

O V E R S E A S P R I V A T E I N V E S T M E N T C O R P O R A T I O N



OPIC & Capital Markets

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"OPIC is to be commended for designing a political risk policy well suited for the capital markets. Their efforts should help accelerate the worldwide shift of emerging market project financing from loans to bonds."

*- Chris Donnelly,
head of Latin American structured finance
at Duff & Phelps Credit Rating Co.*

About OPIC

OPIC is a self-sustaining agency, operates at no net cost to the U.S. taxpayer, and has accumulated reserves of more than \$3 billion.

OPIC programs are available for new and expanding business enterprises in approximately 140 countries and areas worldwide. OPIC has recorded a positive net income for every year of operation. All of OPIC's guaranty and insurance obligations are backed by the full faith and credit of the United States of America.

OPIC assists U.S. investors through four principal activities designed to promote overseas investment and reduce the associated risks:

- ⊗ insuring investments overseas against a broad range of political risks;
- ⊗ financing of businesses overseas through loans and loan guaranties;
- ⊗ financing private investment funds that provide equity to businesses overseas; and
- ⊗ advocating the interests of the American business community overseas.

Project Eligibility

Eligible projects include new projects, expansions of existing operations and privatizations located in any of the 140 countries where OPIC operates.

OPIC provides insurance and financing for projects that are financially sound, promise significant benefits to the social and economic development of the host country, and foster private initiative and competition. OPIC will not support projects that could result in the loss of U.S. jobs, adversely affect the U.S. economy or the host country's development or environment or contribute to violations of internationally recognized worker rights. Companies receiving OPIC financing must have substantial U.S. participation.

OPIC's statute encourages the agency to give preferential consideration to projects significantly involving U.S. small business and cooperatives.

Investments in certain sectors may be excluded from consideration based on statutory or policy guidelines. Investors can contact OPIC directly to obtain more information about these sectors.

Neither financing nor insurance will normally be available for investments in enterprises majority-owned and controlled by a foreign government.

OPIC Insurance & Capital Markets

OPIC's Insurance Coverages

OPIC insurance has developed a special contract to insure capital markets transactions such as private placements and Rule 144A bond issuances. Under this contract, debt service payments are protected against the risk of a deterioration in the ability to convert local currency into US dollars and to transfer US dollars out of the host country. The coverage also provides protection against the risk that debt service will be prevented due to unlawful host government blockage of funds. Projects most likely to benefit from the coverage include energy and other infrastructure projects that have large financing requirements. On a case by case basis OPIC is also prepared to insure new bond financings intended for refinancing existing ventures.

OPIC can provide up to US\$200 million in coverage per project and can match the tenor of the bonds. This new capital markets coverage is similar to that which OPIC has provided for many years to eligible commercial banks under its institutional lenders program, but has been adapted to fit the needs of capital markets transactions. The insurance provided by OPIC does not cover currency devaluation or other commercial risks of a project.

Insurance Benefits

The availability of OPIC insurance coverage will broaden emerging market access to capital market funding. Consequently, certain projects in developing economies that are currently constrained by the lack of long term financing may now be able to proceed and be successful.

Investor Eligibility and Policy Criteria

OPIC's standard eligibility and policy criteria will be applied to each transaction. Under a typical structure, the coverage will be issued to a U.S.-based trust, which will hold the insurance for the benefit of bondholders. To qualify and remain eligible for the coverage, a majority of the funding for the bonds must come from U.S. financial

institutions. To ensure that the project meets OPIC's policy guidelines, including environment and worker rights requirements, OPIC will enter into a separate agreement (the Company Support Agreement) with the issuer of the bonds, the project company or another party in a position to assure compliance by the project with OPIC's policy requirements. In the event of a breach of the Company Support Agreement, and failure to cure the breach during applicable cure periods, OPIC will have the right to terminate the insurance contract covering the bondholders.

OPIC Finance & Capital Markets

OPIC's Financing Products

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses.

OPIC can provide financing on a project finance or a corporate finance basis. Rather than relying on sovereign or sponsor guaranties, project financing looks for repayment from the cash flows generated by projects. Therefore, OPIC carefully analyzes the economic, technical, marketing and financial soundness of each project.

OPIC Project Financing

OPIC has provided project financing to emerging market transactions since its creation in 1969. In order to stimulate the return of capital into emerging markets and broaden the sources of funding in those markets, OPIC is offering its traditional project financing alongside financing obtained in the capital markets. Some projects in developing countries that would otherwise be constrained by a lack of capital may now be able to proceed with a combination of OPIC's long-term financing and a capital market issuance. OPIC's Project Financing allows for flexible repayment structures and long-term tenors which can improve debt service coverage ratios for the capital markets tranche and thus improve the credit rating of that tranche of the project's debt. OPIC can provide up to \$200 million in project financing per project. OPIC provides financing for a wide range of enterprises under terms and conditions sufficiently flexible to permit sound projects to be implemented.

Financing Eligibility

OPIC provides financing for overseas investments that are wholly owned by U.S. companies or that are joint ventures in which the U.S. sponsor firm is a participant. The U.S. investor is expected to assume a meaningful share of the risk, generally through ownership of at least 25 percent of the equity in the project.

Financing is not available for projects that can secure adequate financing from commercial sources.

Loan Terms

The repayment schedule of a direct or guaranteed loan will reflect the purpose of the loan and the projected level of cash flows to be generated in the transaction. The terms of such loans will typically provide for a final maturity of five to fifteen years following a suitable grace period during which only interest is payable.

Interest rates on OPIC loans will vary with OPIC's assessment of the financial and political risks involved. They will also reflect interest rates in long-term capital markets in the United States.

OPIC does not offer concessionary terms usually associated with government-to-government lending, nor does it typically offer financing of export sales unrelated to long-term investments in overseas business.

In general, OPIC expects that its creditor participation will be on a senior basis, *pari passu* with the holders of other senior debt, and that it will share in a first lien on fixed assets and any other appropriate collateral. A host government guaranty normally is not required by OPIC.

Consistent with commercial lending practices, up-front, commitment and cancellation fees may be charged, and reimbursement is required for related out-of-pocket expenses, including fees for outside counsel and for the services of experts or consultants.

General Information

For more information on OPIC financing and insurance coverages or to obtain application forms visit OPIC's website at www.opic.gov or send written requests to the attention of "Vice President - Finance Department" or "Vice President - Insurance Department" at 1100 New York Avenue, N.W., Washington, D.C., 20527.



Overseas Private Investment Corporation
1100 New York Avenue, NW Washington, DC 20527
General information: OPIC InfoLine: 202-336-8799
Information via the Internet: www.opic.gov