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OVERSEAS PRIVATE INVESTMENT CORPORATION
MINUTES OF THE OPEN SESSION OF THE SEPTEMBER 18, 2014
BOARD OF DIRECTORS MEETING

Directors:
Elizabeth L. Littlefield, President & CEO, Overseas Private Investment Corporation, Chair
Stefan M. Selig, Under Secretary for International Trade, U.S. Department of Commerce
Maxwell T. Kennedy, Director, Kennedy Enterprises
Naomi Walker, Assistant to the President, AFSCME
Terry Lewis, Principal, LIA Advisors, LLC
James M. Demers, President, Demers & Blaisdell, Inc.
Roberto R. Herencia, President & CEO, BXM Holdings, Inc. (via teleconference)
James A. Torrey, Director, The Torrey Family Office

Other Attendees:
Luke Ney, Program Analyst, Economic Growth, Education and Environment, U.S. Agency for International Development
Thomas Fine, Director of Services and Investment, Office of the United States Trade Representative
Michael C. Fuchs, Team Leader, Trade and Project Finance, U.S. Department of Commerce
Karen F. Travis, International Economist, U.S. Department of Labor
Bonnie Resnick, International Economist, U.S. Department of the Treasury
Larry Memmott, Senior Advisor, U.S. Department of State
Erika Hamalainen, Program Examiner, Office of Management & Budget

OPIC Attendees:

Office of the President
John E. Morton, Chief of Staff
Dori S. Friedberg, Deputy Chief of Staff
Kareem Saleh, Senior Advisor
Laura Taylor-Kale, Senior Advisor
Keith Kozloff, Director of Accountability

Office of the Chief Financial Officer
Mildred O. Callear, Vice President & CFO, Financial & Portfolio Management
Allan Villabroza, Deputy Vice President and Treasurer
Stephanie I. Kaufman, Managing Director, Budget and Resource Planning
Yvonne Durazzo, Managing Director, Risk Management
Robert J. Berry, Managing Director, Credit Policy
Jeffrey Constantz, Director, Asset Management

Office of Investment Policy
Margaret L. Kuhlow, Vice President, Investment Policy
Mary S. Boomgard, Managing Director, Environmental Impact Analysis Group
Tara L. Guelig, Director, Labor and Human Rights
Lori Leonard, Managing Director, Economic & Development Impact
Patrick D. Carlton, Senior International Economist

Structured Finance
Ali Ayub, Director, Structured Finance

Small and Medium Enterprise Finance
James C. Polan, Vice President, Small and Medium Enterprise Finance
John R. Aldonas, Deputy Vice President
William J. Pegues, Director, Structured Finance

Investment Funds
Brooks B. Preston, Vice President, Investment Funds
Barbara F. Brereton, Managing Director, Private Equity
Lynn Nguyen, Managing Director, Funds Portfolio Management

Insurance
John F. Moran, Vice President, Insurance

Office of External Affairs
Judith D. Pryor, Vice President, External Affairs
Aysha House-Moshi, Director of Congressional Affairs
James W. Morrison, Special Assistant (Congressional and Intergovernmental Affairs)

Department of Legal Affairs
Kimberly Heimert, Vice President and General Counsel and Counsel to the Board
Brian Christaldi, Associate General Counsel, Project Finance
Merlin Liu, Associate General Counsel, Direct Loans and Housing Finance
Daniel M. Horrigan, Assistant General Counsel
Cameron S. Alford, Assistant General Counsel
Connie M. Downs, Corporate Secretary

Office of Administrative Services
None

Office of Human Resources
Rita Moss, Vice President for Human Resources

MEETING CALLED TO ORDER

Ms. Littlefield called the meeting to order at 2 PM. She welcomed Stefan Selig, Under Secretary for International Trade, the Department of Commerce, as a member of the Board. She also introduced Mildred Callear, as Vice President & CEO, Financial & Portfolio Management, and noted that she would be requesting confirmation of her appointment later on the agenda. She also introduced two recently nominated Board members, Todd Fisher and Deven Parekh. She also acknowledged the presence of a few OPIC clients.

A. PRESIDENT'S REPORT

Before presenting her President's Report, Ms. Littlefield called on Ms. Downs to report on the outcome of OPIC's Public Hearing in Conjunction with today's meeting. Ms. Downs reported that OPIC published notice of its Public Hearings in *The Federal Register*. No requests were received to speak or to submit copy for the record, so the meeting was not held.

Ms. Littlefield then presented her President's Report, a copy of which is incorporated by reference into these minutes as Attachment A.

B. CONFIRMATION

Ms. Littlefield turned to the confirmation of Mildred O. Callear as Vice President & CFO, Financial & Portfolio Management.

Ms. Lewis moved and Mr. Selig seconded the motion to confirm Ms. Callear, and by a unanimous voice vote the following resolution was approved by the Board.

> **BE IT RESOLVED,** that the President's appointment of Mildred O. Callear as Vice President, Financial & Portfolio Management, be and hereby is confirmed.

C. APPROVAL OF THE MINUTES

Ms. Littlefield moved to the approval of the minutes of the Open Session of the June 12, 2014 Board meeting. Mr. Selig moved and Ms. Lewis seconded the motion to approve the minutes, and by a unanimous voice vote the minutes were approved.

Ms. Littlefield closed the meeting to the public at 2:21 PM.

Respectfully submitted

Connie M. Downs

Connie M. Downs
Corporate Secretary

PRESIDENT'S REPORT

By
Elizabeth L. Littlefield
September 18, 2014

Good morning Board Members,

Today, I want to give you a preview of our expected results for 2014 and plans for 2015. I also want to share with you the major challenges that we believe are holding us back, why we believe this is an especially opportune moment for the Agency, and why we are asking for a budget that will allow us to scale up and be more forward-looking.

We meet today as the OPIC teams are racing to close out fiscal year 2014. Like many financial institutions, the last few weeks of the fiscal year are the most intense. We cannot know for sure, but it looks like we are on track to meet or exceed our three key financial targets: the percentage of our committed deals that reach financial close; the overall volume of financings committed; and the amount of income generated (which, in government speak, is called 'negative subsidy'). Of note, we dropped the level of some financial targets from FY 2013 to FY 2014 in consideration of the 2013 sequester and the hiring freeze we imposed to successfully avoid furloughs and layoffs.

One of the most important facts about our results is that we continue to reduce attrition at each stage of transaction life-cycle -- policy clearances followed by the Credit Committee, Investment Committee and sometimes Board approvals, then agreement on a commitment letter with the client all the way through to financial close and disbursement. Reducing the amount of fall-off of deals through these steps means more efficiency and more impact.

Once deals disburse, of course, our highly experienced Portfolio Management and Legal teams ensure that borrowers pay, and if they struggle, that work-outs are successful. OPIC's write-off rates for FY 2014 are excellent, still well below one percent, net of recoveries. For all these reasons, we anticipate OPIC's profitability will remain strong in FY 2014. Recall that the agency generated $426 million in budget deficit reduction in FY 2013.

We will exceed our goals for OPIC's sector and geographic priorities -- renewable resources and low-income countries. I am particularly proud that it looks like FY 2014 will be among our biggest years ever in Africa, at nearly a third of our commitments. We set out to focus more on Africa a few years ago and now have terrific results to show for it. More broadly, OPIC played a very crucial role in President Obama's priorities for development abroad, whether it was through Power Africa, Feed the Future, the Climate Action Plan or the broader initiative to realign America's engagement towards Asia. I want to take the opportunity to thank the State Department, USAID and our other interagency partners for their collaboration and for the resources they have contributed to help OPIC deliver on these priorities. The partnership between our agencies has never been stronger, and much of what we have accomplished this year would not have been possible without these partnerships.

Looking ahead, thanks to the strong budget increase we obtained last year - 17 percent, which was our biggest ever -- we are now staffing up to strengthen teams across the agency. Including backfills for positions, we hired 42 new employees in 2014 and still have 30 positions to fill. With a base of only 234 staff, that means our small Human Resources team has been working overtime.

Over the coming year, we will also continue, and in some cases complete, crucial modernization efforts in risk management, credit scoring, financial accounting, policy and IT infrastructure. We are materially improving efficiency and reducing risk by aligning our policies with federal standards in a number of areas. These will be big accomplishments ably led by terrific teams in our Financial Departments and Department of Management and Administration. Further, we continue to work on streamlining processes, reducing paperwork and signature lines, and automating administrative procedures to save time and money both for staff and clients, as well as to improve rigor and reduce risk.

More visible to all of you will be some of the new transactions we hope to close next year, such as:

- Our first Non-Honoring Sovereign Guaranty deal since 2007, a rural electrification deal in South Africa with Eskom and JP Morgan;

- The Lake Turkana wind project in Kenya, which the Board approved earlier this year. This promises to be the largest wind facility in Africa and one of the first Power Africa deals;

- In Ghana, we anticipate a deal to insure refurbishment of 38 water treatment facilities that together affect 85 percent of the nation's water supply. This is very exciting because it will be the first time we have applied our Arbitral Award Default insurance coverage in a capital markets issue. The AAD insurance covers a very narrow set of circumstances, but the rating agencies consider it such a strong credit enhancement that they are willing to provide an upgrade, which will enable Ghana to access the capital markets as a high-rated issuer;

- The Corbetti project in Ethiopia which, at 500 megawatts, will be the largest geothermal energy project in Africa; and,

- High-impact projects such as the Taiba project in Senegal, the first industrial-scale wind power project there and West Africa's largest.

In 2015, we also expect to roll out several new products, facilities and processes designed to support earlier-stage, high-impact projects and funds, several new structures to address client needs for local currency financing, as well as new capabilities in working capital financing. We will be unveiling an exciting 'aligned capital' facility, wherein we enable partnership opportunities with equity or grant providers or insurance companies to offer clients the right kind of capital or risk mitigation at the right time for their needs.

Next year will be another big year, and we believe we are better prepared than ever to deliver. However, we still struggle with constraints and limitations, all of which make the accomplishments of our staff to date all the more extraordinary. Let me cite the top four challenges today as I see them, in order of importance.

First, our policy constraints bind us more tightly than any of our competitors, especially our U.S. nexus and eligibility requirements. By definition, we do transactions that no one else will do and take risks no other lender will take, and yet we do this with enormous constraints. We are asked to work in foreign policy hotspots, but required to do so only with U.S. investors, who tend to invest closer to home. We must ensure our investments result in no harm to the U.S. economy or jobs. We must adhere to the strictest environmental, labor and human rights policies. And, of course, we need to make money at the same time. This is why even though OPIC receives about 2,000 proposals each year, they are screened down to only about 100 transactions each year. The fact that OPIC pulls all of this off year after year is a testament to a truly exceptional OPIC staff in every department and at every level.

The second issue, of course, is our very small size in terms of staff. OPIC was carved out of USAID 40 years ago and has been growing incrementally ever since, even though the world economy has changed dramatically and FDI is growing exponentially. When we were created, U.S. foreign direct investment into emerging markets was tiny, and now it's seven times bigger than AID. OPIC is a fraction of the size of many other countries' development finance institutions, despite the fact that the U.S. economy is far larger than that of other nations.

Third, we simply lack the tools and authorities that we need to have the greatest development impact -- the ability to make equity investments, in particular. Despite OPIC's strong leadership and track record of success in lending to private equity funds, we are one of the few DFIs that lack authority to invest equity *pari passu* alongside peer organizations. Most DFIs generate most of their income from their equity portfolios. The most highly developmental deals often need equity more than debt. Not having this tool in our toolbox reduces OPIC's development reach, competitiveness, and ability to generate revenues for the taxpayer.

Last is the issue of reauthorization. We spend an extraordinary amount of time just trying to secure authorization for OPIC to exist. Not having a multi-year authorization creates uncertainty for clients and staff. The progress that the Electrify Africa and Energize Africa bills are making in the House and Senate respectively, has required a huge amount of hard work by our Front Office and Legislative Affairs team. We are praying that legislation will pass by the end of the year to provide the Agency with a multi-year reauthorization and some of the additional flexibilities we need.

Despite these constraints, OPIC is in a better strategic position than it has ever been before. Why? Because the nature of the problems faced by the world, and the mandate OPIC has been given to work with the private sector, position our Agency at the center of smart, efficient, nimble solutions for development.

If one were to step back and think about the world's greatest challenges, three global forces are converging in very potent ways. The first is resource scarcity, ranging from water to food to forests and clean air. For this reason, four years ago we established renewable resources as our singular sector priority and we stuck to it. The second force is the growing middle class in the developing nations, whose consumption patterns are going to accelerate the depletion of those resources. The third force is climate change.

These three trends are coming together and reinforcing one another with such power that they will create one of the biggest challenges humanity has ever faced. Clearly, the private sector is essential to addressing and managing these challenges. But the private sector will not do it without some risk mitigation, financing, and support from the public sector. That is OPIC's mandate. OPIC is the public sector entity at the heart of the push to get private capital to help solve the world's greatest problems.

OPIC has been catalyzing private sector development to solve development challenges successfully for more than 40 years. But the world is only now waking up to the role of the private sector in development, the idea of business as a force for good, and the role that OPIC plays in making that happen. We have worked hard, in partnership with our terrific communications teams and congressional teams, to make sure this story is heard and understood. And it's paying off. The drumbeat is getting louder and louder amongst think tanks, Congress, the academic community and even organizations such as the President's own Global Development Council, to give OPIC what it needs to play an even larger role, to "unleash" OPIC.

This is why I feel it is my duty to submit a 2015 budget request that will begin to move OPIC beyond its historical pattern of incremental growth, toward a far bolder and more forward-looking trajectory. If our far-larger European and Asian DFI competitors continue to grow at 100 or 200% per annum while we are held back to grow at small single digits, we will soon become a rapidly shrinking speck in their rear-view mirror. The China Development Bank hired 550 new staff just last year. We have 234 in total. We need to catch up.

I will close by asking you the question: when you have a business model that generates $8 for every $1 you put into it, that helps direct private capital -- which is effectively free from the standpoint of the taxpayer -- to solve the world's biggest problems, *and* also does that while helping U.S. businesses tap into fast-growing emerging markets, *and* when that business model does all of this while deploying what I believe is our country's most powerful political and foreign policy tool: the people-to-people, business-to-business relationships that project the best of American values, American innovation and American goodwill amongst people who need to hear that lesson -- when you have a business model that does all that, why wouldn't you scale it up?

So, with great thanks to the extraordinary OPIC colleagues with whom I have the privilege of working with every single day to serve our clients, and with deep appreciation for the Board and our fellow inter-agency colleagues that support and guide us, I conclude my President's Report.

Thank you very much.