

CrowdGather, Inc.
Form 8-K
May 20, 2014

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 19, 2014

CrowdGather, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

000-52143
(Commission File No.)

20-2706319
(IRS Employee
Identification No.)

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

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01. Completion of Acquisition or Disposition of Assets.

Merger with Plaor, Inc.

On May 19, 2014, CrowdGather, Inc., a Nevada corporation (the “Registrant,” “Crowdgather,” or “We”), closed the Agreement and Plan of Merger with Plaor, Inc., a Delaware corporation (“Plaor”) and our wholly-owned subsidiary, Plaor Acquisition Corp. (the “Merger Agreement”), pursuant to which Plaor Acquisition Corp. merged with Plaor and Plaor survived as our wholly-owned subsidiary (“Merger”). Pursuant to the Merger, the shareholders of Plaor (“Plaor Stockholders”) received 55,075,800 shares of common stock of CrowdGather (the “Merger Shares”). Immediately after the closing of the Merger, CrowdGather had 116,733,508 shares of common stock, 1,000,000 shares of Series B preferred stock, 6,218,750 options, and warrants to purchase 16,145,179 shares of common stock issued and outstanding.

The Merger Shares will be issued to the Plaor Stockholders in a transaction which the Registrant believes satisfies the requirements of that exemption from the registration and prospectus delivery requirements of the Securities Act of 1933, which exemption is specified by the provisions of Section 4(2) of that act and Regulation D promulgated pursuant to that act by the Securities and Exchange Commission.

The Merger Agreement further provides that in the event the Registrant files a registration statement with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, Plaor Stockholders has the right to request that the Registrant include in that registration statement the shares of common stock then held by Plaor Stockholders.

The transactions contemplated by the Merger Agreement were intended to be a “tax-free” reorganization pursuant to the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

In connection with the Merger, Hazim Ansari was appointed as one of our directors effective upon the closing of the Merger.

A copy of the Merger Agreement is attached as Exhibit 10.1 to our Current Report on Form 8-K which was filed on May 5, 2014. This brief description of the Merger Agreement is not intended to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement as attached as Exhibit 10.1 to that Current Report on Form 8-K filed on May 5, 2014.

Concurrently with the closing of the Merger Agreement, the Registrant entered into Lock-up Agreements with certain of the Plaor Stockholders for the Merger Shares (“Lock-up Agreement”). The Plaor Stockholders agreed that they may sell 45% of the shares of common stock after six months from the later of (i) May 1, 2014 and (ii) the closing date of an equity financing of more than \$1,000,000, if such financing occurs during the six months after May 1, 2014, and 55% of the shares of common stock after twelve months from May 1, 2014.

The form of the Lock-up Agreement is attached hereto as Exhibit 10.2. The brief description of the form of Lock-up Agreement is a summary of the material terms only and is qualified in its entirety by reference to the full text of the Lock-up Agreement as attached as an exhibit.

Sanjay Sabnani, CrowdGather’s officer, director and principal shareholder, previously acted as an advisor to Plaor and owned approximately 34,998 shares of common stock of Plaor prior to the Merger. Mr. Sabnani received approximately 34,998 shares of CrowdGather pursuant to the Merger. Prior to the Merger, Hazim Ansari, one of Plaor’s principal shareholders, acted an advisor to the CrowdGather and provides patent services to Crowdgather. Mr. Ansari owned approximately 180,000 shares of CrowdGather’s common stock prior to the Merger, and received an additional 3,554,446 shares of CrowdGather’s common stock pursuant to the Merger.

Overview of Plaor, Inc.

The following is a description of Plaor and the assets acquired as a result of the Merger.

Background of Plaor. Plaor was initially organized as Plaor LLC in the State of Delaware on March 5, 2012. On May 1, 2014, Plaor filed a Certificate of Conversion with the Secretary of State of Delaware pursuant to which Plaor was converted to a corporation.

Plaor's Business. Plaor specializes in developing highly scalable multi-platform 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 Hollywood Poker offering, the Mega Fame Casino also includes Video Poker, multiple slot machines, and a daily celebrity challenge designed to increase engagement and retention of players.

Mega Fame Casino features celebrities from film, television, professional sports, and the music industry and offers weekly celebrity tournaments which we believe bring unique experiences to social games as players can play and interact with their favorite stars. Mega Fame Casino 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 Mega Fame Casino. Players can pay for our virtual currency using Facebook local currency payments when playing our games through Facebook and can use other payment methods such as credit cards or PayPal on other platforms. Mega Fame Casino currently has more than 20,000 daily active users.

Plaor's Strategy. Plaor's mission is to create great social game experiences that bring enjoyment and a sense of community to its players. Plaor strives to "treat everyone like a star" with high quality products, exceptional customer service, and personal attention for all of its players.

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

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

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

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

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

Plaor sponsors or hosts live and online events with specific themes or topics that Plaor believes are interesting to its community of players. These events include sponsorship of events such as "The Night of 100 Stars" and land-based poker tournaments featuring many of the celebrities with players can interact with within our social game products.

Government Regulation. We are subject to regulations and laws directly applicable to providers of online content and services. Many laws and regulations, however, are pending and may be adopted in the United States, individual states and local jurisdictions and other countries with respect to the Internet. The federal government and some state governments have introduced or considered legislation relating to Internet usage generally, including measures relating to privacy and data security. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could negatively affect our business. Any court ruling or other governmental action that imposes liability on providers of online services for the activities of their users and other third parties could harm our business.

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

We are also subject to federal, state and foreign laws regarding privacy and protection of player data, including the collection of data from minors. We post our Privacy Policy and Terms of Service online, in which we describe our practices concerning the use, transmission and disclosure of player data. Any failure by us to comply with our posted privacy policy or privacy related laws and regulations could result in proceedings against us by governmental authorities or others, which could harm our business. In addition, the interpretation of data protection laws, and their application to the Internet is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from state to state, country to country, or region to region, and in a manner that is not consistent with our current data protection practices. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. Further, any failure by us to adequately protect our players' privacy and data could result in a loss of player confidence in our services and ultimately in a loss of players, which could adversely affect our business.

Research and Development. As a social games company the need to stay in front of social and technical trends is significant. We believe it is necessary to invest in the development of new games, code, and tools in an effort to achieve our strategic goals and objectives. Plaor's research and development costs were approximately \$1.7 million for the nine months ended January 31, 2014.

Intellectual Property. Our intellectual property assets include domain names and websites, trademarks related to our brands, products and services, copyrights in software and creative content, trade secrets, and other intellectual property rights and licenses of various kinds. We also currently own the web domain www.plaor.com, which serves as our corporate website.

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

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

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

Employees. As of May 15, 2014, Plaor has 21 employees, all of which are full time. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Properties. Plaor rents approximately 4,500 square feet of office space at its headquarters located at 12 Channel St. Boston, MA 02210.

Legal Proceedings. We are not involved in any material legal proceedings outside of the ordinary course of our business.

Web Site Purchase Agreement.

On May 19, 2014, CrowdGather sold the online forum PBNation.com and related website and domain names to VerticalScope, Inc. for \$1,380,000 in cash. The Purchase Agreement is attached as Exhibit 10.1 to the Current Report on Form 8-K, which was filed on May 1, 2014. This brief description of the Purchase Agreement is not intended to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement as attached as Exhibit 10.1 to that Current Report on Form 8-K filed on May 1, 2014.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 3.02.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

In connection with the Merger, Hazim Ansari was appointed as one of our directors effective upon the closing of the Merger.

Hazim Ansari, age 43, is a specialist in the offshore intellectual property industry and a successful entrepreneur. For the past twelve years, Mr. Ansari has acted as CEO of NovelIP and has advised numerous emerging companies on their patent portfolios. He has negotiated licensing deals with over 50 universities and various U.S. government agencies, including the first ever privately held corporate consortium to conduct medical research using antimatter. In 2002, Hazim founded PatentMetrix, now named Novel IP, based in Delhi, India and was one of the first to use this high quality, cost-effective labor base to deliver patent services, such as mapping markets to help companies proactively manage patent infringement risk and building multi-institutional collaborations to further technology development.

Prior to founding PatentMetrix, Mr. Ansari was an executive at the Tomorrow Factory, a B2B software company, where he was appointed CEO by the Board of Directors, and successfully restructured the company for merger opportunities. Before joining Tomorrow Factory, Mr. Ansari was an intellectual property attorney in O'Melveny & Myers' Newport Beach office where he represented numerous high technology companies in the negotiation of intellectual property licensing and acquisition deals, filing and prosecution of patent portfolios, structuring of co-development and co-exploitation vehicles, and general management of intellectual property assets. Mr. Ansari began his intellectual property career as an associate at Christie, Parker & Hale. He graduated magna cum laude from Loyola Law School of Los Angeles and received his B.S. in Chemical Engineering from Stanford University.

There is no family relationship between Mr. Ansari and any of our current officers or directors. Mr. Ansari owned approximately 180,000 shares of CrowdGather's common stock prior to the Merger, and received an additional 3,554,446 shares of CrowdGather's common stock pursuant to the Merger. Prior to the Merger, Mr. Ansari has acted an advisor to the CrowdGather and provides patent services to Crowdgather.

Item 9.01 Financial Statement and Exhibits.

(a) Financial Statements of businesses acquired.

The audited financial statements of Plaor, Inc. for the year ended January 31, 2014 and for the period from inception (March 15, 2012) to January 31, 2013 are included below:

To the Members
Plaor, LLC
Boston, Massachusetts

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Plaor, LLC (the "Company") as of January 31, 2014 and 2013, and the related statements of operations, changes in members' (deficit) equity, and cash flows for the year ended January 31, 2014 and for the period from inception (March 5, 2012) through January 31, 2013. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2014 and 2013, and the results of its operations and its cash flows for the year ended January 31, 2014 and for the period from inception (March 5, 2012) through January 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

/s/ Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
May 14, 2014

PLAOR, LLC

BALANCE SHEETS

AS OF JANUARY 31, 2014 AND 2013

	2014	2013
Assets		
Current Assets:		
Cash	\$215,343	\$187,289
Accounts Receivable	55,794	2,510
Prepaid Marketing Expenses	187,005	14,462
Prepaid Expenses and Other Current Assets	9,661	10,039
Total Current Assets	467,803	214,300
Property and Equipment, Net	32,221	17,015
Intangible Assets, Net	31,876	414,376
Security Deposits	22,078	3,310
Total Assets	\$553,978	\$649,001
Liabilities and Members' (Deficit) Equity		
Current Liabilities:		
Accounts Payable	\$491,525	\$172,228
Accrued Expenses	259,062	275,662
Deferred Revenue	181,085	4,884
Total Liabilities	931,672	452,774
Commitments and Contingencies (Note 6)	-	-
Members' (Deficit) Equity:		
Class A Units: 139,886 and 82,286 Units Authorized, Issued and Outstanding at January 31, 2014 and January 31, 2013, Respectively (Liquidation Preference of \$13,283,352)	13,283,352	7,229,002
Class B Units: 40,000 and 32,000 Units Authorized at January 31, 2014 and January 31, 2013, Respectively; 32,841 and 22,189 Units Issued and 20,914 and 12,035 Units Outstanding at January 31, 2014 and January 31, 2013, Respectively	510,214	319,650
Class A Units Subscription Receivable	(1,136,014)	(3,030,014)
Accumulated Deficit	(13,035,246)	(4,322,411)

Total Members' (Deficit) Equity	(377,694)	196,227
Total Liabilities and Members' (Deficit) Equity	\$553,978	\$649,001

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PLAOR, LLC

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED JANUARY 31, 2014 AND

FOR THE PERIOD FROM INCEPTION (MARCH 5, 2012) THROUGH JANUARY 31, 2013

2014

2013