

Inline Reference Check

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The Secretary

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INTRODUCTION OF PROPOSED PROSPECTUS EXEMPTIONS AND PROPOSED REPORTS OF EXEMPT DISTRIBUTION IN ONTARIO Supplement to the OSC Bulletin March 20, 2014 Volume 37, Issue 12 (Supp-3) (2014), 37 OSCB

Founded in 1995, Inline Reference Check is Canada's most experienced background verification Company. We provide criminal, credit, bankruptcy, education, accreditation, and reference verification services. We have completed over 35,000 case files since inception and our clients include KPMG, PwC and the Caldwell Partners

We are responding to your request for comments on the proposed crowdfunding exemption and in particular, questions 14 and 17.

"14) Do you think an international background check should be required to be performed by the portal on issuers, directors, executive officers, promoters and control persons to verify the qualifications, reputation and track record of the parties involved in the offering?"

We believe that undertaking an international background check on an issuer's key stakeholders as contemplated in question 14, would impose a significant financial burden on both portal operators and issuers.

Performing a quality international background check has many challenges. Language and regulation issues lie at the heart of these challenges and are a major driver of additional costs. Most developed countries have enacted legislation to protect the privacy of personal information and the ways in which this information is collected, transmitted and utilized. Background verification companies have a duty of care then to collect personal information in a manner which is consistent with the jurisdiction in which it is collected. In Canada we are guided by the Personal Information Protection and Electronic Documents Act (PIPEDA); in the US and Europe, The Fair Credit Reporting Act (FCRA), and the EU's Directive on Data Protection govern.

In many countries, however, laws governing background verification and personal information privacy are still under development. Additional translation and interpreter resources would have to be accessed in order to

understand local protocols and to subsequently request the personal information required for the verification of the key stakeholders. The additional time required to properly perform this service across multiple time-zones would also add to the cost of verification.

17) Are there other requirements that should be imposed on portals to protect the interests of investors?

We believe that the Portals should be required to organize and maintain a secure centralized data base of non-accredited investors and their annual investment participation under the crowdfunding exemption.

We believe that the required key stakeholder verifications as listed in the prospectus should be considered a minimum requirement only. There are additional verifications that would help enhance investor confidence and protection and we recommend that the portals undertake to verify the following:

References:

Interview stakeholder references to reveal character and competence.

Education / Verification:

Education is the most common area of misrepresentation.

Media Analysis:

Media search to reveal public behaviour and associations.