entered into a Settlement Agreement (the “Settlement Agreement”) with Hollywood Casinos LLC (“HC”) for the settlement of litigation relating to the use of certain marks, social media accounts and domain names incorporating the term “hollywood” (collectively, the “Hollywood Domains”) in the case entitled *Plaor LLC v. Hollywood Casinos, LLC* (the “Litigation Matter”). Under the terms of the Settlement Agreement, HC has agreed to pay to Plaor \$175,000 in exchange for all of Plaor’s and the Company’s rights, titles and interests to the Hollywood Domains and in full settlement of all claims in the Litigation Matter. The parties to the Settlement Agreement have filed a joint stipulation of dismissal of the Litigation Matter with respect to the Company, Plaor and HC and released each other from all claims related to the Litigation Matter.

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 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information. Our common stock is quoted on the OTCQB under the symbol “CRWG.” For the periods indicated below, the following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	High (\$)	Low (\$)
Fiscal Year 2015		
First Quarter	\$ 0.13	\$ 0.07
Second Quarter	\$ 0.14	\$ 0.09
Third Quarter	\$ 0.11	\$ 0.07
Fourth Quarter	\$ 0.09	\$ 0.07
Fiscal Year 2014		
First Quarter	\$ 0.09	\$ 0.03

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

Second Quarter	\$ 0.10	\$ 0.04
Third Quarter	\$ 0.09	\$ 0.05
Fourth Quarter	\$ 0.16	\$ 0.07

Holdings. The approximate number of stockholders of record at June 19, 2015 was 109. The number of stockholders of record does not include beneficial owners of our common stock, whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

Dividends . We have never declared or paid a cash dividend on our common stock. We do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared in the future will be at the discretion of our Board of Directors and subject to any restrictions that may be imposed by our lenders.

Securities Authorized for Issuance under Equity Compensation Plans. The table below includes the following information as of April 30, 2015 for CrowdGather, Inc. 2008 Stock Option and Award Plan.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,823,750	\$ 0.46	5,176,250
Equity compensation plans not approved by security holders	0	0	0
Total	6,823,750	\$ 0.46	5,176,250

Recent Sales of Unregistered Securities. The following sales of unregistered securities by us occurred during the year ended April 30, 2015.

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”). We issued 55,075,801 shares of our \$0.01 par value common stock to the shareholders of Plaor. These shares were valued for accounting purposes at \$0.11 per share which represented the closing share price on the closing date of the Merger.

On November 25, 2014, we entered into an agreement with an independent third party to provide investor relation services for a period of six months. Pursuant to the agreement, we issued 300,000 shares of our restricted common stock upon execution, valued at \$27,000. The stock-based expense for these shares included in operating expenses for the year ended April 30, 2015 was \$27,000.

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.

On April 8, 2015, we acquired the digital assets of Weedtracker.com and related online community in exchange for a \$5,000 cash payment due December 31, 2015 and 250,000 shares of our \$0.001 par value common stock, valued for accounting purposes at \$0.08 per share which represented the closing share price on the closing date of the transaction.

Use of Proceeds of Registered Securities. There were no sales or proceeds during the calendar year ended April 30, 2015, for the sale of registered securities.

Purchases of Equity Securities. None during the period covered by this report.

Penny Stock Regulation. Shares of our common stock will probably be subject to rules adopted by the SEC that regulate broker-dealer practices in connection with transactions in “penny stocks.” Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the SEC, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities’ laws;
- a brief, clear, narrative description of a dealer market, including “bid” and “ask” prices for penny stocks and the significance of the spread between the “bid” and “ask” price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the SEC shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

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, we evaluate our estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, contingencies and litigation. We base our 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 year ended April 30, 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.

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 Ended April 30, 2015
Bookings to Revenue Reconciliation:	
Forum Revenue	\$ 128,000
Social Gaming Revenue	510,000
Changes to Social Gaming Deferred Revenue	34,207
Changes to Deferred Allowance for Social Gaming Refunds and Charge-backs	2,919
Changes in Accrued Social Gaming Transaction Fees	(5,045)
Bookings	\$ 670,081

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 Players, 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 Players, 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 Fiscal Year Ended April 30, 2015

	Three Months Ended July 31, 2014	Three Months Ended October 30, 2014	Three Months Ended January 31, 2015	Three Months Ended April 30, 2015	Twelve Months Ended April 30, 2015
Average Daily Bookings	\$ 4,579	\$ 5,740	\$ 5,851	\$ 6,363	\$ 5,680
ABPU	\$.19	\$.24	\$.27	\$.31	\$.25
Average DAU	23,724	24,154	21,850	20,203	22,505
Average MAU	134,724	118,727	98,327	85,576	109,574
Average DUP	265	287	274	265	273
Average MUP	2,537	2,567	2,328	2,231	2,418

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.

We have posted consistent improvements each quarter of the fiscal year ended April 30, 2015. Overall we have achieved a 39% increase in Average Daily Bookings between the first and fourth quarters of the fiscal year. During the same period of time we have increased our ABPU 63% from \$0.19 to \$0.31. The improvements recorded continue to support the expansion of our slot machine selection available to players in the casino. 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 over the fiscal year with our average DAU falling 15% from 23,724 in the first quarter to 20,203 in the final quarter; our average MAU fell 36% from 134,724 to 85,576 between the first and fourth quarters respectively. 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 18% in the first quarter to 24% in the fourth quarter is a signal our strategy has been effective.

We anticipate in the coming fiscal year to transition our 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 supported expansion of our player count.

The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements for the year ended April 30, 2015, together with notes thereto, which are included in this report.

For the year ended April 30, 2015 as compared to the year ended April 30, 2014.

Results of Operations

Revenues and Gross Profit. We realized revenues of \$2,399,842 for the year ended April 30, 2015, as compared to revenues of \$1,537,051 for the year ended April 30, 2014. The variance between comparable periods is primarily due to an increase of approximately \$1,744,011 of social gaming revenue relating to the merger with Plaor for the period from the acquisition date of May 19, 2014 to April 30, 2015. Offsetting this increase was reduced forum advertising revenue of approximately \$881,451 primarily due to the sale of certain forum properties during the 4th quarter of fiscal 2014 and 1st quarter of fiscal 2015.

Our cost of revenue for the year ended April 30, 2015, was \$552,635, as compared to cost of revenue of \$3,980 for the year ended April 30, 2014. The increase of approximately \$550,000 is directly attributable to the platform fees relating to our social games and hosting and data center costs related to operating our online games, royalty fees and expenses for hosting celebrity events, primarily appearance and facility fees.

Our gross profit for the year ended April 30, 2015 was \$1,847,207 as compared to gross profit of \$1,533,071 for the year ended April 30, 2014.

As a result of the merger with Plaor, we expect to devote a significant portion of our operations to the business of Plaor in order to expand our operations. To grow our business during the next twelve months, we need to generate increased revenues from users engaging with Plaor social casino games and our online forum communities. Our failure to increase revenues will hinder our ability to increase the size of our operations. If we are not able to generate additional revenues to cover our operating costs, we may not be able to sustain our operations without raising additional capital.

Operating Expenses. For the year ended April 30, 2015, our total operating expenses were \$8,548,857 as compared to total operating expenses of \$9,252,665 for the year ended April 30, 2014. This decrease of \$703,808 is primarily related to \$4,500,202 of impairment expense recorded in fiscal year 2014 offset by \$3,755,318 of operating expenses relating to Plaor's operations.

Payroll expenses for the fiscal year ending April 30, 2015 increased \$1,140,729 to \$2,330,539 with \$1,189,810 recorded for the year ending April 30, 2014. The payroll increase was due to \$1,705,054 of additional personnel costs relating to the acquisition of Plaor, offset by \$564,325 reduced payroll expenses relating to the forum business as a result of our expense reduction plan.

General and administrative expenses increased by \$2,024,400 from \$1,363,389 to \$3,387,789 primarily due to advertising and promotional expenses of \$1,327,529 in fiscal year 2015, as compared with \$9,000 in the previous fiscal year relating to advertising costs associated with the operation of Mega Fame Casino. Additionally within general and administrative costs were Plaor's general and administrative expenses of \$724,720 and amortization expense of \$812,846 during the year relating to the merger with Plaor, Inc.

During the 2015 fiscal year we recorded a loss on disposal of assets of \$1,529,262 related to the disposal of PbNation.com, as compared to a loss on disposal of assets in fiscal 2014 of \$1,408,985.

Other Income (Expense). For the year ended April 30, 2015, we had other expense (net) of \$446,314 as compared to other expense (net) of \$5,376, which primarily consists of net interest expense offset by the change in fair value of derivative liability of \$61,716 and interest expense related to our convertible notes of \$456,584.

Net Loss. For the year ended April 30, 2015, our net loss was \$7,149,564 as compared to a net loss of \$7,725,770 for the year ended April 30, 2014. The overall decrease of approximately \$576,000 in our net loss is related to the factors as discussed above.

Liquidity and Capital Resources. Our total assets were \$9,901,540 as of April 30, 2015, which consisted of cash of \$73,801, accounts receivable of \$214,255, investments of \$21,480, inventory of \$31,744, prepaid expenses and deposits of \$37,389, property and equipment with a net value of \$41,143, intangible and other assets with a net value of \$7,664,328, represented by our domain names and other intellectual property owned, and goodwill of \$1,817,400 related to our acquisition of Plaor.

By comparison, our total assets were \$8,246,201 as of April 30, 2014, which consisted of cash of \$546,158, accounts receivable of \$130,709, inventory of \$31,913, prepaid expenses and deposits of \$48,652, property and equipment with a net value of \$130,518, intangible and other assets of \$7,336,771, represented by our domain names and other intellectual property owned and investments of \$21,480.

Our current liabilities as of April 30, 2015, totaled \$4,048,014, which is comprised of accounts payable of \$184,113, line of credit of \$449,760, deferred revenue of \$278,982, accrued vacation of \$96,564, convertible notes payable of \$223,316, derivative liability for the conversion feature of the convertible note of \$819,240, notes payable of \$1,455,859, notes payable to related parties of \$296,359, and other accrued liabilities of \$243,821. We had no other liabilities and no long-term commitments or contingencies at April 30, 2015.

As of April 30, 2015, we had cash of \$73,801. We 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 reduce costs and our net cash burn rate further 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. Subsequent to the end of the 2015 fiscal year we have successfully raised \$250,000 additional capital (See Note 17) that has allowed us to continue our operations as we work to further improve revenue and reduce operating expenses.

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. KBM may, at anytime 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. Filed as an exhibit with our Form 8-K dated and filed January 26, 2015.

Promissory Note and Securities Purchase Agreement with Iconic Holders, LLC dated February 13, 2015. Aggregate principle amount of \$108,000 and an 8% annual interest rate due February 16, 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 February 20, 2015.

Promissory Note, Warrant Purchase Agreement, and Securities Purchase Agreement with Typenex Co-Investment, LLC dated March 2, 2015. Aggregate principle amount of \$168,000 and a 10% annual interest rate due February 2, 2016. Typenex may convert some or the entire principle into our common stock at a conversion price equal to a 35% discount of the lowest trading price as calculated in the note. Filed with our Form 8-K dated and filed March 6, 2015. Additionally we granted Typenex a warrant to purchase a certain number of our common stock shares as calculated in the purchase agreement with an exercise price of \$0.10. Filed as an exhibit with our Form 8-K dated and filed March 6, 2015.

Promissory Note and Securities Purchase Agreement with JMJ Financial dated March 24, 2015. Aggregate principle amount of \$65,000 and a 12% annual interest rate due in March 2016. JMJ may, at anytime after 180 days of issuance, convert some or the entire principle into our common stock at a conversion price equal to the lesser of \$0.08 or a 65% discount of the lowest trading price as calculated in the note. Filed as an exhibit with our Form 8-K dated and filed March 27, 2015.

Contractual Obligations and Reserves.

None.

Off-balance Sheet Arrangements.

We had no off-balance sheet arrangements at April 30, 2015.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by Item 8 are presented in the following order:

TABLE OF CONTENTS

<u>Report of Independent Registered Public Accounting Firm</u>	31
<u>Consolidated Balance Sheets</u>	32
<u>Consolidated Statements of Operations</u>	33
<u>Consolidated Statements of Comprehensive Loss</u>	34
<u>Consolidated Statements of Stockholders' Equity</u>	35
<u>Consolidated Statements of Cash Flows</u>	36
<u>Notes to Consolidated Financial Statements</u>	37

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Crowdgather, Inc.

We have audited the accompanying consolidated balance sheets of Crowdgather, Inc. as of April 30, 2015 and 2014 and the related statements of operations, comprehensive loss, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crowdgather, Inc. as of April 30, 2015 and 2014, and the results of its operations, comprehensive loss, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company has incurred recurring operating losses and has an accumulated deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Q Accountancy Corporation

Irvine, California

July 6, 2015

31

CROWDGATHER, INC.**CONSOLIDATED BALANCE SHEETS****APRIL 30, 2015 AND 2014**

	2015	2014
ASSETS		
Current assets		
Cash	\$73,801	\$546,158
Accounts receivable	214,255	130,709
Investments	21,480	21,480
Inventory	31,744	31,913
Prepaid expenses and deposits	37,389	48,652
Total current assets	378,669	778,912
Property and equipment, net of accumulated depreciation of \$625,097 and \$493,887, respectively	41,143	130,518
Intangible and other assets, net of accumulated amortization of \$812,846 and \$0, respectively	7,664,328	7,336,771
Goodwill	1,817,400	—
Total assets	\$9,901,540	\$8,246,201
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$184,113	\$8,000
Line of credit	449,760	—
Accrued vacation	96,564	44,078
Deferred revenue	278,982	—
Other accrued liabilities	243,821	154,746
Convertible note payable, net of discount	223,316	—
Derivative liabilities	819,240	—
Notes payable, net of discount	1,455,859	—
Notes payable to related parties, net of discount	296,359	—
Total current liabilities	4,048,014	206,824
Stockholders' equity		
Convertible Preferred Series B stock, \$0.001 par value, 1,000,000 shares authorized, 0 and 1,000,000 shares issued and outstanding, respectively	-	1,000,000
Common stock, \$0.001 par value, 975,000,000 shares authorized, 117,283,509 and 61,657,708 issued and outstanding, respectively	117,284	61,658
Additional paid-in capital	35,657,048	29,748,961

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

Accumulated deficit	(29,892,286)	(22,742,722)
Accumulated other comprehensive loss	(28,520)	(28,520)
Total stockholders' equity	5,853,526	8,039,377
Total liabilities and stockholders' equity	\$9,901,540	\$8,246,201

See accompanying notes to financial statements.

CROWDGATHER, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE YEARS ENDED APRIL 30, 2015 AND 2014**

	2015	2014
Revenue	\$2,399,842	\$1,537,051
Cost of revenue	552,635	3,980
Gross profit	1,847,207	1,533,071
Operating expenses		
Payroll and related expenses	2,330,539	1,189,810
Stock based compensation	374,000	661,400
General and administrative	3,387,789	1,363,389
Depreciation and amortization	927,267	128,879
Impairment of goodwill and intangibles	—	4,500,202
Loss on disposal of assets	1,529,262	1,408,985
Total operating expenses	8,548,857	9,252,665
Loss from operations	(6,701,650)	(7,719,594)
Other income (expense), net		
Interest expense, net	(514,686)	(5,376)
Change in fair value of derivative liabilities	(61,716)	—
Gain on extinguishment of debt	5,088	—
Legal settlements, net	125,000	—
Total other income (expense), net	(446,314)	(5,376)
Net loss before provision for income taxes	(7,147,964)	(7,724,970)
Provision for income taxes	1,600	800
Net loss	\$(7,149,564)	\$(7,725,770)
Weighted average shares outstanding- basic and diluted	117,200,176	60,082,803
Net loss per share – basic and diluted	\$(0.06)	\$(0.13)

See accompanying notes to financial statements.

CROWDGATHER, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED APRIL 30, 2015 AND 2014

	2015	2014
Net loss	\$(7,149,564)	\$(7,725,770)
Other comprehensive loss		
Unrealized loss on available for sale securities	—	(7,090)
Total other comprehensive loss	—	(7,090)
Total comprehensive loss	\$(7,149,564)	\$(7,732,860)

See accompanying notes to financial statements.

CROWDGATHER, INC.**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****APRIL 30, 2015 AND 2014**

	Preferred Series B		Common Stock		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total
	Shares	Amount	Shares	Amount				
Balance, April 30, 2013	300,000	\$ 300,000	58,372,708	\$ 58,373	\$ 29,070,846	\$(15,016,952)	\$ (21,430)	\$ 14,390,837
Shares issued for services	-	-	3,035,000	3,035	261,365	-	-	264,400
Shares issued for settlement and disposal of assets	-	-	250,000	250	19,750	-	-	20,000
Shares purchased	700,000	700,000	-	-	-	-	-	700,000
Amortization of stock options	-	-	-	-	397,000	-	-	397,000
Unrealized loss available for sale securities	-	-	-	-	-	-	(7,090)	(7,090)
Net (loss) for the year ended April 30, 2014	-	-	-	-	-	(7,725,770)	-	(7,725,770)
Balance April 30, 2014	1,000,000	\$ 1,000,000	61,657,708	\$ 61,658	\$ 29,748,961	\$(22,742,722)	\$ (28,520)	\$ 8,039,377
Shares issued for acquisition	—	—	55,075,801	55,076	5,084,587	—	—	5,139,663

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

Shares issued for services	—	—	300,000	300	26,700	—	—	27,000
Shares issued for purchase of intangibles			250,000	250	19,500	—	—	19,750
Preferred shares exchanged for debt	(1,000,000)	(1,000,000)	—	—	—	—	—	(1,000,000)
Fair value of warrants	—	—	—	—	403,300	—	—	403,300
Amortization of stock options	—	—	—	—	374,000	—	—	374,000
Net (loss) for the year ended April 30, 2015	—	—	—	—	—	(7,149,564)	-	(7,149,564)
Balance April 30, 2015	—	\$ —	117,283,509	\$ 117,284	\$ 35,657,048	\$ (29,892,286)	\$ (28,520)	\$ 5,853,526

See accompanying notes to financial statements

CROWDGATHER, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED APRIL 30, 2015 AND 2014**

	2015	2014
Cash flows from operating activities:		
Net loss	\$(7,149,564)	\$(7,725,770)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	927,267	134,892
Stock-based compensation	374,000	661,400
Stock issued for services	27,000	-
Impairment of goodwill and intangibles	—	4,500,202
Loss on disposal of assets	1,529,262	1,408,985
Change in fair value of derivative liabilities	61,716	—
Gain on extinguishment of debt	(5,088)	—
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(83,546)	84,222
Decrease in inventory	169	1,255
Decrease in prepaid expenses and deposits	11,263	1,909
Increase in accounts payable and accrued liabilities	1,169,343	65,848
Net cash used in operating activities	(3,138,178)	(867,057)
Cash flows from investing activities:		
Purchase of property and equipment	(12,384)	(34,860)
Proceeds from sale of intangible assets, net of fees	1,430,847	497,751
Net cash provided by investing activities	1,418,463	462,891
Cash flows from financing activities:		
Cash acquired with purchase of subsidiary	102,358	—
Proceeds from the issuance of debt	1,145,000	
Proceeds from the issuance of preferred stock	—	700,000
Payments on capital lease obligations	—	(125,188)
Net cash provided by financing activities	1,247,358	574,812
Net increase (decrease) in cash	(472,357)	170,646
Cash, beginning of year	546,158	375,512
Cash, end of year	\$73,801	\$546,158
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$-	\$