

FACT SHEET RURAL BUSINESS INVESTMENT PROGRAM

Purpose:

The purpose of the Rural Business Investment Program (RBIP) is to promote economic development and create wealth and job opportunities among individuals living in rural areas and help to meet the equity capital investment needs primarily of smaller enterprises located in such areas. USDA licenses newly formed for-profit entities as Rural Business Investment Companies (RBIC). RBICs then use the equity raised in capitalizing their funds to make venture capital investments mostly in smaller enterprises located primarily in rural areas.

Background:

- The 2002 Farm Bill authorized USDA to establish the Rural Business Investment Program to promote economic development and job creation in rural areas.
- In June 2004, USDA published the RBIP Rule, 7 CFR 42090, in the Federal Register for the administration of the program.
- The 2008 Farm Bill amended certain provisions of the RBIP program, such as:
 - Capping certain fees associated with the program,
 - Allowing investment pools created entirely by a bank or savings association to be able to participate in the program, and
 - Increasing the time frame that each RBIC will have to meet the capital requirements to 24 months.
- On December 23, 2011, USDA published an amended RBIP rule, with an effective date of January 23, 2012, which primarily:
 - Incorporated a new Subpart for nonleveraged RBIC's,
 - Incorporated 2008 Farm Bill RBIP provisions, and
 - Provided for both leveraged and nonleveraged RBIC's as categorical exclusions from the National Environmental Policy Act.
- During 2012, USDA plans to publish a notice announcing the acceptance of applications for consideration as a nonleveraged RBIC under the program.

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Eligibility:

- An applicant is eligible to apply for an RBIC license if the applicant:
 1. Is a newly formed for-profit entity or a newly formed for-profit subsidiary of such an entity. Applicants may structure themselves as limited partnerships, limited liability companies, or corporations;
 2. Has a qualified private fund management team with experience in community development financing or relevant venture capital financing; and
 3. Will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller enterprises.

Size and Scope of RBIC Investments:

- At least 75% of RBIC investments (measured both by dollars invested and number) must be made in rural areas (i.e., outside a standard metropolitan statistical area or within a community with a population of 50,000 or less).
- Up to 10% of RBIC investments (measured both by number and dollars invested) may be in urban areas (defined by the Census as having a population of 150,000 or more.)
- To assist in making the program rural area determinations, USDA will make available a mapping tool to assist in the identification of qualified areas and location of investments.
- In determining whether a business qualifies as a “rural business concern” eligible for an RBIC investment, an RBIC will look to whether the business “primarily operates in a rural area” (i.e., whether the location with the business’ greatest number of employees in is a rural area).
- More than 50% of RBIC investments (measured both by number and dollars invested) must be in “smaller enterprises” with a maximum net worth of \$6 million and net income of \$2 million in the prior two years.
- The balance of RBIC investments can be made in small businesses, which are roughly three times the size of smaller enterprises.

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Evaluation and Licensing of RBICs:

- USDA's Rural Development website (www.rurdev.usda.gov/BCP_RBIP.html) will be the primary source of information on the RBIC program, including RBIP application forms, information regarding the RBIC application process, and a mapping tool to determine eligible areas.
- USDA will focus on whether prospective management teams have demonstrated a history of positive realized track records of superior returns to their investors and strong experience in managing private equity funds in order to help protect taxpayers against poor fund performance and to demonstrate effective program results.
- The applicant will present its business plan, including specific information on how it will find and make investments, add value as an active investor, and successfully exit its investments.
- The applicant will also submit detailed information concerning its community or economic development experience, including how it will work with community-based organizations. USDA will evaluate such experience in the context of how that experience may augment (but not substitute for) a management team's private equity track record and fund management experience.
- The applicant's management teams may be invited to interview with USDA.
- Final selection will be made by the USDA. Those selected will receive a license to operate as an RBIC upon completion of all fund legal documentation and private capital-raising.