swizzlesticks
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YEARS

February 16, 2012

Canadian Securities Administrators
British Columbia Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2

Attention: Gordon Smith

Canadian Securities Administrators
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, PQ H4Z 1G3

Attention: Me Anne-Marie Beaudoin

Dear Sir/Madam:

Re: Review of Minimum Amount and Accredited Investor Exemptions

Swizzlesticks Enterprises Ltd, Calgary, AB., a fully Canadian owned small business employing 65 Calgarians with an annual payroll of 1.5 million dollars.

The current review of by the Canadian Securities Administrators of two exemptions from the prospectus and registration requirements of securities law has come to our attention. While we have reviewed the consultation document, we are not in a position to make any technical comments upon it. However, we do have comments on the underlying principles.

We respect the role of the securities commissions of Canada to protect the investing public; however, we also see the need of small and medium sized businesses for access to investment capital on a cost effective basis. If the proposed changes are implemented, fewer investors will be qualified to provide capital to businesses which need it. We urge that the CSA not increase the costs to small and medium size businesses by making it more difficult to access required capital. For this reason, the existing exemptions ought not be repealed or increased in the absence of pressing need for public protection. Essentially, securities regulation limits economic activity through regulations which make it more difficult to obtain capital and increase the economic burden to small business. Given the financial conditions in our country, surely this is the time to lower hurdles and reduce burdens so that businesses can provide employment, growth and stability.

As a small business in Canada for over 25 years, we have seen our access to financing and investment capital increasingly limited to securing loans from the country's major financial institutes such as banks and credit unions (where such loans even exist and usually through government programs when they exist and only if the company's project qualifies).

Generally, a small business's ability to raise capital or upstart funds or raise capital to finance expansion and growth is limited to "classic borrowing" from financial institutions andonly to the extend that the Principal(s) of the company are able to personally, fully secure and hypothecate such debt based upon their own personal net worth such as homes, savings, retirement fund, investments and other such tangibles. This creates a situation where ability and opportunity may be present for a small business to grow and create additional employment but such opportunity is limited to the poorest, most expensive and least reliable form of capital investment...traditional borrowing.

It is dismaying to realize that credit cards carrying enormous interest rates and unfavourable repayment terms are increasingly becoming the major and singular form of short term investment funds available to small and middle sized business in Canada. More shockingly, credit card debt is, almost without exception, the only form of investment funds available to small businesses. This creates a situation where our national indebtedness per capita appears on the upswing will job creation is stagnate or is in retreat. This is especially relevant and restrictive for companies who are forced to use this kind of financing when operating on a "just in time" inventory model that requires payment for goods in advance and in full before a project, job or the sale of goods or services can even begin.

It is important to note that in today's economic environment government supported programs are scarce and those that are available are limited and narrow in scope requiring considerable personal upfront investment by Principals requiring the use of their own independent and unencumbered, liquid funds. In short, this means corporate development and growth is absolutely limited to sum of the net personal worth of Principals of small and mid sized businesses. Hardly a recipe for success!

If these conditions continue and the raising of capital investment funds are further restricted or hampered, Canada's number one employer by volume, small and middle business, will be shackled and unable to reach their proper and important potential in our economic recovery and the creation of jobs in this county for the future.

We would go further and encourage securities commissions to show leadership in permitting small and medium sized businesses to have opportunities for capital formation with a much reduced cost. We do not suggest throwing out the rule book, but we do encourage re-thinking the priorities so as to facilitate increased access to capital, albeit in the relatively small amounts required by SMEs.

There is another area of urgent need for capital raising reform. Governments, NGO's and the community are recognizing "social capital" where investors are willing to accept limited financial rewards when combined with work to solve social and environmental challenges. These ventures also need capital. The CSA should develop a series of exemptions aimed at the formation of community capital initiatives – for profit, not for profit and for limited profit – over and above the current exemptions under review.

Perhaps the next CSA request for comments will be a call for business owners and advisors to assist the CSA in fostering capital formation for small and medium size businesses and social capital groups. We believe that such an initiative would get a very significant positive response.

Yours very truly,
Ross Hahn, CEO, President
Swizzlesticks Enterprises LTD
O/A Swizzlesticks SalonSpa, Calgary, AB