CrowdGather, Inc.
Form 10-Q
December 15, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2014

[ ] 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 incorporation or organization)	(I.R.S. Employer Identification No.)

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

(818) 435-2472
(Registrant’s telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

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

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

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

As of December 1, 2014, there were 117,033,508 shares of the issuer’s $.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CROWDGATHER, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

	OCTOBER 31, 2014 (UNAUDITED)	APRIL 30, 2014
ASSETS		
Current assets		
Cash	$ 239,203	$ 546,158
Accounts receivable	289,890	130,709
Investments	21,480	21,480
Inventory	31,800	31,913
Prepaid expenses and deposits	89,151	48,652
Total current assets	671,524	778,912
Property and equipment, net of accumulated depreciation of $565,537 and $493,887, respectively	100,705	130,518
Intangible and other assets, net of accumulated amortization of $388,753 and $-0-, respectively	8,539,443	7,336,771
Goodwill	1,817,400	-
Total assets	$ 11,129,072	$ 8,246,201

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	$ 190,392	$ 8,000
Line of credit	262,684	-
Deferred revenue	566,638	-
Accrued vacation	97,910	44,078
Other accrued liabilities	449,998	154,746
Convertible note payable, net of discount	74,642	-
Derivative liability	77,409	-
Total current liabilities	1,719,673	206,824
Stockholders' equity		
Convertible Preferred Series B stock, $0.001 par value, 1,000,000 shares authorized, 1,000,000 shares issued and outstanding	1,000,000	1,000,000
Common stock, $0.001 par value, 975,000,000 shares authorized, 116,733,508 and 61,657,708 issued and outstanding, respectively	116,733	61,658
Additional paid-in capital	35,951,223	29,748,961

Accumulated deficit		(27,630,037)		(22,742,722)
Accumulated other comprehensive loss		(28,520)		(28,520)
Total stockholders' equity		9,409,399		8,039,377
Total liabilities and stockholders' equity	$	11,129,072	$	8,246,201

See accompanying notes to financial statements.

CROWDGATHER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended October 31, 2014	Three Months Ended October 31, 2013	Six Months Ended October 31, 2014	Six Months Ended October 31, 2013
Revenue	$ 393,734	$ 425,348	$ 800,324	$ 837,039
Cost of revenue	147,445	1,868	254,914	2,622
Gross profit	246,289	423,480	545,410	834,417
Operating expenses				
Payroll and related expenses	573,641	322,874	1,246,683	671,164
Stock based compensation	100,000	320,600	199,000	430,600
General and administrative	1,162,210	429,117	2,395,914	803,534
Loss on disposal of assets	-	-	1,529,262	-
Legal settlements, net	50,000	-	50,000	-
Impairment of intangible assets	-	140,026	-	140,026
Total operating expenses	1,885,851	1,212,617	5,420,859	2,045,324
Loss from operations	(1,639,562)	(789,137)	(4,875,449)	(1,210,907)
Other income (expense)				
Interest expense, net	(13,749)	(841)	(13,508)	(4,025)
Change in fair value of derivative liability	2,442	-	2,442	-
Total other income (expense)	(11,307)	(841)	(11,066)	(4,025)
Net loss before provision for income taxes	(1,650,869)	(789,978)	(4,886,515)	(1,214,932)
Provision for income taxes	0	0	800	800
Net loss	$ (1,650,869)	$ (789,978)	$ (4,887,315)	$ (1,215,732)
Weighted average shares outstanding- basic and diluted	116,733,508	59,261,198	111,046,333	58,881,850
Net loss per share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.02)

See accompanying notes to financial statements.

CROWDGATHER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2014 AND 2013
UNAUDITED

	2014	2013
Cash flows from operating activities:		
Net loss	$ (4,887,315)	$ (1,215,732)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	448,243	140,026
Stock-based compensation	199,000	68,464
Loss on disposal of assets	1,529,262	430,600
Change in fair value of derivative liability	(2,442)	
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(69,294)	28,265
Decrease in inventory	113	1,133
(Increase) decrease in prepaid expenses and deposits	(18,388)	(13,267)
Increase in accounts payable and accrued liabilities	819,045	11,245
Net cash used in operating activities	(1,981,776)	(549,266)
Cash flows from investing activities:		
Proceeds from sale of intangible assets, net of fees	1,430,847	-
Purchase of property and equipment	(12,384)	(10,759)
Net cash provided by investing activities	1,418,463	(10,759)
Cash flows from financing activities:		
Cash account acquired with the purchase of subsidiary	102,358	-
Proceeds from the issuance of debt	154,000	-
Proceeds from the issuance of preferred stock	-	700,000
Payments on capital lease obligations	-	(70,482)
Net cash provided by financing activities	256,358	629,518
Net increase (decrease) in cash	(306,955)	69,493
Cash, beginning of period	546,158	375,512
Cash, end of period	$ 239,203	$ 445,005
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ 4,126
Income taxes	$ 800	$ 800
Non-cash transactions:		
Purchase of property and equipment	$ 27,538	$ -
Stock-based compensation	$ 199,000	$ 430,600
Accounts payable and accrued liabilities assumed for acquisition of Plaor, Inc.	$ 232,000	$ -
Stock issued for the acquisition of Plaor, Inc.	$ 6,058,338	$ -

See accompanying notes to financial statements.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Principles of Consolidation

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

Basis of Presentation

The condensed consolidated unaudited financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements included in our annual report on Form 10-K for the year ended April 30, 2014. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended October 31, 2014, are not necessarily indicative of the results that may be expected for any other interim period or the entire year. For further information, these unaudited financial statements and the related notes should be read in conjunction with our audited financial statements for the year ended April 30, 2014, included in our annual report on Form 10-K.

Use of Estimates

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

Identifiable Intangible Assets

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

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

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

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

Impairment of Long-Lived Assets

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

Investments

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

Inventory

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

Revenue Recognition

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

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

Online Game

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

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

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

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

Events

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

Cost of Revenue

Our cost of revenue consists primarily of the direct expenses incurred in order to generate revenue. Such costs are recorded as incurred. Our cost of revenue consists primarily of virtual good transaction fees paid to platform operators such as Facebook, Google, and Apple. We also record costs related to the fulfillment of specific customer advertising campaigns and the costs associated with the manufacture and distribution of our synthetic human pheromone consumer products.

Stock Based Compensation

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

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

Internal-Use Software Development Costs

We expense costs as incurred for internal-use software during the preliminary stages of development. Costs incurred during the application development stage are capitalized, subject to their recoverability. All costs incurred after the software has been implemented and is fully operational are expensed as incurred. As of October 31, 2014, we have not capitalized any internal-use software development costs.

Comprehensive Loss

We apply ASC No. 220, Comprehensive Income (ASC 220). ASC 220 establishes standards for the reporting and display of comprehensive income or loss, requiring its components to be reported in a financial statement that is displayed with the same prominence as other financial statements. Our comprehensive loss was 1,650,869 and

4,887,315 for the three and six months ended October 31, 2014, respectively.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

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

Recent Accounting Pronouncements

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

Reclassifications

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

2. GOING CONCERN

We have incurred a net loss of $4,887,315 for the six months ended October 31, 2014 and have an accumulated deficit of $27,630,037 as of October 31, 2014, and additional debt or equity financing will be required to fund our activities and to support our operations. However, there is no assurance we will be able to obtain additional financing. Furthermore, there is no assurance that rapid technological changes, changing customer needs and evolving industry standards will enable us to introduce new products on a continual and timely basis so that profitable operations can be attained.

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

3. ACQUISITION

On May 19, 2014, we completed a merger agreement for 100% of the issued and outstanding common stock of Plaor, Inc. (Plaor), a social gaming company, pursuant to which Plaor survived as our wholly-owned subsidiary ("Merger"). The Company issued 55,075,800 shares of its $0.01 par value common stock to the shareholders of Plaor. These shares were valued for the Company's accounting purposes at $0.11 per share which represented the closing share price of the Company's stock on May 19, 2014. The total value of the acquisition was approximately $6,058,000 and has been allocated in accordance with ASC 805 as per the Company's valuation estimate as follows:

Cash and cash equivalent	$	102,000
Accounts receivable, Net		87,000
Prepaids and other assets		25,000
Property and equipment		18,000
Amortizable intangible assets:		
Trademarks, trade name, licensing and branding		4,240,938
Goodwill allocated		1,817,400

Total assets acquired		6,290,338
Fair value of liabilities assumed		(232,000)
Net fair value	$	6,058,338

In addition, in connection with the Merger, Hazim Ansari was appointed a director of CrowdGather. See our Current Report on Form 8-K filed on May 5, 2014.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

4. INVENTORY

As of October 31, 2014, inventory consisted of all finished goods of our synthetic human pheromone consumer products in the amount of $31,800.

5. INVESTMENTS

Our investments consist of 714,286 shares of Human Pheromone restricted common stock acquired in January 2012. These securities are classified as available for sale and are stated at fair value.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	October 31, 2014	April 30, 2014
Furniture, fixtures and office equipment	$ 33,694	$ 30,919
Computers, servers and equipment	620,166	558,807
Leasehold improvements	12,382	-
	666,242	589,726
Less: accumulated depreciation	(565,537)	(363,746)
	$ 100,705	$ 225,980

Depreciation expense was $59,490 and $63,714 for the six months ended October 31, 2014 and 2013, respectively.

7. CONCENTRATIONS OF CREDIT RISK

As of October 31, 2014 and 2013, two and four customers accounted for approximately 65% and 50% of our outstanding receivables, respectively. In addition, our top five customers accounted for approximately 45% and 52% of our sales for the six months ended October 31, 2014 and 2013, respectively.

Additionally, Facebook is a significant distribution, marketing, promotion and payment platform for our social games. Approximately 45% of the revenue for the six months ended October 31, 2014 was generated from players who accessed our games through Facebook.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

8. INTANGIBLE ASSETS

Intangibles are either amortized over their estimated lives, if a definite life is determined, or are not amortized if their life is considered indefinite. We account for the intangible assets at cost. Intangible assets acquired in a business combination, if any, are recorded under the purchase method of accounting at their estimated fair values at the date of acquisition. For the six months ended October 31, 2014 and 2013, we recorded $388,753 and $4,750, respectively, of amortization associated with its definite lived intangibles. Intangibles consist of the following:

	Est. Life	October 31, 2014	April 30, 2014
Online forums and related websites	Indefinite	$ 4,862,259	$ 7,336,771
Trademarks, licensing and branding	5 years	4,065,938	-
		8,928,197	7,336,771
Less: accumulated amortization		(388,753)	-
		$ 8,539,444	$ 7,336,771

During the six months ended October 31, 2014, we recorded $4,240,938 of trademarks and branding assets relating to the merger with Plaor. The total value of the acquisition was approximately $6,058,000 and has been allocated in accordance with ASC 805 as per our valuation estimate. Offsetting this was $175,000 of certain marks, social media accounts and domain names transferred to Hollywood Casinos LLC as part of a Settlement Agreement.

During the six months ended October 31, 2014, we entered into a web site purchase agreement to sell the online forum PbNation.com and related website and domain name to VerticalScope, Inc for $1,380,000 in cash. The cost of the online forums and websites was approximately $2,833,500 and as a result, we recorded a loss on sale of these assets of approximately $1,529,000, after amounts held in escrow and fees of approximately $75,500.

9. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. As October 31, 2014, we determined that the fair value of the goodwill exceeded its carrying value and therefore goodwill was not impaired.

During the six months ended October 31, 2014, we recorded $1,817,400 of goodwill relating to the merger with Plaor, The total value of the acquisition was approximately $6,058,000 and has been allocated in accordance with ASC 805 as per the management’s valuation estimate.

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CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

10. PREFERRED SERIES B STOCK

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

On April 8, 2013, we sold 300,000 shares of Series B Shares to one foreign investor in exchange for $300,000, or $1.00 per share, pursuant to a securities purchase agreement (“Purchase Agreement”). In connection with the sale of Series B Shares, the investors also received warrants to purchase 3,000,000 shares of our common stock at a purchase price of $0.08 per share. The warrant agreements (“Warrants”) provide for an expiration period of five years from the date of the investment.

On July 16, 2013, pursuant to the Purchase Agreement, we sold 150,000 shares of Series B Shares to a foreign investor in exchange for $150,000, or $1.00 per share. In connection with the sale of Series B Shares, the investor also received Warrants to purchase 1,500,000 shares of our common stock at a purchase price of $0.08 per share. The Warrants have an exercise term equal to 5 years and are exercisable commencing on July 16, 2013.

The Purchase Agreement provided that the investor would purchase 300,000 shares of Series B Shares and Warrants for a purchase price of $300,000 on or before July 12, 2013 (the “First Subsequent Closing Date”). However, we then entered into the First Amendment to Securities Purchase Agreement (the “Amendment”), revising the First Subsequent Closing Date from July 12, 2013 to August 2, 2013. The sale of the 150,000 shares of Series B Shares and Warrants on July 16, 2013 represents the first portion of the first subsequent closing and the remaining 150,000 shares of Series B Shares and Warrants would be purchased by the investor on or before August 2, 2013.

As a result of the Amendment, we issued an Amended and Restated Common Stock Purchase Warrant (“Amended and Restated Warrant”) to replace the Warrants issued at the initial closing and provide that such Warrants will vest only if the Investor purchases an additional 300,000 shares of Series B Shares and Warrants for a purchase price of $300,000 on or before the First Subsequent Closing Date.

On August 2, 2013, pursuant to the Purchase Agreement and Amendment, we sold 150,000 shares of Series B Shares to a foreign investor in exchange for $150,000, or $1.00 per share. In connection with the sale of Series B Shares, the investor also received Warrants to purchase 1,500,000 shares of our common stock at a purchase price of $0.08 per share. The Warrants have an exercise term equal to 5 years and are exercisable commencing on August 2, 2013.

On October 9, 2013, pursuant to the Purchase Agreement, we sold 400,000 shares of Series B Shares to three foreign investors in exchange for $400,000, or $1.00 per share. In connection with the sale of Series B Shares, the investors also received Warrants to purchase 4,000,000 shares of our common stock at a purchase price of $0.08 per share. The Warrants have an exercise term equal to 5 years and are exercisable commencing on October 9, 2013.

See also 17. Subsequent Event footnote.

CROWDGATHER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2014
(UNAUDITED)

11. COMMON STOCK

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 55,075,800 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.

12. STOCK OPTIONS

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

On September 2, 2014, we granted 2,270,000 stock options to employees relating to the Plaor merger in accordance with the CrowdGather, Inc. 2008 Stock Option Plan, exercisable at various dates through September 2023 at fair market value at the date of grant of $0.11 per share to the recipient pursuant to the Plan.

For the six months ended October 31, 2014 and 2013, we recognized $199,000 and $200,000 of stock-based compensation costs, respectively, as a result of the issuance of stock options to employees, directors and consultants in accordance with ASC 505.

Stock option activity was as follows for the six months ended October 31, 2014:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term (Years)	Aggregate Intrinsic Value
Outstanding, May 1, 2014	6,038,750	$ 0.57	7.89	$ 3,412,300
Granted	2,270,000	0.11	9.82	249,700
Forfeited/Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding, October 31, 2014	8,308,750	$ 0.44	7.85	$ 3,662,000
Exercisable, October 31, 2014	3,875,938	$ 0.80	6.15	$ 3,102,166

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12. STOCK OPTIONS (Continued)

A summary of the status of our unvested shares as of October 31, 2014 is presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value	
Non-vested balance, May 1, 2014	2,720,002	$	0.15
Granted	2,270,000		0.10
Vested	(557,190)		0.28
Forfeited/Expired	-		-
Non-vested balance, October 31, 2014	4,432,812	$	0.11

As October 31, 2014, total unrecognized stock-based compensation cost related to unvested stock options was $420,041, which is expected to be recognized over a weighted-average period of approximately 7.85 years.

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

	October 31, 2014
Risk-free interest rate	0.00% to 0.50%
Expected volatility	100.00%
Expected option life (in years)	4.00
Expected dividend yield	0.00

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

13. COMMITMENTS AND CONTINGENCIES

As of October 31, 2014, we lease approximately 1,578 square feet of office space located at 20300 Venture Blvd., Suite 330, Woodland Hills, California. The term of our lease is for six months and expires on April 30, 2015. Our rent is $3,242 per month.

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

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14. SEGMENT INFORMATION

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

	Three Months Ended October 31, 2014	Six Months Ended October 31, 2014
Revenues:		
Forum advertising	177,000	$ 385,500
Social gaming	217,000	415,000
Total revenues	394,000	800,500
Cost of Revenues:		
Forum advertising	500	$ 2,000
Social gaming	147,000	253,000
Total cost of revenues	147,500	255,000
Gross Profit:		
Forum advertising	176,500	$ 383,500
Social gaming	70,000	162,000
Total gross profit	246,500	545,500

15. PROVISION FOR INCOME TAXES

For the years ended October 31, 2014 and 2013, we have recognized the minimum amount of franchise tax required under California corporation law of $800. We are not currently subject to further federal or state tax since we have incurred losses since our inception.

As of October 31, 2014, we had federal and state net operating loss carry forwards of approximately $20,600,000 which can be used to offset future federal income tax. The federal and state net operating loss carry forwards expire at various dates through 2034. Deferred tax assets resulting from the net operating losses are reduced by a valuation allowance, when, in our opinion, utilization is not reasonably assured.

As of October 31, 2014, we had the following deferred tax assets related to net operating losses. A 100% valuation allowance has been established due to the uncertainty of our ability to realize future taxable income and to recover its net deferred tax assets.

	October 31, 2014
Federal net operating loss (at 34%)	$ 7,004,000
State net operating loss (at 8.84%)	1,832,040

		8,836,040
Less: valuation allowance		(8,836,040)
Net deferred tax assets	$	-

Our valuation allowance increased by $1,036,040 for the six months ended October 31, 2014.

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16. CONVERTIBLE NOTE PAYABLE AND DERIVATIVE LIABILITY

On October 20, 2014, we entered into a Securities Purchase Agreement with KBM Worldwide, Inc. ("KBM") providing for the purchase of a Convertible Promissory Note ("Note") in the aggregate principal amount of $154,000. The Note was signed as of October 20, 2014 and was funded on October 22, 2014, with the Company receiving $150,000 of net proceeds after payment of KBM's legal fees. The Note bears interest at the rate of 8% per annum, is due and payable on July 21, 2015, and may be converted by KBM at any time after 180 days of the date of closing into shares our common stock at a conversion price equal to a 39% discount of the lowest closing bid price (as determined in the Note) calculated at the time of conversion. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults.

The conversion feature of the Note meets the definition of a derivative under ASC 815 and requires bifurcation and is accounted for as a separate embedded derivative. The Company has estimated the fair market value of the embedded derivative of the Note as the difference between the fair market value of the Note with the conversion feature and the fair market value of the Note without the conversion feature associated with the embedded derivative, in both cases using relevant market data. In the case of the fair market value of the Note with the conversion feature, a binomial lattice model was used utilizing a discount rate based on variable conversion probability. In the case of the fair market value of the Note without the conversion feature associated with the embedded derivative, a discounted cash flow approach was used. The key valuation assumptions used consist of the price of the Company's stock, a risk free interest rate based on the average yield of a one year Treasury note of 0.10% and expected volatility of the Company's common stock all as of the measurement dates from 136.6% - 139.3%. As such, the $154,000 principal of debt was issued net of $5,000 debt origination costs and $79,851 initial fair value of the embedded derivative. The embedded derivative was recorded on the balance sheet as a derivative liability at its estimated fair value of $79,851 and created a discount on the debt that will be amortized over the life of the debt using the effective interest rate method. The fair value of the embedded derivative will be measured and recorded at fair value each subsequent reporting period and changes in fair value will be recognized in the statement of operations as a gain or loss on derivative. The gain for the period ended October 31, 2014 was $2,442.

17. SUBSEQUENT EVENT

Note and Warrant Purchase Agreements

On November 20, 2014 and November 21, 2014, we entered into two Note and Warrant Purchase Agreements with two investors ("Investors") providing for the purchase of Secured Promissory Notes ("Notes") in the aggregate principal amount of $250,000 and warrants to purchase an aggregate amount of 1,250,000 shares of our common stock (the "Warrants"). The Notes were issued on November 20, 2014 and November 21, 2014, respectively. The Notes bear interest at the rate of 12% per annum and are due and payable one year from the date of issuance. The Warrants grant the Investors the right to purchase five shares of our common stock for every one dollar of principal of the Notes purchased by the Investors at an exercise price equal to 110% of the closing price of our common stock on the date of investment. The Warrants have an exercise term equal to five years and are exercisable commencing on November 20, 2014 and November 21, 2014, respectively. In connection with the issuance of the Notes, we entered into a security agreement with the Investors to secure the timely payment and performance in full of our obligations pursuant to the Notes.

Exchange Agreements

On December 1, 2014, we entered into a separate exchange agreement with each holder (collectively, the "Holders") of (i) shares of our Series B Preferred Stock ("Preferred Stock"), and (ii) warrants to purchase 10,000,000 shares of common stock issued in connection with the Preferred Stock (the "Old Warrants") pursuant to which we shall issue 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 are 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.

Additional Note and Warrant Purchase Agreement

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

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

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

Forward Looking Statements

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

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

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

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

Critical Accounting Policies and Estimates. Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. In addition, these accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this report for the period ended October 31, 2014.

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 is 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 pai