



CULTIVATE
CHRISTCHURCH

INVESTMENT
MEMORANDUM

You are invited to invest in our award winning social enterprise!

Cultivate Christchurch is a social enterprise that combines productive urban farming, youth development and community participation.

We generate revenue to sustain our work through three products:
Produce, Compost, and Edible Landscaping (Urbundance).

We aim to raise between \$160,000 - \$200,000 by selling Broccoli Bonds to our crowd!

What is a Broccoli Bond?



We're borrowing up to \$200,000 and offering interest rates of 5%, 10% or 15% - our pledgers (hopefully you!) can choose to have their principal (the amount they loan us) paid out fully in cash (5%), or half in cash and half in produce (10%), or entirely in produce (15%).



INVESTMENT MEMEMORANDUM CONTENTS

This document will explain the who, how and the why in more detail.

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Our Purpose

Inspiring young people to live lives they value in an urban farm setting.

We directly address a range of complex problems including:

1. 6400+ Young People (ages 15-24) not engaged in education, training or employment and needing high levels of support¹.
2. 40+ tonnes per week of organic material (food waste and compostable packaging) from the Christchurch CBD going to landfill every week.
3. The total number of New Zealand farmers is falling and their average age is getting older². Our next generation of food producers are going to come from predominantly urban backgrounds.
4. There are limited accessible opportunities for people, particularly children, to connect with the source of food and the natural world in an urban environment³.



Cultivate staff meeting in the 'Boardroom' at the Peterborough Urban Farm (source: Cultivate). Every month while staff meet, all our Interns head off-site for peer support (at a cafe!), an initiative led by a previous intern.

¹ NZ Govt (2015) 'Youth at Risk: Identifying a Target Population (Ages 15-24). <http://www.treasury.govt.nz/publications/research-policy/ap/2015/15-02/ap15-02-target-pop.pdf>

² <http://www.stuff.co.nz/business/farming/79182424/Farmer-numbers-drop-overall-but-dairy-rise>

³ Regenerate Christchurch (2017). Land Use Assessment Report: productive land uses. Retrieved 7 October 2017 from: <https://engage.regeneratechristchurch.nz/30274/documents/64147>

Our Land

We currently have two hectares of land across three locations under Cultivate management in Christchurch.

Of that, 2,500sqm is currently in effective production, which equals 12% capacity in terms of potential revenue generation from the total land area we have available.

We are aiming to grow to 50% capacity by March 2019, and can grow out to 90% over time. At 50%, or 1 hectare of effective production, the 'Produce' division of Cultivate will be performing at the scale we need to sustain our operations.

Our Long Term Space Goals

There is a high likelihood of productive land use being included in the Regeneration Plan for the Avon-Otakaro River Corridor. Some 180ha of the total 440ha is suitable for horticultural purposes in the Red Zone. Land is likely to be held and governed in common and held in Trust that is yet to be determined. Resolving these matters is expected to happen in 2018.



Peterborough Street

Original demonstration plot to test our business model; 30-day rolling License to Occupy, informal 1 year notice period with an understanding that the space won't be developed until 2-5 years time.



Halswell Commons

1.7ha. Phase 2 of the subdivision development will utilise the land we are currently occupying in approximately 3 years time. Secured through partnership with Wayne Francis Charitable Trust (also a joint venture partner to the Halswell Commons subdivision development).



Lincoln Green

3 year license to occupy with 90-day notice period; partnership with CDHB and close proximity to Mental Health Services, schools and a diverse network of community-based groups.

Our Products

CULTIVATE PRODUCE



We convert vacant and underutilised space into productive urban farms growing high quality salads, herbs and niche gourmet crops for cafes and restaurants in the Christchurch CBD. We also sell direct to the public from the Peterborough Urban Farm.

12% of our land is currently producing food. We could scale that out to 90% of the land as well as producing on other central city spaces as they become available.

Producing food locally provides educational opportunities for our young people and community, paid job opportunities for interns in our youth programmes, and has an environmental impact by reducing carbon miles, increasing biodiversity and the quality of our spaces we live in.

Our farming practices are sustainable, holistic and do not use any synthetic

fertilisers or sprays. We follow a combination of organic and biodynamic horticultural standards although the short term tenure of our land base means that certification is not currently possible.

We currently supply 12 customers with room to grow both in our supply to them and in our customer base. On average, their spend with us is between 0.5-4% of their total spend on produce. Our targets and projections are based on increasing this to an average of 10% with 24 customers by the end of FY19.

This is one key assumption that was validated with our customers through the SAP Social Sabbatical programme

Learn more about SAP's time with Cultivate here with this short video: www.youtube.com/watch?v=r11vqpablhw

Here are our current and projected revenue figures:

	FY17 (Actual)	FY18 (Forecast)	FY19 (Forecast)	FY20 (Forecast)
Revenue	\$20,000	\$128,000	\$386,000	\$510,000
Impact for Young People	Basic horticultural experience, delivery of produce, basic customer interaction	Accredited horticultural training, new and diversified experiences (e.g. propagation, composting)	New market opportunity, increasing employment opportunities throughout the farm system	New market opportunity, increasing employment opportunities throughout the farm system

Our Short Term Cultivate Product Goal

To meet production targets that will also enable us to meet demand in the new Riverside Farmers Market by November 2018. We have signed a lease for 20sqm of prime space on the market floor of this development, located within 300 metres of 16,000 office workers, plus 800 public carparks within 50m (1st hour free).



Design concept for Riverside Farmers' Market (Cnr Oxford Terrace and Lichfield Street)

Our Longer Term Cultivate Product Goals

Provide greater access to areas of local food production for more people in local communities, including urban agriculture within or in close proximity to housing developments and on-farm accommodation for 'urban farm residencies'.

Develop our network of urban farms into a city-wide 'Food Commons' and transition our production base to secure locations within this. We see this taking the form of many small pockets of land held in perpetuity for the purposes of local food production and increasing soil and water quality, biodiversity and public health within our cities.

Upon realising security of tenure, diversify our product range to include high-yielding tree crops and perennial species in vertically-stacked 'polycultural' systems of production (commonly known as AgroForestry, or Food Forests).

90%	44,000 people	2.1 million people
Of Cuba's Fresh Produce is supplied by Urban Agriculture	Are employed in Havana through Urban Agriculture: known as 'Organopónicos'	live in Havana. Christchurch is 17% the size and has 10% of the population density.

CULTIVATE COMPOST

From Sep 2015 - Sep 2017 we took over a voluntary composting initiative from Agropolis. This has grown from 4 to 14 customers, which is from 7 to 22 bins per week. We charge \$20 per bin.

We offer a CBD collection service for organic material including food and commercially compostable packaging (think: takeaway coffee cups). Organic material is then composted on our farms and used to grow our crops for Cultivate Produce.

Our E-Bike and Trailer known as 'The Iron Kermit' currently collects 2-2.5 tonnes of food waste per week, from 5-10% of the CBD market. At our Peterborough Urban Farm we have built 500 tonnes of new soil enabling production on top of a rubble site.

Cultivate is the only service in the region that currently accepts commercially compostable packaging in its organic waste bins.



This product is the focus for the Broccoli Bonds Campaign

One other commercial composting operation is looking to add this to their own service and they are willing to partner with Cultivate. This will negate the need for Cultivate to go down the route of costly and time-consuming consenting processes, although we will need to obtain certificates demonstrating compliance of our existing activities.

We have led one trial and participated in another CCC-led trial that successfully diverted and composted approx. 20,000 units of compostable packaging (or 150kg). We have continued this composting facility on a community scale and forged a range of partnerships (sponsorship and support/ services in-kind) to further develop the capacity of the system to scale up the volumes we can process.

There is no other organic waste collection service in the CBD, it otherwise goes to landfill with general waste.

Our Cultivate Compost Goals

Christchurch City Council (CCC) plans to contract out all waste collection services in the CBD at the end of 2018 and Cultivate is involved in conversations regarding what a tender might look like. We estimate the value of a contract for collecting organic waste to be \$240,000pa. There are a number of reasons why we are confident Cultivate can win this contract, but if we are unsuccessful then the risk is that we lose all our customers.

Because Cultivate operates a scalable business model, we are not concerned if we lose that revenue stream at that time, as we expect our other product offerings to have grown enough in terms of revenue to sustain our operations in the long term. Ultimately we only want to see the purpose of providing the service continue to create a positive impact by returning organic material to the soil (as compost) and generating a productive outcome (growing organic food).

	FY17 (Actual)	FY18 (forecast)	FY19 (forecast)	FY20 (forecast)
Revenue	\$6,000	\$43,000	\$193,000	\$240,000
Market Share	0.6FTE Jobs	1.3 FTE Jobs	6.0 FTE Jobs	6.0 FTE Jobs
Environmental Impact	100 tonnes diverted from landfill + 270,000 units of compostable packaging	140 tonnes Diverted from Landfill + 675,000 units of compostable packaging	720 tonnes Diverted from Landfill + 1.35M units of compostable packaging	1650 tonnes Diverted from Landfill + 2.7M units of compostable packaging
Equivalent area of land able to be sustained in horticultural production through compost made	6.5 hectares	16 hectares	47 hectares	108 hectares

Edible Landscaping

URBUNDANCE

We construct and manage productive 'commons', meaning public or shared greenspace areas, while supporting local groups and neighbourhoods to become guardians of these spaces in the long term.



Concept design for Stage 1 Halswell Commons Community Gardens

Our first construction contract began in mid-September 2017 with the Halswell Commons housing exemplar. The first stage of the project involves the Halswell Menzshed who will be pre-fabricating the raised vegetable planters for the two community gardens. This community engagement is led and coordinated by Cultivate on behalf of the developer and has strong initial buy-in from key community partners and local suppliers of materials for the construction work.



One of the 'sheddies' with the timber for Stage 1 of Halswell Commons

The management contract has a minimum 5 year horizon and will grow to a lead role for Cultivate managing a 700-strong Residents Society in 10 years time. The Society will legally own and be responsible for the maintenance of greenspace and community facilities in the subdivision – as a ‘commons’. CCC will pay the Residents Society what it would usually to maintain public greenspace, a figure yet to be determined. Property owners will also be levied \$200 per year, and \$100 in the first year.

	FY17 (Actual)	FY18 (forecast)	FY19 (forecast)	FY20 (forecast)
Revenue	N/A	\$50,000	\$150,000	\$225,000
Impact for Young People	N/A	Paid work experience in fully commercial landscape contracting environment	Increasing and diversifying paid work experience in fully commercial landscape contracting environment	Apprenticeships, increasing and diversifying employment opportunities
Environmental Impact	N/A	Increased biodiversity, soil quality and water quality	Experience of food being produced in the immediate environment of a residential area	Resilience to climate change impacts, emerging local food economies

Edible Landscaping

URBUNDANCE

Our Short Term Urbundance Goals

Firstly, we need to demonstrate our capability as a commercial contractor in the landscape construction sector, while reinvesting profits into the growth of Cultivate as a whole. We see a role for Urbundance in the management of public greenspaces, especially where food production can be introduced with the support of groups and schools in the local community.

The environmental impact of this includes both a drastic reduction in food miles as well as a powerful 'environmental signal' to our children and families about where their food comes from (i.e. their immediate landscape versus a supermarket or corner dairy). Local food production also represents increased biodiversity and ecological resilience to climate change, greater use of organic methods in the maintenance of green spaces (e.g. instead of spraying verges and waterway edges with herbicides).

Our role would include the coordination of community participation, training and capacity building for those interested. The social impact of this includes greater community food security and resilience to the impacts of climate change on food supply chains, educational gains and health and wellbeing through enhanced quality of living environment and increased access to nutritious foods.

Our Long Term Urbundance Goals

We see Urbundance evolving to become a holistic settlement design firm offering landscape, housing and community building services for developers, if not developing land in combination with the above-mentioned 'Food Commons'. There is potential for the structure of Urbundance to form as a separate legal entity, a 'Workers' Cooperative' - giving all people who contribute to the work of developing and maintaining the 'Food Commons' through Urbundance, the chance to have ownership of the organisation as well.

We also anticipate including holistic planning and design services as an offering targeted at private landowners, and expanding the scope of our construction capabilities to include larger scale earthworks and water management systems on each property, as well as affordable, 'co-developed' housing solutions.

Our Core Mission

Our spaces and our products help us with our core mission: to train and support young people.

We help young people have more meaningful and deeper connections with others and the land. There is an urgent need to find innovative, affordable ways to re-engage our most challenged young people and enable them to play a valuable and rewarding role in society.

540	18	6,398	\$131,000
Young people have completed work experience in two years.	Young people have had paid internship.	Number of young people in Christchurch aged 15-24 categorised as High Risk or Extreme Risk.	Indicative cost savings to the taxpayer for each young person successfully lifted out of the Welfare and Corrections systems.

Scaling Cultivate means we can work with more of our communities’ most disadvantaged and excluded young people, add new opportunities for deeper engagement, and focus on how best to achieve successful transitions for all to long term wellbeing through employment, education and training.

The activities, facilities and infrastructure we are creating on our farm sites are designed to support a much wider and more diverse range of uses and applications than our current level of youth development through urban agriculture. These uses and applications have significant commercial opportunities associated with them for Cultivate to explore.

Within each venture, we intentionally focus the design of our service offerings so that they include new and exciting pathways for young people to grow into themselves - specifically in the form of apprenticeships, paid employment and further workplace training arrangements. We also focus on creating self sustaining revenue models, so any **funding from philanthropy is adding to the work we do - not propping it up.**

If we borrow money, Cultivate will be able to scale so we can sustain our operations and impact in the long-term through revenue.

Our Short Term Goals for 2018

Experience	Internships	Alumni
1-2hr/half-day as a component of curriculum/community service.	Youth-centred employment training up to 4 days/week.	Apprenticeships, employment and continuing peer support.
Target: 150-200 young people;	Target: 12 Paid	Target: 6 unpaid and 6 paid.

Cultivate also offers a Community Engagement programme for groups of all ages and walks of life to come and experience the Cultivate Culture. The easiest way to come and see what we do is for people to join our regular shared lunch and open working sessions.

We also specialise in maximising the outcomes and impact of Corporate Social Responsibility or Staff Volunteering programmes and understand how to harness the potential of the value exchange between your people and our project, and vice versa. Your staff will be inspired and rekindle their own creative energy and return to work with renewed enthusiasm.

Our aim is to continue growing our capacity to be able to host and support all people who are inspired by what we do, with accessible spaces and projects in every community in Christchurch.



Our People

Our operational team

We have 11 people working on Cultivate, which currently works out to 6.0 FTEs. A core central services team supports the administration, marketing and HR functions of all of Cultivate's enterprises. All our staff are naturally caring, genuine and nurturing types with leadership, mentoring and many varying strengths that provide high quality role models to the young people participating on our farms. We will look to expand 2 existing roles through the success of this campaign, as well as increasing collections requiring more hours for our Iron Kermit pilots.

Fi Stewart - Co-Founder, General Manager, Chief Human Wrangler. Committed youth worker, general lead for all things people and wellness, for staff, for our young people and our community.

Bailey Peryman - Co-Founder, General Manager, Underground Scientist: most comfortable in the midst of a compost heap, Bailey is responsible for the design and conditioning of the environments from which we then cultivate the best versions of each plant, person and the community.

Sarah Chapman - Head Storyteller, significant local hospitality experience and connections, as well as experience in the compostable packaging industry and high level sales and customer and community relationship management capabilities.

AJ van Dam - Produce Peddler and Organic Urban Counsellor: A formally trained social worker who performs counselling organically during the flow of life on the Peterborough Urban Farm. Also a natural salesperson, musician, cook, Father and Husband.

Amra Wallace - Urban Farm Manager: Amra came to us via the BHU Organics College at Lincoln University and has 2 years of full-time study in organic horticulture under her belt now. She's also extremely good at organising the daily task schedule for all people expected to be on site.

Kolle Collis - Urban Farm Technician: Kolle gets all the technical stuff done around the farm and we've barely seen the beginnings of his full skill set in action. A committed permaculturalist.

Aaron Rowe - Farm Hand: Aaron is with us one day a week while studying organic horticulture at the BHU. We can't wait to have him around more for so many reasons.

Rhea Deacon - Iron Kermit Pilot: Rhea collects the organic material from our CBD customers and returns clean bins on a reliable and uber-friendly basis. Also fluent in French just FYI.

Renee - Administration Guru: Renee is moulding our internal systems and practices into all sorts of efficient and powerful forms. We're excited about what this will enable in terms of the level of information we can provide to our supporters, customers and community regarding Cultivate's impact and how relationships with people make this happen.

Fi Laird - School Holiday Youth Programme: Fi brings in a range of young people during school holidays, mostly those needing to complete community service hours (which means they can get discharged from the Youth Court).

Ryan Mattingly - Urbundance Foreman: Ryan has landscape, residential and commercial construction experience as well as a design degree and a significant background coaching and mentoring kids in sports teams. Also a pounamu carver!

Directors

Fi Stewart - Vodafone Alumni, Cultivate GM and Human Wrangler

Bailey Peryman - Vodafone Alumni, Cultivate GM and Underground Scientist

Sam Elder - Environment Canterbury, Programme Manager, Strategy and Planning, Business Development

Jared Conolly - Nourishing Foundations Co., Biodynamic Farming Systems

Jeska McHugh - McHugh & Shaw Health & Safety Systems with Environmental and Sustainability Best Practice

Advisory Board

Billy O'Steen - Canterbury University Community Engagement & Teaching & Learning

Pamela Glover - Canterbury University Research & Innovation Administration, Reporting & Funding

Anna Collins - Cultivate Intern Youth Advisor - voice of Cultivate Interns and Youth Led Programme Advisor

Cultivate Compost Working Group

Gavin Sole - Involved in a pro-bono capacity contributing industry knowledge and connections. Previous positions include Solid Waste Manager and is currently a Senior Environmental Engineer at an engineering consulting company. Willing to provide ongoing support and contribute to detailed investigation of the scope of work and level of service required for providing organic waste collection and processing (composting) for the Christchurch CBD.

Dr. Sean Barnes - Ākina Foundation

Sean is a Venture Manager with the Ākina Foundation working to support social enterprises like Cultivate with capability building and business strategy since our inception in 2015. Sean is also a Chartered Professional Engineer with 10 years of consulting experience in environmental engineering, environmental science and project management; these are skills that we are putting to use in Cultivate Compost. He has been advising Cultivate on strategies while providing technical support to grow and evolve our operation and Ākina will continue to play a critical role in developing our services through pilot and to commercial scale through both projects and commercial contract opportunities.

Our Supporters

We have received a bunch of support since launching in 2015. We foresee future support from the philanthropic space, but don't want to be reliant on it. We want to leave room for other organisations to be funded by these lovely humans, but any additional funding received will be spent on more youth programmes. Our main financial supporters have included:

Vodafone NZ Foundation

Vodafone NZ Foundation have been our principal funder and supporter from the beginning of Cultivate Christchurch. The Foundation also connects us to in-kind support from Vodafone the company.

Wayne Francis Charitable Trust

WFCT came onboard not long after we started and have provided financial support, access to land as well as significant mentoring and guidance with getting one of our commercial services ready for contracting in the landscape construction industry.

Other Supporters Include:

Ministry of Youth Development, Ministry of Social Development, Christchurch City Council, Rātā Foundation, Dove Charitable Trust



What we want to do

We have the land, the products, the core mission and the people. Now we need to implement our plan to get to self sustainability!

But, Cultivate Compost was not factored into the original business plan. In fact - our co-founder Bailey has even tried to bury it several times in order to keep Cultivate focused (despite starting it and being an avid composter himself!).

The demand and potential for Cultivate Compost beyond servicing our own composting needs has been so overwhelming that we have decided to put it to our crowd to see if this is really something we should take on for good.

So, we're issuing our Broccoli Bonds to raise up to \$200,000. This money will fund the infrastructure to grow our organic waste and compostable packaging collection services in the CBD.

While there are other organic composting options in Christchurch, we are the only provider that can accept compostable packaging.

Our limitations are the rate we can sign-up new customers and the uncertainty surrounding what the Council's plans are beyond 2018. We currently service around 6-8% of all food and hospitality outlets in the CBD within the 'no organics collection zone' (our terminology).

One E-Bike and Trailer can collect 90 bins per week as a 6 day service, or 25% of the CBD market. We believe we can reach this level of service by the end of March 2018, equal to approximately 9 tonne of food waste being diverted from landfill and into a productive local food system every week.

In a scenario where uptake of the service is much higher and faster than anticipated, we expect to be able to add new

staff and procure an additional E-Bike and Trailer for every 90-bin increment. The alternative would be to bring in a small Electric Vehicle (EV) Garbage Truck from China, with the capacity to collect 4 times more bins per run than the E-Bikes. This would be at a cost of \$100,000 to land it in Christchurch.

The advice given to us is that Waste Management will be the only other company likely to bid for the CCC contract expected late 2018-early 2019. The main risk for Cultivate is that CCC procurement staff decide to join all recycling, general waste and organic waste collection into one global contract. This is something we can't service unless we partner with another large waste management firm. Waste Management has declined our initial interest in a collaboration.

We believe there is great potential for our genuinely local and regenerative solution to provide many benefits for Christchurch people. Feedback to date from key personnel in CCC is the form of the contract will: embrace the growing support for 'social procurement'; address the need to better manage compostable packaging in the CBD.

And what happens if you don't get the CCC contract?

As mentioned above, because Cultivate operates its business model as a whole, we are not concerned if we lose that revenue stream at that time. We expect our other product offerings to have grown enough in terms of revenue to sustain our operations in the long term.

Where will the waste go once we collect it?

We can upgrade our composting facilities to process 35 bins per week and pass on any surplus to an existing industrial composting facility at the start. This facility is located 15km from the Peterborough Urban Farm. We also plan on gaining all the necessary permissions required to meet resource management regulations for organic waste management.

There is potential for new community composting facilities to be created that mean all of the organic material collected from the CBD can be processed within or close to the central city. This is outside the scope of this raise although there are locations known to Cultivate that would be ideal for this activity without upsetting residential neighbourhoods. If you want to back us then we are willing to talk!

How will we transport the waste?

Our CBD collection system uses an Electric Bike provided by Christchurch Electric Bicycles and a custom-built trailer by Steve from Cycle

Trailers NZ. Once collected, Bins are delivered to our Peterborough Urban Farm where they are currently composted, feeding new production of fresh vegetables that are supplied back to CBD hospo kitchens.

Surplus will be transferred into a small tipper truck (run on BioFuels supplied by GreenFuels, Christchurch) using a Bin Tipper supplied by Pioneer Group and delivered to either one of our secondary community composting locations, or a commercial composting partner - Canterbury Landscape Supplies (pending new consent application due Dec 2017).

Why can't it go to the same place all the Council green bins go?

Council green bins are not provided within the CBD, the reason being that CCC never planned for there to be any substantial amounts of organic waste to collect. We've helped the CCC to identify the problem of 2,000 tonnes of organic material going to landfill every year, as well as an estimated 27 tonne/1M+ units of compostable packaging.

The composting operation in Bromley is not a Council-owned operation, it just leases the facility to Living Earth who are owned by Waste Management, which in turn is owned by Beijing Capital Group. The composting operation that Living Earth operates is certified organic and deals with large volumes of organic waste from across the city (all the kerbside green bin waste). They cannot risk this operation by accepting compostable packaging for a number of reasons that are really quite technical and beyond our control.

The fact that Living Earth already composts the bulk of our city's greenwaste is freakin' awesome and this needs to be celebrated! We stand by them on this and are grateful for the organic compost they've supplied us at a friendly rate to help us getting started with Cultivate Produce.

So how is it that can Cultivate Compost accept compostable packaging?

We have completed two separate trials in Summer 2016-17, one with a compostable packaging company, another with the CCC (see the pdf booklet here). We are confident that we have a robust system (that we can tighten) for collecting compostable coffee cups and takeaway food containers. This means we can also be confident that there is a low risk of our organic waste stream becoming contaminated with stuff that can only be recycled or worse, has to end up in landfill.

Because we're not just a truck that rocks up, gobbles up the bin and then boosts up the road - we get to have meaningful conversations with our customers that builds the kind of cooperative spirit that our community is really all about growing and doing good by.

What will happen with all the compost you make?

Every tonne of food waste that is composted in our system translates to 0.65 tonne of mature compost suited to conditioning soils for horticultural production. At the industry standard rate of 10 tonne per hectare per year, at full scale, our system would be making enough compost to condition 130 hectares annually (we currently manage 2 hectares). For context, Cultivate has identified and mapped 83.5 hectares of the Avon-

Otakaro River Corridor (Residential Red Zone) as highly suitable for horticultural use.

That means the compost we make could sustain food production and support new biodiversity in a third (33%) of the Red Zone - almost the same area as Hagley Park (161 hectare). Based on successful, replicable small-scale market gardening models, this translates to weekly fresh produce supply for 26,000 households.

Les Jardins de la Grelinette in Québec, Canada. A now famous example of profitable small-scale organic market gardening - grossing \$150,00 sales from 6000sqm. Bailey met with the farmers, Jean-Martin and Maude-Helene Fortier during their tour of NZ in 2015 (Source: Mother Earth News).

Can it be applied in other areas?

Yes, we believe that distributed, community composting systems integrated with local food production are the way of the future. We've got a lot to prove yet before we go there, however we feel that if we can tackle the Christchurch CBD, most other suburban centres and malls will follow naturally.



What it will Cost

Description	Amount	How it will help us grow?
Plant & Machinery	\$70,000	Our existing home-style community composting system can handle 20 bins per week. With a successful raise, we can upgrade our composting facilities to process 35 bins per week and transport surplus to an existing industrial composting facility, rather than attempting this scale all at once. We need: 1 x Tipper Truck with Double Cabin - \$40,000 1 x E-Bike and Trailer upgrade - \$5,000 (new bike battery and re-design of trailer) 1 x Waiheke community composting bay system + training with Richard Wallis - \$15,000 1 x Bin Tipper - \$10,000
Marketing & Comms Manager	\$24,500	A Marketing and Communications Manager (relationships with customers and our crowd) - 0.4 FTE A Financial Sustainability Officer (grant funding, create true reporting/triple bottom line accounting framework, up-spec financial management systems) - 0.4 FTE
Financial Sustainability Officer	\$24,500	
Marketing Collateral	\$10,000	Design work, website upgrade, site signage and sponsor-advertising hoardings, flyers, in-store stickers, branded clothing
Consents and Environmental Compliance	\$10,000	Primarily to ensure our control measures for managing organic waste are accepted by local and regional council planning officers.
Professional services	\$10,000	Tailored support for social enterprises to manage CCC procurement and tendering processes
PledgeMe success fee (5.5% for Lend)	\$11,000	
TOTAL (minimum)	\$160,000	

Description	Amount	How it will help us grow?
Riverside Farmers' Market shop design & fitout	\$20,000	Design work, labour and materials
Plant & Machinery	\$15,000	One additional community composting bay system
Contingency	\$2,800	
PledgeMe success fee (5.5% for Lend)	\$2,200	
TOTAL (minimum)	\$200,000	

If the raise is unsuccessful altogether, this just means we have to raise the above through grant funding, which is achievable but takes longer and is more costly to organise/access.





Our Broccoli Bonds

The Broccoli Bonds have a term of five years and repayments of the principal and interest will be made quarterly.

We are offering a maximum of \$200,000 principal amount and the offer is conditional on reaching a minimum principal amount of \$160,000. The minimum investment amount for each investor is \$500.

You can choose from 3 options:

Whole principal repaid in cash plus 5% cash interest

Half principal repaid in product half cash plus 10% cash interest

All principal repaid product with 15% cash in interest

The produce options are just for locals who can pick up their produce from the markets, or for you to gift to loved ones. Produce repayments will be in the form of vouchers issued each quarter and redeemable through Cultivate. These vouchers will expire within 3 months from the issue date (i.e. quarterly).

A little bit of your loan is paid back each quarter (known as a “Principal & Interest” loan - a mortgage works the same way), so your principal amount is reducing gradually over time. The interest you’ll earn at each repayment date will be a little less each time, because your chosen interest rate (5%, 10% or 15%) will be applied to an ever-reducing principal.

Note that Resident Withholding tax will be withheld by PledgeMe and paid to IRD on repayments.

What does this mean if you pledged \$500 to be repaid over 5 years?

If you chose	Cash Principal (quarterly)	Product Principal (quarterly)	Interest Paid Over Loan (average quarterly)	Total Value of all Loan Repayments
Whole principal in cash with 5% cash interest	\$25	\$0	\$3.41	\$568.20 Minus \$5 (1% fee on principal repayment)
Half principal and interest in cash with 10% cash interest rate (other half in product)	\$12.50	\$12.50	\$7.07	\$641.50 (\$391.50 in cash) Minus \$5 (1% fee on principal repayment)
Principal and interest fully in product with 15% cash interest rate	\$0	\$25	\$10.98	\$719.60 (\$219.60 in cash) Minus \$5 (1% fee on principal repayment)

Our Financials

Profit & Loss

	FY16 A	FY17 A	FY18 A	FY19 P	FY20 P
Produce Revenue	\$1,247	\$20,574	\$128,000	\$386,000	\$510,000
Compost Revenue	\$120	\$5,924	\$43,000	\$138,000	\$274,000
Urbundance Revenue	0	0	\$50,000	\$150,000	\$225,000
Grant Revenue & Donations	\$106,645	\$297,808	\$300,000	\$200,000	\$120,000
Work & Income New Zealand (WINZ) Employment Subsidy	0	0	\$43,000	0	0
TOTAL REVENUE	\$108,012	\$324,486	\$544,000	\$874,000	\$1,109,000
COSTS OVERHEAD	\$93,324	\$256,990	\$360,000	\$780,000	\$907,000
INTEREST	0	0	\$5,000	\$17,993	\$14,534
NET PROFIT	\$14,688	\$67,496	\$179,000	\$76,007	\$187,466

Balance Sheet

as at 30 Sept 2017	
Total Cash in Bank	\$62,966
Total Fixed Assets	\$29,527
Total Current Assets	\$12,609
Total Current Liabilities	\$1,597
Total Non Current Liabilities	0
Net Assets	\$103,505

Assumptions

- Our projections above assume we raise \$160,000 through the issue of our Broccoli Bonds.
- No allowance has been made for Depreciation in the forecast of Costs. Cultivate also has no Amortisation or Income Tax due its charitable status.
- We have high staff costs associated with our youth programmes, that will keep on growing with the growth of our services. We don't foresee ever having huge profit margins, but expect to be able to repay our loan.
- Our assumed growth will come out of increased produce sales, providing increased composting to the CBD, and more work on greenspaces.
- The drivers behind our produce growth assume increasing depth of relationships with existing customers , i.e. currently our customers buy 0.5%-4% of total produce spend with us; SAP's research shows we could easily grow to 10% (24 customers total); We will also look to grow our number of customers, and open the central city Riverside market space which part of our stretch goal funds (if we reach \$200k) will be spent on.
- Recent reports from Regenerate Christchurch identify small-scale, organic horticulture and mixed vegetable, fruit, nut and berry crops as a suitable and viable use of land in the Avon-Ōtākaro River Corridor ('Residential Red Zone'). Social enterprise and education models are also identified as the ideal option for supporting this as a productive land use activity.
- Our research shows there is at least 2,000 tonnes of organic waste and 27 tonnes of compostable packaging going to landfill every year from the CBD.
- We currently service 6-8% of the organic composting market in the CBD (2 tonnes per week) and 50kg of compostable packaging. One E-Bike and Trailer can collect up to 9 tonnes per week as a 6 day service, or 25% of the CBD market and we're aiming for this by March 2018.
- We're gearing up to try and get the council contract, which would mean almost all of this waste would go through us, and would equal at least \$240,000 in revenue. To meet this level of service we assume that we will have access to a more suitable location for composting and the purchase of a truck.
- We currently have 6 FTE's across 10 core people in the business, with an additional 8 paid roles for young people (interns). Our projections assume we grow to 15 FTE's by FY20, which includes paid young people.
- We are well supported with grants and donations. We expected this to slow or diminish at some point, but that hasn't happened yet. We are forecasting donations and grants to cover about 10% of overall operating costs. We want to get to a point though where grants are only adding impact, but not relied on at all in the day-to-day running of our social enterprises.
- We are basing our assumptions on our experience on the farm to date, research completed by SAP team members, and on market research and interviews with overseas Urban Farms (who also provide produce and composting).

The Landscape

Produce -

There are other providers of organic foods in Christchurch (Liberty Market and Piko). They are well established. We will be slightly different due to our location, and because we sell direct to restaurants and through the markets to office block employees. We assume they wouldn't typically shop at Piko and Liberty Market.

Compost -

There is another provider of organic composting (Waste Management) - but they don't currently operate in the CBD. They do currently work with local supermarkets in Auckland to compost waste and are retrofitting vans with electric motors. Envirowaste are another waste provider but do not provide organic collection or processing at the moment. We do not believe they will enter this space.

Greenspaces -

CityCare, Delta, Waiora Trust are all creating green spaces as well. Our focus is slightly different in that we create productive landscapes with community engagement model designed to empower local ownership of maintenance in long term.

Youth Development -

We work collaboratively and there is very little competition, rather we sit around same table as other youth organisations when reporting to funders, share resources and work together on youth sector capacity building projects as well as integrating our respective youth programmes where practical and beneficial for young people.

The loss of opportunity through inaction -

For example, Living Earth/Waste Management not accepting PLA (Poly Lactic Acid, a 100% plant-based bioplastic compound) means that consumers of disposal packaging, coffee cups for example, won't become aware of how their purchasing contributes to increasing volumes of waste going to landfill.

Our Risks & Mitigation

Risks	Mitigation
Invest in infrastructure for CBD and then don't get contract	<ul style="list-style-type: none"> • We are already part of the council process, and know our competition. • We have a distinct advantage with social procurement. • We know what they charge, we can compete on price. • We also have a social impact. • Can include compostable packaging, whereas our main competitors won't go there. • Clear communications. • Still have other products / services to offer.
Loss of key staff	<ul style="list-style-type: none"> • Documenting processes • Vision is bigger than individual staff, so we are confident the mission would continue.
Third party involved in composting and they are currently going through consenting process	<ul style="list-style-type: none"> • We won't engage until the consenting is complete. • We are completing due diligence, and have clear requirements for them. • We would build our own facilities if this relationship doesn't work. This would extend out our timeframes.
Not hitting forecasts etc	<ul style="list-style-type: none"> • Attempt to provide realistic forecasts etc, but we will have a long repayment term for this loan to allow for plenty of time to repay.



Warning Statement

This document has been prepared by Cultivate Christchurch Limited.

The purpose of this document is for information in relation to the Cultivate Christchurch Limited loan note offer on PledgeMe. All efforts have been made to ensure the accuracy and reliability of the content as of the date of this document.

PledgeMe is licensed and regulated by the Financial Markets Authority, and the loan note offer made by Cultivate Christchurch Limited will only be available for acceptance through the PledgeMe website.

Crowdfunding is risky. Borrowers using this facility include new or rapidly growing ventures. Investment in these types of business is very speculative and carries high risks. You may lose your entire investment, and must be in a position to bear this risk without undue hardship. New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to offers by issuers using this facility. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself.