

# Equity Crowdfunding

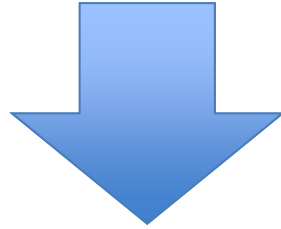
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Faculty of Law

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**

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy or shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

**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.**

	<u>Initial Public Offering Price(1)</u>	<u>Underwriting Discount(2)</u>	<u>Proceeds to Company(3)</u>
Per Share .....	\$	\$	\$
Total(4) .....	\$	\$	\$

- (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 \$600,000 payable by the Company.
- (4) The Company has granted the Underwriters an option for 30 days to purchase up to an additional 390,000 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 , 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 ?**







# JOB 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

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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**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Financial Assets</b>		
Cash	\$ 1,648,314	\$ 891,449
Accounts receivable and advances (Note 4)	52,788	13,806
<b>Total financial assets</b>	<b>1,701,102</b>	<b>905,255</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 5)	14,798,768	12,245,167
Deferred charges	126,144	138,631
<b>Total non-financial assets</b>	<b>14,924,912</b>	<b>12,383,798</b>
<b>TOTAL</b>	<b>\$ 16,626,014</b>	<b>\$ 13,289,053</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,577,678	\$ 659,847
Salary and vacation payable	138,258	103,700
Accounts payable and accrued liabilities to other Government departments	55,278	192,879
Employee severance benefits (Note 8)	495,537	453,284
Contingencies liabilities (Note 9)	489,019	-
	<b>2,755,770</b>	<b>1,409,710</b>
<b>Equity of Canada</b>	<b>13,870,244</b>	<b>11,879,343</b>
<b>TOTAL</b>	<b>\$ 16,626,014</b>	<b>\$ 13,289,053</b>
Contingent liabilities (Note 9)		

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

Approved by Management

The original version was signed by  
Secretary  
MICHEL LEULLIER

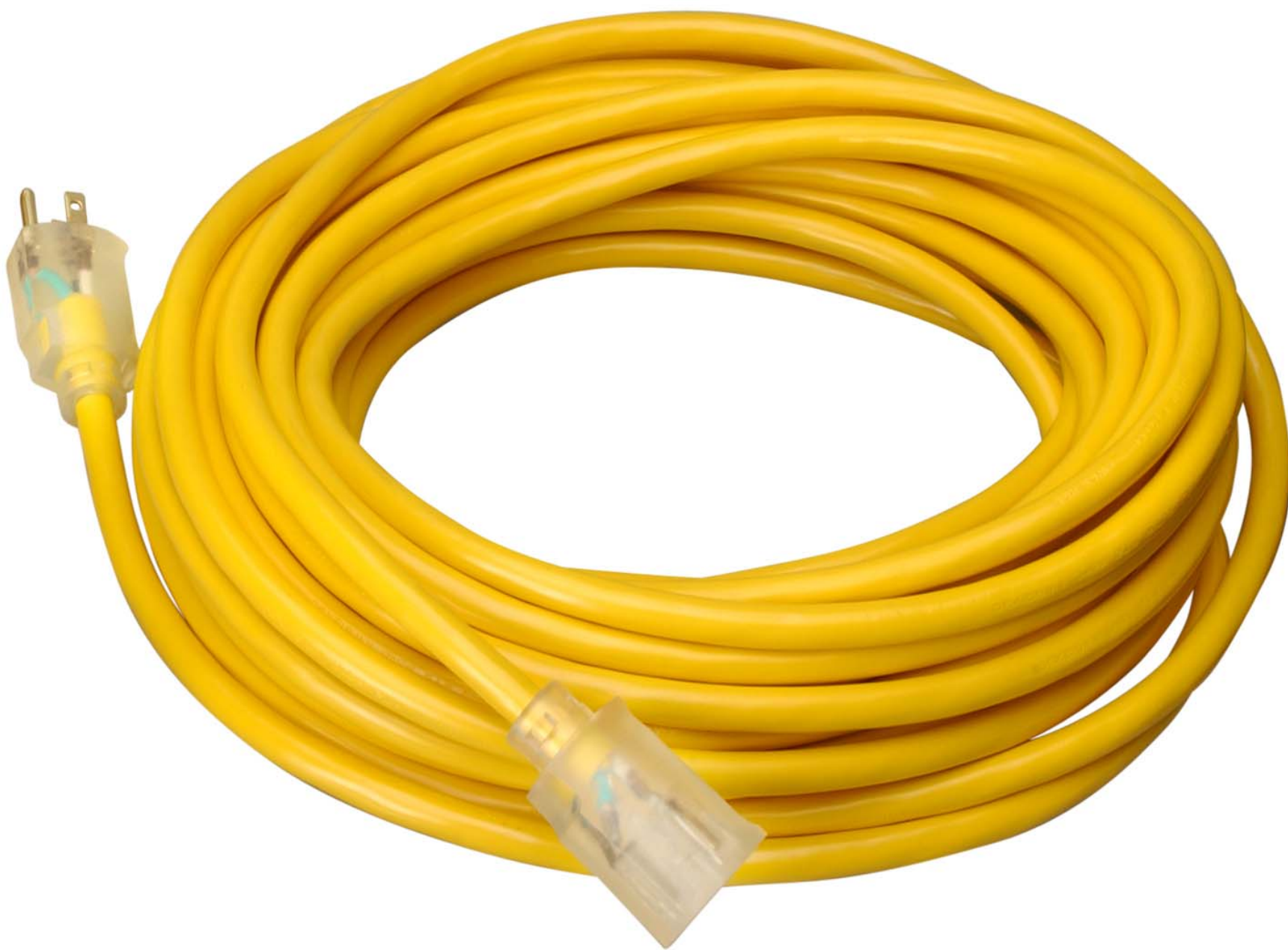
Approved by the Commission

Chairman  
ANDRÉ JUNEAU

## **Misrepresentation**

N. misrepresentation, not a true picture  
19 dissimilarity; false light 541 falsehood  
unfair picture, bad likeness, poor 1. 914  
injustice; travesty, parody 546 exaggeration;  
caricature, burlesque, guy 851 rick  
flattering portrait 925 flat  
nonrealism, nonrepresentational art  
bad art, daubing; daub,  
deformation









Ex Post Facto

Lack of info about the extent  
of compliance

Lack of reporting –  
obligations here?

Lack of monitoring

MORE

# REVIEW