

FARMWORKS ANNUAL REPORT APRIL 2015

FOOD GROWS HERE!



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

Contact: Linda Best 542-3442, lbest@ns.sympatico.ca

LOUIS MILLETT COMMUNITY CENTRE, APRIL 30TH, 2015

Executive Summary

The Founding Directors of FarmWorks set up the Community Economic Development Investment Fund (CEDIF) with the intention of raising a significant amount of money 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 and Nova Scotia has the potential to sustainably supply much more food. As Nova Scotians buy more local food and invest in food production, benefits flow to all Nova Scotians.



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. In the first CEDIF offer 102 Nova Scotians invested \$224,200, in the second 81 invested \$225,300, in the third 73 invested \$271,500 and the fourth 89 invested \$312,400 for a total of \$1,033,400.

During the course of the Fourth offer more than 20 meetings were held across Nova Scotia to provide information about the benefits of investing in FarmWorks. As well, during those sessions the Directors, Advisors and guest Dragons heard presentations from many entrepreneurs who are seeking loans.



By the end of December 2015 FarmWorks had loaned \$745,000 to 31 businesses. As loans are repaid the principal is available to new loans. Note that as of April 30th, 2015 loans totaling \$886,000 have been made to 36 businesses, all from the \$721,000 raised in the first three offers. There are already many requests for the funds from the Fourth Offer.

The Directors of FarmWorks meet at the Registered Office at 70 Eden Row, Greenwich, and meetings in 2014 were held on January 19, April 21, June 9, August 5, October 5 and December 7. So far in 2015 Directors have met on January 25, February 8 and March 29. Usually meetings are accompanied by food purchased from FarmWorks clients and other local providers.

Contents

Executive Summary.....	1
Chair's Report.....	2
Overview and CED.....	3
CEDIF Offers.....	5
Lending	5
Investing in Sustainable Food	7
Directors and Advisors.....	9
Proposed Slate.....	10
Shift to Delicious.....	11

CHAIR'S REPORT

It is no overstatement to say that 2014 was a breakthrough year for FarmWorks. In only our 4th offering since the launch of the Community Economic Development Investment Fund (CEDIF) in 2011, the investment cooperative has surpassed the \$1 million mark, a major milestone that is testimony to the commitment of 250 Nova Scotian shareholders who believe that it is possible to build future prosperity and food security around farms and food production.

As our capital pool has increased, Nova Scotian food related businesses have responded. FarmWorks Directors and Advisors have worked diligently to assess business plans from entrepreneurs across the Province, toured their farms, restaurants and kitchens, met with their families and shared their hopes and dreams.

We are proud to report that to date 35 businesses have been approved for loans from FarmWorks. In many cases, relatively small loans have been crucial to starting or expanding operations, and key to accessing additional capital from financial institutions and government sources. But often we hear that the money is only a small part of the success. Businesses want to be associated with FarmWorks for the opportunity to build a local food network, sharing resources and contacts, and building productive capacity throughout the Province. From the outset, FarmWorks realized that providing funds to support primary production of food was only part of the picture. To truly effect a difference requires a cultural change in the way we access and consume local food. Restaurants serving and promoting local produce deserve our support, as do those adding value to food products through innovative processing and presentation. Nova Scotians and visitors enjoy the pleasure of eating fine, and often unique local food, expertly prepared by skilled chefs, and served in restaurants that identify intimately with the Province.



Thanks to our shareholders, FarmWorks has been able to support entrepreneurs in every part of the value chain. The effects have been dramatic. Just one year ago, survey results indicated that some 20 full time and 6 part time jobs had been created as a direct result of FarmWorks. Today those numbers have likely tripled, as more businesses have come on stream, and more Nova Scotians have been hired. These results say a lot about where we have come from in a short time, but they also point to the future. Access to capital and navigating the regulatory environment remain key challenges to local food businesses.

FarmWorks aims to play a still larger role through the careful, but nimble approach to substantial financial support, and by working with government to simplify and clarify regulations. We look forward to working even more closely with partners, such as the Community Business Development Corporations (CBDC) and Futurpreneur, and especially with our shareholders to support local food businesses from every part of the Province. FarmWorks Directors and Clients thank you for your support, encouragement and enthusiasm. Here's to FarmWorks second \$ million!

Peter Hicklenton and Linda Best

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.

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 – October 2014

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 fourth offer, 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.

FarmWorks Loans

8. FarmWorks has loaned the proceeds as follows: **Pie r 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, 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; **Hoppy's Farm**, Byford Hopkins, Blockhouse; **The Port Grocer**, Annabelle Singleton, Debra Melanson, Port Medway; **Millennium Gardens**, Scott and Vicki Conrad, Mill Village; **Down on the Corner Farm**, David and Anita Lahey, Maitland; **Boxing Rock Brewing**, Emily Tipton and Henry Pedro, Shelburne; **Highland Drive Storehouse and Getaway Farm**, Poyser and Kennedy Families, Canning and Halifax; **Flying Apron Cookery and Inn**, Chris and Melissa Velden, Summerville; **South Shore Farms**, David Eisner, Upper Branch; **Forever Green Farm and Gardens**, Terry and Mary Boyle, Tracadie; **Rockwell Valley Foods**, Jason Rockwell, Avonport; and to date in 2015: **Meadow's Brothers' Farm**, Thian Carman, Barton; **Loré's Strawberry Farm**, Jackson Loré, Upper Ohio; **Thousand Hills Farm**, Kevin Hamilton, Hebron; **upROOTed Market and Café**, Emma Kiley, Musquodoboit Harbour; **BullyGoth Farm**, Sacha Begg and James Condon, Carlton.
9. FarmWorks will invest the proceeds of the Fourth 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 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, 2014/2015

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 25 Gentle Dragons sessions and information sessions across Nova Scotia and **\$271,500** was raised from 35 new and 39 continuing investors.

Between October 2014 and March 2015 more than 25 Gentle Dragons and information sessions were held and **\$312,400** was raised from 48 new and 38 continuing investors for a 40 month total of **\$1,033,400**.

Presenters at the Gentle Dragons sessions are potential applicants and the Directors and Advisors are impressed with the innovative ideas presented by enthusiastic entrepreneurs across Nova Scotia.

Offering Costs

Comparison of Offering Costs	2012	%	2013	%	2014	%	2014/5	%
Total Proceeds	\$224,200		\$225,300		\$271,500		\$312,400	
Less Offering Expenses								
Commissions	\$0		\$0		\$0		\$0	
Promotor Fees	\$0		\$0		\$0		\$0	
Legal & accounting	\$512		\$862		\$600		\$900	
Copying, other expenses	\$5,645		\$3,301		\$5,258		\$3,880	
Less Contribution	-\$1,114							
Total Cost of Offering	\$5,043	2.3%	\$4,163	1.8%	\$5,858	2.2%	\$4,780	1.5%
Net Proceeds from Offer	\$218,457	97.7%	\$221,137	98.2%	\$265,752	97.8%	\$307,620	98.5%

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 and 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

- No 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 and Financial Information
- 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 investment in FarmWorks
- Increase in number of loans
- % increase in production by each loan recipient
- % increase in profitability by each loan recipient
- % increase in employment
- Increase in FarmWorks profitability

Financial Statements 2014 (Final, Kelly Coombs, CA)

Income and Expenses 2014

Total Revenue	\$30,498
Total Expenses	\$31,444
Net Income	(\$946)

Balance Sheet

Total Current Assets	\$281,123
Total Loans Receivable	\$433,053
Total Assets	\$714,176
Total Current Liability	\$3,886
Total Equity	\$710,290
Liabilities and Equity	\$714,176

Unofficial

Projected Income 2015	\$46,000
Projected Expenses 2015	\$22,000





FARMWORKS DIRECTORS 2014



Peter Hicklenton – Co-Chair
Crop Specialist, Retired, Agriculture Canada

Linda Best – Co-Chair
Microbiologist, Friends of Agriculture Society

Ann Anderson – Secretary
Educator, Friends of Agriculture Society

Richard Melvin – Past Chair
Melvin Farms, Past President NS Federation of Agriculture

Stephen Anderson – Director
Partner, Food Economy Group

Alison Scott Butler – Director
Lawyer, Queen's Counsel

Alicia Lake – Director
Community Economic Development, Baddeck Farmers' Market

Doug Brown – Director
Baker, Community Development

Valeria VanOostrum – Director
Marketing, Just Us Coffee

Bruce Wright - Director
Pathologist, Winemaker

Chris Atwood - Director
CBDC Yarmouth

Lucia Stephen - Director
Beginning Farmer Program, ACORN

Chloe Kennedy – Independent Director
Clean Nova Scotia, Agriculture Research

Robert MacEachern – Independent Director
Policy Analyst, Atlantic Congress of First Nation Chiefs

FARMWORKS ADVISORS 2014

Gordon Caldwell
Partner Grant Thornton Accounting

Jonathan McClelland
NS Co-operative Council Business Development

Gordon Michael
Continuing Education SMU

Jeff Moore
Co-Founder Just Us! Coffee, Just Us Development

Thomas Krause
Dandelion Community Investment Fund

Gary Morton
Partner Morton Horticultural Consulting

Av Singh
Organic and Rural Infrastructure Specialist

Edith Callaghan
Manning School of Business, Acadia University

Hank Bosveld
Bosveld Fruit Farms

Jo Ann Fewer
CEO Perennia, One Nova Scotia Commission

Susan Carroll
Executive Chef, Paddy's Pub and Rosie's Restaurant

Charles Keddy
Charles Keddy Farms Limited

Rupert Jannasch
Ironwood Farm

John Aylward
Venture Solutions, Consultant

Ross Piercy
Production and Quality Consultant

Duncan Ebata
Web, Marketing and Media Consultant

Jeremy White
Engineer, Marketing, Brewer 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

Kris Keddy
Financial Consultant

Shanon Archibald
Public Engagement Coordinator

Dave Bethune
Business and Financial Consultant

Andrew Button
Founder Mashup Lab, Economic Development

Chris Walker
Economic Development, Management, Evaluation

Geoff Appleby
Certified Financial Analyst

PROPOSED SLATE OF DIRECTORS APRIL 30, 2015

Name	Term / Remaining	Proposed Role
Richard Melvin – Pereau	2 nd /2017	Director
Dr. Peter Hicklenton – Waterville	1 st /2016	Chair
Linda Best – Greenwich	2 nd /2017	Past Chair, Treasurer Pro Tem
Ann Anderson – Wolfville	2 nd /2017	Secretary Pro Tem
Alison Scott Butler – Canning	2 nd /2017	Chair Governance Committee
Stephen Anderson – Wolfville	2 nd /2017	Chair Nominating Committee
Dr. Richard Donald – Halifax	1st /2018	Director
Joe MacEachern – Halifax	1 st /2016	Director
Chloe Kennedy – Halifax	1 st /2016	Director
Dr. Leslie Brown – Halifax	1st /2018	Director
Lucia Stevens - Various	1 st /2016	Director
Dr. Bruce Wright – South Shore	1 st /2018	Director
Valerie VanOostrum – Berwick	1 st /2018	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.

The Centre for Local Prosperity brought a wide range of speakers and citizens together in Annapolis Royal and Cornwallis Park over four days in April 2015 to consider New Economics for Rural Canada. There were over 280 people in attendance from 5 provinces and 3 US states. Over 45 speakers added their in-depth expertise in notable projects in new economics. FarmWorks presentations on Friday were well received and if an Offer had been open we would have new Shareholders.

FarmWorks Investment Co-operative Limited has raised a “purse” of over one million dollars in three years from Nova Scotians who are convinced that local prosperity is ours to grow. Thirty-five local food-related businesses have already received loans, and by the time the million is disbursed another 15 to 20 community-based businesses will have received loans. FarmWorks’ clients’ successes are confirming the Local Prosperity Keynote Speakers’ arguments for investing in local businesses. The increasing appetite for the products of local farms and producers shows that FarmWorks’ purse must continue to expand in order to help fund more businesses.

Everything starts with food. FarmWorks envisions healthy farms, healthy food, and by extension, healthy people and healthy communities. We are helping to build locally owned businesses in communities across Nova Scotia. Investors in FarmWorks and the businesses supported by FarmWorks are contributors to the resilience necessary for a new economy to take root and grow in 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!