

FARMWORKS ANNUAL REPORT APRIL 2014

FOOD GROWS HERE!



**FARMWORKS INVESTMENT
CO-OPERATIVE LIMITED
FARMWORKS.CA**

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DARTMOUTH, APRIL 26TH, 2014

Executive Summary

When the Founding Directors of FarmWorks decided to set up a Community Economic Development Fund (CEDIF), it was hoped that a significant amount of money could be raised to support farms and food producers. Money invested in food production is an investment in the economy, health, rural areas, communities, culture, and the environment.



Food production is a key to rural economic development. The global population is increasing, more food is needed, and food prices, globally and locally, are increasing and will continue to climb due to competition for available food, water and land.

Nova Scotia can grow good food sustainably and has the potential to supply much more of our food. As consumers buy more local food and invest in food production, benefits will flow to all Nova Scotians.

In the first CEDIF offer 102 Nova Scotians invested \$223,500, in the second 81 invested \$225,300 and in the third 73 invested \$270,000. FarmWorks investors understand the benefits of keeping their money closer to home, and they have faith in the ability of farmers and food producers to increase output and profitability.

During the course of the third offer 15 Gentle Dragons session and ten other meetings were held across Nova Scotia. The Directors, Advisors and guest Dragons heard presentations from many entrepreneurs who are seeking loans. By the end of March 2014 FarmWorks had invested \$513,000 in 23 businesses and there are many more requests for the current funds. As loans are repaid the principal is available to new loans.

In April FarmWorks was honoured to be chosen as one of Tides Canada’s Top Ten. Each year, Tides Canada seeks out initiatives that align with its mission of supporting actions that foster a healthy environment and a just Canadian society and have demonstrated significant results in the communities they serve. FarmWorks is being consulted by organizations across Canada looking to fund and mentor food related businesses.



Contents

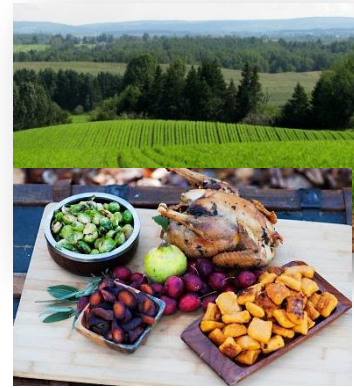
Executive Summary.....	1
Overview and CED	2
CEDIF Offers.....	4
Lending	5
Investing in Sustainable Food	7
Directors and Advisors.....	9
Proposed Slate.....	10
Shift to Delicious.....	11

VISION

Healthy Farms, Healthy Food

MISSION

Promote, and provide, strategic and responsible community investment in food production and distribution in order to help increase access to a sustainable local food supply for all Nova Scotians.



STRATEGIC GOALS

Promote investing locally and buying local food to gain health, economic, social, environmental and other benefits that result from growing and processing food in Nova Scotia.

Use investment vehicles to allow Nova Scotians to invest a significant percentage of their capital in NS agriculture and food related enterprises

OPERATIONAL GOALS

Develop and market an annual Community Economic Development Investment Fund that raises a minimum of \$100,000 in the first year and \$5 million after 5 years.

Invest strategically in agricultural enterprises to increase participants' sustainable local food production and profitability by 10% per year.

Create mentoring support and help to facilitate farm and food-related innovation and diversification in partnership with government and non-government organizations.

Monitor and evaluate other investment tools and investment opportunities.

CEDIFs are currently the best mechanism to efficiently and effectively leverage local capital to help build a sustainable agricultural and food economy, help rebuild rural communities and contribute to all aspects of life in the Province. FarmWorks provides the means for citizens to invest in multiple well-managed enterprises that are scaling up or launching agricultural and food-related businesses in NS.

Community Economic Development Plan – Securities Commission – December 2013

Mission: To promote and provide strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

Objectives of the Community Economic Development Plan

1. In accordance with its Articles of Incorporation and Bylaws, FarmWorks Investment Co-operative Limited, a for-profit Co-operative with a Board of Directors elected by the shareholders who are residents of Nova Scotia, is:
 - a. carrying on an active business that evaluates and makes eligible investments in active Nova Scotian businesses that will increase access to a sustainable local food supply for Nova Scotians;
 - b. providing information to and educating investors who are interested in supporting food producing enterprises in Nova Scotia with regard to the role of capital in business, the value of equity investments to the defined community and the rights and obligations of corporations and shareholders,

- c. investing the capital raised, to which a tax credit pursuant to the Act has been issued, in eligible food producing businesses in Nova Scotia,
 - d. exercising ownership rights with respect to the eligible investments made by the corporation,
 - e. providing the administrative support necessary to carry on the business of the corporation, including preparation of annual reports and the holding of meetings of shareholders and the Board of Directors,
2. FarmWorks Investment Co-operative is carrying on this business for the people of Nova Scotia in order to increase access to a sustainable local food supply for Nova Scotians,
 3. FarmWorks Investment Co-operative Limited has made provision for annual general meetings of the shareholders,
 4. FarmWorks Investment Co-operative Limited is providing mentoring support and helping to facilitate farm and food-related innovation and diversification in partnership with government and non-government organizations.
 5. FarmWorks Investment Co-operative Limited is monitoring and evaluating other investment tools and investment opportunities that may be used to achieve FarmWorks goals.

Community Economic Development Investment

6. Develop and market a Community Economic Development Investment Fund that raises a minimum of \$50,000 up to a maximum of \$500,000 of equity capital in the third year, and
 - a. the equity shares are of only one class without series and have never previously been issued,
 - b. will be issued from the treasury of the corporation on being fully paid for in cash
 - c. will, immediately following their issue, be registered in the name of each shareholder that purchases them or in the name of a trustee, if the shares are held by the trustee for the benefit of a shareholder,
 - d. do not have any rights or restrictions that may be prohibited by these regulations;
7. If a share certificate is not required to be issued to each new shareholder, an investment confirmation will be issued to each new shareholder within thirty days of share registration, setting out at least the following:
 - e. the number of shares acquired, the price paid per share, the total amount paid, and the procedure for obtaining the tax credit receipt pursuant to the Act.

Community Economic Development Investment

8. FarmWorks has invested the proceeds as follows: **Pier Squared**, Heather Lunan, Wolfville; **Big Spruce Brewery and Eatery**, Jeremy and Melanie White, Nyanza; **Kingsville Farm**, Jamie and Laura Jensen, Kingsville; **Fenol Farm**, Sherri MacFarland and Colin Chisholm, Hillsvale; **Stewart's Organic Farm**, Alan and Janice Stewart, Hortonville; **Oakview Farm**, Kevin and Jennifer Graham, Kingsport; **Meander River Farm**, Alan and Brenda Bailey, Newport; **Valley Flaxflour**, Howard Selig, Middleton; **Meadowbrook Meat Market**, Jim and Margie Lamb, Berwick; **Rocky Top Farm**, Nelson Millett, New Ross; **Helen B's Preserves**, Michael Bishop, Mahone Bay; **Local Source Market and Bakery**, Sean Gallagher, Halifax; **Wandering Shepherd Cheese**, Ron Muise, Mira; **Charcuterie Ratinaud French Cuisine**, Frederic Tandy and Tom Crilley, Halifax; **Vincent Food Dressing**, Gary Kent, Yarmouth; **Good Lake Farm**, James Lake, Southampton; **Gold Island Bakery**, Jessica Ross, Scotch Village; **Fruition**, Jessie Doyle and Seth Graham, Halifax; **Field Guide Restaurant**, Dan Vorstermans and Ceilidh Sutherland, Halifax. **Subsequent loans in 2014 have been made to Hoppy's Farm**, Byford Hopkins, Blockhouse; **The Port Grocer**, Annabelle Singleton, Sparo Lindsay, Debra Melanson, Port Medway; **Millennium Gardens**, Scott and Vicki Conrad, Mill Village; **Down on the Corner Farm**, David and Anita Lahey, Maitland.
9. FarmWorks will invest the proceeds of the Third Offering in eligible businesses that will strive to increase their sustainable local food production and profitability by 10% per year by the third year following investment;
10. At the present time Directors have not decided on all the specific entities for investment in this offer;

- 11. Mentoring will be provided to investees;
- 12. Investees will be required to submit semi-annual financial reports to the Board of Directors.

Community Economic Development Outcomes

Success for the FarmWorks CED will be a measurable increase in food production; positive outcomes for investees and a return on investment for shareholders. The overall success of FarmWorks initiatives will help to remove the risks associated with lack of food self-sufficiency, help to restore rural vitality, provide wider access to healthy food, create employment and contribute to an improving economic outlook for Nova Scotia.



CEDIF Offers in 2012, 2013 and 2014

Between December and the end of February 2012 we held 22 public meetings, large and small, from Tatamagouche to Yarmouth. This resulted in **\$223,500** being invested by 102 Shareholders. Previously the seven Founding had Directors invested **\$700**.

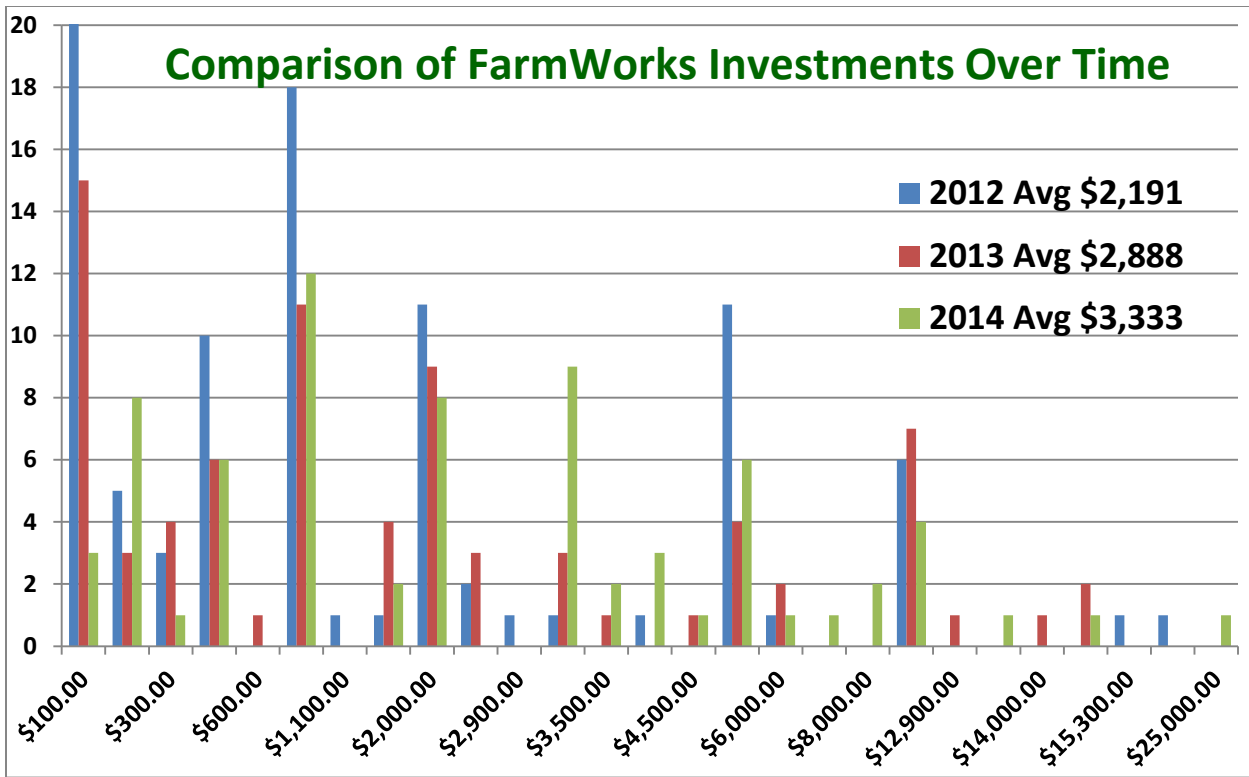
In February 2013 we held 20 meetings from Sydney to Yarmouth, and **\$225,300** was invested by 53 new and 28 continuing investors.

In February 2014 there were 15 Gentle Dragons sessions and 10 additional meetings across Nova Scotia and **\$270,000** was raised from 35 new and 39 continuing investors. A number of the presenters at the Gentle Dragons sessions are applicants or potential applicants, and the Directors and Advisors were impressed with the innovative ideas presented by enthusiastic entrepreneurs across Nova Scotia. A brief extension of the Offer will enable additional investment prior to the Annual General Meeting.

A total of **\$719,500** has been raised to support the Vision, Mission and Objectives of FarmWorks. Principal is reinvested as loans are repaid.

Offering Costs

Comparison of Offering Costs	2102	%	2013	%	2014	%
Total Proceeds	\$224,200		\$225,300		\$270,000	
Less Offering Expenses						
Commissions	\$0		\$0		\$0	
Promotor Fees	\$0		\$0		\$0	
Legal & accounting	\$512		\$862		\$600	
Copying, other expenses	\$5,645		\$3,301		\$5,148	
Less Contribution	-\$1,114					
Total Cost of Offering	\$5,043	2.3%	\$4,163	1.8%	\$5,748	2.2%
Net Proceeds from Offer	\$218,457	97.7%	\$221,137	98.2%	\$264,252	97.8%



Lending

Capital for Food-Related Enterprises

Businesses seeking loans send a preliminary application to FarmWorks. If the business fits with FarmWorks principles and objectives, the applicant will be asked to submit a business plan to FarmWorks. Board Members and Advisors will evaluate the plan, visit the site, meet with the applicants and complete the Comprehensive Review. The Board will make a decision and a letter of agreement and Promissory Note will be signed with successful applicants. Loans will be provided to qualifying enterprises to help them to increase production, sustainability, value-adding, marketing and related economic activity.

Guidelines for measuring and reporting outcomes will be in place for enterprises receiving loans. Borrowers will repay loans within two to five year at an interest rate that reflects both the unsecured nature of the loan and the patience of investors willing to accept moderate returns on investment. As repayments to FarmWorks are made, money will be loaned to other qualifying enterprises.

General Lending Criteria

The business will have strong, experienced and ethical management with a clear and compelling vision; the skills and will to execute the business plan and grow the enterprise; the potential to achieve a minimum of a 10% increase in production and profitability within three years. The business will provide financial information to FarmWorks on a semi-annual basis, and FarmWorks, when appropriate, will facilitate mentoring by appropriate Directors, Advisors or other specialists to help insure the success of the enterprise.

Social Impact

The business will meet food-related needs, stimulate economic growth, provide social and environmental benefits and collaborate with others to achieve benefits for other producers and consumers. FarmWorks will provide ongoing support in the form of promotion of the benefits of eating healthy local food and investing in local enterprises.

Characteristics of loans

- FarmWorks does not charge any application or legal fees and there are no charges for any assistance provided by Directors
- Loans are issued with simple interest and rates for existing loans will not increase
- Loans are unsecured and no chattel security is taken
- No payments are required for the first three months following the month in which the loan is granted
- There are no interest charges for prepayment of all or part of the loan balance
- Businesses submit brief semi-annual reports and annual Financial Statements 90 days after year end

Procedure

- Preliminary Application
- Confidentiality Agreement
- Presentation to Board and Advisors
- Business Plan – Financials
- Advisors Review
- Consultations with Applicant
- Board Decision
- Disbursement

Comprehensive Evaluation

Section		Total
Character	Rank 1 to 20	
Commitment	Rank 1 to 20	
Management	Rank 1 to 25	
Business Plan – Markets	Rank 1 to 25	
Business Plan – Materials/Methods	Rank 1 to 25	
Business Plan – Financials	Rank 1 to 25	
Viability	Rank 1 to 60	
Total	1 – 200	
Less than 130 do not proceed, 130 –160 reapply, greater than 160 proceed		

FarmWorks will measure outcomes annually by:

- % increase in production by each loan recipient
- % increase in profitability by each loan recipient
- % increase in employment
- Increase in investment in FarmWorks
- Increase in number of loans
- Increase in FarmWorks profitability



Investing in Sustainable Food for Nova Scotians





FarmWorks Directors 2013



Richard Melvin – Chair

Melvin Farms, Interim Chair NS Food Policy Council,
Past President NS Federation of Agriculture



Ann Anderson – Vice-Chair

Educator, Wolfville Community Foundation, Friends of Agriculture



Linda Best – Secretary

Microbiologist, Friends of Agriculture, NS Food Policy Council



Kris Keddy – Treasurer

Financial Consultant, Investors Group, Ag. Production Management



Stephen Anderson – Director

Partner, Food Economy Group



Alison Scott Butler – Director

Lawyer, Queen's Counsel



Alicia Lake – Director

Community Economic Development, Baddeck Farmers' Market



Patricia Vanaman – Independent Director

Tri County Local Food Network, Community University Research



Robert MacEachern – Independent Director

Common Roots Garden, Sociologist, Policy Analyst



FARMWORKS -ADVISORS

Gordon Caldwell

Partner, Grant Thornton Accounting

Gordon Michael

Continuing Education SMU

Jeff Moore

Former CEO Just Us! Coffee,

Thomas Krausse

Dandelion Community Investment Co-op

Gary Morton

Partner Morton Horticultural Consulting

Jonathan McClelland

NS Co-op Council Business

Development Officer

Edith Callaghan

Professor Manning School of Business, Acadia

Av Singh

Organic & Rural Infrastructure Specialist, Perennia

Hank Bosveld

Bosveld Fruit Farm, Past NS Farm Loan Board

Jo Anne Fewer

CEO Perennia, Building Our New Economy

Susan Carroll

Executive Chef, Paddy's & Rosie's
Restaurant, Wolfville

Charles Keddy

Charles Keddy Farms

Rupert Jannasch

Ironwood Farm

Duncan Ebata

Business, Web, Marketing

Ross Piercey

Business & Quality Consultant

John Aylward

Venture Solutions CB

Peter Hicklenton

Crop Production Systems Research

Jeremy White

Engineer, Marketing, Big Spruce

Irena Knezevic

Communications, Food Systems, Research, Educator

Melissa Quinn

Entrepreneurship, Nutrition, Product Development

Mark Vardy

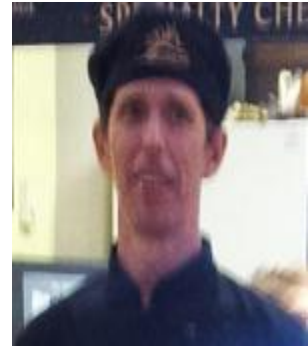
Insurance Professional and Community Volunteer

Leah Kavan-Ross

Research, Writing, Entrepreneur, Food Distribution

PROPOSED SLATE OF DIRECTORS APRIL 26, 2014

Name	Term / Remaining	Proposed Role
Richard Melvin - Pereau	2 nd /2017	Past Chair
Dr. Peter Hicklenton - Waterville	1 st /2016	Co-Chair
Linda Best - Greenwiche	2 nd /2017	Co-Chair (one year)
Ann Anderson - Wolfville	2 nd /2017	Secretary
Alison Scott Butler - Canning	2 nd /2017	Chair Governance Committee
Stephen Anderson - Wolfville	2 nd /2017	Chair Nominating Committee
Alicia Lake - Baddeck	1 st /2015	Director
Joe MacEachern – Halifax	1 st /2016	Director
Chloe Kennedy - Halifax	1 st /2016	Director
Doug Brown - Annapolis	1 st /2016	Director
Lucia Stevens - Various	1 st /2015	Director
Dr. Bruce Wright – South Shore	1 st /2015	Director
Valerie VanOostrum - Berwick	1 st /2015	Director
Chris Atwood – Yarmouth	1 st / 2016	Director



CEDIFs are currently the best mechanism to efficiently and effectively leverage local capital to help build a sustainable agricultural and food economy, help rebuild rural communities and contribute to all aspects of life in the Province. FarmWorks provides the means for citizens to invest in the economy of Nova Scotia.



SHIFT TO DELICIOUS!

Nova Scotian Food!

When you buy local food, you vote with your food dollar for family farms, thriving communities, and healthy, flavorful, plentiful food.

Locally grown food tastes really good!

Crops are picked at their best, and products are carefully prepared to keep people coming back for more.

Local food is good for you.

With shorter times between the farm and your table fewer nutrients are lost from fresh food.

Local food is safe.

Producer's livelihoods depend on providing safe food, and they take that responsibility very seriously.

Local food supports local families.

Local food production provides employment and keeps money closer to home where it multiplies throughout the local economy.

Local food builds community.

Buying local food connects you to farmers and food producers. Getting to know people who provide your food connects you to the land, the seasons, environment and the beauty of rural Nova Scotia.

Local food preserves open spaces.

Buying locally grown food helps preserve farmland and the rural landscape which is an essential ingredient for other economic activities such as tourism and recreation.

Local food benefits the environment and wildlife.

Well-managed farms conserve the soil protect water sources. Farms are patchworks of fields, meadows, woods, ponds and buildings that provide habitat for wildlife.

Local food preserves biodiversity.

Local farms often grow many different varieties of crops to provide a long harvest season and the best flavors. Livestock diversity is usually higher where there are many local farms rather than few large farms.

Local food is an investment in the future.

By supporting local farmers today, you are helping to ensure that there will be farms in Nova Scotia in the future. This is important for food security and our economy, health, communities and environment.

VOTE WITH YOUR FOOD DOLLARS!