

CMG HOLDINGS GROUP, INC.  
Form 10-Q  
June 09, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarter ended March 31, 2015**

**Commission file number 000-51770**

**CMG HOLDINGS GROUP, INC.**  
(Exact name of registrant as specified in its charter)

**Nevada** **87-0733770**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**2130 North Lincoln Park West 8N**  
**Chicago, IL** **60614**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code (773)698-6047

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 (§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). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or small reporting company. See the definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of May 15, 2014, there were 290,679,190 shares of common stock of the registrant issued and outstanding.

**CMG HOLDINGS GROUP, INC.**

**FORM 10-Q**

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**PART I FINANCIAL INFORMATION**

**ITEM 1- CONSOLIDATED FINANCIAL STATEMENTS**

**CMG HOLDINGS GROUP, INC.**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED MARCH 31, 2015 AND 2014**

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CMG Holdings Group, Inc.  
Consolidated Balance Sheets

	March 31, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$7,023	\$27,886
Prepaid expenses and other current assets	8,400	8,400
Total Current Assets	15,423	36,286
Property and equipment, net	30,335	32,192
Goodwill	54,500	54,500
<b>TOTAL ASSETS</b>	<b>\$ 100,258</b>	<b>\$ 122,978</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$676,671	\$676,671
Deferred compensation	85,000	40,000
Accrued liabilities	137,559	129,422
Loans payable shareholders	50,000	-
Convertible notes - carrying value	159,133	74,679
Derivative liabilities	408,100	400,892
Total Current Liabilities	1,516,463	1,321,664
<b>TOTAL LIABILITIES</b>	<b>1,516,463</b>	<b>1,321,664</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock:		
Series A Convertible Preferred Stock; 5,000,000 shares authorized; par value \$0.001 per share; no shares issued and outstanding as of March 31, 2015 and December 31, 2014	-	-
Series B Convertible Preferred Stock; 5,000,000 shares authorized; par value \$0.001 per share; 0 and 0 shares issued and outstanding as of March 31, 2015 and December 31, 2014	-	-
Common Stock:		
450,000,000 shares authorized, par value \$.001 per share; 289,329,190 and 289,329,190 shares issued and outstanding as of March 31, 2015 and December 31, 2014	289,329	289,329
Additional paid in capital	14,740,042	14,740,042
Treasury Stock, 37,174 and 37,174 shares held, respectively, at cost of -0-, as of March 31, 2015 and December 31, 2014.	-	-
Accumulated deficit	(16,445,576)	(16,228,057)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(1,416,205 )</b>	<b>(1,198,686 )</b>

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 100,258	\$ 122,978
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The accompanying notes are an integral part of these consolidated financial statements.

CMG HOLDINGS GROUP, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Revenues	\$41,690	\$1,554,748
Operating Expenses:		
Cost of revenues	34,077	880,992
General and administrative expenses	125,792	894,288
Total Operating Expenses	159,869	1,775,280
Operating Loss	(118,179 )	(220,532 )
Other Income (Expense):		
Gain (loss) on derivative liability	(84,454 )	8,307
Realized gain on marketable securities	-	193,487
Unrealized gain on marketable securities	-	2,456
Derivative interest	(7,208 )	-
Interest expense	(7,678 )	(133 )
Other expense	-	(4,558 )
Total Other Income (Expense)	(99,340 )	199,559
Income (loss) from continuing operations	(217,519 )	(20,973 )
Net Income	\$(217,519 )	\$(20,973 )
Basic income (loss) per common share for continuing operations	\$-	\$-
Basic income per common share for discontinued operations	\$-	\$-
Total basic income per common share	\$-	\$-
Diluted loss per share for continued operations	\$-	\$-
Diluted income (loss) per common share for discontinued operations	\$-	\$-
Total diluted income per common share	\$-	\$-
Basic weighted average common shares outstanding	286,329,190	285,323,857

The accompanying notes are an integral part of these consolidated financial statements.

CMG Holdings Group, Inc.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income from continuing operations	\$(217,519)	\$(20,973 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of debt discount	84,454	-
Depreciation	1,857	-
(Gain) loss on derivatives	7,208	(8,307 )
Realized gain on trading securities	-	(193,487 )
Unrealized gain on trading securities	-	(2,456 )
Changes in:		
Accounts receivable	-	(251,096 )
Prepaid expense and other current assets	-	(1,243,369)
Deferred income	-	3,492,754
Accrued liabilities	8,137	(150,001 )
Accounts payable	-	267,484
Deferred compensation	45,000	-
Net cash provided by (used in) operating activities	(70,863 )	1,890,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of trading securities	-	250,000
Proceeds from shareholder loans	50,000	-
	-	-
Net cash provided by (used in) investing activities	50,000	250,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sales of common stock	-	15,000
Net cash (used in) provided by financing activities	-	15,000
Net increase in cash	(20,863 )	2,155,549
Cash, beginning of period	27,886	476,588
Cash, end of period	\$7,023	\$2,632,137
Supplemental cash flow information:		
Interest paid	\$-	\$201
Non-cash investing and financing activity:		

The accompanying notes are an integral part of these consolidated financial statements.





**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Creative Management Group, Inc. was formed in Delaware on August 13, 2002 as a limited liability company named Creative Management Group, LLC. On August 7, 2007, this entity converted to a corporation and changed its legal name to Creative Management Group Inc. The Company is a sports, entertainment, marketing and management company providing event management implementation, sponsorships, licensing and broadcast, production and syndication.

On February 20, 2008, Creative Management Group, Inc. formed CMG Acquisitions, Inc., a Delaware company, for the purpose of acquiring companies and expansion strategies. On February 20, 2008, Creative Management Group, Inc. acquired 92.6% of Pebble Beach Enterprises, Inc. (a publicly traded company) and changed the name to CMG Holdings Group, Inc. ("the Company"). The purpose of the acquisition was to effect a reverse merger with Pebble Beach Enterprises, Inc. at a later date. On May 27, 2008, Pebble Beach entered into an Agreement and Plan of Reorganization with its controlling shareholder, Creative Management Group, Inc., a privately held Delaware corporation. Upon closing the eighty shareholders of Creative Management Group delivered all of their equity interests in Creative Management Group to Pebble Beach in exchange for shares of common stock in Pebble Beach owned by Creative Management Group, as a result of which Creative Management Group became a wholly-owned subsidiary of Pebble Beach. The shareholders of Creative Management Group received one share of Pebble Beach's common stock previously owned by Creative Management Group for each issued and outstanding common share owned of Creative Management Group. As a result, the 22,135,148 shares of Pebble Beach that were issued and previously owned by Creative Management Group, are now owned directly by its shareholders. The 22,135,148 shares of Creative Management Group previously owned by its shareholders are now owned by Pebble Beach, thereby making Creative Management Group a wholly-owned subsidiary of Pebble Beach. Pebble Beach did not issue any new shares as part of the Reorganization. The transaction was accounted for as a reverse merger and recapitalization whereby Creative Management Group is the accounting acquirer. Pebble Beach was renamed CMG Holdings Group, Inc.

On April 1, 2009, the Company, through a newly formed wholly owned subsidiary CMGO Capital, Inc., a Nevada corporation, completed the acquisition of XA, The Experiential Agency, Inc. On March 31, 2010, the Company and AudioEye, Inc. (“AudioEye”) completed the final Stock Purchase Agreement under which the Company acquired all of the outstanding capital stock of AudioEye. On June 22, 2011 the Company entered into a Master Agreement subject to shareholder approval as may be required under applicable law and subject to closing conditions with AudioEye Acquisition Corp., a Nevada corporation where the shareholders of AudioEye Acquisition Corp. exchanged 100% of the stock in AudioEye Acquisition Corp for 80% of the capital stock of AudioEye. The Company retained 15% of AudioEye subject to transfer restrictions in accordance with the Master Agreement; on October 2012, the Company distributed to its shareholders, in the form of a dividend, 5% of the capital stock of AudioEye in accordance with provisions of the Master Agreement.

On March 28, 2014, CMG Holdings Group, Inc. (the “Company” or “CMG”), completed its acquisition of 100% of the shares of Good Gaming, Inc. (“GGI”) by entering into a Share Exchange Agreement (the “SEA”) with BMB Financial, Inc. and Jackie Beckford, the then shareholders of GGI. The sole owner of BMB Financial, Inc. is also the sole owner of Infinite Alpha, Inc. which provides consulting services to CMG. Pursuant to the SEA, the Company received 100% of the shares of GGI in exchange for 5,000,000 shares of the Company’s common stock, \$33,000 in equipment and consultant compensation and a commitment to pay \$200,000 in development costs. As of September 30, 2014, the Company has paid \$58,600 of equipment and consultant compensation and \$190,550 in development costs, of which \$50,000 of the development costs had been advanced by the Company, prior to entering the agreement. In addition, pursuant to the SEA, CMG shall adopt an incentive plan for GGI which shall entitle the GGI officers, directors and employees to receive up to 30% of the net profits of GGI and up to 30% of the proceeds, in the event of a sale of GGI or its assets.

An Assignment for the Benefit of Creditors(ABC) was done through a Trust Agreement and was executed on February 24, 2015, transferring all of the assets of our subsidiary XA to a trust which subsequently advertised a sale of XA's assets. CMG Holdings, Inc. purchased the assets for the approximate sum of \$60,000 (the "Sale").An Asset Purchase Agreement was initially executed between XA and the Company on March 4, 2015. The Sale of XA's assets to CMG was fully consummated on March 25, 2015. Only assets were purchased by CMG liabilities were not assumed. The assets consisted of, among other things, all personal property of XA including accounts receivable, the XA name and other general intangibles of XA, as well as a cause of action involving stolen services.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**Principles of Consolidation**

The consolidated financial statements include the accounts of CMG Holdings Group, Inc., XA, The Experiential Agency, Inc. ("XA") and GGI after elimination of all significant inter-company accounts and transactions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management 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 revenues and expenses during the period reported. Estimates are used when accounting for allowance for doubtful accounts, depreciation, and contingencies. Actual results could differ from those estimates.

**Concentrations of Risk**

**Financial Institutions** - The Company maintains its cash balances at two financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. At September 30, 2014 and December 31, 2013, neither of these accounts was in excess of the limit. The Company also maintains a money market investment account at one securities firm where the account is insured by the Securities Investor Protection Corporation up to \$500,000 for the bankruptcy, etc., of the securities firm. At December 31 and 2013, the account did not have a balance in excess of the limit.

**Sales and Accounts Receivable** – For three months ended March 31, 2015 and the year ended December 31, 2014, one customer accounts for 93% and 93% of the Company's total revenues, respectively.

## **Revenue and Cost Recognition**

The Company earns revenues by providing event management services under individually negotiated contracts with varying terms, recognizing revenue in accordance with ASC 605, *Revenue Recognition*, only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the services have been provided and collectability is assured. In arrangements where key indicators suggest the Company acts as principal, the Company records the gross amount billed to the client as revenue and the related costs incurred as cost of revenues as the services are provided.

## **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are amounts due from event management services, are unsecured and are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis and do not bear interest, although a finance charge may be applied to amounts outstanding more than thirty days. Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions. There were no allowances for doubtful accounts as of December 31, 2014 and 2013.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**Share-Based Compensation**

The Company accounts for share-based compensation to employees in accordance with Accounting Standards Codification subtopic 718-10, *Stock Compensation* (“ASC 718-10”) and share-based compensation to non-employees in accordance with ASC 505-50 *Accounting for Equity Instruments Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. ASC 718-10 and 505-50 require the measurement and recognition of compensation expense for all share-based payment awards, including stock options based on the estimated fair values.

**Derivative Instruments**

We generally do not use derivative financial instruments to hedge exposures to cash-flow risks or market-risks. However, certain financial instruments, such as warrants and the embedded conversion features of our convertible promissory notes and debentures, which are indexed to our common stock, are classified as liabilities when either (a) the holder possesses rights to net-cash settlement or (b) physical or net-share settlement is not within our control. In such instances, net-cash settlement is assumed for financial accounting and reporting purposes, even when the terms of the underlying contracts do not provide for net-cash settlement. Derivative financial instruments are initially recorded, and continuously carried, at fair value.

Determining the fair value of these complex derivative financial instruments involves judgment and the use of certain relevant assumptions including, but not limited to, interest rates, volatility and conversion and redemption privileges. The use of different assumptions could have a material effect on the estimated fair value amounts.

The Company accounts for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging*, and all derivative instruments are reflected as either assets or liabilities at fair value in the balance sheet.

The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for the Company's liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc., depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, The Company seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC 820, *Fair Value Measurements* (ASC 820), based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets, which is generally between three and five years. Depreciation expense was \$1,857 and \$0 for the three months ended March 31, 2015 and 2014, respectively.

**Intangible Assets**

Intangible assets are stated at cost, net of accumulated amortization.

**Income Taxes**

The Company accounts for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

**Basic and Diluted Net Loss per Share**



The Company computes net loss per share in accordance with ASC 260, *Earnings Per Share*, which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

### **Recently Issued Accounting Pronouncements**

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### **Fair Value Measurements**

ASC 820 and ASC 825, *Financial Instruments* (ASC 825), requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. It prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

**CMG HOLDINGS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)**

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The Company’s financial instruments consist principally of cash, accounts receivable, accounts payable and accrued liabilities. Pursuant to ASC 820 and 825, the fair value of cash is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The following table sets forth by level with the fair value hierarchy the Company’s financial assets and liabilities measured at fair value on March 31, 2015 and December 31, 2014:

<b>March 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative Liabilities	\$ -	\$ -	\$ 408,100	\$ 408,100

<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative Liabilities	\$ -	\$ -	\$ 400,892	\$ 400,892



**CMG HOLDINGS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)****Investments in Debt and Equity Securities**

The Company applies the provisions of Accounting Standards Codification 320, *Investments – Debt and Equity Securities*, regarding marketable securities. The Company invests in securities that are intended to be bought and held principally for the purpose of selling them in the near term, and as a result, classifies such investments as trading securities. Trading securities are recorded at fair value on the balance sheet with changes in fair value being reflected as unrealized gains or losses in the current period. In addition, the Company classifies the cash flows from purchases, sales, and maturities of trading securities as cash flows from operating activities.

Details of the Company's marketable trading securities as of March 31, 2015 and December 31, 2014 are as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Aggregate fair value	\$ -	\$ -
Gross unrealized holding gains (losses)	-	-
Proceeds from sales	\$ -	\$ 850,470
Gross realized gains	-	86,382
Gross realized losses	-	-
Other than temporary impairment	-	-

**NOTE 2 - EQUITY****Preferred Stock**

*Series B Preferred Stock and Inventory Purchase*

During August 2013, the Company entered into a Termination Agreement and Release (the “Agreement”) with Continental Investments Group (Continental), the holder of a \$85,000 convertible note payable of the Company and the holder of 2,500,000 shares of restricted common stock. The Agreement calls for the termination and cancellation of a Sale and Purchase agreement, whereby the Company agreed to issue 50,000 shares of Series B Convertible Preferred Stock in exchange for 20,000 cartoon animated Cels. The Agreement also calls for the cancellation of the \$85,000 convertible note and related interest and for Continental to return the 2,500,000 shares of restricted common stock.

### **Common Stock**

On January 29, 2014, the Company sold 1,500,000 shares of its common stock for \$0.01 per share and net proceeds of \$15,000.

On March 28, 2014, the Company issued 5,000,000 shares of its common stock pursuant to the acquisition of its subsidiary. The shares were valued at a total of \$87,500 or \$0.0175 per share, the closing price of the company’s common stock on the OTCQB.

On April 7, 2014, the Company issued 522,000 shares of its common stock pursuant to a consulting agreement. The shares were valued at a total of \$8,613 or \$0.0165 per share, the closing price of the company’s common stock on the OTCQB.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

On May 9, 2014, the Company issued to a total of 6,000,000 shares of Common Stock to its three former directors of the Company, with each former director receiving 2,000,000 shares, pursuant to the agreements between the Company and each of the former directors dated February 5, 2014.

On June 30, 2014, the Company canceled 7,350,000 shares of common stock pursuant to a settlement agreement with CMGO Investors LLC and Craig Boden.

**Common Stock Warrants**

On April 7, 2014, we issued to our newly appointed CEO and Chairman of the Board of Directors, as compensation, a warrant to purchase a total of 40,000,000 shares of Common Stock at the exercise price of \$0.0155 with a term of 5 years.

A summary of warrant activity for the nine months ended March 31, 2015 and the year ended December 31, 2014 is as follows:

	<b>Outstanding and Exercisable</b>	<b>Weighted average Exercise Price</b>
December 31, 2013	1,798,000	\$ 0.28
Granted	40,000,000	\$ 0.016
Exercised	-	-
Expired	(1,798,000 )	
December 31, 2014	40,000,000	\$ 0.02
Granted		
Exercised		
Expired		

March 31, 2015      40,000,000      .0021

As of March 31, 2015, the warrants have a weighted average remaining life of 4.43 years with \$0 aggregate intrinsic value.

**NOTE 3 – PROPERTY AND EQUIPMENT**

	March 31, 2014	December 31, 2014
Equipment	\$33,000	\$ 33,000
Leasehold Improvements	4,142	4,142
	37,142	37,142
Less accumulated depreciation	6,807	4,950
	\$30,335	\$ 32,192

Depreciation expense was \$1,857 and \$4,950 for the three months ended March 31, 2015 and the year ended December 31, 2014.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 4 – GOODWILL**

The Company recorded goodwill of \$54,500 on the purchase of Good Gaming Inc. The Company issued 5,000,000 shares of Company common stock at a value of \$0.0175 per share for a value of \$87,500. The Company also recorded \$33,000 of equipment.

**NOTE 5 – NOTES PAYABLE**

The Company issued Iconic Holdings, LLC. a convertible promissory note of principal amount of \$50,000 on September 26, 2014. The note has an interest rate of 10% and is due September 29, 2015. The note is convertible into the Company's common stock at a conversion price equal to 70% of the lowest trading price of the Company's common stock during the 20 consecutive trading days prior to the date on which note holder elects to convert all or part of the note. The unamortized discount is \$24,520. The net value of the note is \$18,638. The outstanding balance at March 31, 2015 is \$50,000.

On October 1, 2014 the Company sold a Convertible Debenture in the principle amount of \$114,000 to Typenex Co-Investment, LLC. The principal amount includes an Original Issue Discount in the amount of \$10,000. The Debenture bears interest at an annum rate of 10% and is payable in 5 equal installments that can be paid in cash or share of the Company's common stock. The number of shares to be issued for installment payments made in the form of shares of the Company's common stock, shall be calculated at 70% of the average of the three closing prices in the 20 trading days prior to the date of conversion, of the Company's common stock. The Note's maturity date is August 1, 2015. The unamortized discount is \$46,125. The net value of the note is \$63,960. The outstanding balance at March 31, 2015 is \$114,000.

On October 10, 2014 the Company sold a Convertible Debenture in the principal amount of \$115,000 to KBM Investments LLC. The Principle amount includes an Original Issue Discount in the amount of \$11,000 and investor fees in the amount of \$4,000. Total net proceeds to the Company were \$100,000. The Debenture bears interest at an annum rate of 8% and can be repaid at any time prior to the date of maturity. The prepayment penalty for such



prepayment ranges from 8%-25% of the principal amount paid. On the 181<sup>st</sup> day from the date of the Note. The Note is convertible into shares of the Company's common stock. The Rate of such conversion is 75% of the lowest 3 trading prices of the Company's common stock during the ten trading days prior to the conversion date. The Note's maturity date is October 8, 2015. The unamortized discount is \$60,510. The net value of the note is \$75,924. The outstanding balance at March 31, 2015 is \$115,000.

On December 18, 2014 the Company entered into the Securities Purchase Agreement pursuant to which it sold an 8% convertible note of the Corporation, in the aggregate principle amount of \$40,000 convertible into shares of the Company's common stock to KBM Worldwide Inc. The Note is convertible into shares of the Company's common stock. The Rate of such conversion is 75% of the lowest 3 trading prices of the Company's common stock during the ten trading days prior to the conversion date. The note has a maturity date of December 18, 2015. The unamortized discount is \$28,175. The net value of the note is \$34,074. The outstanding balance at March 31, 2015 is \$40,000.

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 6 - DERIVATIVE LIABILITIES**

The Company has a convertible instruments outstanding more fully described in Note 3. In accordance with ASC 815-15 "Derivatives and Hedging", the convertible share-settleable instruments are classified as liabilities.

**Embedded Derivative Liabilities in Convertible Notes**

During the three months ended March 31, 2015 and the year ended December 31, 2014, the Company recognized new derivative liabilities of \$408,100 and \$400,892, respectively, as a result of new convertible debt issuances. The fair value of these derivative liabilities exceeded the principal balance of the related notes payable by \$89,100 and \$81,892 for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively. As a result of conversions of notes payable, the Company reclassified \$0 and \$0 from equity and \$0 and \$0 of derivative liabilities to equity during the three months ended March 31, 2015 and the year ended December 31 2014, respectively. The Company recognized a loss of \$84,454 and \$74,679 on derivatives due to change in fair value of the liability during the three months ended March 31, 2015 and the year ended December 31, 2014, respectively. The fair value of the Company's embedded derivative liabilities was \$408,100 and \$400,892 at March 31, 2015 and December 31, 2014, respectively.

**Warrants**

Under ASC 815-15, the liabilities were subsequently measured at fair value at the end of each reporting period with the change in fair value recorded to earnings. The fair value of all outstanding warrants as of March 31, 2015 and December 31, 2014 was \$56,371 and \$51,622, respectively. The Company recognized an expense of \$40,501 and a gain \$40,501 related to the warrants for the three months ended March 31, 2015 and the year ended December 31, 2014, respectively.

The following table summarizes the derivative liabilities included in the consolidated balance sheet:

**Derivative Liabilities**

Balance December 31, 2013	\$11,121
ASC 815-15 additions	402,710
Change in fair value	(1,818 )
ASC 815-15 deletions	(11,121 )
Balance December 31, 2014	400,892
ASC 815-15 additions	-
Change in fair value	7,208
ASC 815-15 deletions	-
Balance March 31, 2015	\$408,100

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

The embedded conversion options in the Notes, which is accounted for separately as a derivative instrument is valued using a binomial lattice model because that model embodies all of the significant relevant assumptions that address the features underlying these instruments. Significant assumptions used in the model as of the date the Note was issued and as of March 31, 2015 included an expected life equal to the remaining term of the Note, an expected dividend yield of zero, estimated volatility ranging of 116%, and a risk-free rate of return of 0.13%. For the risk-free rates of return, we use the published yields on zero-coupon Treasury Securities with maturities consistent with the remaining term of the Note. Volatility is based upon our expected common stock price volatility over the remaining term of the Note. The volatility used for the Note is based on the Company's 100-day volatility, which is considered a reasonable surrogate for the volatility to be expected over the life of the Note. That volatility has generally ranged from 116% to 146%.

**NOTE 7 – RELATED PARTY**

The Company issued to three former directors 2,000,000 shares of the Company's common stock. The Company issued the Company CEO a warrant to purchase 40,000,000 shares of the Company's common stock at \$0.0155. The warrant has a term of 5 years. The board of directors approved a monthly salary for the Company CEO of \$15,000 per month. Due to negative economic factors the Company has not made a payment since November 2014 and has recorded "Accrued Compensation" of \$85,000 at March 31, 2015. Due to these same economic effects the Company's subsidiary XA is currently using office space provided by the Company CEO's daughter, Alexis Laken, on a rent free basis and she is employed as President of XA. On February 26, 2015 the Company borrowed \$50,000 from Anita Laken, the CEO's mother. The funds are due May 26, 2015. On April 15, 2015 the Company borrowed \$30,000 from the Company CEO.

An Assignment for the Benefit of Creditors(ABC) was done through a Trust Agreement and was executed on February 24, 2015 between two of our companies, XA and CMG Holdings, Inc. as fully described in notes 1 and 11.

**NOTE 8 - LEGAL PROCEEDINGS**

We are subject to certain claims and litigation in the ordinary course of business. It is the opinion of management that the outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On September 23, 2014, XA filed a lawsuit in the Supreme Court of the State of New York, County of New York against HG and its principals alleging wrongdoing by the defendants in connection with soliciting XA's clients and seeking against further contact with XA clients. The Company conducted an internal investigation of actions taken by XA's former employees during the quarter ended September 30, 2014. The Company and XA plan to complete the investigation, including recovering e-mails deleted by the former employees, and to vigorously pursue any and all amounts wrongfully taken from XA.

The investigation has been completed, an amended complaint will be filed on June 15, 2015. New counsel has been retained to pursue the prosecution of the case and the new counsels name is Lawrence Steckman of the firm Eaton and Van Winkle. There will be new defendant s added and the damages sought will be substantially increased

In October, 2014, Ronald Burkhardt, XA,s former Executive Chairman filed a lawsuit in the Supreme Court of the State of New York, County of New York, alleging breach of his employment contract and seeking approximately \$695,000 in damages. The Company believes that Mr. Burkhardt's claim is without merit and plans to vigorously defend the lawsuit.

**CMG HOLDINGS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)****NOTE 9 - ACQUISITION OF GOOD GAMING, INC.**

On March 28, 2014, CMG Holdings, Inc. (the “Company” or “CMG”), completed its acquisition of 100% of the shares of Good Gaming, Inc. (“GGI”) by entering into a Share Exchange Agreement (the “SEA”) with BMB Financial, Inc. and Jackie Beckford, the then shareholders of GGI. The sole owner of BMB Financial, Inc. is also the sole owner of Infinite Alpha, Inc. which provides consulting services to CMG. The transaction was completed under the purchase method of accounting. Pursuant to the SEA, the Company received 100% of the shares of GGI in exchange for 5,000,000 shares of the Company’s common stock, \$33,000 in equipment and consultant compensation and a commitment to pay \$200,000 in development costs, of which \$50,000 of the development costs had been advanced by the Company. In addition, pursuant to the SEA, CMG shall adopt an incentive plan for GGI which shall entitle the GGI officers, directors and employees to receive up to 30% of the net profits of GGI and up to 30% of the proceeds, in the event of a sale of GGI or its assets. The Company recorded goodwill of \$54,500 as a result of this acquisition and intends to test this asset for impairment every twelve months.

**NOTE 10 - SEGMENTS**

The Company splits its business activities during the March 31, 2015 into three reportable segments. Each segment represents an entity of which are included in the consolidation. The table below represents the operations results for each segment or entity, for the three months ended March 31, 2015.

	<b>XA</b>	<b>Good Gaming</b>	<b>CMG Holdings Group</b>	<b>Totals</b>
Revenue	\$32,137	\$9,553	\$--	\$41,690
Operating expenses	97,090	17,779	45,000	159,869
Operating Income (Loss)	(64,953)	(8,226 )	(45,000 )	(118,179)

Other Income (Expense)	--	--	(144,340)	(99,340 )
Net Income (Loss)	\$(64,953)	\$(8,226 )	\$(144,340)	\$(217,519)

**CMG HOLDINGS GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 11 – ACQUISITION OR DISPOSAL OF ASSETS**

On February 24, 2015, CMG Holdings Group, Inc.'s (the "Company") subsidiary, XA, The Experiential Agency, Inc. ("XA") having determined that it could no longer operate its business, as it was then constituted, decided to execute an assignment for the benefit of creditors to Tailwind Services LLC ("Tailwind"). An Assignment for the Benefit of Creditors is a method of liquidating a business. To that end a Trust Agreement and Assignment of Assets for the Benefit of Creditors was executed on February 24, 2015, transferring all of the assets of XA to Tailwind. Subsequently Tailwind advertised a sale of XA's assets to the Company for the approximate sum of \$60,000 (the "Sale"). An Asset Purchase Agreement was executed between XA and the Company on March 4, 2015. The Sale of XA's assets to CMG was consummated on March 25, 2015. Only assets were purchased by CMG liabilities were not assumed. The assets consisted of, among other things, all personal property of XA including accounts receivable, the XA name and other general intangibles of XA, as well as a cause of action involving stolen services. The result of this transaction has our smaller XA segment still operating only as as part of CMG Hpldings, Inc. and not a separate subsidiary.

**NOTE 12 – GOING CONCERN**

As reported in the consolidated financial statements, the Company has an accumulated deficit as of March 31, 2015 and its current liabilities exceeded its current assets. There were recurring losses from operations and cash flows. There is a potential for this negative trend to continue.

These factors create uncertainty about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable and to create operations that contribute capital from normal operations. If the Company cannot obtain adequate capital or revenue streams it could be forced to cease operations.

**NOTE 13 - SUBSEQUENT EVENTS**



The Company has evaluated events subsequent through the date these financial statements have been issued to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements, except the following:

Due to the economic conditions, on April 15, 2015 the Company borrowed \$30,000 from the Company CEO in order to pay ongoing expenses.

## **ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **FORWARD LOOKING STATEMENTS**

In addition to historical information, this Form 10-Q (this “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, which includes, but are not limited to, statements concerning expectations as to our revenues, expenses, and net income, our growth strategies and plans, the timely development and market acceptance of our products and technologies, the competitive nature of and anticipated growth in our markets, our ability to achieve cost reductions, the status of evolving technologies and their growth potential, the adoption of future industry standards, expectations as to our financing and liquidity requirements and arrangements, the need for additional capital, and other matters that are not historical facts. These forward-looking statements are based on our current expectations, estimates, and projections about our industry, management’s beliefs, and certain assumptions made by it. Words such as “anticipates”, “appears”, “believe,” “expects”, “intends”, “plans”, “believes,” “seeks”, “assume,” “estimates”, “may”, “will” these words or similar expressions are intended to identify forward-looking statements. All statements in this Quarterly Report regarding our future strategy, future operations, projected financial position, estimated future revenue, projected costs, future prospects, and results that might be obtained by pursuing management’s current plans and objectives are forward-looking statements. Therefore, actual results could differ materially and adversely from those results expressed in any forward-looking statements, as a result of various factors. Readers are cautioned not to place undue reliance on forward-looking statements, which are based only upon information available as of the date of this report. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the Securities and Exchange Commission (“SEC”). We expressly disclaim any obligation to revise or update publicly any forward-looking statements even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders. Unless the context indicates otherwise, the terms “Company”, “Corporate”, “CMGO”, “our”, and “we” refer to CMG Holdings Group, Inc. and its subsidiaries.

### **RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015**

Gross revenues decreased from \$1,554,748 for the three months ended March 31, 2014 to \$41,690 for the three months ended March 31, 2015. The decrease in revenues was mainly attributable to the legal issues surrounding XA and its ongoing suit and lack of finances due to the same issue.

Cost of revenue decreased from \$880,992 for the three months ended March 31, 2014 to \$34,077 for the three months ended March 31, 2015. The decrease in cost of goods sold was due to the decrease in revenues of XA, The Experiential Agency, Inc. (XA).

Operating expenses decreased from \$1,775,280 for the three months ended March 31, 2014 to \$125,792 for the three months ended March 31, 2015. The decrease in operating expenses is due to the decrease in revenues for the three months ended March 31, 2015.

Net loss increased from \$20,973 for the three months ended March 31, 2014 to \$217,519 for the three months ended March 31, 2015. The increase in net loss is due to the decrease in revenues and cost of revenue and the realized and unrealized gains of marketable securities incurred during the three months ended March 31, 2015 from the three months ended March 31, 2014.

#### **LIQUIDITY AND CAPITAL RESOURCES:**

As of March 31, 2015, the Company's cash on hand was \$7,023.

Cash used in operating activities for the three months ended March 31, 2015 was \$70,863, as compared to cash provided by operating activities of \$1,890,549 for the three months ended March 31, 2014. This change is due to realized and unrealized gains on marketable securities of \$0 and \$0, respectively for the three months ended March 31, 2015 as compared to \$2,456 and \$193,487 for the three months ended March 31, 2014.

Cash from investing activities for the three months ended March 31, 2015 was \$50,000 as compared cash provided by investing activities of \$250,000 for the three months ended March 31, 2014. During the three months ended March 31, 2014, sold 925,925 shares of the Company's holdings in AudioEye, Inc., for net proceeds of \$250,000.

Cash provided by financing activities for the three months ended March 31, 2015 was \$0, as compared to \$15,000 provided for the three months ended March 31, 2014.

#### **ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.



## **ITEM 4 - CONTROLS AND PROCEDURES**

### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2015. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2015, the Company's disclosure controls and procedures were not effective due to the identification of a material weakness in our internal control over financial reporting which is identified below, which we view as an integral part of our disclosure controls and procedures. This conclusion by the Company's Chief Executive Officer and Chief Financial Officer does not relate to reporting periods after December 31, 2014.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2015 based on the framework stated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992). Furthermore, due to our financial situation, the Company will be implementing further internal controls as the Company becomes operative so as to fully comply with the standards set by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on its evaluation as of December 31, 2014, our management concluded that our internal controls over financial reporting were not effective as of December 31, 2014 due to the identification of a material weakness. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. At any time, if it appears that any control can be implemented to continue to mitigate such weaknesses, it is immediately implemented. As soon as our finances allow, we will hire sufficient accounting staff and implement appropriate procedures for monitoring and review of work performed by our Chief Financial Officer.

In performing this assessment, management has identified the following material weaknesses as of December 31, 2014:

There is a lack of segregation of duties necessary for a good system of internal control due to insufficient accounting staff due to the size of the Company

Lack of a formal review process that includes multiple levels of reviews

Employees and management lack the qualifications and training to fulfill their assigned accounting and reporting functions

Inadequate design of controls over significant accounts and processes

Inadequate documentation of the components of internal control in general

Failure in the operating effectiveness over controls related to valuing and recording equity based payments to employees and non-employees

Failure in the operating effectiveness over controls related to valuing and recording debt instruments including those with conversion options and the related embedded derivative liabilities

Failure in the operating effectiveness over controls related to recording revenue and expense transactions in the proper period

Failure in the operating effectiveness over controls related to evaluating and recording related party transactions

The Company is not required by current SEC rules to include, and does not include, an auditor's attestation report. The Company's registered public accounting firm has not attested to Management's reports on the Company's internal control over financial reporting. As of March 31, 2015 no changes have occurred.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

On April 7, 2014, the Board of Directors of the Company appointed Mr. Glenn Laken as the Company's Chief Executive Officer. Mr. Jeffrey Devlin remained as the Company's acting Chief Financial Officer.

Except for the above, no change in the Company's internal control over financial reporting occurred during the period ended March 31, 2015, that materially affected, or is reasonably likely to materially affect, the Company's internal

control over financial reporting.

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## **PART II OTHER INFORMATION**

### **ITEM 1 – LEGAL PROCEEDINGS**

We are subject to certain claims and litigation in the ordinary course of business. It is the opinion of management that the outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On July 6, 2011, the Company was served with a lawsuit filed in the Circuit Court for the County of Multnomah, Oregon. The complaint alleges breach of contract and entitlement to consulting fees from the Company. The case was settled in 2012 for \$30,000 and the settlement amount has not been paid.

### **ITEM 1A – RISK FACTORS**

The Company is a smaller reporting company and is therefore not required to provide this information.

### **ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

All unregistered sales of the Company's securities have been disclosed on the Company's current reports on Form 10-K and form 8-K.

### **ITEM 3 – DEFAULT UPON SENIOR SECURITIES**

**None.**

### **ITEM 4 – MINE SAFETY DISCLOSURES**



None.

## ITEM 5 – OTHER INFORMATION

On February 24, 2015, CMG Holdings Group, Inc.'s (the "Company") subsidiary, XA, The Experiential Agency, Inc. ("XA") having determined that it could no longer operate its business, as it was then constituted, decided to execute an assignment for the benefit of creditors to Tailwind Services LLC ("Tailwind"). An Assignment for the Benefit of Creditors is a method of liquidating a business. To that end a Trust Agreement and Assignment of Assets for the Benefit of Creditors was executed on February 24, 2015, transferring all of the assets of XA to Tailwind. Subsequently Tailwind advertised a sale of XA's assets to the Company for the approximate sum of \$60,000 (the "Sale"). An Asset Purchase Agreement was executed between XA and the Company on March 4, 2015. The Sale of XA's assets to CMG was consummated on March 25, 2015. Only assets were purchased by CMG liabilities were not assumed. The assets consisted of, among other things, all personal property of XA including accounts receivable, the XA name and other general intangibles of XA, as well as a cause of action involving stolen services.

## ITEM 6 – EXHIBITS

<b>Exhibit Number</b>	<b>Description of Exhibit</b>	<b>Filing Reference</b>
4.1	Form of Warrant issued to Glenn Laken.	Filed herewith.
10.1	Employment Agreement, dated April 30, 2014, between the Company and Glenn Laken.	Filed herewith.
31.01	Certification of Principal Executive Officer Pursuant to Rule 13a-14.	Filed herewith.
31.02	Certification of Principal Financial Officer Pursuant to Rule 13a-14.	Filed herewith.
32.01	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act.	Filed herewith.
101.INS	XBRL Instance Document.	
101.SCH	XBRL Taxonomy Extension Schema Document.	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

\* The XBRL-related information in Exhibits 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

**CMG HOLDINGS  
GROUP, INC.**

Dated: June 9, 2015 **By: /s/ *Glenn Laken***  
Glenn Laken

Chief Executive Officer

Dated: June 9, 2015 **By: /s/ *David Kovacs***  
David Kovacs

Chief Financial Officer