
RURAL BUSINESS INVESTMENT PROGRAM
U. S. SMALL BUSINESS ADMINISTRATION, INVESTMENT DIVISION
409 Third Street, S.W. Washington, DC 20416 Tel: (202) 205-6510; Fax: (202) 205-6959

RURAL BUSINESS INVESTMENT COMPANY

**INSTRUCTIONS
FOR RBIC DEBENTURE DRAW APPLICATION**

INTRODUCTION

These instructions provide the information necessary for a Rural Business Investment Company ("RBIC") ("you" or "your") to request a draw against SBA's commitment to guarantee Debenture Leverage. You must complete all steps by specific time deadlines in order for SBA to approve your request for funds. SBA is collecting this information on behalf of USDA, pursuant to a delegation of authority by USDA to SBA (7 CFR 4290.45).

PROCEDURES FOR REQUESTING DRAWS

You must submit the appropriate forms and documents described below (the "Draw Request") by overnight courier to:

Johnny Kitts, Funding Control Officer
Office of Investment, Suite 6300
Mail Code 7050
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416.

You may submit Draw Requests at any time, but SBA processes them only twice a month. The cutoff time for submitting a Draw Request is 10:30 a.m. on the first and third Wednesdays of each month. SBA will not process any Draw Requests received after the 10:30 a.m. cutoff on Wednesday until the next funding cycle, which begins two weeks later. Therefore, we suggest that you submit your request well before the Wednesday cutoff date.

SBA will take six days to review and process your Draw Request. If SBA approves your Draw Request, SBA will send you, by 3:00 p.m. on the Wednesday following your Draw Request, an "Approval Notice" for each specific takedown included in your Draw Request.

To take down funds, you must complete Section II of the *Approval Notice* and fax the entire document to JP Morgan Chase by 2:00 p.m. on the day prior to your takedown. You should receive the funds by close of business on the day of your takedown.

The earliest you will be able to receive funds will be at the close of business on the Friday following your receipt of an *Approval Notice* from SBA. The latest you will be able to receive funds will be on the 44th day following your receipt of the *Approval Notice*. If you do not request a takedown of funds under an approved Draw Request before the *Approval Notice* expires, you may submit another Draw Request for those funds as long as SBA's commitment to guarantee those funds has not expired. There are no penalties or charges due SBA if you fail to take down funds approved under an *Approval Notice*.

Some important points to keep in mind when applying for a draw approval:

- **Under each Draw Request you may request multiple takedowns. However, there is a limit of five takedowns per Draw Request**, due to limited SBA staff resources.
- You must submit one original SBA Form 2250 RBIC Debenture for each expected takedown of debentures.
- SBA will send you one *Approval Notice* for each approved takedown. SBA permits only one takedown per *Approval Notice*.
- The amount taken down under an *Approval Notice* can be less than, but not greater than, the stated approved "Maximum Face Amount of RBIC Debenture." In all cases, the amount taken down must be an increment of \$5,000, and must be at least \$100,000.
- There is no sequence in which you must use the *Approval Notices*. Rather, you should use them in the order that best fits your needs.

DOCUMENTS TO BE SUBMITTED

You must submit the following documents in order for SBA to consider funding your Draw Request.

(1) Leverage Security Instrument (RBIC Debenture) and Supporting Information

(a) RBIC Debenture.

You must submit an original RBIC Debenture (SBA Form 2250 A or B) for each takedown you expect to make under your Draw Request. Follow these instructions:

- Download the appropriate RBIC Debenture form (SBA Form 2250 A, RBIC Amortizing Debenture or SBA Form 2250 B, RBIC Discounted Debenture) from the Investment Division's web page at <http://www.sba.gov/INV/RBIC>.
- Complete the signature block appropriate for your type of business entity. Delete all signature blocks that do not apply to your type of business entity. When completed, the RBIC Debenture should be a four-page document.
- Forward to SBA one signed original RBIC Debenture for each takedown you expect to make under your Draw Request.
- DO NOT complete any other portions of the debenture.

(b) Amount and type of Debenture requested.

You also must submit a separate, one-page document entitled "AMOUNT AND TYPE OF DEBENTURE FUNDING REQUESTED." On that document, list the amount of each debenture that you wish to take down with this Draw Request and the type of debenture (discounted or standard) for each. Please note that there is a limit of five takedowns per Draw Request.

After SBA's review and approval of your request and after the debenture is purchased, you will receive a copy of each completed debenture.

We strongly recommend that you use the "RBIC Debenture Calculator" to help you decide the face amount of RBIC Debenture(s) you should request. The RBIC Debenture Calculator is a computer program that calculates the net proceeds that different face amount of RBIC Debentures would generate based on then-current interest rates.

You can access the RBIC Debenture Calculator through the RBIC program's web page at <http://www.sba.gov/INV/RBIC>.

(2) Annual Financial Report and Statement of No Material Adverse Change

(a) Statement of no material adverse change.

You must submit a statement certifying that there has been no material adverse change in your financial position since the last Annual Financial Report (SBA Form 468) that you filed with SBA.

(b) Financial reports.

In accordance with 7 C.F.R. §4290.1220, if you submit a Draw Request more than 90 days since your submission of an annual SBA Form 468 or an SBA Form 468 (Short Form), you must give SBA a financial statement on SBA Form 468 (Short Form). If you submit a Draw Request more than 30 days following the close of your fiscal year and have not yet filed your annual SBA Form 468 (Long Form), you must submit a preliminary, un-audited financial statement on SBA Form 468 (Short Form).

(3) Statement of Compliance

You must submit a statement in the following form:

"Except as SBA has informed us, and except as stated below, to the best of our knowledge and belief we are in compliance with all provisions of Subtitle H of the Consolidated Farm and Rural Development Act, as amended, USDA Regulations, and our Participation Agreement:

[Insert "None," or give an explanation of how and why you are not in compliance]."

An officer, or an individual who is authorized to act as or for a general partner or member-manager must execute such statement (see 7 C.F.R. §4290.1230(d)(3) for further information).

NOTE: SBA is required by statute to provide annual economic data to USDA, which must in turn report to Congress to support the RBIC program. The Economic Data For Portfolio Concerns (EDFPC) schedule found on Page 22 of the Annual Financial Report (SBA Form 468) and Schedule 9 of that same form, are one of the principal means that SBA uses to collect such economic data. Please be advised that SBA will not consider you to be in regulatory compliance if you have not completed and electronically filed such information no later than five months after your fiscal year end. Lack of regulatory compliance will adversely affect your eligibility for further Draw Requests.

(4) Statement of Need

You must submit a statement that you need the proceeds from the Draw Request either to provide liquidity for your operations, or to fund one or more Enterprises.

If you need the proceeds to fund investments in Enterprises, for each Enterprise in which you propose to invest provide the following information (to the extent known):

- the Enterprise name and address
- the amount of your proposed financing,
- the type of financing (Loans, Debt Securities, Equity Securities, or Subordinated Debt with Equity Features as defined in 7 C.F.R. §4290.50), and
- the scheduled closing date.

You also must indicate, for each proposed financing, into which basket of required categories of financings the proposed financing will fall.

If you need the proceeds for your liquidity, indicate the current balance of funds available to you, including checking account balances and idle funds you maintain.

SBA understands that you cannot predict with certainty which specific financings will close in within the next six weeks (i.e., the 45-day period within which you may take down funds under an *Approval Notice*). Therefore, the aggregate amount shown on your Statement of Need may exceed the amount you are requesting under your Draw Request.

Please note that within 30 calendar days after the actual closing date of each financing, you must submit to SBA a Portfolio Financing Report (SBA Form 1031) confirming the closing of the transaction with the proceeds of the draw. In addition, for each financing that does not close within 60 days after the anticipated closing date, you must give SBA a written explanation of the failure to close. Failure to comply with these reporting requirements after drawing funds will result in you not being eligible for additional draws and also may result in SBA considering you to not be in regulatory compliance.

(5) Opinion of Counsel for RBIC Debenture

You must submit an Opinion of Counsel for RBIC Debenture (SBA Form 2250 A or B) with each Draw Request. SBA has prepared a model form of opinion of counsel and a copy of the model form can be obtained from the Investment Division's web page, www.sba.gov/INV/RBIC. Please note that the prior written approval of SBA's Office of General Counsel is required for any opinion that either contains language that is not in the model form or fails to contain all of the language in the model form (a "nonconforming legal opinion"). No prior approval from SBA is required for a legal opinion that strictly conforms to SBA's model opinion.

In order to avoid possible delays in the approval of your Draw Request because of a nonconforming legal opinion, SBA suggests that you check with your legal counsel to determine whether your counsel's legal opinion will strictly conform to SBA's model opinion. If your counsel plans to submit a nonconforming legal opinion, please direct your counsel to submit a form of the opinion to SBA at least business seven days before your next Draw Request to give SBA sufficient time to review the form of opinion and, if necessary, discuss the form with your counsel. Please express mail those submissions to: Johnny Kitts, Funding Control Officer, Investment Division, 6th Floor, U.S. Small Business Administration, 409 3rd Street, S.W., Washington, D.C. 20416. Please indicate in a cover letter that this is a submission of a nonconforming legal opinion. The model legal opinion changes from time to time, so check the Investment Division's web page at <http://www.sba.gov/INV/RBIC> for the most recent version

(6) Amendment to RBIC Application and Updated RBIC Capital Certificate for Changes in Leverageable Capital
(Required where applicable)

You may increase your Leverageable Capital immediately prior to a Draw Request in order to be eligible for a greater amount of SBA Leverage. If you do so, you must submit an Amendment to RBIC Application (SBA Form 2246) and an updated RBIC Capital Certificate with all accompanying Tables (Exhibit M, SBA Form 2242, Part II, Exhibits) evidencing this increase in Leverageable Capital. You must submit these documents simultaneously with your Draw Request, and prior to the cutoff date for any Draw Request.

If you have any questions concerning the preparation of these documents, please call your SBA account executive.

The information collected is required in order for you to receive SBA financial assistance. SBA will keep the information confidential to the extent permitted by law. SBA is collecting this information on behalf of the U.S. Department of Agriculture (USDA) pursuant to a delegation of authority from USDA to SBA (7CFR 4290.45).

Please note: The estimated burden for completing the “Amount of Debenture Funding Requested,” “Statement of No Material Adverse Change,” “Statement of Compliance,” “Statement of Need,” “Opinion of Counsel for RBIC Debenture,” and “RBIC Capital Certificate,” referred to in these instructions, is .75 hours. (Burden statements for other SBA Forms referred to in these instructions that require such statement are found on those forms themselves.) You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3rd Street, S.W., Washington, D.C. 20416, and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. OMB Approval Number #####-####.
Please do not send forms to OMB.