

# INTERNET STOCK REVIEW

Los Angeles / Chicago / New York

TOP WATCH LIST PICKS				
COMPANY NAME	SYMBOL	THEN	YEAR END	% GAIN (LOSS)
Expedia	EXPE	\$7.85	\$25.74	227%
Blue Nile	NILE	\$20.82	\$66.33	204%
ModusLink Global	MLNK	\$3.13	\$6.28	200%
NetApp	NTAP	\$12.21	\$34.36	181%
Equinix	EQIX	\$41.38	\$106.15	156%
Conexant	CNXT	\$0.98	\$2.32	136%
Akamai	AKAM	\$11.25	\$25.34	125%
eBay	EBAY	\$12.33	\$23.53	90%
ValueClick	VLCK	\$5.47	\$10.12	85%
SINA Corp	SINA	\$25.67	\$45.18	64%
Average Gain/Loss				146%
NASDAQ 100				44%

## CROWDGATHER (SYMBOL: CRWG) \$1.80

We enjoyed a great 2009, with **our top ten picks** better than tripling that of the NASDAQ 100, with an average gain of **146%**. One interesting thing to note is that both our large and small cap ideas have performed equally well. As an example, **Equinix (EQIX)** gained **156%** to \$3.5 billion in value, while tiny **Conexant (CNTX)** gained **136%** and had a market value increase, of \$65 million. In either instance shareholders (and our subscribers) are very happy. CrowdGather is the first company to be named to our 2010 list. The rest of the names may be added shortly, depending on market conditions.

We have been following **CrowdGather (CRWG)** since the summer of 2008 (*see chart to follow*) when it was trading at \$2.25. The shares traded lower in line with the market and we felt that at \$0.85 (Aug 2009), it represented an excellent opportunity and we added it to the Watch List. The volumes in the shares are **just now turning up** and should be of great appeal to investors who like momentum stocks.

**CrowdGather** has a relatively simple (*yet ingenious*) game plan, which is to **amass the largest network** of Internet forum websites under one roof, in the U.S. Each separate forum website has its own audience and **CrowdGather's** goal is to **unify all of these audiences** and then present this audience "gift-wrapped," to potential advertisers, and audience which we believe may someday reach into the tens of millions (the top 50 forums have an estimated 80-90 million members).

Currently CrowdGather is serving over 12 million page views to 1.9 million unique users and we believe we are one of only a handful of investment firms which have noticed the company's early success. The company is well under Wall Street's radar, a **situation which we do not expect to remain for long**.

It's one thing to build one website which can attract 5 million users. It's altogether another thing, to network or gather together 10,000 websites, with 500 users each, totaling 5 million. Thus "**CrowdGather**" in a literal sense, means to gather a crowd even though the crowd may be a "virtually" spread across the entire Internet universe.

To extend the "crowd" definition, imagine advertising outside of a professional sports event, like the **NY Giants Stadium** which holds **80,000**. It's obviously an attractive market to advertise in and signs outside the stadium routinely sell out, regardless of the economy's shape. Now imagine the ability to advertise at EVERY professional stadium, all at once! That in short, is the **CrowdGather** model.

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## BACKGROUND

**CrowdGather (CRWG)** is an Internet technology, Entertainment and Advertising company all rolled into one. **CrowdGather** has created a centralized **Network** to benefit **forum** members, **forum** owners and **forum** advertisers.

**Internet forums** are the final frontiers of internet advertising, which have been largely overlooked because while they may number into the **hundreds of thousands**, they typically have fewer than 1000 users each.



GAIA ONLINE FOUNDED IN 2003 HAS 1 MILLION POSTS DAILY

**CrowdGather** owns forums, may build forums, acquire forums or simply invite third party forum owners, to join its **Network** to share in advertising revenues -- that they wouldn't normally be able to participate in.

**First**, it's an Internet technology company because it is developing a technology (**CrowdGather Adserver Technology** or "**CAT**"), which can be used to aggregate (gather) hundreds if not thousands of disparate websites and aggregate these audiences (hundreds or thousands at each site) all under one roof.

It can then "professionally" and automatically place the advertising on these sites. The "**CAT**" technology will be highly appealing to advertisers and highly appealing to forum owners for its ease of use and for the professional way the ads (ad words, banner ads, block ads, skyscraper ads) are placed and how they look.

**Secondly** CrowdGather has another technology called the **CrowdReport™ Content Management System** or "**CCMS**." The **CCMS** immediately increases any particular site's appeal to advertisers by converting **user generated content** into zero-cost content for the site.

In the simplest of understandings, large advertisers almost by definition **want large audiences**. However, they cannot either efficiently or effectively advertise on forums, which have only 5000 members. And small forums almost by definition, want as many advertisers as possible, but because of their small amount of members, are unable to attract the advertisers.

Thus is the genius behind the **CrowdGather Network**. By aggregating or gathering together these small, medium and even large forum sites and its audiences -- it enables advertisers the ability to finally reach all these individuals, with a "single" purchase advertising buy.

And for the forum owners, it enables the small forum sites the ability to **easily** (and easily cannot be over-emphasized) join a network so they can add their "5000" users into a single network, which as an example may have 100,000 users and thus bump the total number of users to 105,000.

If it were not for the **CrowdGather** technology, a large "group" of sites that claims to be a "network" by simply aggregating numbers, but which still needs to "manually" place ads on each site, isn't really a network, it's a headache. **CrowdGather's** "CAT" centralized advertising server eliminates this problem.

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## INVESTMENT SUMMARY.

Advertising as a business model on the Internet, is far from a novel idea. Similarly with the idea of Networking websites or newspapers, or even billboard, as an example.

However **CrowdGather's** model to create a Network of Internet Forums, is novel and the company has been quietly building up a dynamic network of sites under the radar of the competition and built an **impressive head start**.

As of January the company has completed 27 purchase acquisitions resulting in the ownership of 70 forums and 425 domain names. Out of the hundreds of thousands of forums on the Internet, **CrowdGather's** "General Mayhem," which was built by the founder of **CrowdGather** --ranks 31st in terms of number of posts of all English-based sites.



### EASY TO UNDERSTAND MODEL:

What we most like about the company is the fact that this is a very easy to understand model, particularly for investors.

We assume everyone understands the business model of "networks" as it relates to gathering advertising dollars. If say McDonald's want to advertise, they prefer to write one check and cover as much ground as possible.

So if they want to advertise in a newspaper, they would rather advertise with one company which owns 25 newspapers rather than writing checks to 25 separate newspapers. Same with TV networks, a group of magazines, a group or family of Internet sites or a

network of billboards going from one end of the country to the other.

**With a share price near \$2.00** and a micro-cap valuation under \$80 million, the potential remains enormous. We believe it will attract investor interest, as the company continues to progress in its goal to become one of the largest social, advertising, and user generated content networks by consolidating existing groups of online users, that post on message boards and forums.

The CrowdGather Network currently represents an **aggregate** of approximately **12 million** monthly page views, to **1.9 million** monthly unique visitors, and **1.7 million** discussions comprising over **40.5 million** individual replies. Additionally, approximately **2.9 million users** have registered on CrowdGather Network sites to date.

Importantly, the Company has additionally noticed an organic increase in the number of page views and ad impressions across several of their major properties, **after** the initial acquisition and integration periods. And their belief is that the strong search engine rankings of many of their properties will continue to result in increased page views and registered members, as they go forward.

## **SOCIAL MEDIA MARKETING:**

Importantly, from an investment standpoint, CrowdGather is increasingly being mentioned in the same breath as Facebook, MySpace (which was acquired for \$700 million by News Corp), Twitter and FriendFinder, which is readying an \$460 million IPO. This creates an air of "premium" valuation, where CrowdGather could trade at a level many times higher than what current fundamentals would normally warrant.

To quote CEO Sanjay Sabnani, "Forums are the help desk of the Internet -- they are where you end up when you have a question that requires an expert answer. The major difference between the network CrowdGather is creating and social networks such as Facebook and LinkedIn is the fact that our sites contain very high value **user generated content** while the others excel at mapping and tracking relationships."

CrowdGather is a direct beneficiary of the trend towards integrated social media marketing campaigns, due to its extensive expertise in the oldest forms of social media on the Internet which are "forums." Unlike other marketers that offer campaigns on third-party networks, CrowdGather has the dual benefit of being both an owner of a robust network of social media properties -- as well as "partners" with other leading forum properties.

## **RECENT RESULTS:**

CrowdGather posted a 451% increase in revenues from last years fiscal first quarter and a 12.3 % increase from the fourth quarter of fiscal 2009. Assets increased 34.8% from \$1,085,832 in the first quarter of fiscal 2009 to \$1,463,629 in the first quarter of fiscal 2010.

CrowdGather also recently announced the addition of AdminFusion.com and MJHQ.com to its portfolio of Company-owned communities. CrowdGather anticipates the release of two products for third-party forum owners over the next 90 days: CrowdReport, which is a custom CMS integration of Vbulletin and Wordpress, and RoamingThreads, which will be a solution for providing mobile uploads to forum communities.

For the three months ended July 31, 2009, the Company's operating expenses were \$652,160, including \$287,509 of non-cash charges for depreciation and stock-based expense as compared to total operating expenses of \$566,377 for the three months ended on July 31, 2008, including \$148,947 of non-cash charges for depreciation and stock-based expense.

Total assets increased 34.8 % to \$1.46 million as of July 31, 2009, which consisted of cash of \$767,634, prepaid expenses of \$3,472, property and equipment with a net cost of \$78,113, and intangible assets of \$614,410, represented by domain names and other intellectual property owned, as compared to total assets of \$1,085,832 in the first quarter of fiscal 2009.

### ATTRACTIVE CHART:

We find the timeliness of **CrowdGather (CRWG)** to be attractive, from a technical viewpoint. The company had the less than good fortune, to become publicly traded in April of 2008, when the market (DJIA) traded from



13,000 to a low of 6,400 in March of 2009. As the chart above shows, the performance of the shares moved in near tandem with the overall market and has rebounded nicely with volume expanding tremendously.

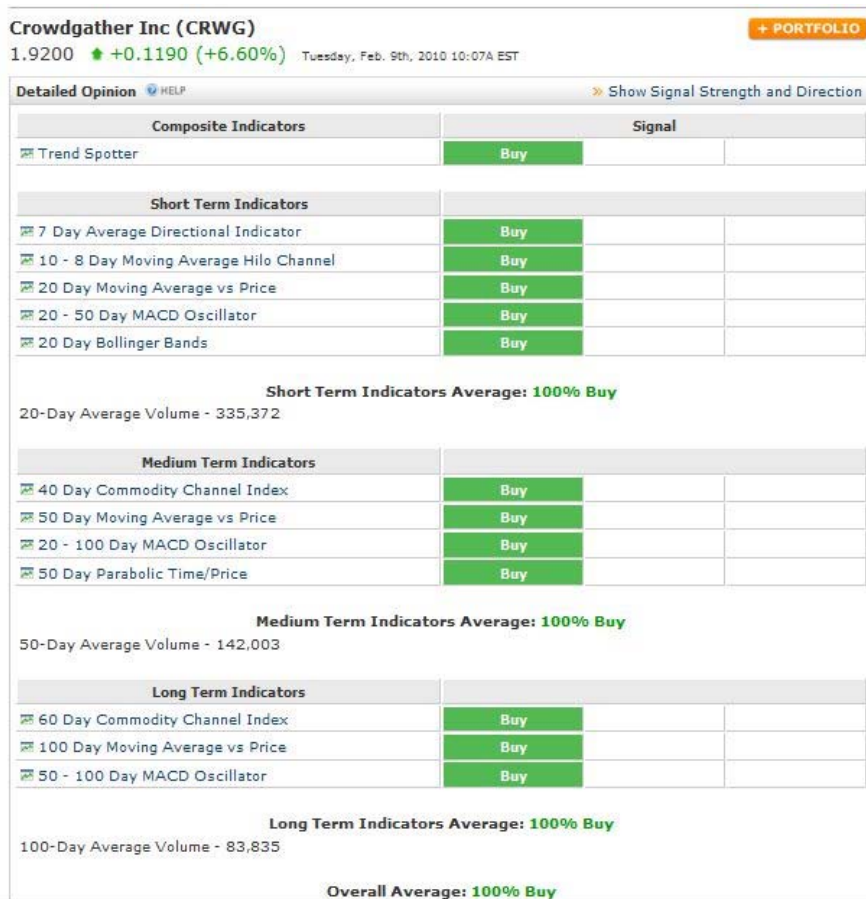
We believe this offers an **excellent entry point** for investors. Barchart.com, one of the Internet's most popular and well respected websites for technical analysis, ranks CrowdGather a "Buy" on 13 separate indicators. It ranks it a buy on its short, medium and long term indicators.

### RECENT FINANCING:

Despite a robust market rebound, financing still remains difficult for most small cap companies and **CrowdGather** (CRWG) has had the good fortune to have a loyal following of investors to participate in a May financing, two months after the market bottom. On May 26<sup>th</sup>, they closed a private offering of its 18-month

Secured Convertible Debentures to a limited number of foreign **institutional** buyers. The Company will receive cash proceeds of \$1,300,000, and approximately \$1,075,000 in previously issued short-term promissory obligations were exchanged for the new Debentures.

**Sanjay Sabnani** the company Chairman and CEO stated, "We are grateful to both our existing and new stockholders for their belief in CrowdGather and the opportunities we are pursuing. Raising this financing in a difficult environment is a tremendous advantage as we pursue growth through acquisitions. Forums and message-boards have been overlooked for too long despite the fact that they are a core constituency of the internet. We intend to address this disparity by teaming up with other forum owners in order to get forum communities the recognition and revenues they rightfully deserve."



## MANAGEMENT.

(Derived from SEC filings):

**Sanjay Sabnani.** Sanjay Sabnani is our Chief Executive Officer, President, and Secretary since April 2, 2008 and became one of our directors shortly thereafter. Mr. Sabnani founded General Mayhem, LLC in May 2004. While building General Mayhem, LLC's operations and network communities Mr. Sabnani has served senior executive roles in several public companies including: executive vice president, strategic development at Hythiam, Inc. (NASDAQ:HYTM) from April 2004 to December 2007; and president and director at Venture Catalyst, Inc.

(NASDAQ:VCAT), from July 1999 to November 2000. Mr. Sabnani assisted in raising over \$200 million in public equity financing for these companies, and served as the chief strategist and communicator for these businesses during his tenure with each. In addition, Mr. Sabnani has served as chairman of the board of two distinguished non-profits: Artwallah (arts festival); and TiE SoCal (venture capital networking). Mr. Sabnani was also the founder of a California charity, EndDependence (scholarships for addiction treatment). Mr. Sabnani received his BA in English Literature from UCLA in 1999. Mr. Sabnani is not an officer or director of any other reporting company.

**Gaurav Singh.** Mr. Singh began working with us in April 2008 and was appointed to his current position as Chief Financial Officer in November 2008. Prior to that, Mr. Singh was the director of finance for MD Synergy LLC from 2007 to 2008; from 2002 to 2006, he was controller, and then administrator for Specialty Surgical Center. Mr. Singh holds a masters degree in business administration from the Anderson School at UCLA, earned in 2002, and a bachelor's degree in business studies from the Delhi University, earned in 1997. Mr. Singh is not an officer or director of any other reporting company. Mr. Singh is not an officer or director of any other reporting company.

**Jonathan R. Dariyanani.** Mr. Dariyanani has been a member of our Board of Directors since September 2008. Mr. Dariyanani has been the principal of Zoma Law Group/Zoma Ventures in New York since 1999. From 2003 to 2004, Mr. Dariyanani also served as the director of ESL for Leapfrog Enterprises, Inc. From 1997 to 1999, he was an associate attorney at the Palo Alto, California office of Wilson Sonsini Goodrich and Rosati. Mr. Dariyanani is licensed to practice law in California. Mr. Dariyanani holds a Juris Doctor from Duke University, earned in 1997, and a bachelor's degree in legal studies from the University of California at Berkeley, which he earned in 1993. Mr. Dariyanani is not an officer or director of any other reporting company.

**James A. Sacks.** Mr. Sacks has been a member of our Board of Directors since September 2008. Mr. Sacks founded JAS Holdings in 2001, which provides contract sales services for medical business process outsourcing providers. From 1995 to 2000, Mr. Sacks was a registered securities principal for Joseph Charles & Associates. From 2000 to 2001, he served as a principal and the corporate secretary for Metropolitan Capital Partners. In 2002, he also served as a registered securities principal for West Park Capital. Mr. Sacks is not an officer or director of any other reporting company.

**Chuck Timpe.** Mr. Timpe has been a member of our Board of Directors since May 2009. Mr. Timpe is a seasoned director and financial executive and has served as a director since 1998 for IPC The Hospitalist Company (IPCM – NASDAQ) and as an advisor to CrowdGather since October 2008. From June 2003 to November 2008, Mr. Timpe served as the chief financial officer of Hythiam, Inc. (HYTM—NASDAQ). Prior to joining Hythiam, Mr. Timpe was chief financial officer, from its inception in February 1998 to June 2003, of Protocare, Inc., a clinical research and pharmaceutical outsourcing company which merged with Radiant Research, Inc. in March 2003. Previously, he was a principal in two private healthcare management consulting firms he co-founded, chief financial officer of National Pain Institute, treasurer and corporate controller for American Medical International, Inc. (now Tenet Healthcare Corp.; THC—NYSE), and a member of Arthur Andersen, LLP's healthcare practice, specializing in public company and hospital system audits. Mr. Timpe is currently a business consultant. Mr. Timpe received his B.S. from University of Missouri, School of Business and Public Administration, and is a certified public accountant.

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