



Name of Applicant	
Date of Submission	
Type of Application (check one)	Leveraged: <input type="checkbox"/> Non-leveraged: <input type="checkbox"/>

**RURAL BUSINESS INVESTMENT PROGRAM (RBIP)  
RURAL BUSINESS INVESTMENT COMPANY (RBIC) APPLICATION  
PART I, MANAGEMENT ASSESSMENT QUESTIONNAIRE  
(MAQ)**

**Form RD 4290-1**

Address	
Contact Person	
Telephone	
FAX	
Email	
Name of Person Submitting Application	

**U. S. D. A. RURAL BUSINESS-COOPERATIVE SERVICE (RBS)  
BUSINESS PROGRAMS**  
1400 Independence Ave., (STOP 3225), SW Washington, DC 20250-3225  
Tel: (202) 720-1400

RBS is collecting the information on this form for the purpose of determining whether the Applicant should be selected as a Rural Business Investment Company (RBIC). The information will be used in performing background investigations of the key personnel of the Applicant. The information collected on this form is required in order for your business to receive program assistance. The information collected on this form will be kept confidential to the extent permitted by law.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0051. The time required to complete this RBIC application (both form RD 4290, Part I, Questionnaire and Form RD 4290-2, Part II, Exhibits) is 237 hours if applying for non-leveraged status per response, including the time for reviewing instructions, searching existing data sources gathering and maintaining the data needed and completing and reviewing the collection of information.

**Instructions and Applicability**

- (1) Be sure to fill in the Name of Applicant above.
- (2) This declaration is to be signed at the time of initial submission of an application.
- (3) After submitting your application, if you add any new Principals or Control Persons to the RBIC, you must immediately submit to the United States Department of Agriculture (USDA) two signed originals of this declaration for each such new Person.
- (4) After being licensed as a RBIC, if you plan to add a new Principal or Control Person to the RBIC, you must submit to USDA, two signed originals of this declaration **prior to adding such Person** as a Principal, officer, director, or managing member.

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**DECLARATION OF PRINCIPALS AND CONTROL PERSONS**

**DECLARATION**

1. We constitute all of the Principals and Control Persons of the Applicant and we certify that all information submitted in connection with Forms RD 4290-1 and 4290-2 is true and correct to the best of the knowledge of each one of us. We also certify that we are submitting this information for the purpose of obtaining a license as a RBIC, or USDA's approval of a change in the ownership or management of a RBIC. We agree that all statements made in connection with the Forms RD 4290-1 and 4290-2 are considered material for the purpose of inducing the USDA, to license the Applicant, approve the management and ownership of the Applicant, and to disburse USDA funds in reliance on such statements.
2. If this application is approved, we will operate the RBIC in full conformity with Subtitle H of the Consolidated Farm and Rural Development Act, as amended (7 USC 2009cc, et seq. ), and USDA regulations at 7 CFR Part 4290. We understand that if a Participation Agreement is signed on the basis of this application, this application will become an agreement with the USDA within the meaning of 7 CFR 4290.507. Accordingly, nonperformance is a violation of 7 CFR 4290.507.
3. We understand that knowingly making a false statement in connection with this application is a violation of Federal law and is subject to criminal prosecution under 18 USC §§ 287, 371, 1001, and 1014, including fines of up to \$1 million and up to 30 years imprisonment; civil penalties under 31 USC § 3729; and forfeiture of rights to operate as an RBIP under 7 U.S.C § 2009cc.

4. We have not used and will not use, directly or indirectly, any funds advanced by any Small Business Investment Company (SBIC), any New Markets Venture Capital Company (NMVCC) or any RBIC to any individual or entity, or any funds available as a result of funds advanced by an SBIC, NMVCC, or RBIC to an individual or entity, to purchase any securities of the RBIC or to repay any obligation incurred in connection with the purchase of any securities of the RBIC.

Name of Applicant	
<b>By</b> (entity authorized to sign on behalf of Applicant, e.g., general partner)	
<b>By</b> (signature of Person authorized to sign)	
<b>Title</b>	<b>Date</b>

**INDIVIDUAL EXECUTION BY EACH PRINCIPAL AND EACH CONTROL PERSON**

Signature	
Printed Name	
Title	Date

Signature	
Printed Name	
Title	Date

Signature	
Printed Name	
Title	Date

Signature	
Printed Name	
Title	Date

**GENERAL INSTRUCTIONS**

## INTRODUCTION

The entire RBIC application can be downloaded in Word format from USDA's Rural Development web site at [http://www.rurdev.usda.gov/BCP\\_RBIP.html](http://www.rurdev.usda.gov/BCP_RBIP.html)

The RBIC application is divided into two parts:

- Form RD 4290-1, Part I, MAQ.doc
- Form RD 4290-2, Part II, Exhibits.doc

Completion of the entire RBIC application fulfills the requirement in 7 CFR 4290.310(c) to submit a "comprehensive business plan." Simply attaching a business plan, but not completing the RBIC application itself, does not comply with the regulatory requirement.

If this application is for "Non-leveraged" status, the following sections Form RD 4290-1 do not apply to you:

- In Section 2: Question 224
- Section 3 in its entirety.

## GETTING READY

Prior to answering any question in this application, you will need to read and become familiar with:

- All of the RBIP regulations found in 7 CFR Part 4290. This information can be downloaded from USDA's Rural Development web site at [http://www.rurdev.usda.gov/BCP\\_RBIP.html](http://www.rurdev.usda.gov/BCP_RBIP.html).
- The Notice and information referenced within the Notice, which can be downloaded from USDA's Rural Development web site at [http://www.rurdev.usda.gov/BCP\\_RBIP.html](http://www.rurdev.usda.gov/BCP_RBIP.html).
- The definitions of Rural Business Concern, Enterprise, Smaller Enterprise, and Small Business Concern found in 7 CFR 4290.50.

## IMPORTANT INFORMATION

1. Note that you are required to submit **two original sets** of your application. Keep this in mind when preparing documents for signatures and/or obtaining fingerprint cards.
2. Some of the questions within the application refer to specific sections of the regulations. You should read and become familiar with those sections before answering those questions. In addition, some of the terms used within the application, such as Associate of a RBIC or Developmental Venture Capital, have specific RBIP definitions that can be found in 7 CFR 4290.50 of the regulations. [reference to this circular was deleted above; should it be deleted here too? Yes and I have removed it.]
3. Additionally, the following terms are used within the application and have specific meanings in the context of the application:
  - You – refers to the Applicant RBIC, not any individual manager or Principal, unless specified otherwise elsewhere in the application.

- RBIC – refers to the Applicant’s proposed RBIC, if the Applicant has not been formed, or the actual company seeking a license as a RBIC, if the company has been formed, and in some cases the RBIC as licensed under 7 CFR 4290.390.
  - Principal – refers to anyone who engages in the management of the relevant entity. This customarily includes officers and directors of a corporation, general partners of a partnership, and managers of a limited liability company. Whether one qualifies as a Principal is based upon authority, responsibility, and actions. Title is not determinative.
4. It is not length of the response that counts; rather it is the *internal integrity, consistency, coherence, and clarity* of the content as it relates to the RBIC’s strategy and the individual’s experience, whether or not the individual has previously managed a venture fund as a Principal, as part of a team or not at all.
  5. If you are licensed as a leveraged RBIC, you may receive a multi-year commitment of financial assistance in the form of an Operational Assistance (OA) Grant and Leverage. However, in order to continue to receive OA, your RBIC must remain in regulatory compliance and adhere to the general investment and OA plans set forth in your application. Keep this in mind when answering the questions in the application.
  6. Answer all Questions and provide all Exhibits unless the instructions specifically advise you that you may submit information at a later date. Failure to provide all requested information may result in USDA not accepting your application for consideration.

### **FILLING OUT THE APPLICATION QUESTIONNAIRE**

1. Substitute the RBIC’s name for [Name of Applicant] in the header.
2. Substitute the actual MM/DD/YY for [Date of Submission] in the header.
3. Insert your answer following each question with a blank line both before and after the answer.
4. If “not applicable”, write “N/A.”
5. If the information requested may be found in an Exhibit, enter “See Exhibit [*insert exhibit letter*].”
6. Ensure that narrative responses are in Times New Roman or Times Roman, size 12 font.
7. Expand tables and information boxes as necessary to include all information requested.
8. Delete instruction pages 4-8 of the MAQ before submitting the application.
9. Ensure that tables and information boxes do not break across pages, unless unavoidable due to size.
10. Ensure that each of the five MAQ sections begins at the top of a new page.

If you wish to provide supplemental information for a particular question, you may attach in Exhibit L, but be sure to identify the question being addressed.

## **DEFINITIONS AND ACRONYMS**

### Definitions

Terms with initial capitals are defined either in 7 CFR 4290.50 or in this document.

### Acronyms

IRR – Internal Rate of Return  
MAQ – Management Assessment Questionnaire  
NMVCC – New Markets Venture Capital Company  
OA – Operational Assistance  
RBIC – Rural Business Investment Company  
RBIP – Rural Business Investment Program  
SBIC – Small Business Investment Company  
USDA – United States Department of Agriculture

## **PREPARING THE SUBMISSION**

1. Submit Form RD 4290-1 (MAQ) and Form RD 4290-2 (the Exhibits) in Microsoft Word format, except Exhibit F-1 (Relevant Investment Experience) and Exhibit N (Model Forecast), which must be submitted in Microsoft Excel format or CD Rom, and Exhibit P, which is required in electronic form only. The electronic versions of these documents must be identical to the hard copies you also submit.
2. **Submit two (2) complete, original hard copy sets** of the MAQ and Exhibits (excluding Exhibit P, which is required in electronic form only). Place each of the two original sets in a large 3-ring binder. Label the binders with the RBIC's name.
3. **Submit one (1) complete and unbound hard copy** of the MAQ and Exhibits suitable for photocopying (i.e., no hole punches, staples, paper clips, tabs or binders).
4. Ensure that the Declaration of Applicant (on pages 3-4 of the application) is signed by:
  - The individual general partners or Control Persons, or all officers, managers, general partners, or Control Persons of the Entity General Partner, of a limited Partnership RBIC; or
  - All officers of a Corporate RBIC; or
  - All individual managing members Control Persons, or all officers, managers, general partners, or Control Persons of the Entity Managing Member, of a limited liability company RBIC.
5. Ensure that all required signatures appear on all Exhibits requiring a signature.
6. If applying for leveraged status, you must submit with your application with a grant and guarantee issuance fee of \$500, in accordance with 7 CFR 4290.330, unless otherwise specified by USDA.

7. If applying for non-leveraged status, you must submit with your application a licensing fee of \$500 unless otherwise specified in the most recent and applicable Federal Register notice for this program.

**YOUR FINAL TASKS**

Carefully re-read these instructions as you review your entire application to ensure that you have followed each instruction before you submit anything. Don't rely upon any advisor to do this for you. As you proceed and are satisfied that you have followed each instruction completely, check it off. Then delete these instructions.

## QUESTIONNAIRE

### SECTION 1. GENERAL INFORMATION

*Answer all questions in this Section 1 in their entirety when initially submitting this application. Limit your narrative responses to each question or sub-question to 8 lines, 12 pt. Times Roman, using the pre-set margins. Please do not exceed the designated size limits unless otherwise instructed.*

<b>101. Full Legal Name of RBIC</b>	
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102. Addresses	
Address of Main Office	Address(es) of Branch Office(s)
URL (Uniform Record Locator)	

103. RBIC total resources (see 7 CFR 4290.310(b) and 4290.390(a)(1)).

	Capital
Amount of Debenture Leverage requested from USDA (See Note 1)	\$
Amount of Regulatory Capital you are committing to raise	\$
<b>Total</b>	<b>\$</b>

NOTE 1: If applying for non-leveraged status, enter "N/A" in the Amount of Debenture Leverage line.

104. List each Principal for your RBIC and their corresponding title and function in the RBIC, summarizing key roles with emphasis on differences in duties.

Name of Principal	Title and Function

105. For each individual listed in Question 104 above, provide the following:

Full Name		Nickname (if any)	
Business Tel. No.		Mobile Tel. No.	
Business Fax. No.			
Business Email		Personal Email	
Business Address		Home Address	
RBIC Office Where Person Will be Located			



Full Name		Nickname (if any)	
Business Tel. No.		Mobile Tel. No.	
Business Fax. No.			
Business Email		Personal Email	
Business Address		Home Address	
RBIC Office Where Person Will be Located			

Full Name		Nickname (if any)	
Business Tel. No.		Mobile Tel. No.	
Business Fax. No.			
Business Email		Personal Email	
Business Address		Home Address	
RBIC Office Where Person Will be Located			

Full Name		Nickname (if any)	
Business Tel. No.		Mobile Tel. No.	
Business Fax. No.			
Business Email		Personal Email	
Business Address		Home Address	
RBIC Office Where Person Will be Located			

106. If all listed above are to be Principals who will be active fund managers every day, but are not currently in the same geographic area, please discuss the arrangements to be made regarding the geographic locations of the Principals after licensing.

107. Regulatory Capital (see 7 CFR 4290.230).

107.1 Current Status of Fundraising

Table 107.1	
Type of Investor	Commitments
Principals	\$
Entity Institutional Investors	\$
Individual Institutional Investors	\$
Others	\$
<b>Total</b>	\$

107.2 Anticipated sources of Regulatory Capital

Actual Name and/or Fund Sources of Capital (e.g., banks, foundations, pension funds, individuals, etc.)	Amount Requested	Amount Committed	Estimated Date of Commitment
	\$	\$	
	\$	\$	
	\$	\$	
	\$	\$	
	\$	\$	
	\$	\$	

108. What is your anticipated closing date for your Equity Capital commitments?

109. Describe how you intend to achieve Management and Ownership Diversity (see 7 CFR 4290.150). Specific questions you must answer include (a) how many total investors do you contemplate, and (b) what percentage do you anticipate would be held by investors who are not Principals or not Affiliates or Associates of Principals.

110. Structure and relationships. If you have not legally organized your RBIC, respond to this Question 110. If you have, complete Section 5 of this MAQ instead.

110.1 Describe the proposed organizational structure of the RBIC and all individuals and entities that are Associates or Affiliates of the RBIC. Your description of the organizational structure should include the items listed in this Question 110. In Exhibit K, include organization charts that comply with the instructions in Exhibit K.

110.2 Describe the proposed legal structure.

110.3 Describe the proposed ownership structure of the RBIC and all related entities shown in the organization chart in Exhibit K, including percentage of ownership by each of the Principals and Control Persons. (In this section, do not list any shareholders whose investments are proposed to be solely financial, and who are not proposed to be controlling shareholders.)

110.4 Describe all existing or anticipated contractual relationships between the Persons described in the organization structure. (You may omit non-material items which arise in the ordinary course of business for an entity, e.g., normal commercial banking relationships.)

110.5 Describe any existing or proposed Associate or Affiliate relationship between any officer, director, general partner, or manager, or 10% owner of the RBIC and any other RBIC, SBIC, or NMVCC.

110.6 Describe any potential conflicts of interest and the controls you will put in place to protect the interests of the USDA and the RBIC's investors (see 7 CFR 4290.730).

111. Associates of the RBIC.

111.1 Will the RBIC be associated with another entity?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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If "yes", answer the following questions.

111.2 Contact information:

Name of Entity	<input type="text"/>	Address	<input type="text"/>
Key Contact	<input type="text"/>	Direct Phone	<input type="text"/>
Email Address	<input type="text"/>	Fax	<input type="text"/>

111.3 What is the business of the associated entity?

111.4 Is this entity involved in economic and/or community development?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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111.5 If "yes," describe its activities. Also provide the most recent audited financial statement and annual report for this entity in Exhibit L.

111.6 What is the source of capital of the associated entity? Provide percentages by class of sources (e.g., banks, foundations, pension funds, individuals, etc.).

111.7 Will this entity be providing Regulatory Capital to the RBIC?

Yes	<input type="checkbox"/>	Amount	\$ <input type="text"/>	No	<input type="checkbox"/>
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111.8 Describe, in detail, any proposed working relationship between the RBIC and this associated entity (e.g., OA services provided, personnel provided, charges for such personnel, overhead absorption, etc.)

112. Counsel and consultants.

112.1 If you are not currently employing someone in one of the four categories listed in the tables below, or have not yet made a selection, enter "N/A" or "Not yet selected" or other appropriate comment in the "Name" box. In addition to the contact information, directly below the applicable table, if a Person/group/entity has made any contributions (either non-financial or financial) entitling the entity to any type of equity or economic participation in the RBIC, very briefly describe the nature of such contribution. If more than one entity is used in any category, please duplicate the appropriate table.

Law Firm			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

Accounting Firm			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

112.2 Other than those listed directly above, include all other Persons or entities that will be compensated for assisting you in any manner to obtain an RBIC license, to obtain deal flow, or to obtain investment capital.

Consultant			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

Placement Agent			
Firm Name		Key Contact	
Address		Direct Ph. No.	
		Fax Number	
		Email Address	

112.3 Briefly describe the duties called for by any placement agreements. State who will be responsible for payment of placement agent compensation, the basis for compensation, and how and when such compensation will be paid.

113. For any of the parties listed in Question 112, describe the nature of any “affiliations” or “associations” between such parties and the RBIC or its Principals. (See 13 CFR 121.103 for a discussion of *Affiliation* and see 7 CFR § 4290.50 for the definitions of *Associate and Affiliate*.)

114. Summarize the projected and/or incurred organizational expenses and Management Expenses (see 7 CFR 4290.520) you propose to incur up to your anticipated closing date for equity commitments.

Licensing Expenses			
Source	Amount Paid	Amount Accrued	Total Projected
Legal	\$	\$	\$
Accounting	\$	\$	\$
Consulting	\$	\$	\$
Placement	\$	\$	\$
Organizational	\$	\$	\$
Management Expenses	\$	\$	\$
Other	\$	\$	\$
<b>Totals</b>	\$	\$	\$

<b>Grand Total</b>	\$
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115. Are you proposing to be a regulated public entity (for example, a company registered under the Investment Company Act of 1940 or the Small Business Investment Incentive Act of 1980), either at the time of initial application submission or at some foreseeable time in the future? If so, please complete Exhibit V.

Yes	
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No	
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116. Experience working together.

For Persons listed in Question 105, fill in Table 116.1 as shown in the example (delete the example before submitting the application). Fill in Tables 116.2 and 116.3 similarly, and add lines and expand boxes as needed.

If multiple funds were involved, name all relevant funds in the upper left hand cell. If more than five Principals, add columns and rows as necessary and turn top row of names so they are facing right, if desired.

<b>Table 116.1 – Experience Together in a Private Equity Fund</b> (Insert Overlapping Dates)					
<i>Abracadabra Fund</i>	King Arthur	Merlin	Sir Lancelot	Sir Gawain	Sir Galahad
King Arthur	X	12/570 - 04/573	2/571 – 4/576		
Merlin	X	X	5/571 – 3/573		
Sir Lancelot	X	X	X		
Sir Gawain	X	X	X	X	
Sir Galahad	X	X	X	X	X

<b>Table 116.2 – Experience Together in Other Types of Companies</b>			
<b>Company Name &amp; Business of Entity</b>	<b>Persons</b>	<b>Persons</b>	<b>Overlapping Dates</b>

116.3 At the entities described in Table 116.2, describe the nature of the working relationships.

Table 116.3 Other Experience Working Together			
Nature of Interaction	Person	Person	Overlapping Dates

116.4 For the entities described in Table 116.3, describe the nature of the working relationships.

117. State the percentage of time that each of the Principals will devote to the RBIC (a) 90 days after licensing, (b) 18 months after licensing, and (c) during the fourth year after licensing and thereafter.

Percentage of Time Devoted to RBIC			
Principal	90 Days	18 Months	Subsequent Years
	%	%	%
	%	%	%
	%	%	%
	%	%	%

118. Carried Interest.

In the table below, list every Person or entity which has a carried interest in the profits of the RBIC (parent if a “drop-down” fund (i.e., a subsidiary of another fund)), general partner, managing member or management entity and the amount of such Person or entity’s carried interest. For Persons or entities other than Principals, identify the nature of the party. If you plan to set aside part of the carried interest for Associates of the RBIC or other employees, under the “Others” category, you may list this as a category rather than by name, if you desire.

Carried Interest		Total Points in Carry	
Managing Principals	Points	Others	Points
Totals			

**SECTION 2. INVESTING**

Answer all questions in this Section 2 in their entirety when initially submitting this application. Limit your narrative response to each question or sub-question to 8 lines, 12 pt. Times Roman, using the pre-set margins. Please do not exceed the designated size limits unless otherwise instructed.

**INVESTING CRITERIA**

- 201. Please provide a summary of the RBIC’s focus, why you have this focus, and what you bring to investing in small businesses. (This is your “elevator speech”.)
- 202. Approximately, what percentage mix do you anticipate between being a sole investor, a lead investor, or a co-investor?

<b>Sole Investor</b>	%	<b>Lead Investor</b>	%	<b>Co-Investor</b>	%
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203. Investment Strategy.

203.1 Provide the projected dollar Distribution of your investments at the time when you would have completed the investing cycle for the RBIC. This is not a specific scenario that you will be expected to be held to, but reflects your goals at the current time.

Table 203.1 – Projected Dollar Weighted Investment Scenario								
Technology	Life Sciences	Healthcare	Manufacturing	Distribution	Service	Consumer Products & Retail	Other	Total
%	%	%	%	%	%	%	%	100%

(Take up to a page for the combined answers to the following four questions.)

203.2 Is the investment strategy of the RBIC primarily thematic (industry-oriented) or primarily opportunistic (targets of opportunity), or some mixed approach? Discuss the rationale for the approach you have chosen.

203.3 If you have industry preferences, state what they are and why you have these preferences.

203.4 Provide the industry sectors, if any, in which you most likely would not invest.

203.5 Discuss any unique elements of your investment strategy that could help to reduce risk.

204. Life Cycle.<sup>1</sup>

204.1 In the table below, give the anticipated Distribution of investment dollars by life cycle stage of Portfolio Concern investments<sup>2</sup>. (Note that, for Table 204.1, in the case of seed and early stage investing, follow-on investments would still be classified as “seed” or “early stage”.)

Table 204.1 Prospective Distribution of Investment Dollars by Percentages in Life Cycle of Companies					
Seed	Early-Stage	Expansion	Later Stage	Change of Control	Turn-around
%	%	%	%	%	%

204.2 Give a range, by revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization) of the sizes of businesses you are most likely to consider Financing.

## 205. Market analysis of targeted Rural Areas.

205.1 Discuss the extent of demand for Developmental Venture Capital in your targeted Rural Areas and how you plan to meet this demand. If possible, quantify the size of the demand for such capital, and provide the basis for such estimates (e.g. customer inquiries, results of a survey, etc.)

205.2 Discuss any factors or trends that may affect your ability to make effective Developmental Venture Capital investments in your targeted Rural Areas.

205.3 List and describe other providers of Equity Capital in your targeted Rural Areas. Discuss the extent to which your proposed investment area and strategy compete with those of such existing providers.

205.4 Describe the leading business activities, if any, that are characteristic of your targeted Rural Areas.

205.5 Provide any other market information and analysis that demonstrates your understanding of the market and unmet Equity Capital needs in your targeted Rural Areas and how your activities will have a positive economic impact on those Rural Areas.

## 207. Identification of Rural Areas.

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<sup>1</sup> These are the definitions of the different lifecycle stages. **Seed Stage.** The initial stage. The company has a concept or product under development, but is probably not fully operational. Usually in existence less than 18 months. **Early Stage.** The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Usually in business less than three years. **Expansion Stage.** Product or service is in production and commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. Usually in business more than three years. **Later Stage.** Product or service is widely available. Company is generating on-going revenue; probably positive cash flow. If not profitable, usually likely to be within 12 months. **Change of Control.** Leverage buy-outs or management buy-outs such as spin-outs of operating divisions of public companies and ownership succession of private companies. **Turnaround.** Investment is made into a company that is failing, with the goal of making major operational and structural financial changes and achieving profitability. May include working with companies that are in bankruptcy or pre-bankruptcy.

<sup>2</sup> For the basis of these percentages, assume 200% leverage.



207.1 Describe the Rural Areas in which you intend to target your investment and OA activities.

207.2 Provide in Exhibit W a visual representation of the Rural Areas in which you intend to target your activities and a breakdown of the specific criteria under which each of these areas qualify.

208. For your target Rural Areas, what are the most salient risk factors *specific to your investing strategy*, especially regarding the types of companies in which you plan to invest? (For example, you may want to discuss any particular risks in your exit strategies or from having geographic concentration, but please do not discuss the universal risks of private equity investing such as “management” or “the economy”.)

209. Rate of Return

209.1 For leveraged status Applicants, taking into account the benefit of Leverage, if any, what is the internal rate of return (IRR) range your potential investors expect?

IRR Range Before Carry		After Carry		Not Identifying A Range	
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209.2 For non-leveraged status Applicants, what is the IRR range that you have communicated to potential investors?

IRR Range		Not Identifying A Range	
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210. From the standpoint of your investing and OA strategies, discuss from where you anticipate the increases in the value of your Portfolio will derive. In some way, try to assign the relative importance attributable to each factor, e.g., growth in sales, greater efficiencies, gross margin improvements, improved capitalization, price to earnings multiple expansion, or product commercialization, etc. (You may quantify the relative importance of each factor, but this is not necessary. Take up to ½ page for this response.)

## FINANCINGS AND EXITS

211. Discuss the anticipated holding periods for your investments.
212. Pricing a deal.
- 212.1 When you are pricing a deal, what is your targeted IRR? If you have different targets for different types of Financings, so indicate.
- 212.2 Discuss how you price a deal where the company has earnings. Use an example if it would clarify your methodology. (Take up to ½ page.)
- 212.3 Discuss how you price a deal without positive earnings. Use an example if it helps to clarify your methodology<sup>3</sup>. (Take up to ½ page.)
- 212.4 Do you contemplate doing milestone Financings? If “yes”, under what circumstances? Also, briefly state the key types of criteria you would establish for milestones.
- 212.5 Assuming that you are not doing a milestone Financing, when you do your typical first Financing for a company, do you generally plan on doing subsequent rounds, or would that be an exception? If you usually plan on subsequent rounds, is there some typical percentage that you contemplate relative to the first round, or is there some absolute dollar amount that you generally reserve? (If you plan on doing *exclusively* seed or early stage Financings, enter “See 218”, and respond to that question instead.)
213. Describe how you typically structure a Financing. Include a description of the types/characteristics of securities you will utilize to make investments. If you intend to make Loans, discuss the types of Loans that would you make and the interest rate ranges that you propose to use, based on today’s interest rate climate. If you get an equity “kicker” or expect to utilize royalties, describe the nature and magnitude of the most typical kicker, and/or the magnitude of the royalties, citing typical percentages, the basis for calculating them, and typical terms. Take up to 16 lines for this response, and in Exhibit P, include one or two representative term sheets.)
214. Anticipated Allocation of Types of Financings
- For leveraged status Applicants, fill in Table 214 based on the full 200% Leverage. For non-leveraged status Applicants, fill in Table 214 based on the allocation of funds as reflected in your business model.

<b>Table 214 – Anticipated Allocation of Types of Financings by Percentage</b>	
<b>Equity Securities — 7 CFR 4290.800</b>	%
<b>Debt Securities — 7 CFR 4290.815</b>	%
<b>Loans — 7 CFR 4290.810</b>	%

<sup>3</sup> If you don’t plan to finance companies that do not have positive earnings, enter “N/A”.

215. Based on your projected fund level (including the full 200% of USDA Leverage, if applicable),

215.1 State the ultimate number of Portfolio Concerns (not Financings) anticipated, and, picking the midpoint of various ranges of company investment sizes, how would you expect to have your investments distributed by *total* amount per company? Give a table with the smallest first and the largest last (See 7 CFR 4290.740).

Table 215.1 Projected Distribution of Sizes of Company Financings					
\$ Size Range <sup>4</sup>	\$ - \$	\$ - \$	\$ - \$	\$ - \$	\$ - \$
# Companies					
Total \$ Amount	\$	\$	\$	\$	\$

215.2 Over the first five years after being licensed, indicate the number of Financings (including follow-on investments) that you expect to make and OA resources you expect to expend, by year, and the aggregate dollar amounts.<sup>5</sup>

Table 215.2 Projected Distribution of Financings						
Year	1	2	3	4	5	Totals
# Financings <sup>6</sup>						
\$ Invested	\$	\$	\$	\$	\$	\$
\$ OA Provided	\$	\$	\$	\$	\$	\$

216. Based on the length of time for being “fully invested”, at the end of that period, are you planning to hold part of the RBIC’s combined capital in reserve for follow-on investments, for management fees, or for other contingencies? If “yes”, provide the relevant data below.

Table 216 – Reserves	Yes	No			
Private Capital Base <sup>7</sup>	\$	Private Capital \$	\$	Leverage \$	\$
% of Total Fund in Reserve	%	Private Capital <sup>8</sup> %	%	Leverage % <sup>9</sup>	%

217. Seed and early-stage investing.

217.1 Based on Table 203, if you do *not* intend to do seed or early stage investing, check this box and leave the balance of this Question 217 blank.

**Not Applicable** →

<sup>4</sup> Use “K” for thousands and “M” for millions.

<sup>5</sup> In filling out this table, please note that administratively only one-half tier of Leverage will be advanced until the first examination has been held, which will be sometime within the first 12 months after being licensed. Therefore, you should factor this constraint into your forecast.

<sup>6</sup> Number of financings, not number of companies financed.

<sup>7</sup> Use amount of Regulatory Capital stated in question 103.

<sup>8</sup> As a % of total Private Capital.

<sup>9</sup> As a % of total Leverage.

217.2 In the table below, show the most *typical* progression of each Financing round, indicating total size and your share of each round.

<b>Table 217.2 Progression of Investing by Financing Round</b>					
<b>Round Number</b>	<b>Seed Round</b>	<b>A Round</b>	<b>B Round</b>	<b>C&amp;D Rounds</b>	<b>Total</b>
<b>Round Size</b>	\$	\$	\$	\$	\$
<b>Your %</b>	%	%	%	%	%
<b>Your \$</b>	\$	\$	\$	\$	\$

217.3 In funding early-stage investments through one or more rounds, do you primarily expect to fund to the point at which a Portfolio Concern achieves positive cash flow from operations, or do you expect to primarily fund to an exit, whether a merger or an initial public offering? If you are not planning on funding to a cash flow positive stage, coherently explain why you think that you could achieve profitable exits and your strategy is not excessively risky. (Take up to ½ page for this answer.)

217.4 What is your plan for investing in a round where angel investors predominate?

217.5 In a syndication, do you have any biases either towards participating predominantly with very large venture funds or with smaller to medium-sized funds? Explain your views.

217.6 Explain how you plan to deal with the venture industry practice where, in later Financing rounds, other venture capitalists dilute earlier stage investors. (Take up to ½ page for this answer.)

218. Forecasted exits from investments based on total collected cash and the value of marketable securities.<sup>10</sup>

<b>Table 218. Distribution of Exit Mechanisms Projected</b>					
<b>Sales/ Mergers</b>	<b>Initial Public Offerings</b>	<b>Recaps &amp; Management Buyouts</b>	<b>Distress Exits</b>	<b>Loan Payback</b>	<b>Total</b>
%	%	%	%	%	100%

218.1 Discuss why you think that the chosen exit strategies are appropriate for your investment strategies. (If relevant, discuss how they may differ from those utilized for prior funds.)

**REGULATORY & POLICY ISSUES OF INVESTING**

219. Discuss how you will administer and operate within the “overline” limitations found in 7 CFR 4290.740, which limits your maximum investments in any single company (or a group of related companies) to 10% of the sum of your Regulatory Capital and Leverage.

220. [Reserved]

<sup>10</sup> If you include “Loan Payback” in your answer, the percentages can add up to over 100%.

221. Discuss why you believe that you can comfortably operate within the redemption provisions as found in 7 CFR 4290.850.

**Meeting the RBIC Objectives**

222. Impact of your investment and OA activities.

When answering this Question 222, keep in mind that USDA will use the information in your answers both to consider whether to select you, and to assess your performance, as a RBIC if you receive a license. You may take up to one-half of a page to answer each sub-part of this Question 222.

222.1 Specific benefits to be created. Describe the specific economic development benefits that you expect your investment and OA activities will create within your targeted Rural Areas. (For example, you might describe how you expect your activities to create new living-wage jobs in Rural Areas.)

222.2 Identification of specific performance goals. Identify several specific objectives towards which you will direct your investment and OA activities (performance goals), in order to create the benefits you described in Question 222.1 above. (For example, one of your performance goals might be “living-wage job creation in Rural Areas.”) Discuss why your RBIC’s strategy, structure, business plan, or other characteristics make the goals you have identified particularly well suited to your RBIC.

222.3 How performance results will be measured. Describe the criteria, values, or characteristics you will use to measure the results you achieve as you work toward each of your performance goals. (For example, you might use the values of “aggregate number of living-wage jobs created per year by Portfolio Concerns located in Rural Areas,” and “annual/hourly salary of at least X dollars in order for the job to qualify as a living-wage job,” to measure progress toward a performance goal of “living-wage jobs creation in Rural Areas.”)

222.4 Basis for tabulating performance results. Describe the specific units or measures (expressed either quantitatively or qualitatively) that you will use to tabulate your activities toward accomplishment of each of your performance goals. Also, identify the amounts of those measures that you will consider to constitute the successful accomplishment of each of your performance goals. (For example, you might use the measure of “10 living-wage jobs per year” to indicate what you consider as acceptable progress toward a performance goal of “living-wage job creation in Rural Areas.”) Discuss how you will acquire the data necessary to substantiate your results. (For example, you might annually survey your Portfolio Concerns located in Rural Areas requesting information about the number of new jobs that they have created and whether those jobs pay at least the wage you have specified as a living wage. Your methodology also might provide that only living-wage jobs that remain in existence for more than one year will be counted.)

222.5 Performance Goals table. Select at least two and no more than four of your most significant performance goals (using the performance goals identified in Question 222.2 above), against which you want your performance as a RBIC to be assessed in accomplishing the objectives of the RBIC program. Complete the table below for each such performance goal, providing units or measures (as discussed in Question 222.4 above) for the first 5 years of operation as a RBIC.

The information concerning "Total Market" is sought in order to provide context for each performance goal you set forth as it relates to your anticipated overall performance as a RBIC. However, USDA will assess your performance toward accomplishment of RBIC objectives using the indicators and measures set forth in the "Target Market" column.

Performance Goal			Performance Goal		
[Name of Performance Goal 1]			[Name of Performance Goal 2]		
Years	Total Market (all investments/ Assistance)	Target Market (Rural Areas)	Years	Total Market (all investments/ Assistance)	Target Market (Rural Areas)
1			1		
2			2		
3			3		
4			4		
5			5		

Performance Goal			Performance Goal		
[Name of Performance Goal 3]			[Name of Performance Goal 4]		
Years	Total Market (all investments/ Assistance)	Target Market (Rural Areas)	Years	Total Market (all investments/ Assistance)	Target Market (Rural Areas)
1			1		
2			2		
3			3		
4			4		
5			5		

223. Working with Rural Area community-based organizations.

223.1 Describe how you intend to work with community-based organizations and local entities (including local economic development companies, local lenders, and local investors) in your targeted Rural Areas to solicit deals and to provide capital and OA.

223.2 Name some of the organizations with which you expect to work, including contact names, addresses and phone numbers. Very briefly, describe the types of organizations they are, the geographic areas they serve, and their purpose.

224. For leveraged status Applicants only, how will the OA resources that you will have available to assist Smaller Enterprises affect the economic success of the RBIC?

225. State the ratio of investing you anticipate in Smaller Enterprises (including Small Business Concerns) versus other Enterprises (See 7 CFR 4290.700).

Smaller Enterprises/ Small Business Concerns	%	Other Enterprises	%
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**SECTION 3. OPERATIONAL ASSISTANCE (OA) GRANT**  
*(This section is applicable only to Applicants seeking leveraged status.)*

Answer all questions in this Section 3 in their entirety when initially submitting the application. Limit your narrative response to each question or sub-question to 8 lines, 12 pt. Times Roman, using the pre-set margins. Please do not exceed the designated size limits unless otherwise instructed.

301. State the term (in years) of the OA grant you seek from USDA (see 7 CFR 4290.2000(d)).

302. Discuss the relevance of this time period to your investment cycle and strategy.

303. Describe the need for OA in the Rural Areas targeted by your RBIC.

304. Discuss the types of OA you propose to provide and describe how you will provide OA to Smaller Enterprises in which you will make or expect to make Developmental Venture Capital investments.

305. Indicate in percentages a breakdown of how you anticipate using your OA grant resources.

OA used to prepare potential investments for Financing.	%	OA used to improve the performance of Portfolio Concerns after initial investment.	%
---	---	--	---

306. Discuss whether and to what extent you intend to provide OA directly through your staff or through outside entities and how you plan to provide OA through the use of licensed professionals when necessary. To the extent known, identify all such outside entities and professionals.

307. Compliance with OA rules and regulations.

307.1 Who will be the project director for your OA grant, i.e., the Person having primary responsibility for administering, reporting and ensuring compliance with all applicable rules and regulations governing the grant?

309.2 Will the project director be a full-time or part-time employee?

309.3 Will the project director also be a Principal in the RBIC? (If so, complete Exhibits C through H for this Person.)

309.4 What procedures do you intend to use to ensure that the structure and terms of each use of grant resources complies with all applicable rules and regulations?

308. Provide a narrative (take up to one page) to correspond to your proposed grant budget (see Exhibit X), briefly describing how you will use your grant resources and justifying the amounts proposed in each cost category.

**SECTION 4. OPERATIONS, DECISION-MAKING AND INVESTMENT OVERSIGHT**

Answer all questions in this Section 4 in their entirety when initially submitting the application. Limit your narrative response to each question or sub-question to 8 lines, 12 pt. Times Roman, using the pre-set margins. Please do not exceed the designated size limits unless otherwise instructed.

**DEAL FLOW**

401. After your first year of operations, per annum, how many business plan submissions or PowerPoint® presentations that fall somewhat within your identified investing area do you expect to receive?

402 If you are receiving business plans at the current time, what is the approximate level? (Indicate per month or per year).

<b>Current Flow</b>	<input type="text"/>	<b>Not receiving a representative flow of plans at this time →</b>	<input type="text"/>
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403. If the Principals are now operating a venture fund or equivalent, of all of the business plans that have been received, plus any investments that you may have seriously considered without initial business plans, in what percentage has the fund invested? Also, state the approximate time period that this response encompasses.

 % Years **“X” if No Current Fund →** 

404. Discuss your primary marketing programs or strategies. (Take up to 10 lines.)

405. Do you plan to pro-actively seek companies in specific industries? If “yes”, in 5 lines or less, describe such activities.

406. After filing an application or after being licensed, describe the changes you expect in your deal flow and why it will change (if you expect it to).

407. Among the Principals, how will the responsibility for deal generation be allocated?

408. Describe your procedures (existing or proposed) to log deal flow. If your procedures are computerized, describe the software that you use or intend to use.

409. Describe your existing or proposed procedures for the processing of proposals. Topics covered should include: (a) who reads each plan at different stages in the evaluation process; (b) how you decide with whom to meet; (c) how long it normally takes you to respond indicating interest or not; (d) how many Principals and/or associates meet with the prospect; (e) if you have a preference for where the first meeting takes place; (f) how the decision to proceed is made and what the criteria are, and (g) how the entrepreneur is notified of the “go/no-go” decision? (It is not necessary to utilize this specific outline, but utilize an outline format and include all elements in your response.



Take the space required to answer this question, but *concentrate on the actions taken relative to your criteria*. You will have answered questions on the philosophy of investing elsewhere in this MAQ.)

**STAFFING**

410. Activities and span of attention.

410.1 When your Portfolio is at its peak, how many Portfolio Concerns do you contemplate being invested in, and by the time you have invested in your last concern, in total, ultimately into how many concerns do you think you will have invested?

<b>Peak</b>		<b>Ultimate</b>	
-------------	--	-----------------	--

410.2 How active in Portfolio Concerns is it planned that the Principals will be? Discuss the circumstances under which you will seek board seats, observer rights, or neither.

410.3 At your peak, how many Portfolio Concerns per Principal do you contemplate for oversight, and how many board seats per Principal do you contemplate? (You may answer this either on the basis "average per Principal" or by Principal name if there would be a measurable difference between Principals.)

410.4 For each Principal, how many board seats (including both corporate and non-corporate) are now occupied, and what will the drop-off be, if any, and over what period of time? Explain why there will or will not be a drop-off. (Take the space required.)

411. Discuss the extent of any consulting services or active management you will provide (other than those services funded through OA resources). Specifically, identify areas in which you expect to supply expertise.

411.1 Do you expect to charge for any of these services? If so, provide the basis and the approximate contemplated rates. (See 7 CFR 4290.900.)

412. Do you intend to employ a full-time or part-time Chief Financial Officer? If not, who will perform this function? If so, will the Chief Financial Officer be a Principal? (If this Person is identified prior to licensing, it will be necessary to provide relevant exhibits as determined in Exhibit B as part of the final document submission for licensing.)

413. Assuming a period 18 months after receiving a license, describe the anticipated staffing of the management entity of the RBIC, either a separate company or the RBIC itself if there is not a separate Investment Advisor/Manager. Give the name, title, salary/bonus, and very briefly describe the duties (four lines or less). Indicate the number of positions (No.), the number which have already been hired (H), those who have already been identified but not yet hired (ID), and, using a location key, the geographic location of Principals and staff (Loc)<sup>11</sup>.

**Table 413. Staffing**

<sup>11</sup> If there are more than two locations, add additional location cells at the bottom of the table. If a class of person is in more than one location, use a separate line for each location, and for principals, identify by name in each location.

Name & Title		Salary/Bonus & Duties		No.	H	ID	Loc
<b>Totals</b>							
Location Key							
1	[City, State]			2	[City, State]		

414. Other than the Investment Advisor/Manager, discuss the types and extent of services performed for the RBIC by any affiliated entity and the compensation arrangements. (Take up to ½ page to answer this question, or state “N/A” if not applicable.)

415. Advisors. (Take up to ½ page for all of 415.1 and 415.2, plus the additional space required for bios in 415.3, using no more than ¼ page per advisor.)

415.1 List all corporate, advisory or governance boards or committees to be utilized by the RBIC, and describe their contemplated roles, duties, and responsibilities. Describe how and why the members of any such boards or committees are selected. (If none are contemplated, so state and leave the balance of this question blank.)

415.2 For investment committee members and other important advisors who are not also Principals and therefore are not required to complete Exhibit F, describe each Person’s Community Development Finance or Relevant Venture Capital Finance qualifications.

415.3 Describe any compensation or portion of fund income being paid or allocated to any Persons identified in this paragraph.

415.4 Insofar as Persons have been selected for such committees or boards, provide their names, affiliations and very brief biographies.

416. State the amount of square footage of office space that you expect to occupy 18 months after being licensed and the anticipated rent per square foot. Also, discuss any office-sharing arrangements that are planned.

**DUE DILIGENCE AND DECISION-MAKING**

417. Describe your due diligence procedures for prospective investments, specifically indicating the type and extent of your inquiries and research. Indicate how this responsibility is allocated among Principals, staff, committees, personnel from affiliated organizations, and outside consultants. (Take up to a page, and *focus on actions*, not philosophy. Also, please do not duplicate the responses provided elsewhere in this document. In Exhibit P, include any due diligence checklists, questionnaires, internal reports or financial models, and investment committee documents that you utilize. Please include no more than one example of each category of document.)
418. If you intend to use outside consultants in your due diligence process, state in which categories of expertise they will be used. If there are ones that have been used in the past or whom you have identified, for each firm, provide the company name, name of the key contact, address and telephone number. Also, provide the approximate average cost per project (Portfolio Concern) for which each firm will be utilized, how many times per year, on average, you would anticipate using each firm, and usage over prior years.

Table 418 – Consultants Utilized			
Firm Name		Key Contact	
Key Contact		Direct Ph. No.	
Area of Expertise		Address	
Avg. Cost/Co., Person or Engagement		Avg. Times/Yr. Utilized	
Number of Times Used in the Past		No. Years This Covers	

Table 418 – Consultants Utilized			
Firm Name		Key Contact	
Key Contact		Direct Ph. No.	
Area of Expertise		Address	
Avg. Cost/Co., Person or Engagement		Avg. Times/Yr. Utilized	
Number of Times Used in the Past		No. Years This Covers	

419. Do you utilize a scoring system and/or checklists for evaluating or scoring potential investments? (This is not referring to due-diligence checklists, but rather a “go/no-go” type of list based on the initial evaluation, either before or after a meeting with a prospect.) If yes, include a copy of such forms in Exhibit P.

**Yes**       **No**

420. If applicable, discuss the *criteria* for deciding whether to make follow-on investments? (Take up to 2/3 page for this response.. If the question is not applicable, write “N/A”.)
421. If applicable, what are your *criteria* for termination or disposition of Portfolio Concerns, under different circumstances, e.g., success, loss, “living dead”. In your response, factor in how the length of time that an investment has been in

your Portfolio may affect your decision, if it does. (Take up to a page for your answer. If the question is not applicable, write "N/A".)

422. Decision-making process. (When answering this question, take as much space as required.)

422.1 Referring back to Question 408, continue your narrative of the internal steps leading up to the point at which it is decided to put the investment prospect to a vote. (When answering this question, please concentrate on actions and criteria that may not be covered elsewhere in this document or in an Exhibit P.)

422.2 Reports. Before making an investment, will you require a substantive internally written report to be presented to the other voting members or will you rely upon a cover memo that accompanies the entrepreneur's business plan, or do you utilize some document or presentation in-between these types? Describe your process indicating the anticipated length of the investment memos. In this discussion, be sure to clarify at what points in the process internal memos are written, and what key elements are embodied in each memo (if there is more than one). As relevant, you may shorten the discussion here by referring to enclosures in Exhibit P.

422.3 Meetings. (a) Will "buy" and "sell" decisions be made at periodic meetings or "as required?" Discuss your process, including mention of the frequency of the meetings, if applicable. (b) How will the agenda be determined? (c) Will the Principals (or others involved in the buy/sell decisions) always or generally meet in Person for this purpose, and do you intend to permit investment decisions to be made via a telephonic meeting? (You need not utilize this outline, but answer all the points, and concentrate on actions and criteria.)

422.4 Describe how the decision-making process will be/is performed (both buy and sell), indicating the role of each Principal in the process, and specifying the voting provisions, i.e., will, or do some people or committees have more voting power than others, or special rights such as veto rights; and are votes made through majority, super-majority, or unanimity? If there is a difference in the voting criteria for buy and sell decisions, discuss this aspect of this topic. (Be sure to cover all of these topics.)

422.5 After the closing, do you prepare (or plan to prepare) a closing investment memo? If so, what are the subjects that it will cover? (You may include enclosures in Exhibit P and refer to them if you wish to shorten your discussion here.)

422.6 What is your methodology or system for tracking changes in provisions of the investment agreement that may change on key dates?

423. If any of the subjects in questions 415 and 422 are evidenced in your legal documents (including your placement memorandum) please ensure that the relevant documents containing these sections are included in Exhibit O, *Offering Memoranda & Other Documents* or in Exhibit Q, *Organizational Documents of RBIC*, as appropriate. In this space, please state in which Exhibit the appropriate documents are located, and provide the specific places where these references can be found.

**OVERSIGHT AND COMPLIANCE**

- 424. What types of reports do you intend to require from Portfolio Concerns and with what frequency?
- 425. If your firm maintains a report or “watch list” of non-performing, or potentially non-performing, Loans or investments, please discuss (i) the criteria used to categorize such investments (ii) your typical remedial measures, and (iii) list the investments that were/are on such report or “watch list” over the past ten years.
- 426. Beyond the use of email, provide any details on how you utilize, or intend to utilize, computerized techniques for oversight, such as computer-assisted tracking, and what software packages will be utilized, if any.
- 427. Describe which Persons within your management group will have responsibility for monitoring, including how the oversight emphasis may vary for the different Persons. Include a discussion of any non-Principals utilized for oversight activities, either staff or advisors, excluding the OA project director. (Take up to 12 lines for this response.)
- 428. Which Person(s) will have primary responsibility for USDA reporting, for regulatory compliance, and be the key contact with the assigned USDA analyst?
- 429. Procedurally, how do you intend to ensure that the structure and terms of each Financing comply with USDA regulations?

**MISCELLANEOUS**

430. Have you carefully reviewed all questions in all sections to ensure that each response does not exceed either 8 lines each or other designated limits, except where explicitly otherwise noted, and that all narrative responses are in Times Roman 12 pt.?

**Yes**

**No**

## SECTION 5. LEGAL AND FINANCIAL PROVISIONS OF THE RBIC

Answer questions in this section at the time of initial application submission to the extent that information is available. If not answered at that time, you must supply answers by the date specified by USDA. Limit your narrative response to each question or sub-question to 8 lines, 12 pt. Times Roman, using the pre-set margins. Please do not exceed the designated size limits unless otherwise instructed.

All questions must be answered to USDA's satisfaction prior to licensing.

### ECONOMIC INTERESTS

#### 501. Allocations.

501.1 Provide a description of any formulas for carried interest allocations to be made directly or through bonus or profit sharing plans. (In the event that the RBIC is a "drop-down" from a parent venture fund and all of the carry takes place at the parent level, this question then applies to the parent fund.)

501.2 Describe the profit and loss allocations (to include bonus plans or profit sharing plans) between the investors, the general partners, any managing entities, employees, and any other Persons or entities (other than management fees described in 502).

501.3 Vesting. Discuss any vesting provisions for carried interests, including different vesting schedules for different parties.

501.4 Describe any provisions for preferential Distributions to any partners (other than USDA) and any clawback provisions between the Principals and limited partners.

#### 502. Expenses.

502.1 Describe the formula for calculating the fees to be paid to the Investment Advisor/Manager (see 7 CFR 4290.520), and discuss the allocation of expenses among the RBIC, the Investment Advisor/Manager and the general partner or managing member, including allocation of overhead, legal fees, due diligence costs, etc. If the Investment Advisor/Manager provides services to multiple venture funds, fully describe your policy and/or formulas for allocation of management fees among funds. Particularly note any wind-down provisions regarding expenses in any of the funds.

502.2 Describe your policies regarding the allocation of fees, such as transaction fees, investment banking fees, monitoring fees, directors' fees, etc. between the RBIC and any management or other affiliated entities (see 7 CFR 4290.900).

**ORGANIZATIONAL STRUCTURE AND RELATIONSHIPS**

503. Do you intend for your RBIC to be a “drop-down fund”? (Note that this question refers exclusively to parent funds and not to any other types of entities.)

**Yes**  **No**

503.1 If “yes”, answer the following questions. If “no”, leave the balance of Question 503 blank.

Table 503.1 Parent Fund Data			
Name of Parent Fund		Address	
Key Contact		Direct Ph. No.	
Email Address		Fax Number	
Current Private Capital of Parent Fund	\$	Anticipated Final Private Capital of Parent Fund	\$
Amount Currently Invested	\$	Amount of Unfunded Commitments	\$
Amount to be Dropped Down into the RBIC	\$	Amount to Remain in Parent Fund	\$

503.2 Describe the types of current investments made by the parent, and discuss how those investments, and future investments of the parent may either be different from the RBIC’s investment strategy or how they will be similar. State what criteria will be utilized for determining into which fund an investment will be placed.

503.3 Describe any similarities or differences in the geographic areas in which the parent and the RBIC will invest.

503.4 Do you contemplate co-investing with the parent?

**Yes**  **No**

503.5 If “No”, enter “N/A” for this question. If “Yes”, after carefully reading 7 CFR 4290.50, definition of *Associate of a RBIC* and also 7 CFR 4290.730 *Financings which constitute conflicts of interest*, discuss how co-investments will be handled.

503.6 In “drop down” RBICs, USDA generally will require the investors in the parent fund to be added to the RBIC as Class B limited partners (or equivalent) and to make a stand-by commitment to the RBIC in support of the parent’s commitment. Do you anticipate any difficulty in obtaining these investor commitments to the Applicant? (See Addendum to Exhibit M, the *Capital Certificate* of Form RD 4290-2 for drop downs from a parent business development company.)

**Yes**  **No**  **Maybe**

503.7 If “Yes” or “Maybe”, please describe the potential problems.

504. Structure and relationships.

504.1 Describe the organizational structure of the RBIC and identify all individuals and entities that are Associates or Affiliates of the RBIC. Your description of the

organizational structure should include the items listed in this Question 504. In Exhibit K, include organization charts that comply with the instructions in Exhibit K.

504.2 State the date and jurisdiction of formation for each entity specified above.

504.3 Employer Identification Number (EIN) of each entity, if issued.

504.4 State the initial life of the RBIC and provisions for extending the term.

504.5 Describe the final ownership structure of the RBIC and **all** related entities shown in the organization chart in Exhibit K, including percentage of ownership by each of the Principals, investors with Control and Control Persons. (In this section, do not list any investors whose investments are solely financial, and who are not Controlling investors. Such Persons should be shown solely in Exhibit M, RBIC Capital Certificate.)

504.6 Describe all actual or anticipated contractual relationships between the Persons and entities described in the organization structure. (You may omit non-material items which arise in the ordinary course of business for an entity, e.g., normal commercial banking relationships.)

504.7 Describe any Associate or Affiliate relationship between any officer, director, general partner, manager, or 10% owner of the RBIC and any other RBIC, NMVCC, or SBIC.

504.8 Describe any potential conflicts of interest and the controls in place to protect the interests of the USDA and the RBIC’s investors (see 7 CFR 4290.730).

505. Management.

505.1 Using one line per name in the table below identify the roles of each individual or entity listed in Exhibit B, Table B1. In addition, list and identify the role of any other Persons that will participate in making management and/or investment decisions, specifically including any that are not included in the description of the RBIC’s organizational structure.

Name	Role

505.2 Boards and committees.

- (a) List all corporate, advisory or governance boards or committees you will utilize.
- (b) Provide descriptions of the roles and responsibilities of any such boards or committees in the investment decision process, specifically discussing whether they will have any veto power over investment or other decisions.
- (c) Identify all Persons on any such board or committee, and list their names and affiliations and provide brief biographies.
- (d) Describe how and why you will select the members of any such boards or committees.
- (e) Describe the amount and source of any compensation you plan to pay members of such corporate, advisory, or governance boards or committees.



505.3 What is your plan for providing management succession over the life of the RBIC?

505.4 Describe any provisions regarding the termination (or material alteration) of any managing entity's management activity with respect to the RBIC (e.g., general partner, managing member and/or management company). Include descriptions of the circumstances under which a termination can occur and any Persons that have right to cause a termination.

505.5 Describe any participation by the RBIC's investors in either the investment process or the governance of the RBIC, especially provisions for terminating the RBIC and removal or replacement of the RBIC's management.

505.6 Describe any provisions regarding the termination (or material alteration) of the compensation or other economic participation of a managing entity of the RBIC. Include descriptions of the circumstances under which a termination can occur, any Persons that have right to cause a termination, and the economic effect of a termination.

505.7 Describe any provisions for adding a new managing entity to the RBIC. Include descriptions of any right to add (or veto or consent to the addition of) a new managing entity.

505.8 Describe any provisions regarding how the compensation and economic participation of a new managing entity in the RBIC will be established.

506. Principals.

506.1 For each Principal, describe the RBIC's (or managing entity's) carried interest provisions. Your description of how you will allocate the carried interest must identify all Principals, employees, future participants, and other Persons that will participate in the carried interest (either directly or through bonus or profit sharing plans), and the formula or other basis for such allocations. Also, discuss any other economic participation plans related to the RBIC (e.g., consulting or other fees, or share ownership in a managing entity).

506.2 Discuss vesting provisions for both Principals and non-Principals. Describe any provisions regarding a material alteration (or termination) of the compensation or other economic participation of a RBIC Principal or managing entity. Include descriptions of the circumstances under which a material alteration (or termination) of compensation or other economic participation can occur, identifying any Persons who have right to cause such a termination.

506.3 Describe any provisions regarding the termination (or material alteration) of any Principal's management activity with respect to a managing entity or the RBIC. Include descriptions of the circumstances under which a termination could occur, and any Persons that have right to cause (or veto or consent to) a termination.

506.4 Describe any provisions for adding new Principals to the RBIC or a managing entity. Include descriptions of any right to add (or veto or consent to the addition of) a new Principal.

506.5 Describe any provisions regarding the compensation and economic participation of a new Principal in the RBIC or managing entity.

503.6 Describe all direct and indirect investments by each Principal in the RBIC and in any managing entity. Include a description of the amount and terms of each such investment.

507. Co-investing (other than with a parent).

507.1 Describe your policies regarding Personal investments by Principals and/or other employees in Portfolio Concerns. (Some examples: [a] they may not be permitted to co-invest, [b] they may only invest in deals in which they are the lead for the firm, at their option, [c] they may invest in any deals, at their option, [d] they must co-invest in every deal in which they are the lead for the firm, or [e] all Principals or leads for the firm must co-invest in all deals.)

507.2 If co-investing by Principals or employees is permitted or required, will "hard" dollars (cash) or "soft" dollars (in-kind) be used? Discuss.

507.3 Other than a parent fund, provide details regarding any Affiliates and/or Associates of the RBIC that are likely to want to participate in RBIC investments. (Please specify the nature of the affiliation or association of the affiliated or associated entity.)

#### **OTHER LEGAL PROVISIONS**

508. Reinvestment. Describe your policy with respect to reinvestment of the proceeds from realized Portfolio liquidity events, including early realizations.

509. Penalties. What are the penalty provisions, if any, to be imposed on investors for failure to make capital contributions when called?

*[End of Questionnaire]*