



RURAL BUSINESS INVESTMENT PROGRAM (RBIP)

NON LEVERAGE APPLICATION PROCEDURES

Introduction

The RBIC application process is divided into two steps, an initial application process and a final application process. Initial applications are sent to USDA, who will review the submission for completeness and eligibility and notify the applicant if more information is needed. Once USDA has determined that the application is complete, it will be analyzed in the areas of strength of management and the business plan as it relates to the RBIP program. The results of this analysis will determine if an interview is warranted.

An interview is conducted by USDA with the proposed management team to test the assumptions made in the application and ensure that the applicant is qualified to manage the portfolio and conduct business in the manner prescribed in the program. A post interview review of the application will be conducted thereafter and a determination to proceed will be made. The result of a positive determination will result in the applicant receiving a Letter of Conditions.

The Letter of Conditions serves as the official Agency invitation to file a final application. The letter will also list the requirements needed in order to obtain a license, including whether RBIC Regulations Training Classes for the Principals of the applicant will be required. Once this letter is issued, the fund has two years to raise its capital.

After the issuance of the Letter of Conditions, the RBIC must comply with the conditions set forth in the letter prior to submitting a final application. Once the final application is received, a final review and determination will be made by the Agency. A positive outcome of the final review will result in the issuance of a license.

PART ONE: INITIAL APPLICATION

Step 1-1

Applicant submits the Initial Application

Initial Application will include the following:

- Completed RD Forms 4290-1 and 4290-2; Use Exhibit A checklist as a guide
- Licensing fee of \$500 in the form of a check made payable to USDA

Forms can be found on http://www.rurdev.usda.gov/BCP_RBIP.html. The submission format will be in hard copy and will require three sets; two bound in a 3 ring binder and one unbound that is suitable for photocopying. Submission addresses and contact information can be located in the USDA's annual published Notice of Solicitation of Applications (NOSA).

USDA sends applicant a notice that the Initial application has been received within 3-5 days of receipt.

Step 1-2

USDA Prescreens Initial application

- USDA prescreens the initial application to determine if the applicant is eligible and if any information is missing from the required information.
- If information is missing, USDA will send a notice to the Applicant within 10 business days of review to provide the Applicant with an opportunity to submit the missing information.

Once the application is determined to be complete, USDA will conduct a further review of the management team and business plan. If the initial review is favorable, USDA will proceed to conduct an interview with the applicant. The notification will take between 12 – 13 weeks from the receipt of the initial application.

Step 1-3

Interview with Management Team

The principal purpose of the interview is for USDA representatives to test or clarify assertions or statements made by the applicant in its application or during the interview. Another purpose is to learn about the applicant's individual principals and how they work together as a team, including how the team will represent itself to prospective investors, potential sources of funding, and portfolio concerns. The applicant can use the Non Leverage Interview Guide to anticipate the format of the interview and preview the nature and type of questions that could be asked.

Step 1-4

Initial Application Review Official Meeting

USDA will conduct a post interview review to determine if further consideration for the application is warranted based on the results of the interview. The applicant will be advised of the results of the meeting within 60 days. If the review is favorable, the applicant will be sent a Letter of Conditions.

Step 1-5

Letter of Conditions

- If Yes, USDA sends a Letter of Conditions to the Applicant.
 - Applicant is formally invited to submit an application.

- Letter is used as part of fundraising process.
 - Need to meet the 10% requirement
 - Pre-Applicant has 24 months to raise capital.
 - Identification of whether RBIC training will be required (after submittal of formal application) and, if so, which training modules.
- If No (i.e., the Applicant is Denied), USDA sends a letter so notifying the Applicant and includes any applicable appeal or review rights in the letter.

Fundraising takes place over up to the next 24 months

- Fundraising can be done earlier depending on the funding source.
- Commitments are secured “soft circle” from institutional investors.
- Commitments are evidenced in the application and Capital Certificate.

PART TWO: FINAL APPLICATION

Typically takes 6 months to complete barring major issues

Preparation of Model Documents and Other Material

- Model documents will be available on a website as a reference for applicants.
- Any other documents or financial fund models will be available to applicants as reference.

Step 2-1

Submittal of final application

- Applicants submit to USDA their final application, including:
 - Signed or unsigned documents;
 - Financial models; and
 - Capital Certificate with binding commitments for funding.
- 3 hard copies, two bound in a 3 ring binder and one unbound
- Second opportunity for fund to demonstrate FCS commitment to the fund
- USDA sends Applicant a notice that the application has been received within 3-5 days of receipt.

Step 2-2

USDA Prescreens Final Applications

- USDA prescreens the final application to determine if any information is missing from the required information.
- If information is missing, USDA will send a notice to the Applicant within 10 business days of review to provide the Applicant with an opportunity to submit the missing information. (Timeframe will be specified in NOSA for providing the missing information.)

Step 2-3

RBIC Regulations Training Classes (if required in Letter of Conditions)

- All Principals and potentially some significant investors or members of the Board of Directors must complete.
- Helps the CFO with compliance issues.
- Good introduction as to what is expected.

Step 2-4

Formal Review of Final Application

- Agency Analyst conducts a final analysis, following the work performed for the initial application review under Step 1-4, including:
 - Additional due diligence calls and checks.
 - FBI Background Checks are completed.
 - Legal review of Partnership Agreements.
- A meeting will be held to determine if the applicant has satisfied all conditions and requirements.

Step 2-5

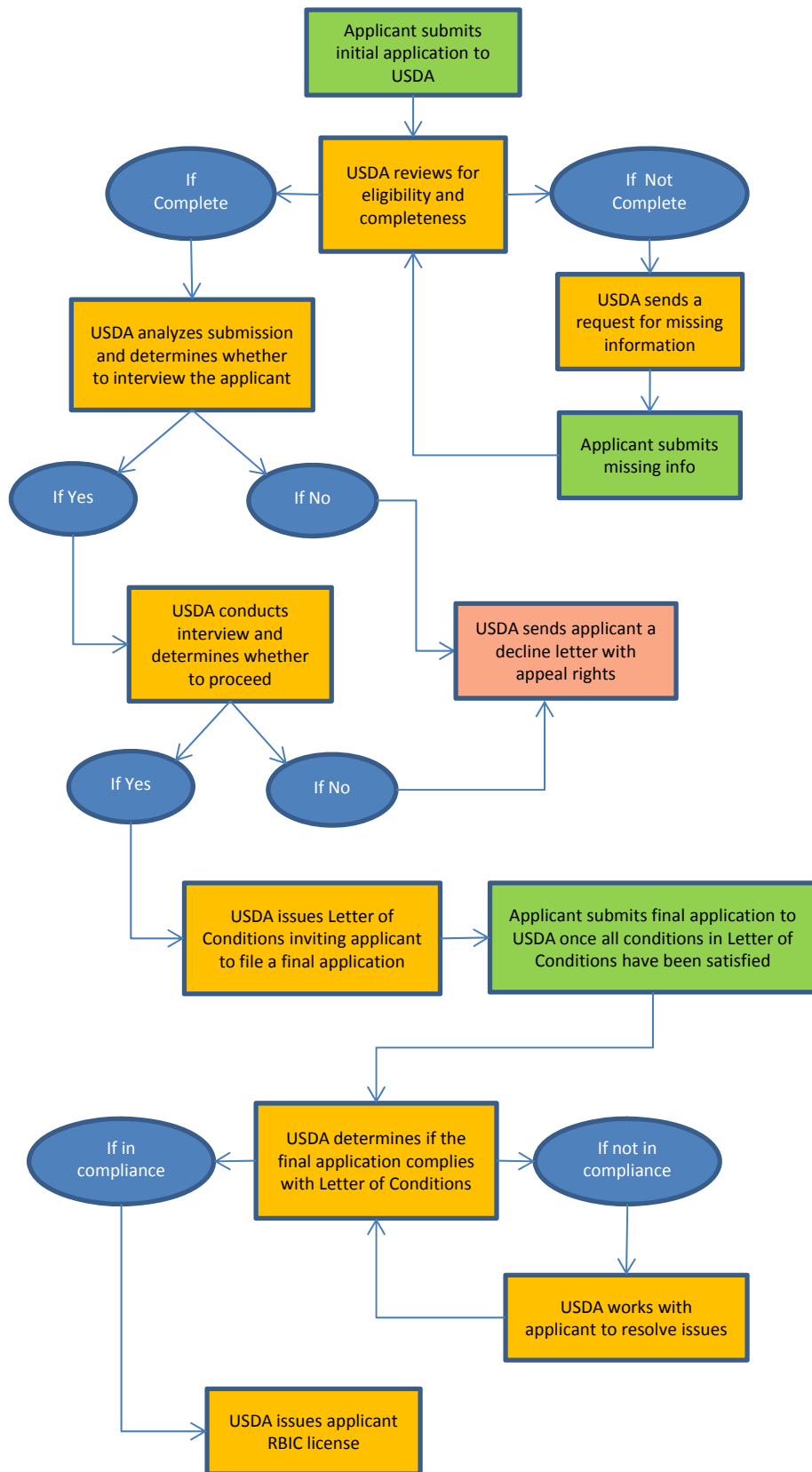
Pre-Licensing Investments (optional)

- After submitting license application, an Applicant may make one investment, at the Applicant's discretion, that is included in Regulatory Capital and Leverage able Capital provided applicant has notified USDA beforehand.
- Activity must be reported to USDA for investments to count as capital.

Step 2-6

Decision by USDA

- USDA will notify the Applicant of its determination, including any appeal rights if appropriate.



RBIC Application Flow Diagram