

The Overseas Private Investment Corporation

Opportunity

Partnership

Innovation

Cooperation

Facilitating U.S. Franchising in Russia

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OPIC Assists Businesses to Capitalize on Growth Opportunities & Increase Profits

Questions about OPIC and its Small Business and Franchising Products

- ✓ What is OPIC?
- ✓ What are OPIC's products?
- ✓ What products are available to franchises?

OPIC's Products Include Political Risk Insurance, Finance & Investment Funds

Products		
Political Risk Insurance	Long-Term Financing	Investment Funds
political violence	project loans	sector specific funds
expropriation	corporate loans	region specific funds
currency inconvertibility	loan guarantees	

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OPIC's Products are Available to Commercially Viable Projects with Significant U.S. Involvement

Customers		
Political Risk Insurance	Long-Term Financing	Private Equity
U.S. citizens	U.S. investors	Private U.S. fund managers
U.S. businesses (> 50% U.S. owned)	U.S. businesses (at least 25% U.S. owned)	
Foreign companies (95% U.S. owned)	U.S. financial institutions	
Other foreign entities (100% U.S. owned)	Foreign companies (at least 25% U.S. owned)	

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OPIC Focuses on Providing Small & Medium Sized Businesses with Access to Scarce Capital

Small Business Loans

- ✓ Tenors are typically 3-15 years
- ✓ Rates are market-based
- ✓ Amounts from \$100K to \$250M
- ✓ Available on both project and corporate finance basis
- ✓ Private sector focus – govt. participation must be < 50%

Small Business = Businesses with Annual Revenues < \$250 M

OPIIC Finance is Available for a Variety of Long Term Projects & Project Costs

Types of Projects

- ✓ Green field (up to 60% debt financing)
- ✓ Expansion (up to 75% debt financing)
- ✓ Privatizations
- ✓ **Franchises**

Types of Costs

- ✓ Feasibility studies
- ✓ Start-up expenses
- ✓ Land and construction
- ✓ Machinery & equipment
- ✓ Working capital

The Five E's – Eligibility, Equity, Environment, Ethics, & Effects - are Important OPIC Criteria

Total Project Costs = \$10 million

①

40% EQUITY = \$4 mill.

60% Debt = \$6 million

②

25% should be contributed by a U.S. investor to be **ELIGIBLE**

OPIC will consider financing 60% of the project if the project is:

③

ENVIRONMENTALLY sound

④

Positive developmental and no negative U.S. **EFFECTS**

⑤

Follows sound **ETHICAL** practices

OPIC Financing Also Meets the Needs of U.S. Franchisors & Their Small Business Franchisees

Franchise Loan Terms

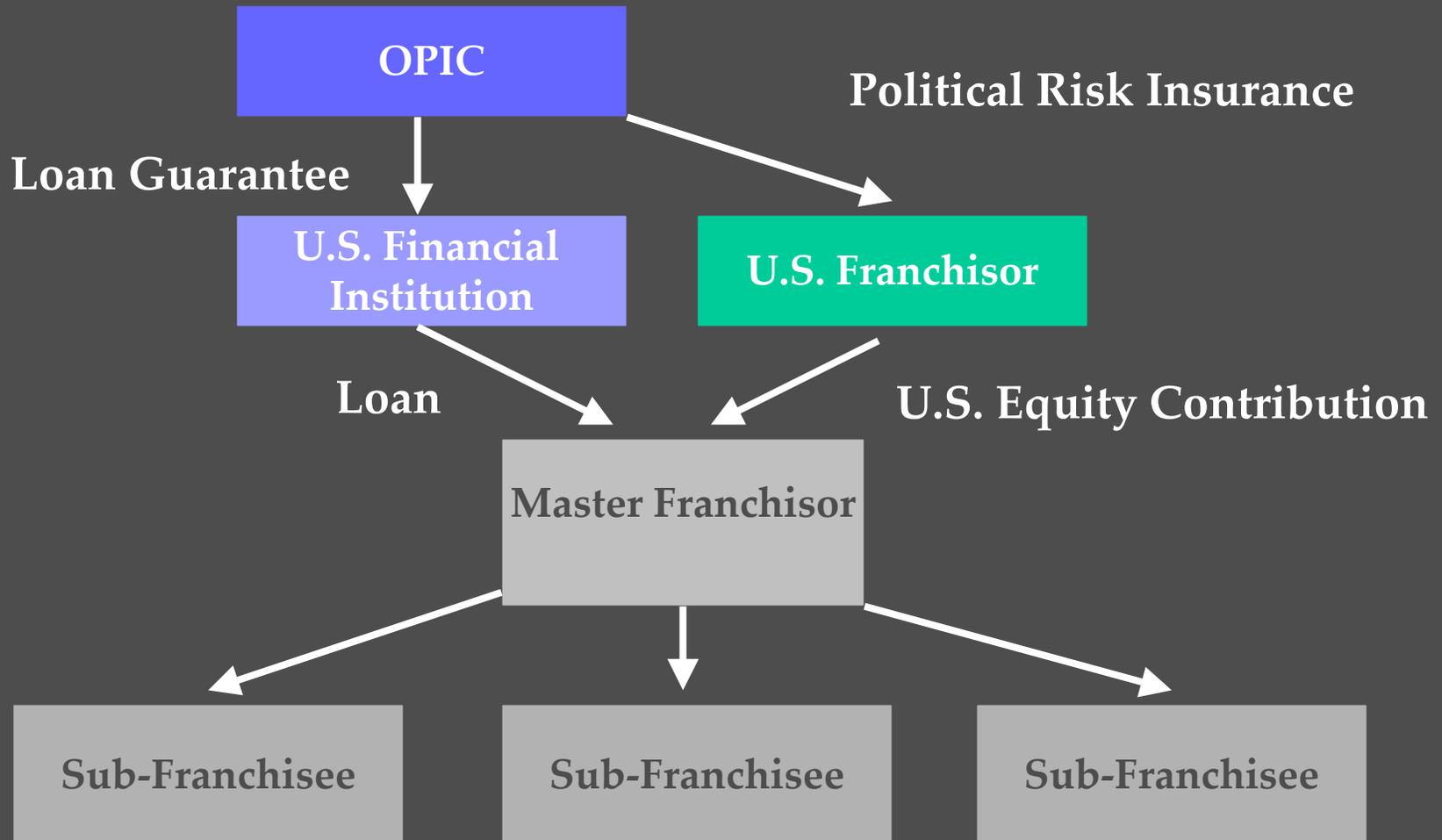
- ✓ Direct loans from \$100K to \$4M
- ✓ Tenors are typically 3-15 years
- ✓ Interest Rates based on price of 3 to 10 year US Treasuries plus a risk spread of 3% to 5%
- ✓ 6 month grace period on principal
- ✓ Straight-line amortization
- ✓ Collateral/security requirements depend on loan size and risk assessment
- ✓ Franchisee needs to provide guarantee

OPIC Franchise Loans May Cover a Variety of Local Franchisee Costs

Types of Costs

- ✓ Feasibility studies
- ✓ Start-up expenses (legal & registration fees)
- ✓ Training
- ✓ Machinery & equipment
- ✓ Working capital (including initial stock/inventory)
- ✓ Land – only if purchase is arm's length transaction
- ✓ Franchise Fees (except when master franchisor is also the franchisee)

OPIC Assists Large U.S. Franchisors with Loan Guarantee to a Their U.S. Financial Institution



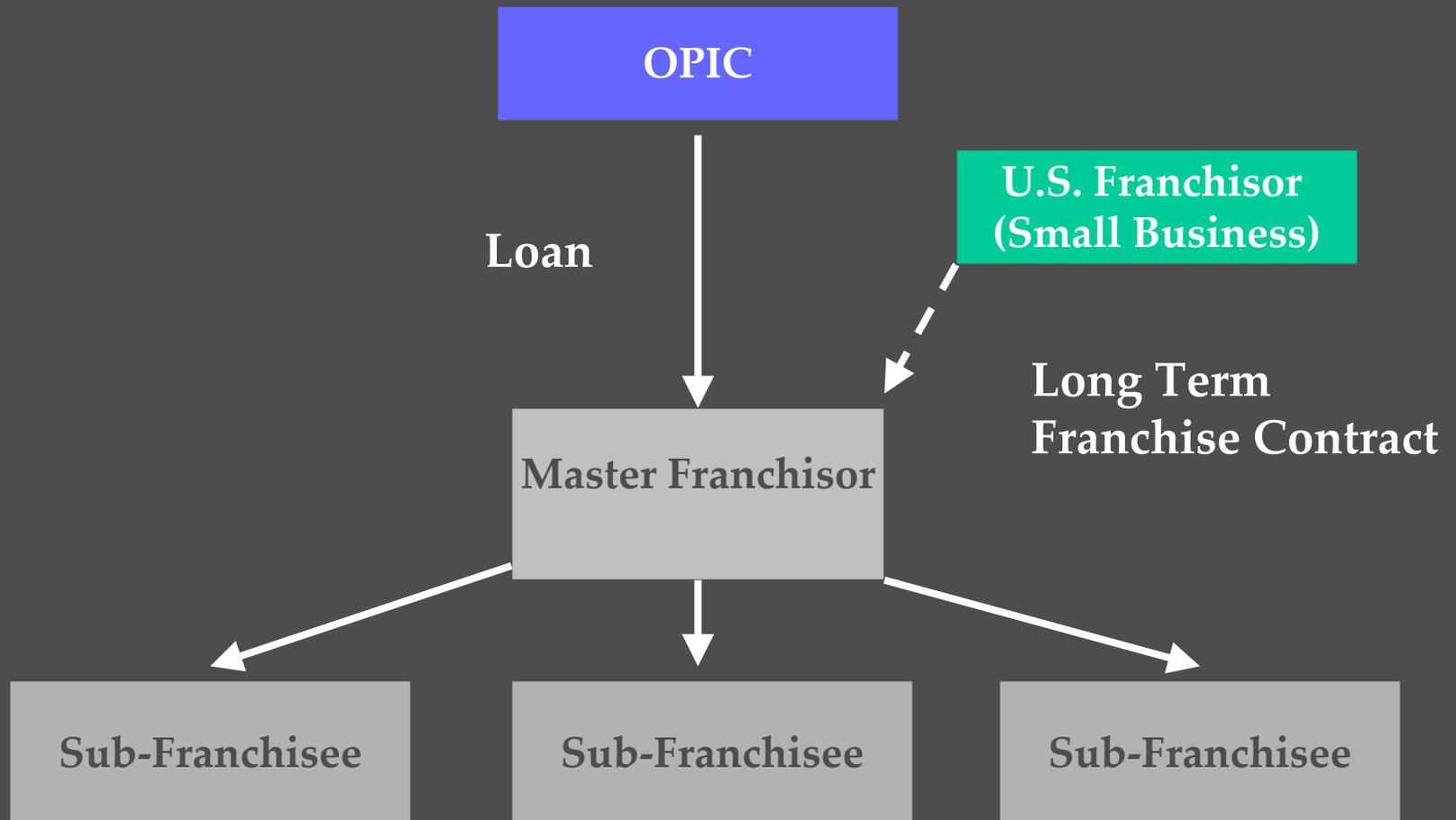
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OPIC Can Assist Small U.S. Franchisors by Offering Direct Loans to Their Local Franchisees



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Direct Loans to Local Franchisees Must Involve Significant Involvement of the U.S. Franchisor

Aspects of Significant U.S. Involvement:

- ✓ US Franchisor has permitted use of its trademark or brand
- ✓ Long term contractual arrangements
- ✓ Business concepts, systems, technology and/or knowledge derives from US franchise
- ✓ Fees/royalties payable to US Franchisor (direct or indirect)

In Addition to the Five E's, OPIC Applies Special Credit Criteria to Franchise Projects

Special Criteria for Franchise Loans

- ✓ Quality of franchise
 - ✓ proven concept
 - ✓ strength in market
 - ✓ profitability
 - ✓ # of stores
- ✓ Depth of franchise arrangement

OPIC's Franchise Loan Processing Generally Takes Four to Six Months

- ✓ Submit application
- ✓ Application screening
- ✓ Retainer Fee & Due Diligence
- ✓ Credit Committee
- ✓ Investment Committee (only for deals > \$2.5 million)
- ✓ Commitment Letter
- ✓ Loan Documentation
- ✓ Disbursement

OPIC Assists Businesses to Capitalize on Growth Opportunities in Developing Markets

Review of Questions about OPIC and its Small Business and Franchising Initiatives

- ✓ What is OPIC?
- ✓ What are OPIC's products?
- ✓ What products are available to franchises?

For more information, insurance and finance applications and contact information, visit our website:

opic.gov/Russia

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To discuss your project, please contact OPIC's
Investment Development and Economic Growth
Department in Russia
7 095 737 5030