

# FarmWorks Investment Co-operative Limited

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*The (CEDIF) program is meant for economic development, and the project must have a measurable, financial return.*

## Frequently Asked Questions

### **FarmWorks Community Economic Development Investment Fund (CEDIF)**

- FarmWorks is a for-profit Co-operative that raises capital through Shareholder Investments in a Community Economic Development Investment Fund. A CEDIF cannot be charitable, non-taxable, or not-for-profit.
- FarmWorks has 14 Directors, including two Independent Directors, and many Advisors across the Province.
- Through the sale of shares that can provide provincial tax credits to Nova Scotians, FarmWorks' pool of capital is invested in local profit oriented food businesses.

### **The Province supports CEDIFs because:**

- Mutual Funds, stocks and bonds and about \$700 million contributed annually to RRSPs remove billions of dollars from NS. Less than 2% is re-invested in NS, thus most Nova Scotian investments are benefiting external businesses.
- CEDIFs enable Nova Scotians to invest in the local economy and FarmWorks CEDIF invests in food production.
- The direct and multiplier effects of CEDIF capital for qualifying businesses is helping rebuild the local economy.

## **Financing Economic Growth in your Community**

### **What is a Community Economic Development Investment Fund?**

A Community Economic Development Investment Fund, or CEDIF, is a pool of capital raised in a community through the sale of shares. The money is then invested in new or existing local businesses.

### **Why Invest In Your Community?**

Nova Scotians invest in mutual funds, stocks and bonds and more than \$700 million annually in RRSPs. Less than 2% of this is reinvested in Nova Scotia. By investing in CEDIFs, you keep investment dollars in Nova Scotia, working in your community. You and other Nova Scotians can pool your money and invest in businesses in your community, creating jobs and supporting further economic growth.

### **What are the financial benefits of buying shares?**

- A 35% tax credit may be available under the Equity Tax Credit against provincial income taxes payable with an additional 20% if held for 5 years and additional 10% if held for 10 years if Nova Scotia Securities Commission conditions are met.
- Pre-approved holding status for a self-directed RRSP (fees may be charged by the financial institution holding the RRSP)
- Dividends are based on the overall performance of the portfolio and are distributed at the 5, 10 and 15 year anniversaries.

### **What are the benefits for my community?**

- local control over investment decisions
- support for locally produced products and services
- job creation

### **Who can invest?**

Any resident of Nova Scotia over the age of 19 is eligible to invest in a CEDIF anywhere in the province.

### **Where will my money go?**

Your money will purchase shares in a CEDIF. The fund then lends this capital to for-profit local businesses. Charitable, non-taxable, and not-for-profit organizations are not eligible to take part in the program.

### **Who decides how my money will be invested?**

A board of directors manages the fund.

### **How much risk is associated with my investment?**

As with all investments there is risk of business failure or bankruptcy and a client may be unable to repay part or all of a loan resulting in a loss to the CEDIF. This risk is shared among all investors, but is mitigated in the case of FarmWorks because shareholders' funds are disbursed over a wide diversity of businesses.

### **How will I know how my investment is doing?**

Annual financial statements (audited or reviewed), semi-annual un-audited financial statements are distributed to shareholders. FarmWorks annual general meeting is held in April of each year.

### **Is there a role for government in overseeing these funds?**

Nova Scotia Business can assist the board of directors in preparing the required documents, and the Nova Scotia Securities Commission and Department of Finance provide oversight, regulate the CEDIF and monitor the investments. Investment capital must be used at minimum within the following timeframe: 40% – 12 months; 60% – 24 months; 80% – 36 months

## **More Information**

### ***What is FarmWorks Investment Co-operative Limited?***

FarmWorks Investment Co-operative Limited was incorporated on May 17, 2011 by an association of community leaders concerned about food and social, economic and cultural needs.

FarmWorks mission is to promote, and provide, strategic and socially responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

FarmWorks Directors and Advisors have experience, knowledge and the skills to plan and implement food-related mentoring and investment activities. FarmWorks emphasizes partnerships and integrated approaches to building capacity to provide sufficient healthy, fair food for all Nova Scotians.

### ***What is the purpose of the FarmWorks Community Economic Development Investment Fund (CEDIF)?***

During the last 50 years foods procured from lower cost regions have displaced the bulk of local production. Concerns about supply, cost, health, environment and other issues are bringing about a gradual reversal of that trend, but the loss of markets has decreased the capacity to provide increasing amounts of local food. Investment in farms and production is essential if significant gains are to be made.

There is significant potential for food-related enterprises to contribute to Provincial economic output. Production of food creates jobs on farms and throughout the food system, increases food sufficiency, keeps money in Nova Scotia and provides economic stimulus to reinvigorate rural communities. Currently agriculture directly employs over 5,400 Nova Scotians and approximately 22,000 more are employed in food services. Food-related enterprises provide a substantial portion of rural incomes.

Studies on the effects of local purchasing indicate that even a 10% increase in sales of local food in NS could add millions of dollars to the local economy, generate hundreds of new jobs, and increase tax revenues. For that to happen, significant investments into infrastructure, farms, food processing, and the means of distribution are required. FarmWorks will invest to help ensure viable and sustainable enterprises.

### ***How does the CEDIF work?***

The FarmWorks CEDIF enables Nova Scotians to receive tax credits for investing in food-related businesses that increase the viability and sustainability of agriculture and the security provided by access to local food.

The CEDIF is regulated by the Nova Scotia Government. For each CEDIF Offer FarmWorks obtains an Equity Tax Credit Certificate from the NS Department of Finance and a letter of non-objection from the NS Securities Commission in order to sell shares in the FarmWorks CEDIF.

The elected volunteer Board of Directors, including Independent Directors, manages Share Offers and the portfolio of loans. Each investor becomes a member of FarmWorks co-operative and is eligible to vote and to be nominated as a Director of the FarmWorks board.

FarmWorks Shares are \$100 with a minimum purchase of one Share and are sold during a 90 day period which may be extended when requested by the Board.

***What does FarmWorks do with the money it raises?***

FarmWorks Directors preserve shareholder capital while lending strategically to diverse Nova Scotian food-related businesses that have the potential to achieve a minimum of a 10% increase in output and/or net income. Extensive due diligence precedes granting of any loan. The Directors work with potential loan recipients to determine the amount that FarmWorks will lend and the terms. FarmWorks may work in partnership with other food-related organizations, Government agencies and lenders.

***How little or how much can an individual invest?***

Individual shares are \$100 each. Investors can buy up to \$15,000 per beneficial investor per calendar year in aggregate, or \$30,000 per beneficial investor per calendar year in aggregate if the investor has obtained advice regarding the suitability of the investment from a person or company registered as an investment dealer or exempt market dealer authorized to sell securities of the CEDIF. These investment limits do not apply to an investor that meets the definition of an accredited investor under National Instrument 45-106 Prospectus and Registration Exemptions, or is an officer, director or promoter of the CEDIF.

***What Provincial Tax Credits do investors receive?***

Investors (five-year minimum investment) initially receive a 35% credit against Nova Scotia provincial taxes payable that can be applied to your current year taxes or applied to your taxes three years back or seven years forward. Investments may be eligible for up to a 65% credit against Nova Scotia provincial taxes payable over a 15 year period. Funds must be committed for a minimum of 5 years for each tax credit:

Year 1: 35% credit against Nova Scotia provincial taxes payable

Year 5: 20% credit against Nova Scotia provincial taxes payable

Year 10: 10% credit against Nova Scotia provincial taxes payable

***Is this investment RRSP-eligible?***

Yes. Investments over \$3,000 (30 shares) can be held in a Self-directed RRSP administered by Canadian Workers Co-operative (CWCF). RRSP investments gain the provincial tax credit and the RRSP credit.

***What additional credit do investors receive when transferring RRSPs or opening RRSPs in the CEDIF?***

Investors who contribute to RRSPs can defer tax at the rate shown in this link:

<http://www.ey.com/CA/en/Services/Tax/Tax-Calculators-2015-RRSP-Savings>. As an example, a Nova Scotian with a taxable income of \$40,000 can defer \$1,498 with a \$5,000 RRSP contribution in addition to the Provincial tax credit.

***May I transfer funds from an existing RRSP so that I do not have to invest new money?***

Yes. RRSP transfers provide a unique opportunity for investors to receive provincial tax credits on investments that otherwise are vested outside NS.

***What are RRSP administration costs?***

Other than for existing Canadian Workers Coop Fund RRSP clients there is a \$50 charge to set up a Self-directed RRSP in the CWCF fund <http://www.canadianworker.coop/funding/rrsp-program>. If you do not have an account FarmWorks will assist you to set one up. The RRSP administrator, CWCF, charges a \$65 annual fee for investments which is equivalent to 0.65% on a \$10,000 investment, 1.3% on a \$5,000 investment, or 2.6% on a \$2,500 investment (average annual Canadian Management Expense Ratio for mutual funds is 2.34%).

***Are potential dividend earnings anticipated?***

The interest paid to FarmWorks by Investee businesses may provide dividends to investors. The Directors in consultation with the Membership will establish the rate of return.

***Can an Investor sell their shares when they wish to do so?***

The Board retains a percentage of the repayments to FarmWorks to buy back shares should investors wish to withdraw their investment after the minimum five year investment period. There is no formal market for these shares. Note the cautions in the Offering Document.

***How do I receive an Offering Document?***

As soon as an Offer is open the Offering Document is posted online at <http://farmworks.ca/fourth-offer-now-open/>

Please contact Linda Best ([lbest@ns.sympatico.ca](mailto:lbest@ns.sympatico.ca), phone: (902) 542-3442, cell: (902) 670-3660) to have a copy delivered or emailed to you. For investors' protection, individuals must receive this document prior to making an investment in FarmWorks.

### ***How do I proceed with an investment?***

To find out when an Offer is planned or to ask questions please contact Linda Best or any of the Directors listed at <http://farmworks.ca/home/>.

### **Other Questions**

***What does the following mean?*** "Fully paid, newly issued voting common shares that are non-retractable, non-redeemable, non-convertible shares and not restricted in profit sharing or participation upon dissolution."

**Common shares** are securities which represent the proportionate share of **equity** in a corporation and their value changes with the book value of the corporation (Total assets minus total liabilities equals equity. The common shares entitle the holder to share in the future growth of the company but they also share in the company's losses).

**Non-retractable** means the corporation cannot take them back from the holder and giveback part or all of the money paid. **Non-redeemable** means the holder or investor cannot expect that the company will pay the money back when the investors want it. **Non-convertible** means the Company cannot convert the common shares to any other form of security or debt. Common shares enable the holder to share in profits the company earns subject to the discretion of the directors and majority decision of the common shareholders. If the company is **dissolved** the common shareholders participate by receiving their proportionate share of the proceeds after all assets have been sold and debts paid.

### ***What is Socially Responsible Investing?***

Also known as sustainable, socially conscious, or ethical investing – describes an investment strategy which seeks to consider both financial return and social good. Community investing, a subset of socially responsible investing, allows for investment into community based organizations. The CEDIF will use investor capital to finance or guarantee loans to food-related businesses. The community investing institution typically provides training and other types of support and expertise to ensure the success of the loan and its returns for investors.

### ***Who are "Key Personnel"?***

Key personnel are those who have the authority and responsibility for planning, directing and controlling the activities of the enterprise, directly or indirectly.

### **Links**

<http://farmworks.ca/home/>

[http://nssc.novascotia.ca/sites/default/files/offering\\_FAQ.pdf](http://nssc.novascotia.ca/sites/default/files/offering_FAQ.pdf)

<http://nssc.novascotia.ca/corporate-finance/community-economic-development-Investment-funds>

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