Equity Crowdfunding

Anita Anand
Faculty of Law
University of Toronto
Crowdfunding is a source of equity financing

Vehicle for accessing resources embedded with online social networks
“Our first attempt at crowdfunding isn’t going so well”
“The Crowd funds what the Crowd wants”

-Ley & Weaven
SUBJECT TO COMPLETION, DATED MARCH 18, 1996

2,600,000 Shares

Yahoo! Inc.

Common Stock
(par value $0.001 per share)

All of the shares of Common Stock offered hereby are being offered by Yahoo! Inc. Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between $10.00 and $12.00 per share. For factors to be considered in determining the initial public offering price, see "Underwriting".

See "Risk Factors" commencing on page 5 for certain considerations relevant to an investment in the Common Stock.

The Common Stock has been approved for quotation on the Nasdaq National Market under the symbol "YHOO", upon official notice of issuance.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Per Share

Total (4)

Initial Public Offering Price (1) $ $ $

Underwriting Discount (2) $ $ $

Proceeds to Company (3) $ $ $

(1) In connection with this offering, the Underwriters have reserved approximately 200,000 shares of Common Stock for sale at the initial public offering price to persons associated with the Company.
(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting".
(3) Before deducting estimated offering expenses of $800,000 payable by the Company.
(4) The Company has granted the Underwriters an option for 30 days to purchase up to an additional 300,000 shares at the initial public offering price per share, less the underwriting discount, solely to cover over-allotments. If such option is exercised in full, the total initial public offering price, underwriting discount and proceeds to the Company will be $ and $ respectively. See "Underwriting".

The shares offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York, on or about May 1996, against payment therefor in immediately available funds.

Goldman, Sachs & Co.

Donaldson, Lufkin & Jenrette
Securities Corporation

Montgomery Securities

The date of this Prospectus is . 1996.
Prospectus Exemption ?
JOBS Act

• Exemption for issuers that raise $$$ through crowdfunding (CF)
  – Access to funds once targetted offering amount reached
  – Investors with less than 100K net worth or annual income may only invest the greater of $2K or 5% of the annual income or net worth not to exceed $100K
  – Exemption not available for offerings that exceed $1 million in aggregate during any 12-mth period
Exempt Market Review

• Investor:
  – $2.5K in single investmt
  – $10K in a calendar year max (no net worth test)

• Issuer:
  – $1.5 m in 12-mth period
  – Disclosure – Info statement PLUS CD!
  – Misrep – s. 130
  – Risk acknowledgement form
  – 2-business day “cooling off” period
  – Investmts made through a regist’d funding portal
Bright Lines

- Accredited Investor
- Minimum Amount
- Founder, Control Pers, Fam
- Private Issuer

RATIONALES
Should we extend arbitrary bright line tests to the practice of crowdfunding?

Do existing exemptions already cover the practice of equity crowdfunding?
Considerations emanate from Mandate of the OSC under the Securities Act (Ontario)

Protecting investors

Maintaining fair and efficient capital markets

Tension between these two?
• Two principles not necessarily at odds: investors care about efficient markets also!
• Why? B/ they benefit from efficient markets
• Persistent Issue – How define efficiency?
  – Informational efficiency
  – Cost of capital
disclosure
<table>
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<tr>
<th>Assets</th>
<th>2008</th>
<th>2007</th>
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<tbody>
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<tr>
<td>Financial Assets</td>
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<tr>
<td>Cash</td>
<td>$ 1,648,314</td>
<td>$ 891,449</td>
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<td>Accounts receivable and advances (Note 4)</td>
<td>52,788</td>
<td>13,806</td>
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<td>Total financial assets</td>
<td>1,701,102</td>
<td>905,255</td>
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<td>Non-financial assets</td>
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<td>Tangible capital assets (Note 5)</td>
<td>14,798,768</td>
<td>12,245,167</td>
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<td>Deferred charges</td>
<td>126,144</td>
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<td>Total non-financial assets</td>
<td>14,924,912</td>
<td>12,383,798</td>
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<td>TOTAL</td>
<td>$ 16,626,014</td>
<td>$ 13,289,053</td>
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<tr>
<th>Liabilities</th>
<th>2008</th>
<th>2007</th>
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<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 1,577,678</td>
<td>$ 659,847</td>
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<td>Salary and vacation payable</td>
<td>138,258</td>
<td>103,700</td>
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<td>Accounts payable and accrued liabilities to other Government departments</td>
<td>55,278</td>
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<td>Employee severance benefits (Note 8)</td>
<td>495,537</td>
<td>453,284</td>
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<td>Contingencies liabilities (Note 9)</td>
<td>489,019</td>
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<td>TOTAL</td>
<td>2,755,770</td>
<td>1,409,710</td>
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Equity of Canada | 13,870,244 | 11,879,343 |

TOTAL | $ 16,626,014 | $ 13,289,053 |

Contingent liabilities (Note 9)

The accompanying notes are an integral part of the financial statements.

Approved by Management

Approved by the Commission

The original version was signed by

Secretary

MICHEL LEULLIER

Chairman

ANDRÉ JUNEAU
Misrepresentation

N. misrepresentation; false light 541 falsehood, injustice; travesty, burlesque, guy 851 flattering, nonrepresentational art, daub.
Ex Post Facto
Lack of info about the extent of compliance

Lack of reporting – obligations here?

Lack of monitoring