

REAP Investment Board Business Plan

2006-2010

Private & Confidential

**(Intended only for REAP Investment Board, CONAC and
SW Board Members)**

Approved March 30, 2006

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I. Executive Summary

Many communities located in the REAP Zones' fourteen counties and portions of three Native American Reservations have benefited from projects initiated by the REAP Investment Board (RIB), the CONAC and SW REAP Zone Boards since 1995. During this time, REAP participated in over 250 projects with numerous partners in a shared vision of a vital rural economy.

The investment and initiatives' objectives, as well as implementation plans contained in the attached 2006-2010 Business Plan, are based on a new direction of project emphasis for the RIB. The new focus incorporates the belief that future financial support from government agencies for the REAP Zones will be greatly reduced. The new objectives also incorporate the need for the REAP Zones to survive the funding reductions by attaining a level of self-sustainability through a new emphasis of investments.

The RIB recently created a new set of Core Beliefs, which became the foundation for the five-year Business Plan set forth herein. Based on the new Core Beliefs, the RIB determined that future RIB projects would be divided into two major categories; Investment Strategies (75% of the budget) and Initiative Strategies (25% of the budget).

Investment Strategy projects will have a specific target to create jobs or increase wealth to stimulate the economies of the REAP Zone communities. The objective will be met by creating or purchasing businesses and/or expanding present businesses such as TechLink, Inc. and Northern Tier Investment, LLC. All investments will require a return of all, or a portion thereof, of capital and/or an investment return.

Initiative Strategy projects will continue to promote leadership and workforce capabilities within the REAP Zone communities. Additional Initiative projects will also engage in renewable and natural resources' activities, as well as fostering improvements in rural health care, elderly, youth and community viability issues. Initiative strategies will primarily be championed and implemented by the CONAC and SW REAP Zones' members.

The RIB also created a list of funding restrictions which do not fulfill the Investment and Initiative strategies' objectives.

Finally, the RIB will initiate a tracking and reporting process of funded projects to ensure the Investment and Initiative strategies' objectives are met.

Jim Belquist
Executive Director-REAP Investment Board

II. Vision and Mission



VISION

**To improve the economic and social environment
Of communities located in fourteen counties and portions of Three
Native-American Indian Reservations within the North Dakota
Rural Economic Area Partnership.**

MISSION

**Research and invest in opportunities to attain
Economic and social improvements within the North Dakota Rural
Economic Area Partnership.**

III. History

Rural Economic Area Partnership Investment Fund, Inc. (REAP)

The Rural Economic Area Partnership Investment Fund, Inc. (REAP) is a non-profit IRS 501 (c) 3 corporation which has as its primary concern the economic and social improvement of two REAP Zones. The non-profit corporation is administered by the REAP Investment Board (RIB), a committee of independent, non-profit, non-partisan volunteers who allocate funds to various projects within the REAP Zone communities.

History

1995-2005

In 1995, two United States Department of Agriculture (USDA) pilot revitalization Rural Economic Area Partnership (REAP) Zones were created in southwestern and north-central North Dakota to address critical issues related to out-migration, constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment and isolation that led to disconnection from markets, suppliers and centers of information and finance. The two North Dakota REAP Zones were called Southwest and CONAC (Center of North America Coalition for Rural Development).

Subsequently, in 1999, two areas in upstate New York were added as the third and fourth REAP Zones. In 2000, an area in Vermont was designated as the fifth REAP Zone.

Through Memoranda of Agreement (MOA) signed between the Zones, U.S. Senator Byron Dorgan, and the USDA, the Office of Community Development in the Rural Development mission area was the lead Federal Agency to assist the Zones in the implementation of their programs. The pilot project established a collaborative and citizen-led effort to enhance economic development in the REAP Zones.

2005

The REAP Investment Board (RIB) met in November 2005 and determined it would continue to work on the challenging issues in the rural communities located within the REAP Zones. The RIB reviewed the past successes, as well as the lessons learned, and determined to refocus its' efforts by creating a new five-year business plan. The plan includes revised mission and vision statements, statements on core beliefs and priority strategies, as well as tracking tools, funding policy revisions and budgeting data. The REAP Investment Board (RIB) determined that its' future main objective would be to seek opportunities to increase jobs or create additional wealth within the Rural Economic Area Partnership Investment Fund's communities, while simultaneously developing ways in which the organization can become self-sustaining.

In December 2005 the North Dakota REAP Zones' designations were extended for two years through September 2007.

IV. CORE BELIEFS AND OBJECTIVES

The investment and initiatives' objectives contained in the 2006-2010 Business Plan are based on the new Core Beliefs of The REAP Investment Board. The Core Beliefs form the outline for the REAP Investment Board's future emphasis and are reflected below:

Investment Strategies (75% of annual budget)

- Create jobs or increase wealth to stimulate local economy
- Attain new funds and partners, leveraging resources and realize investment returns to provide program funds and create self-sustainability

Initiative Strategies (25% of annual budget)

- Advance community leadership and workforce training
- Foster social and economic improvements with special emphasis on health care, elderly, youth and community viability issues
- Engage in renewable and natural resources' projects
- Position the REAP to align with economic development trends including targeted state-level industry focus activities, the Research Corridor expansion and the Centers for Excellence

The REAP Investment Board (RIB)'s future main objective is to seek opportunities to increase jobs or create additional wealth within the Rural Economic Area Partnership Investment Fund's communities, while simultaneously developing ways in which the organization can become self-sustaining. The *investment strategies* for these objectives will require a double objective; increased jobs or wealth and a return of capital and/or profit to the Rural Economic Area Partnership Investment Fund.

The REAP Investment Board has an additional objective to promote participation in *initiative strategies* to positively impact the leadership and workforce capabilities within the REAP communities. Initiative strategies will primarily be championed and implemented by CONAC and SW REAP Zones' members. Also included in the *initiative strategies* are objectives to improve various social and economic conditions within the rural communities while remaining "in touch" with changing economic development trends including targeted state-level industry focus activities, the Research Corridor expansion and the Centers for Excellence

V. PRIORITY STRATEGIES 2006-2010

Investment Strategies (75% of annual budget)

- Create jobs or increase wealth to stimulate local economy
 - Expand TechLink model to ownership of other companies
 - Create or purchase businesses
 - Expand Northern Tier Investment, LLC
- Attain new funds and partners, leveraging resources and realize investment returns to provide program funds and create self-sustainability
 - CONAC Capital Fund
 - Procurement Technical Assistance Center (PTAC)
 - Grant Writing
 - Niche market investments
 - Value-added strategies (i.e. consulting services)
 - Continued support from State and Federal Agencies

Initiative Strategies (25% of annual budget)

- Advance community leadership and workforce training
 - Wealth Transfer Program
 - Support RLND scholarships
 - Sponsor leadership and other workforce training
- Foster social and economic improvements with special emphasis on health care, elderly, youth and community viability issues
 - Youth Entrepreneurship Grant Program
 - Support Internship projects
 - Develop and support innovative methods to deliver rural health care
 - Recognize the elderly as assets of the community
- Engage in renewable and natural resources' projects
- Position the REAP to align with economic development trends including targeted state-level industry focus activities, the Research Corridor expansion and the Centers for Excellence
- Maintain political contacts
- Communicate activities and results

VI. INVESTMENT STRATEGY OBJECTIVES

- **Create jobs or increase wealth to stimulate local economy**
 - **Expand TechLink model to ownership of other companies**
 - **Create or purchase businesses**
 - **Expand Northern Tier Investment, LLC**

The REAP Fund, Inc. needs to diversify its’ “for-profit” business by either creating or purchasing businesses. The TechLink sub-contracting business of processing data verification, corrections and entry services is becoming a mature business. Primary contractors are securing fewer new contracts from health providers resulting in less growth for sub-contractors like TechLink. Additionally, due to lower cost structure, many contracts are being sub-contracted off-shore. As a result, the REAP Investment Fund, Inc. needs to explore additional avenues to either expand TechLink’s services or to secure new businesses.

TechLink has recently entered into a new business venture, MINNDAK DATA, LLC, which is 51% owned by a Disabled Veteran and 49% owned by TechLink. Although the marketing venture should enable TechLink to secure state and federal contracts, the entity will initially be within the same mature industry and will not necessarily provide for business diversification.

New business opportunities within the information technology services such as Medical Transcription, Data Storage, Scanning, Security and Encryption would be natural components of TechLink and could easily be provided in rural North Dakota. Some of these industries are mature, while others continue to grow rapidly.

The RIB Executive Director will spend the majority of time during 2006 researching new business opportunities for TechLink. The salary for such work will come from the RIB budget, however, the Executive Director will work with TechLink to provide the necessary travel and expense budget as the work applies to a specific TechLink expansion. The 2006 objective is to complete a feasibility study by mid-year, a business plan by 4th quarter 2006 and initiate a new or expanded business by January 1, 2007.

The initial investment in Northern Tier Investment, LLC will require additional monitoring. It is anticipated additional investment and/or partners may be required as the product nears commercial production. The REAP Investment Board will provide the necessary expertise to ensure the project’s success.

VI. INVESTMENT STRATEGY OBJECTIVES CONTINUED

- **Attain new funds and partners, leveraging resources and realize investment returns to provide program funds and create self-sustainability**
 - **CONAC Capital Fund**
 - **Procurement Technical Assistance Center (PTAC)**
 - **Grant Writing**
 - **Niche market investments**
 - **Value-added strategies (i.e. consulting services)**
 - **Continued support from State and Federal Agencies**

CONAC Capital Fund

The CONAC Capital Fund is a community development venture capital fund that provides early stage and expansion stage equity investment to promising businesses located throughout North Dakota. The Fund presently has eight equity partners with equity totaling over \$225,000. The Fund has invested in four companies and has leveraged the assets to almost \$3 million. The 2006 objective is to develop an action plan with CEO Praxis to enable the fund to double in size, \$500,000 by year-end, and to become a member of the Rain Fund Network. Joining the Rain Fund Network will allow the CONAC Fund to gain access to experienced Rain Fund management, as well as access to additional investors and investment deals. During the first quarter 2006, the REAP Investment Board Executive Director, along with CEO Praxis, will prepare a marketing schedule, including specific Capital Fund targets. A \$250,000 fund drive should be completed within the calendar year 2006.

Procurement Technical Assistance Center (PTAC)

In 2003, the Southwest Rural Economic Area Partnership (SW REAP), a nonprofit development group, set aside funding for a federal contracting technical assistance pilot project in southwestern North Dakota. The pilot began in the spring of 2004. Having completed the successful pilot, the REAP Investment Fund, Inc. funded a project, REAP PTAC. REAP PTAC's mission is to be a competent resource facility for REAP Zone small business firms pursuing government business opportunities. The opportunities will result in increasing employment and boosting the general economy of REAP Zones.

The REAP PTAC's objective is to succeed in securing Department of Defense funding in 2007 through a solicitation award match by funding from the state legislature.

During 2006, the RIB staff and Roosevelt-Custer Regional Council will solicit funds for the REAP PTAC to operate until the 2007 opportunity from the Department of Defense. The RIB staff will also assist the PTAC staff in arranging meetings with firms located in the REAP Zones. As members of the PTAC Advisory Board, the RIB staff will participate in research to determine whether the PTAC should develop a fee schedule for some or all of their services.

VI. INVESTMENT STRATEGY OBJECTIVES CONTINUED

Grant Writing

An important responsibility for the RIB staff for the next five years will be to apply for grants to fill the budget “gaps”. The Champion REAP Alliance Director will research various foundations and apply for additional grants to meet the investment and initiative strategies outlined in the RIB’s five-year business plan.

Niche market investments

Niche market investments will be researched and products or services which provide an appropriate return will be included in the REAP Investment Board’s investment portfolio.

Value-added Strategies (i.e. Consulting Services)

The REAP Investment Fund, Inc. will explore the possibility of entering into consulting businesses in which the REAP Investment Board staff could provide additional services for a fee. Possible activities could include developing business plans for communities and businesses, assisting in wealth transfer activities, as well as web-hosting for communities. The study for this activity would begin in early 2007, unless the new businesses described in an earlier section develop sooner.

Continued Support from State and Federal Agencies

The REAP Investment Fund, Inc. will continue to review potential support from State and Federal agencies, including RBOG and RBEG grants.

VII. INITIATIVE STRATEGY OBJECTIVES

The REAP Investment Board has an additional objective to promote participation in *initiative strategies* to positively impact the leadership and workforce capabilities within the REAP communities. Initiative strategies will primarily be championed and implemented by CONAC and SW REAP Zones' members.

- **Advance community leadership and workforce training**
 - **Wealth Transfer Program**
 - **Support RLND scholarships**
 - **Sponsor leadership and other workforce training**

Wealth Transfer Program

Rural communities within the Rural Economic Area Partnership must determine ways in which to retain a portion of the wealth created by their residents. Creating community foundations is one of several ways to capture some of the assets that are currently being transferred out-of-state. The final success of such programs lies within the local leadership of the communities. The Rural Economic Area Partnership has an objective to provide tools and training for the community leaders to create mechanisms to capture the wealth. The RIB will make training available to all its' communities during 2006-2007.

Support RLND Scholarships

The Rural Leadership North Dakota Program (RLND) was created to prepare and develop effective leaders to strengthen rural communities. The REAP Investment Fund, Inc. will continue to support the program by providing scholarships to qualified participants.

Advance Community Leadership and Workforce Training

The REAP Investment Fund, Inc. will continue to partner with others to provide leadership and workshop training for REAP communities. The REAP Investment Fund, Inc.'s participation in these projects will depend on needs as they develop.

VII. INITIATIVE STRATEGY OBJECTIVES CONTINUED

- **Foster social and economic improvements with special emphasis on health care, elderly, youth and community viability issues**
 - **Youth Entrepreneurship Grant Program**
 - **Support Internship Projects**
 - **Develop and support innovative methods to deliver rural health care**
 - **Recognize the elderly as assets of the community**

Youth Entrepreneurship Program

The REAP Investment Fund, Inc. understands the challenges that young entrepreneurs (ages 16-25) face when financing a start up business, especially in rural communities. The Rural Economic Area Partnership Investment Fund, Inc. will continue to support communities who establish loan pools for the purpose of encouraging youth to create a start-up business. Other successful models that encourage youth entrepreneurs will be sought and information shared with REAP communities.

Support Internship Projects

College interns can provide rural businesses valuable professional services that those businesses would not otherwise have access to or be financially able to afford. By giving college students exposure to rural communities, these students may be inspired to seek employment upon graduation to rural ND communities. The REAP Investment Fund, Inc. supports youth intern projects and will continue to encourage companies within the REAP to engage the youth in summer projects.

Develop and Support Innovative methods to Deliver Rural Health Care

Rural North Dakotans require the same medical attention as North Dakotans in the larger communities but often have to drive many miles or re-locate to access those services. As new innovative methods for delivery of these services arise, the REAP Investment Fund, Inc. will partner with rural health care organizations to assist with implementing these programs.

Recognize the Elderly as Assets of the Community

The REAP Investment Fund, Inc. recognizes the value of retired persons in rural communities as an untapped resource. Retired professionals can serve as mentors to new community leaders, serve on volunteer boards and volunteer on community projects. The REAP Investment Fund, Inc. will create awareness and encourage communities to recruit retired persons when seeking mentors and volunteers.

VII. INITIATIVE STRATEGY OBJECTIVES CONTINUED

- **Engage in renewable and natural resources' projects**

Engage in Renewable and Natural Resources' Projects

The communities within the Rural Economic Area Partnership will remain up-to-date regarding the ever-changing renewable and natural resources' projects. The RIB supports activities which partner with others to study and develop new sources of energy.

- **Position the REAP to align with economic development trends including targeted state-level industry focus activities, the Research Corridor expansion and the Centers for Excellence**
- **Maintain political contacts**

Maintain Political Contacts

The REAP Investment Fund, Inc has experienced much success in effecting change in rural policy through its relationship with state decision makers. The REAP Investment Fund Executive Director and Champion REAP Alliance Director will maintain relationships with federal and state program directors and elected leaders and inform them of the programs and initiatives of the REAP Investment Fund, Inc and its rural communities.

- **Communicate activities and results**

Communication

The REAP Investment Fund, Inc., along with its partners, will continue to provide a web-site, Alliance Link Newsletters and semiannual news journals. In addition, the REAP Investment Fund, Inc. participates in the annual Marketplace and the bi-annual legislator event at the state Capitol. Future emphasis will be placed on press releases at the time project funds are released (details are located in the Application and Tracking sections of this Plan).

VIII. FUNDING POLICY AND RESTRICTIONS

Funding priority will be given to projects consistent with the REAP Investment Board's main *investment strategies* (75% of the annual budget) to create jobs or create wealth. A return of all or a portion thereof, of capital and/or an investment return is required to continue meeting the needs of future programming. A repayment schedule for each project will be determined prior to the release of funds. Projects are required to have matching funds from the applicant or other private or public sources. At the time the RIB determines an investment in a "for-profit" company, the RIB will issue a letter to the company outlining the dividend or return of capital expectations to the company.

Initiative strategies (25% of the annual budget) *may* require a return of capital and/or an investment return. Initiative projects are required to have matching funds from the applicant or other private or public sources.

Funding Restrictions *

1. Annual Fund Drives
2. Benefit Events
3. Camps
4. Sporting Activities
5. Building endowments other than for the development of community foundations
6. Capital requests for hospitals and nursing homes
7. Theatrical productions
8. Municipal and government agencies
9. Historical preservation, museums and interpretive centers
10. Religious organizations
11. Political parties, candidates, or political events
12. Capital campaigns excluding the CONAC Capital Fund
13. Cash reserve funds, mortgages or other debt retirement
14. Vehicles
15. Travel expenses for individuals or groups to perform
16. Routine Operating Costs
17. Signage

All funding is conditional on the applicant's agreement to provide appropriate progress reports as outlined in this document under "Tracking and Reporting".

** Funding restrictions do not apply to EDI allocations which carry pre-determined award directions and/or fiscal agent administrative expenses.*

VIII. FUNDING POLICY AND RESTRICTIONS CONTINUED

Repayment of Funds

All *investment strategies* and some *initiative strategies* will require return of all or a portion thereof, of capital and/or investment return. Although each case will be negotiated on its' own terms, the following are some samples:

REAP investments in going-concern “for-profit” companies:

- The RIB must immediately communicate the expectations associated with the return of capital and/or dividend expectations, either in closing documents or side letters.

REAP investments in start-up “for-profit” companies:

- The RIB and the start-up must include the return of capital and/or dividend expectations in closing documents before funds are released.

REAP investments in initiative strategies:

- Where applicable, the RIB must include the return of capital and/or dividend expectations in closing documents before funds are released.

The RIB staff will be responsible for monitoring the repayment activities and reporting progress per the schedule outlined in the Tracking and Reporting Section of this document.

Listed below are several examples of Repayment of Funds terms which may be used in closing documents. The examples are not intended to be all-inclusive, as many different payment arrangements are available and each investment must determine the final terms.

Example 1:

The Applicant agrees to repay the funds advanced by REAP at a rate of ___ percent (___%) of the gross sales of the developed product(s) under this Agreement beginning with the date of formal introduction of the product(s) into the market until the amount of \$_____ has been paid back. The date of formal introduction will be no later than _____200_, but may be earlier or later upon mutual agreement of both parties. Repayment will be made on a quarterly basis beginning the first quarter following the date of formal introduction.

VIII. FUNDING POLICY AND RESTRICTIONS CONTINUED

Example 2:

The agreement shall be for no more than two years, ending on _____, 200_. The Contractor will repay the entire amount with an additional ___% in interest at that time or earlier if the _____ under this agreement is sold. In the case of a sale, the Contractor shall repay the amount due with accrued interest within 60 days of the sale of the property.

Example 3:

No interest will accrue or be assigned to this loan during the first three years following the date of this agreement. However, all funds awarded need to be repaid in full within three years from the date of the agreement (by _____, __, 200_). Prior to _____, __, 200_, the REAP Investment Fund, Inc., may convert the entire amount of the loan to the stock, shares, or units equal to \$_____ (_____ dollars) in value in the proposed _____ (or whatever name the proposed project legally assumes). Any loan payments made prior to the conversion will be returned to the contractor. If for any reason the Contractor has not repaid the loan after the three years has expired and the REAP Investment Fund, Inc. elects not to exercise its option for stocks, shares or units, the Contractor agrees to pay a monthly payment of \$___ due on the first day of each month and interest in the amount of ___% annually to repay any debt remaining under this agreement. If a hardship exists, the contractor may meet with the board at that time to discuss repayment options. All funds received will become due and payable upon demand if the proposed activity is not substantially implemented within 180 days of the receipt of funds.

Example 4:

In consideration of said financing and for value received, _____ promises to pay to the order of REAP Investment Fund, Inc. in one lump sum payment, or its assignees, the principal amount of _____ plus ___% interest within ___years from the time of signing this agreement.

A pledge of Shares of Stock are attached by the REAP Investment Fund, Inc. to _____ stock to guarantee the principal amount and are exercisable at the 3-year period point from the time of signing of the financing agreement if cash payments are not made.

_____ agrees to pay the REAP Investment Fund, Inc. a 6% royalty or 1% gross, whichever is greater, for a period of five (5) years from the start of actual for-profit commercial production. A financial and production report will be made available to the REAP Investment Fund, Inc. quarterly, after production begins, and payments will be made quarterly based on receipts.

IX. APPLICATION PROCESS

Applications for funding or endorsement by the REAP Investment Fund, Inc are considered each month. Applications should include the following;

1. Sponsoring or lead organization name, address, contact person and phone and email addresses.
2. Need to be addressed
3. Project description (scope of work)
4. Partners involved in the project
5. Project Budget including leveraged funds from partners and personal investments
6. Description of how success of the project will be measured
7. Description of how the applicant will provide follow up/tracking information
8. Press Release Information Sheet

Applications should be submitted to one of the following;

1. REAP Investment Fund, Inc staff (Jim Belquist or Laura Every)
2. Roosevelt-Custer Regional Council
3. Souris Basin Regional Council
4. North Central Planning Regional Council

Projects received at least 7 days prior to the scheduled monthly board meeting will be reviewed for consideration that month.

IX. APPLICATION PROCESS CONTINUED

Press Release Information Sheet

The information provided on this sheet may be used for public releases in announcements, press releases and other public information.

Applicant: _____

Contact Person: _____

Address: _____

Telephone: _____

Project Co-Sponsor(s): _____

Title of Project: _____

Project Start-up Date: _____

Project Completion Date: _____

Brief summary of the project, product or process and proposed benefit to the region:

Total funds requested from the REAP Investment Fund: \$ _____

Total project budget: \$ _____

How will the funds be used?

Name and Title: _____

Signature: _____ Date: _____

X. TRACKING AND REPORTING

The RIB staff is responsible for preparing the tracking report found in the next section of the five-year plan. The staff must prepare the initial report six months after funds have been released to the applicant. Thereafter, an annual report will be completed. The reports will be reviewed at the appropriate REAP Investment Board monthly meeting.

X. TRACKING AND REPORTING

Rural Economic Area Partnership Investment Fund, Inc.

Project # _____

1. Applicant Information

Name: _____
Address: _____
Phone: _____
Email: _____
Website Address: _____

2. Project Category

- Create Jobs or Wealth Align with Economic Development Trends
- Create Program Funding Continue Social or Economic Improvements
- Advance Community Leadership and Workforce Training

3. Project Description:

4. Original Funding

Amount \$ _____ Date Funded _____

5. Original Financial Terms (Repayment provisions, etc)

Jobs Created	6 Months	12 Months	24 Months	36 Months	Final
Full-Time					
Part-Time					
Wealth Created					
Gross Sales	\$	\$	\$	\$	\$
Capital Expenses	\$	\$	\$	\$	\$

6. Staff Assessment

Staff Name: _____

Date: _____

XI. Exhibits

March 2006

REAP Investments

Organizational Structure

