

**DEPARTMENT OF AGRICULTURE****Office of the Secretary****Announcement of Competitive Application Round for the Rural Business Investment Program (RBIP)****AGENCY:** Office of the Secretary, USDA.**ACTION:** Notice.

**SUMMARY:** The Department of Agriculture (USDA) will select and license applicants to become Rural Business Investment Companies (RBIC), and provide financial assistance and grant awards under the RBIP. The Secretary of the USDA invites applications from newly-formed venture capital companies seeking to be licensed as a RBIC. USDA has delegated to the U.S. Small Business Administration (SBA) receipt of applications under this Notice of Funds Availability (NOFA).

**DATES:** *Application window opening date:* SBA will begin accepting applications on June 8, 2004.

*Application deadline date:* The application deadline is 4 p.m. EST on Friday, September 17, 2004. See

**SUPPLEMENTARY INFORMATION** for rules concerning application submission.

**ADDRESSES:** *Address for application submission:* Completed applications must be sent to Associate Administrator (or his or her designee), Investment Division, U.S. Small Business Administration, 409 Third Street, SW., Washington, DC 20416.

*Address for requesting information:* Applications materials and other information may be requested by writing to Director of New Markets Venture Capital, Investment Division, U.S. Small Business Administration, 409 Third Street, SW., Washington, DC 20416.

**FOR FURTHER INFORMATION CONTACT:** Detailed information on the RBIP, including information, materials, and instructions concerning application for the program, can be found on SBA's Web site at <http://www.sba.gov/INV/RBIP> and at the specific URLs listed in this NOFA. You also may request information from SBA by contacting Austin J. Belton, Director of New Markets Venture Capital, Investment Division, U.S. Small Business Administration, 409 Third Street, SW., Washington, DC 20416, at (202) 205-6510.

**SUPPLEMENTARY INFORMATION:**

*Background:* Subtitle H of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 209cc *et seq.*) (the "Act") establishes the RBIP. The purpose of the Act is to

promote economic development and the creation of wealth and job opportunities in rural areas and among individuals living in those areas through venture capital investments by for-profit RBICs. Pursuant to the Act, USDA licenses newly formed for-profit entities as RBICs and provides financial assistance in the form of debenture guarantees to such RBICs to fund their rural area investment activities. Additionally, USDA awards OA grants to RBICs for the purpose of providing operational assistance to smaller enterprises in which the RBIC invests or expects to invest and that are located in rural areas. RBICs must have raised private equity capital of \$10,000,000 and must obtain debenture leverage (in the amount of 200 percent of its private capital, or \$20,000,000 per RBIC) through the RBIP, to fund their investment activities. USDA will not be granting exceptions to the \$10,000,000 private equity capital requirement, pursuant to 7 CFR 4290.210(b), under this funding opportunity.

*Available funding:* Section 384S(b) of the Act makes funds for the RBIP available until expended. USDA's first competitive application round for licensing as an RBIC will end on September 17, 2004.

The amount currently available for debenture guaranty authority in FY 2004 is \$280 million. Subject to funding availability, under this NOFA, USDA intends to select up to three new RBICs and to obligate up to approximately \$60,000,000 in debenture guarantee authority and approximately \$3,000,000 in Operational Assistance (OA) grant funds to RBICs. However, applicants should note that pursuant to USDA's FY 2004 appropriations act (section 759 of the Consolidated Appropriations Act of 2004, Pub. L. 108-199 (Jan. 23, 2004)), no selection of any RBICs will be made during FY04.

USDA reserves the right to select and fund some, all, or none of the applicants for licensing as an RBIC under this NOFA.

*Application materials:* A program announcement, the "Rural Business Investment Program—Program Announcement (June 2004)," provides guidance on the contents of the necessary application materials, evaluation criteria, and other program requirements. The program announcement also states the critical deadline dates applicable to this funding opportunity. This document is available at <http://www.sba.gov/INV/RBIP> or by contacting USDA at the address and phone number set forth in this NOFA. Applicants for licensing as an RBIC can obtain detailed application

materials and instructions at <http://www.sba.gov/INV/RBIP> or by contacting USDA at the address and phone number set forth in this NOFA.

USDA has delegated to SBA many of the day-to-day responsibilities for the RBIP, including receipt of applications and most of the selection process for licensing as a RBIC, under 7 CFR 4290.45. More information about all aspects of the RBIP is available in the regulations authorizing the RBIP, at 7 CFR part 4290.

*Application submission rules:*

Applications must be received personally by the Associate Administrator for the Investment Division (AA/I), or by specific individuals designated by the AA/I, by the deadline date and time. Applications received after that date and time will be rejected and returned to the sender. Applications must be submitted in accordance with the application instructions, which include but are not limited to a requirement that applications be submitted in hard copy form. Applications sent electronically or by facsimile will not be accepted.

Applicants must enclose in their submission a grant issuance fee of \$5,000 in the form of a check payable to SBA.

USDA recommends that potential applicants who plan to request application materials via mail request such materials as soon as possible but in any event no later than 60 days before the application due date, in order to assure that such applicants have sufficient time to prepare a responsive application.

*Summary of review and selection process:* Selection for licensing as an RBIC will be made on a competitive basis using a multi-tiered application and approval process.

SBA staff will screen applications for timely submission, eligibility, and completeness. Only those applications that SBA receives before the deadline, that are complete, and that are eligible will be processed further. On those applications, SBA then will perform an initial review of the applicant's management team's qualifications.

Applications considered qualified as a result of the initial review process then will be evaluated, scored and ranked by panels consisting of qualified, experienced USDA/SBA staff. The panels will assess the applications against specific evaluation criteria described in the program announcement, with emphasis on successful investing track records in relation to the proposed investment strategy and targeted rural areas. USDA/SBA will invite those applicants with

the highest rankings to interview in person with the Portfolio Committee.

The Portfolio Committee, which shall be comprised of both USDA and SBA officials, will score applicants and make final recommendations for selection as RBICs. The SBA Administrator and USDA Secretary will separately consider but mutually concur on the selection of applicants. Selected applicants will be given 12 months to raise their private equity capital. Once a selected applicant has raised its \$10,000,000 in private equity capital and has achieved full compliance with

the regulations governing licensing as an RBIC, the SBA Administrator and USDA Secretary will jointly license the RBIC.

Assuming private capital of \$10 million and compliance with all program requirements, USDA/SBA will award each RBIC an OA grant of \$1 million at the time of licensing. Terms of the OA grant will be subject to guidelines on Federal grants issued by OMB. OA grants will be awarded only to licensed RBICs pursuant to this funding opportunity. Subject to the availability of funds, this would not

preclude USDA from making OA grants to "other entities" pursuant to section 384H of the Act at some point in the future.

**Program authority:** Subtitle H of the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 2009cc *et seq.*).

Dated: June 1, 2004.

**Gilbert Gonzalez,**

*Acting Under Secretary for Rural Development.*

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