

CONAC

– Center of North America Capital –

FUND



*Growing businesses
with exciting ideas and high potential
in North Dakota*

Center of North America Capital Fund, LLC



The Center of North America 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 CONAC Fund is a for-profit fund that is owned by its investors including individual accredited investors, banks, cooperative and investor-owned utilities and other institutional, government or corporate investors.

The focus of the Fund is on companies with exciting ideas and high potential.

The mission of the Fund is twofold:

- to retain investable capital in the region and
- to benefit the communities of the region by providing the seed capital necessary to assist businesses in growing and creating new jobs.

Consistent with the financial and social performance objectives of the CONAC Fund, growing company revenues and increasing levels of employment are twin considerations in all financing placements. The intent is to utilize the Fund's investment capital to both develop and retain valuable companies capable of accomplishing these two objectives.

Investing Capital & Know-How



Investments of the Fund are focused on new and existing companies that have credible growth potential. The most common investments used by the CONAC Fund are common stock, convertible preferred stock and subordinated debt with conversion privileges or warrants.

The price, ownership and exit that the CONAC Fund negotiates are based on both the anticipated return potential and the perceived risk associated with that investment. A typical investment in a portfolio company ranges from \$10,000 to \$50,000.

Financial investments in companies are augmented with "hands-on" value-building investments of expertise and know-how, which helps investee companies develop strategic initiatives, determine corporate direction, and reach specific management, marketing, operating and financial decisions.

Equity Capital Can Make the Difference in Building and Growing Your Economy

Why Local Equity Capital?

Equity capital is vital to the success and growth of small businesses, particularly during their expansion stage. Equity capital is also a lubricant to innovation and a key ingredient in nurturing technology and information companies.

Small and medium-sized businesses are important to communities because they have the greatest economic impact. Small and medium-size businesses now

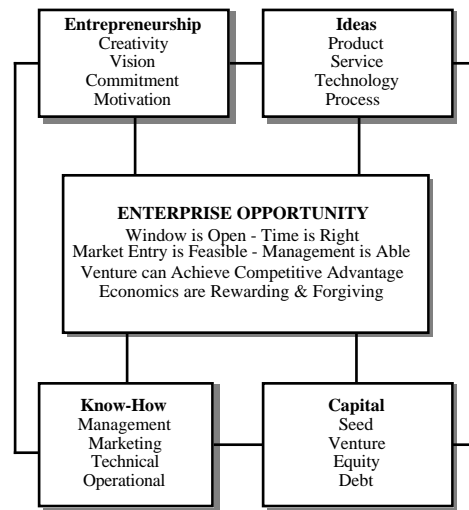
- Create most new jobs, in fact about 70 to 80% of all new jobs.
- Create the most new products.
- Export more than large companies
- 70% of high-tech companies have 20 or fewer employees.

Because equity capital is high risk, it is very difficult to access. Traditional venture capital firms provide financing for only a tiny portion of businesses nationally. Venture capital placements are highly concentrated in urban areas on the West and East Coasts.

The “Double Bottom Line”

Community development venture capital funds seek to apply the powerful engine of growth that has driven the economic expansion of hotbeds of business development like Silicon Valley. These funds make investments in companies with credible growth potential that produce a “double bottom line” of not only financial returns, but also social benefits in the form of good jobs. This sector of small, competitive businesses can form the backbone of a successful local economy.

Capital Is A Critical Catalyst of Enterprise Growth



Benefits to Your Local Economy

- Spur Entrepreneurship & Innovation
- Leverage Other Financing
- Diversify Your Economic Base
- Recruit Technology & Information Service Companies
- A strong rate of business formation is essential to any healthy, growing economy, providing the primary sources of innovation and new job creation.

Helping Grow Businesses

with Exciting Ideas and High Potential in North Dakota



The CONAC Fund makes investments throughout North Dakota. It has, however, established a target investment area consisting of a 13 county area of the northernmost section of central North Dakota, the 8 county Southwest REAP zone and the Indian Reservations of the Turtle Mountain Band of Chippewa and the Spirit Lake Nation.

The CONAC Fund was created to retain investable capital in the region and to benefit the communities in the region by providing the seed capital necessary to assist businesses in growing and creating new jobs.

Transformations in the predominantly agricultural economy of the region have highlighted the great importance of growth businesses to the region. The CONAC Fund will emphasize investments in the following kinds of opportunities.

- Value-added food and nonfood products
- Manufacturing of goods
- Technology and machinery
- Information service companies
- International trade

Consistent with the economic development objectives of the CONAC Fund, growing company revenues and increasing levels of employment are twin considerations in all financing placements.

Target Investment Area

North Dakota Counties

Souris Basin Region

Bottineau
Burke
McHenry
Mountrail
Pierce
Renville
Ward.

North Central Region

Benson
Cavalier
Eddy
Ramsey
Rolette
Towner

Southwest REAP Zone

Adams
Billings
Bowan
Dunn
Golden Valley
Hettinger
Stark

Native American Tribes

Turtle Mountain Band of Chippewa
Spirit Lake Sioux

Investment Considerations

- Company potential
- Management team and board
- Technology or process
- Collaborations and relationships
- Solid Investors
- Contracts
- Product development
- Benefit to the regional economy

The CONAC Fund seeks participation in companies that have a viable market opportunity, a quality management team and an execution plan leading to successful realization of revenue potential in their competitive marketplaces.

Formation & Capitalization of the CONAC Fund

The CONAC Fund is registered as a Limited Liability Corporation in the State of Delaware. LLCs are taxed as partnerships thereby avoiding the double taxation imposed on a C corporation and afford limited liability to the managing persons. The Delaware law, compared to other states, maximizes flexibility and avoids unintended estate law consequences.

The CONAC Fund is organized and modeled after the RAIN Funds, a series of investment funds being formed throughout rural Minnesota by the Minnesota Investment Network Corporation.

The Fund is eligible to receive funding from other sources including Community Development Financial Institutions. The Fund can and will actively seek coinvesting opportunities with other funds and with other angel networks in the national equity markets, subject to compliance with cross-state securities regulations.

The Fund will be capitalized at up to \$1 million and designed to qualify for exemptions from registration. Nevertheless, to comply with the criteria required for exemption several requirements are followed:

- No public solicitation of investment, i.e. no advertising of membership units in any manner, including the newspaper, on the radio, on television, or, unless carefully designed to comply with interpretations over the Internet.
- Offer and sell only to individuals that are accredited investors, i.e. wealthy individuals who meet the standards described in the private placement memorandum.
- Sell only to in-state residents unless very complicated issues related to securities laws and investment advisor laws are satisfied.
- Sell to sophisticated investors, e.g. an individual that can read and understand financial statements, has made equity investments, and investments in private place securities in the past.

Management & Administration

The Members manage the business and affairs of the CONAC Fund. The Fund was organized by the Center of North America Coalition for Rural Development with the assistance of CEO Praxis, Inc. which now provides administrative and management services to the Fund.

Financial templates will be used for tracking the investments of the LLC and individual members. These templates enable tracking the following:

1. Total Shares and Per Share Cost
2. Cost compared price paid by new unrelated investor
3. Current value
4. Financial interest and % financial interest for each member
5. Unrealized gain and % unrealized gain.

Membership in the CONAC Fund

The ownership interest in an LLC is similar to the ownership interest in a partnership. Nevertheless, persons or entities that hold one of these ownership interests and the accompanying right to vote are normally referred to as “members” and the interests they hold are referred to as “membership interests.”

The Fund is being formed by interested individuals and institutions in the region who are willing to devote their time, and in most cases some of their own financial resources for investment, to these goals. The persons who form a Fund must be devoted enough to advancing their local and regional economy to serve without compensation (other than the interest they receive in the Fund if they invest).

The CONAC Fund, LLC will be capitalized over two years at \$1 million with fifty (50) memberships made available at \$20,000 each to individuals and institutional investors. This includes banks, cooperative and investor-owned utilities and other institutional investors. No member may own more than 5 memberships in the Fund.

Investor Qualifications

Members can only include “accredited investors” as defined in Rule 501(a) of Regulation D of the Securities and Exchange Commission and residents of the State of North Dakota. “Accredited investors” include:

- (a) Most banks and savings institutions, whether acting in their individual or in fiduciary capacities, any broker/dealer registered under the Securities Exchange Act of 1934, most insurance companies, investment companies registered under, any business development company defined in, or any private business development company defined in the Investment Company Act of 1940, Small Business Investment Companies, any state or municipal employee plan with assets exceeding \$5,000,000, employee benefit plans subject to the provisions of the Employee Retirement Income Security Act of 1974 which either have total assets in excess of \$5,000,000 or as to which investment decisions are made by a fiduciary which is either a bank, insurance Company or registered investment adviser;
- (b) Any (i) corporation, (ii) nonprofit organization qualified under Section 501(c)(3) of the Internal Revenue Code, (iii) business trust, or (iv) partnership, in each case if such entities have assets in excess of \$5,000,000 and were not established for purposes of making this investment;
- (c) Any officer or director of the Company;
- (d) Any natural person whose net worth, or joint net worth together with such individual’s spouse, exceeds \$1,000,000;
- (e) Any natural person whose income exceeded \$200,000, or whose joint income with his or her spouse exceeded \$300,000, in the last two calendar years and who reasonably expects an income in excess of such amount in the current calendar year; and
- (f) Any entity each of whose equity owners separately meets any of the criteria set forth above.

Training & Performance Support

One of the key elements of successful equity capital initiatives is education and training for companies and investors on the methods of valuation and investing. These kinds of programs develop the financial acumen of companies and help to create a stronger pool of potential investors and directors for small companies needing capital and expertise.

This kind of education raises investor and entrepreneur competencies and confidence in their ability to negotiate the price and other terms and conditions of a venture investment.

The CONAC Fund provides or works with other funds, organizations and agencies to provide the following training and performance support opportunities.

- Education and training for investors and companies on evaluating, pricing and structuring deals.
- Expertise to facilitate equity investment in companies in the target investment area.
- Identification of companies with equity investment needs that match the Fund's objectives and investment resources.
- Conduct due diligence on prospective investee companies.
- Formulation of capitalization structures and valuation parameters.
- Monitoring of portfolio companies.

The Center of North America Capital Fund, LLC participates in the RAINstreet network. RAINstreet works with accredited investor funds that focus on seed and early stage investments in local companies. RAINstreet delivers services and tools that help funds to find, evaluate, price, structure and monitor deals with companies. We simplify venture investing for a community of accredited investors.

For More Information:

Delore Zimmerman or Douglas McDonald

CEO Praxis, Inc.
The Dacotah Building
100 North 3rd Street
Grand Forks, ND 58203

Phone: 701-775-3354
e-mail: delore@ceopraxis.com
doug@ceopraxis.com



<http://www.rainstreet.com>