

FARMWORKS ANNUAL REPORT APRIL 2018

FOOD GROWS HERE!



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HORTON RIDGE MALT AND GRAIN CO., APRIL 29TH, 2018

Executive Summary

The Founding Directors of FarmWorks established a Community Economic Development Investment Fund (CEDIF) in 2011 with the intention of raising a significant amount of money to support farmers and food-related business entrepreneurs.

Investors in FarmWorks CEDIF understand the benefits of keeping their money closer to home to support farmers and food producers who are working to increase output and profitability which contributes to Nova Scotia’s economy, health, rural areas, communities, culture, and the environment. As Nova Scotians buy more local food and invest in food production, benefits flow to all Nova Scotians.

The Directors of FarmWorks Investment Co-operative Limited are pleased that the Seventh CEDIF Offer raised \$444,000 from Nova Scotians investing to support food producers. **This brings the total amount invested to date to \$2,228,600 and over \$2,500,000 of the principle and interest has been loaned to over 80 qualifying farm and food-related local businesses.**

During the time each Share Offer is open many meetings are held across Nova Scotia to provide information about the benefits of investing in FarmWorks. As well, during those sessions the Directors hear presentations from many enthusiastic and motivated entrepreneurs who are seeking loans to start or grow food related businesses.

The Directors of FarmWorks generally meet at the Registered Office at 70 Eden Row, Greenwich, and in 2017 meetings were held on January 11, March 8, April 5, June 4, July 5, August 20, September 20, October 5, November 22 and the AGM was held on April 30 at the Bay Centre in Mahone Bay.



Thian Carman and his Mother Emily Carman. Thian was chosen Young Entrepreneur of the year by Family Business Atlantic Association



Alan Stewart and Guests at Horton Ridge Malt House

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Overview

FarmWorks is helping to make a significant difference in the year-round availability of good food for Nova Scotians. FarmWorks loans have been used for farm startups and expansions, restaurants and cafés, stores and farm markets, seeds and cideries and other enterprises that are building food-related capacity in Nova Scotia. Over 350 people who have purchased shares in FarmWorks can confidently say that they’re helping to grow the kinds of businesses needed by Nova Scotians for our future.



Cathy Munro, Bramble Hill Farm, receiving cheque from Ann Anderson.

By the end of April 130 cheques amounting to over \$2,500,000 will have been loaned to 85 businesses. Each month repayments amounts to over \$25,000 and with each new loan interest income increases.

	Year	Average	Total
2012	\$ 224,200	\$ 2,163	\$ 224,200
2013	\$ 225,300	\$ 2,888	\$ 449,500
2014	\$ 271,500	\$ 3,234	\$ 721,000
2015	\$ 312,400	\$ 3,383	\$ 1,033,400
2016	\$ 372,300	\$ 3,442	\$ 1,405,000
2017	\$ 378,900	\$ 3,845	\$ 1,784,600
2018	\$ 444,000	\$ 4,879	\$ 2,228,600

FarmWorks started with a small amount of income in 2012 and the investments and the average investment have grown steadily. Shareholder investment to date in 2018 is shown in this chart to indicate that interest revenue will increase substantially as these funds are loaned over the coming years.

As the portfolio of businesses increases income grows and the target values of 1/3 of income for administration, 1/3 for losses and 1/3 for dividends is coming into sight.

Income	2012 actual	2013 actual	2014 actual	2015 actual	2016 actual	2017 actual	Totals	Target
Share Purchases	\$224,200	\$225,300	\$271,500	\$312,400	\$372,200	\$378,900	\$1,784,500	
Total Investment	\$224,200	\$449,500	\$721,000	\$1,033,400	\$1,400,600	\$1,761,500	\$1,784,500	
Less Redemptions				(\$5,000)	(\$10,000)	(\$8,000)	(\$23,000)	
Annual Expenses								
Offering Expenses	\$5,000	\$3,583	\$5,858	\$6,133	\$8,546	\$3,752	\$32,872	
Bank and other fees	\$150	\$168	\$251	\$689	\$283	\$705	\$2,246	
Professional fees	\$2,300	\$2,713	\$5,658	\$4,548	\$14,433	\$13,293	\$42,945	
Insurance	\$650	\$1,551	\$1,551	\$1,551	\$1,356	\$1,452	\$8,111	
Publicity	\$2,900	\$2,559	\$2,694	\$2,385	\$3,692	\$4,985	\$19,215	
Miscellaneous	-	\$200	\$1,105	\$1,075	\$318	\$653	\$3,351	
Travel costs	-	\$3,400	\$5,960	\$8,273	\$4,557	\$3,805	\$25,995	
Sub-contracts	-	-	\$4,454	\$5,600	\$12,600	-	\$22,654	
Total Expenses	(\$11,000)	(\$14,174)	(\$27,531)	(\$30,254)	(\$45,785)	(\$28,654)	(\$157,389)	
Less Interest	\$1,100	\$11,316	\$31,444	\$40,459	\$52,884	\$71,197	\$208,400	
Income after Expenses (loss)	(\$9,900)	(\$2,858)	\$3,913	\$10,205	\$7,099	\$42,552	\$51,011	
Expenses as % of income	90%	80%	88%	75%	87%	40%	76%	33%
Loan Loss				(\$38,129)		(\$23,173)	(\$61,302)	
Loan Loss as a % of Income				94%		33%	29%	33%
Dividend								33%

FarmWorks Directors are pleased that investors in 2012 and 2013 have received the five-year 20% rollover tax credits and that less than 2% of investments have been redeemed over the six years.

FarmWorks Directors sincerely thank the Shareholders – your confidence in Nova Scotian producers provides us with the opportunity to support outstanding business people who are providing excellent food and beverages. You might want to consider joining the Board so you can work more closely with farmers and producers in one of the most encouraging initiatives in Nova Scotia!

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 the Community Economic Development Investment program to enable 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.

Community Economic Development Plan

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 at least five active Nova Scotian businesses that will increase access to a sustainable local food supply for Nova Scotians;
 - b. providing information 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 help 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 Investors

6. Develop and market a Community Economic Development Investment Fund that raises a minimum of \$50,000 up to a maximum of \$1,000,000 of equity capital in the Seventh 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.

Community Economic Development Investment

8. FarmWorks Investment Co-operative grants loans at 6% for five years unless otherwise indicated.
9. FarmWorks will invest the proceeds of the Seventh Offering in eligible businesses that will strive to increase their sustainable local food production and profitability by 10% per year by the third year.

Community Economic Development Outcomes

Success for FarmWorks CED is a measurable increase in food production, positive outcomes for investees and a return on investment for shareholders. The overall success of FarmWorks initiatives: creating employment; contributing to an improving economic outlook for farmers and food producers; helping to restore rural vitality; provide wider access to healthy food; and helping to remove the risks associated with lack of food self-sufficiency.



The Velden Family, The Flying Apron Inn and Cookery, received the 2017 Taste of Nova Scotia Culinary Ambassador of the Year Award



Local Source Market and Catering and Lion and Bright aim to boost the local economy and to foster a vibrant and dynamic food culture in Nova Scotia

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 and current and projected financial information to FarmWorks. Board Members and Advisors will evaluate the plan, visit the site, meet with the applicants and complete the Comprehensive Review. Loans are provided to qualifying enterprises to help them to increase production, sustainability, value-adding, marketing and related economic activity. The Board will make a decision and a loan agreement will be signed with successful applicants.

Borrowers will repay loans within two to five years 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 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 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
- No interest charges for prepayment of all or part of the loan balance
- Businesses submit brief semi-annual reports and annual Financial Statements

Procedure

- Preliminary Application
- Confidentiality Agreement
- Presentation to Board and Advisors
- Business Plan, Business and Personal Financial Information
- Consultations with Applicant
- Comprehensive Evaluation
- Board Decision and Disbursement

Comprehensive Evaluation

Three or more of the Directors review all of the information, ask many questions, meet with the applicants and complete the 26 category questionnaire prior to sending a summary of the results to the Board for a vote.



Howard Selig and Wendy Rodda, Valley FlaxFlour, received the AVCC Innovator of the Year Award

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		

Community Economic Development Funds

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.

FarmWorks Share Offers

The price per share is \$100 and the minimum share purchase under each Offering is 1 share.

The number of Shares to be sold in each Offer is decided by the Directors. The recent offer was for a minimum of 500 and a maximum of 20,000.

Shares are fully paid, newly issued voting common shares that are non-retractable, non-redeemable for 5 years, non-convertible and not restricted in profit sharing or participation upon dissolution.

Investments may be eligible for a 35% Nova Scotia non-refundable Equity Tax Credit which may be carried forwards 7 years and backward 3 years and for RRSP tax deferral.

Investments are eligible for further Equity Tax Credits of 20% and 10% at the 5 and 10 year investment anniversaries, respectively, if the CEDIF meets certain conditions.

Letter from a Shareholder

When I first became a FarmWorks shareholder (during its first offering), I admit that part of my motivation was novelty. It would be fun, I thought, to help local agriculture and agri-food businesses and get a tax credit to boot. If my investment made a substantial impact, great! If not, oh well.

It would be fair to say that – at that point – I didn't fully "get it".

But that was then, and this is now. Over the years, I have gained a much deeper understanding of how a robust agriculture and agri-food sector contributes to Nova Scotia's economy (and its rural economy especially). I have learned this not only by digesting the available literature, but also by working one-on-one with some of these ambitious 'agri-preneurs'.

Needless to say, this isn't just a novelty to me anymore: it's important business.

When I first read this report in August 2017, it was the numbers that struck a chord with me. Although I enjoy a feel-good success story (small farmer makes good) as much as anyone, these stories sometimes lack the quantitative context to be fully appreciated. That's what I like about this report: from job creation to local procurement to wage data, it offers a nuanced look at the economic and social impact that FarmWorks and its clients are co-creating.

Despite this success, neither FarmWorks nor its clients operate in a vacuum; they can only flourish in an environment that encourages entrepreneurship and risk-taking. It is my hope, then, that policymakers and regulators will not only read this report, but take action. Specifically, they can:

- *Revisit and eliminate regulations that prevent small agri-businesses from scaling up.*
- *Introduce initiatives and incentives that foster greater cooperation between farms and agri-businesses.*
- *Recognize that although many of these businesses may be relatively small on an individual basis, they are collectively reshaping our economy.*

As FarmWorks' impact comes into focus, I look forward to learning even more about its economic reach, its spinoff effects, and its growing role in our entrepreneurial ecosystem. I hope you will join me.

Joel Stoddart

FarmWorks Shareholder

Business Counsellor, Acadia Entrepreneurship Centre

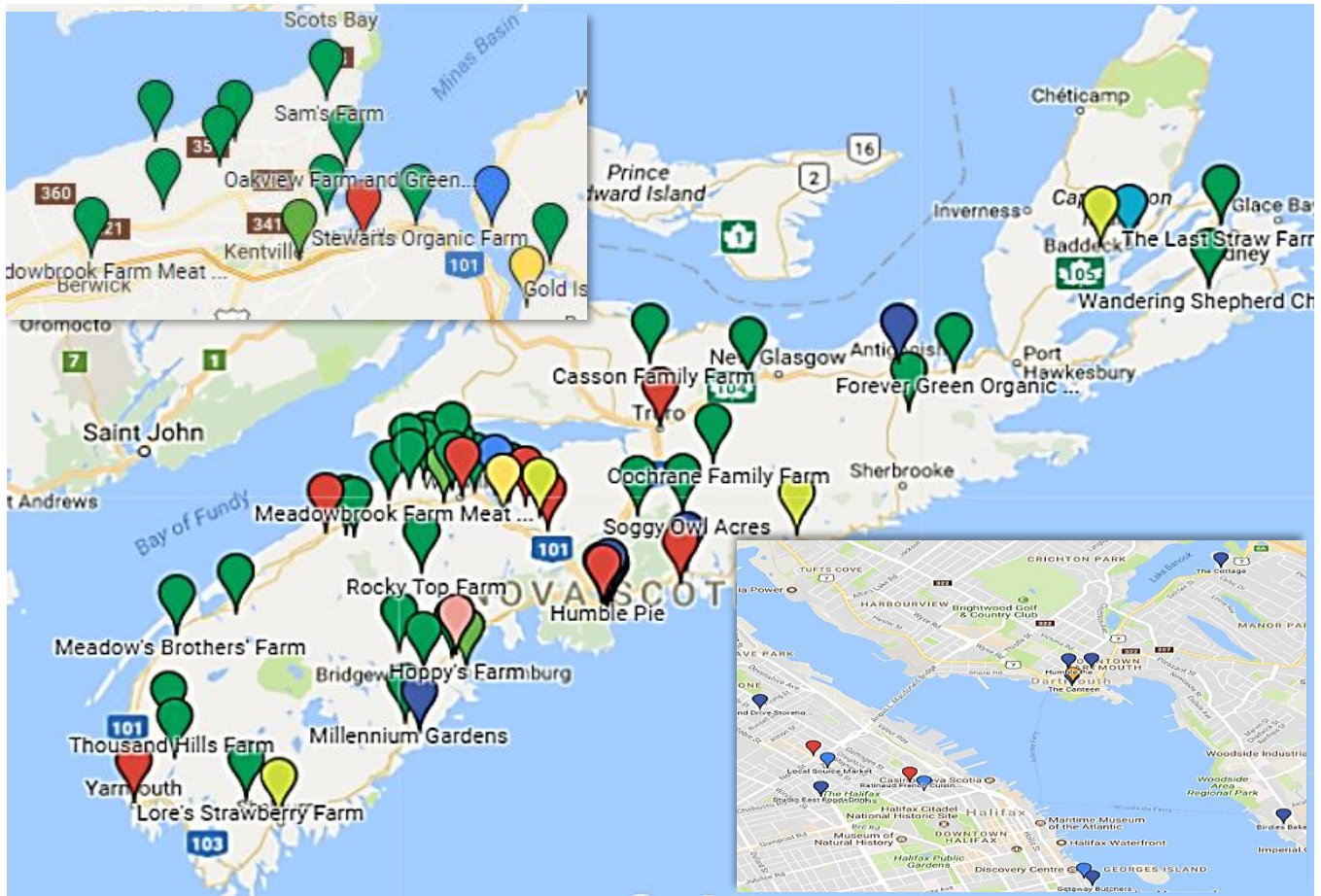
Summary of FarmWorks Economic and Social Impact Survey

A survey of 38 businesses that had been in operation for more than six months at the end of 2016 and that had received \$1,005,500 in loans was conducted to gauge the economic and social impacts of these businesses, FarmWorks role in supporting them and clients' assessment of opportunities and challenges. Quantifying the economic and social impacts of FarmWorks' clients enables evaluation of the role of the FarmWorks CEDIF in helping to grow rural and urban food-related businesses.

The survey results demonstrate that FarmWorks-supported businesses are creating significant positive economic and social impacts. They are generating at least \$8,000,000 (Note 1) in annual gross business revenues and annual business expenditures of over \$6,800,000. They report 148 full-time and 110 part-time jobs with 70% of these jobs resulting from FarmWorks financing, and overall outcomes have improved for 87% of the businesses. These businesses are providing local employment and purchasing goods and services in the area or the province, they're providing good food and are raising awareness of the benefits of supporting the local economy, they're supporting community endeavours, the restaurants have become hubs for their communities and those that are restaurants are contributing to year-round tourism.

Research funding is available to update the survey in 2018.







Vincent Food Dressing



MILLENNIUM GARDENS FARM & GREENHOUSES



Fenol Farm



Uprooted Market & Café



Meadow's Brothers' Farm



Pie R Squared



6oz. GETAWAY BEEF PATTY \$12.99/lb



Bully Goth Farm



Oakview Farm



South Shore Farms



FOREVER GREEN ORGANIC FARM & GARDENS



Hoppy's Farm



Field Guide



BATAVIA



GOLD ISLAND BAKERY ORGANIC SOURDOUGH