



Overseas Private Investment Corporation

U.S. Connection Requirements for OPIC-Supported Projects

OPIC, the U.S. Government's Development Finance Institution, provides debt financing, political risk insurance and support for private equity investment funds. OPIC requires that its projects have a meaningful connection to the U.S. private sector. The following describes the U.S. connection requirements for OPIC's primary products.

Financing

OPIC provides medium and long-term debt financing for projects with meaningful U.S. involvement.

How Does OPIC Define U.S. Involvement?

- A U.S.-organized entity that is 25% or more U.S.-owned.
- A foreign-organized entity that is majority U.S.-owned.
- U.S. citizens, lawful permanent residents and U.S.-organized non-profit organizations.
- Other factors such as U.S. employment or presence may be used to help meet thresholds.

How Does OPIC Measure U.S. Involvement?

- U.S. involvement in the project company must be in an amount that is at least equivalent to 25% of the project company's equity. This may be satisfied with equity investment, long-term debt investment, other U.S. contracts (such as construction, operating, maintenance or service contracts, off-take purchase arrangements and franchises) or by any combination of these.

How Does OPIC Measure the Duration of the U.S. Involvement?

- In an on-going project, U.S. participants need to retain a 25% interest through final disbursement of the OPIC loan. OPIC must approve any proposed transferee.
- In a start-up or 'greenfield' project, U.S. participants need to retain a 25% interest through physical completion. OPIC must approve any proposed transferee.

Insurance

OPIC's direct insurance for political risks is available to:

- U.S. citizens.
- U.S.-organized entities that are at least majority beneficially-owned by U.S. citizens.
- Foreign corporations that are more than 95% owned by U.S. citizens or U.S.-organized entities that themselves are at least majority beneficially-owned by U.S. citizens.
- Other foreign entities that are 100% U.S.-owned.

Investment Funds

OPIC can provide debt financing to private equity investment funds where the fund:

- Has raised, or uses best efforts to raise, U.S. equity equal to 25% of OPIC's loan support.
- Is managed by either a U.S. entity that is at least 25% U.S.-owned or a foreign entity that is majority U.S.-owned.

OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets catalyzing revenues, jobs and growth opportunities both at home and abroad. Established as an agency of the U.S. Government in 1971, OPIC operates on a self-sustaining basis at no net cost to American taxpayers. OPIC services are available for new and expanding business enterprises in more than 150 countries worldwide.

**Current as of January, 2012*

Examples of Qualifying U.S. Connections for OPIC-Supported Projects

Example 1 - Financing for a Power Project

Scenario: A joint venture between foreign Firm A and foreign Firm B is seeking financing for a power project in Asia.

- Foreign Firm A owns 15% of the project equity through shares in the project company and is majority-owned by shareholders with U.S. citizenship or permanent residency. Therefore, Firm A's ownership is considered "U.S."
- The project has a construction contract with a U.S. firm with contract payments equal to 10% of the project equity.
- Other examples of involvement could include U.S. firms providing operating, maintenance or service contracts, off-take arrangements and franchises.

Result: The project may qualify for OPIC financing given the cumulative percentage (25%) of U.S. involvement in the project.

Example 2 – Financing for a Financial Services Project

Scenario: A foreign bank in the Caucasus is seeking financing to expand its loan portfolio to include local small and medium enterprises.

- An investment fund organized in the U.S. owns 25% of the shares of the foreign bank.
- The investment fund has raised at least 25% of its capital from U.S. investors.

Result: The project may qualify for OPIC financing given the 25% project ownership by a U.S. investor.

Example 3 – Political Risk Insurance

Scenario: Foreign Firm A is operating a manufacturing facility in Latin America and is seeking insurance against political violence causing damage to its assets.

- Foreign Firm A is wholly owned by a U.S. entity that is itself majority beneficially owned by shareholders with U.S. citizenship.

Result: Foreign Firm A may qualify for OPIC insurance given the U.S. equity ownership.

Example 4 – Support to a Private Equity Investment Fund

Scenario: A fund manager is seeking financing for a private equity investment fund to make equity investments in companies throughout the Middle East and North Africa.

- The manager is foreign organized and foreign owned.
- The manager is seeking debt from OPIC equal to one-third of the total capital.
- The manager has raised equity capital equal to 25% of the proposed OPIC loan amount from U.S. investors.

Result: The fund may qualify for OPIC financing given the equity capital raised from U.S. investors.