



RURAL BUSINESS INVESTMENT PROGRAM (RBIP)

UNITED STATES DEPARTMENT OF AGRICULTURE

SPECIALTY PROGRAMS DIVISION

1400 Independence Ave., (STOP 3225), SW Washington, DC 20250-3225

Tel: (202) 720-1400

Rural Business Investment Company (RBIC) Applicant Interview Questions

The U.S. Department of Agriculture (USDA), or its designee, will interview qualified applicants for assistance under the Rural Business Investment Program (RBIP) after the applicants have been processed through the initial review, due diligence and evaluation stages of the evaluation process. USDA, or its designee, will conduct all interviews in USDA's offices in Washington, D.C, or as otherwise directed, and expect all principals of the RBIC to participate in the interview. Applicants may request that, based on hardship, specific principals not participate. USDA may grant such requests in its sole discretion. Only an applicant's principals may speak on behalf of the applicant during the interview. USDA representatives, including its designees, may ask questions of the applicant's representatives at any time during the interview. The interview is expected to take up to 90 minutes.

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.

RBIC Applicants Interview Instructions and Questions

The interview will consist of two parts:

- (1) a maximum of 30 minutes will be set aside for an oral presentation by the applicant's management team to introduce its principals, outline its proposed investment and operational assistance (when applicable) strategy, and explain how it will execute that strategy.
- (2) a maximum of 60 minutes will be set aside for questions by USDA representatives to clarify any aspect of the presentation or the application.

During the interview, USDA expects the applicant to address the unique aspects of the applicant

and its proposal to fulfill the program's objectives. USDA expects each applicant to be able to answer the following questions.

1. Individual principals.

- a. How do you propose to allocate the carried interest among your principals?
- b. How do you plan to add, replace, or remove principals
- c. How much time will each principal devote to the RBIC before the RBIC is licensed, and then after licensing?
- d. Do you anticipate any circumstances that would require reducing that time commitment at any point in the life of the RBIC?

2. Investment strategy.

- a. What will be the hurdle rate for your portfolio and what return on investment (ROI) do you plan to deliver to your investors?
- b. To what extent do you anticipate relying on others to identify prospective deals or to structure specific transactions?
- c. When applicable, how important is the operational assistance grant to executing your investment strategy?

3. Targeted Rural Areas.

- a. What are your principals' prior connections with the Rural Areas you are planning to target?
- b. What are the rural economic development benefits you plan to create in your targeted Rural Areas? How do you plan to measure those benefits?
- c. When applicable, how do you plan to use your operational assistance grant to achieve those development benefits in your targeted Rural Areas?

4. Deal generation.

- a. What are your sources of deal flow; for example, will they come from community or commercial organizations with which your principals have relationships ?
- b. How will you create deal flow and sustain such deal flow over the entire investment period?

5. Deal review process.

- a. Describe the process you plan to use to review deals and identify those who will be involved in each stage of the process.
- b. What form of tracking and database management do you plan to use in your deal review process?
- c. How will the principals participate in the decision-making process on deals, at each stage in the process?

6. Development of the investment transaction.

- a. How do you plan to test the validity of business plans and projections submitted to you by potential Portfolio Concerns?
- b. How will you determine an appropriate hurdle rate for each investment?
- c. How will you use outside consultants or advisors in your due diligence process for evaluating potential investments?
- d. What investment structuring techniques and parameters do you plan to use?
- e. How will you pay the deal costs of your investments?

7. Post-investment relationships with company management.

- a. What will your principals' activities and roles be in your Portfolio Concerns, other than board membership?
- b. What will your policy be with respect to charging your Portfolio Concerns for your services?

8. Exiting investments and covering financing costs.

- a. How do you anticipate exiting your investments?
- b. How do you plan to time your exits and realize your investments in order to meet your operating expenses?
- c. How do you plan to manage your cash flow after your investment period?
- d. What will be your policy on reinvestment of investment proceeds?

9. Operational assistance (OA) grants (leveraged status applicants only).

- a. How do you plan to use your grants for individual companies, both before and after you make investments in those companies?
- b. How do you plan to administer your grants?
- c. How will your principals' time be allocated to your grant operations?
- d. What is the projected annual cost of administering your grant operations?
- e. How will you provide OA through your principals versus third-party providers?
- f. Describe your existing or planned contractual relationships with third-party OA providers, including pricing.
- g. What are your guidelines to distinguish between services you will provide to companies as an investor for a fee versus OA you will provide to companies at no cost?