The Private Equity Review

Third Edition

Editor
Stephen L Ritchie

Law Business Research

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The Private Equity Review

Third Edition

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Stephen L Ritchie

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EDITOR'S PREFACE

This third edition of *The Private Equity Review* comes on the heels of a very good 2013 for private equity. Large, global private equity houses are now finding opportunities to deploy capital not only in North America and western Europe, where the industry was born, but also in developing and emerging markets in Asia, South America, the Middle East and Africa. At the same time, these global powerhouses face competition in local markets from home-grown private equity firms, many of whose principals learned the business working for those industry leaders.

As the industry becomes more geographically diverse, private equity professionals need guidance from local practitioners about how to raise money and close deals in multiple jurisdictions. This review has been prepared with that need in mind. It contains contributions from leading private equity practitioners in 28 different countries, with observations and advice on private equity dealmaking and fundraising in their respective jurisdictions.

As private equity has grown, it has also faced increasing regulatory scrutiny throughout the world. Adding to the complexity, regulation of private equity is not uniform from country to country. As a result, the following chapters also include a brief discussion of these various regulatory regimes.

While no one can predict exactly how private equity will fare in 2014, one can confidently say that it will continue to play an important role in the global economy. Private equity by its very nature continually seeks out new, profitable investment opportunities, so its continued expansion into growing emerging markets appears inevitable. We will see how local markets and policymakers respond.

I want to thank everyone who contributed their time and labour to making this third edition of *The Private Equity Review* possible. Each of them is a leader in his or her respective market, so I appreciate that they have taken their valuable and scarce time to share their expertise.

Stephen L Ritchie
Kirkland & Ellis LLP
Chicago, Illinois
March 2014

Chapter 5

CHILE

Andrés C Mena, Salvador Valdés and Francisco Guzmán[1]

I OVERVIEW

Chile continues to offer an attractive business environment. Chile was the first Latin American economy to join the Organisation for Economic Co-operation and Development, and is party to dozens of free trade agreements (including with the United States, the European Union, Mexico, South Korea and Brazil). In terms of competitiveness in Latin America, according to the ranking published by the Latin American Private Equity & Venture Capital Association (LAVCA),[2] Chile has remained the country with the best overall conditions for the private equity industry for eight years in a row. Also, according to Ernst & Young's annual ranking, Chile leads Latin America as the most attractive market for private equity and venture capital.[3] As a result, private equity in Chile has grown significantly: as of the end of 2012, there were approximately 37 investment funds with an estimated amount of investments of US$600 million, and 24 management firms. Seventeen of these funds are private equity funds with investments of about US$342.6 million, and 20 funds correspond to venture capital funds with investments of about US$256.8 million.[4]

i Deal activity

The private equity industry has grown aggressively as a result of changes in the statutory corporate, capital markets and tax framework implemented since 2000. According to

1 Andrés C Mena is a partner at Kirkland & Ellis LLP. Salvador Valdés is a partner and Francisco Guzmán is a senior associate at Carey.

2 LAVCA Scorecard 2013.

3 Diario Financiero, 12 December 2013.

4 See Chilean Association of Investment Funds Administrators (ACAFI), 'Venture Capital and Private Equity in Chile' (2012).

the LAVCA Scorecard 2013, investors value the overall environment of institutional and legal certainty, the protection of intellectual property rights, the transparency of the judiciary and the protection of minority shareholders' rights. The adoption this year of the international financial reporting standards for all non-publicly traded companies has also helped maintaining Chile as a regional leader for investing. In addition, Standard & Poor's raised Chile's credit rating in 2012 from A+ to AA-. With this upgrade, Chile became the country with the best credit rating in Latin America and was ranked 23rd worldwide (comparable to Japan, Estonia and Taiwan).

Still, the private equity industry is in an early stage, which makes it particularly attractive for new investors. Unlike other countries (such as Brazil) the number of sponsors in the market is still limited and new players are attracted by the opportunity for better value.

The bigger players (i.e., funds with assets over US$100 million and with a regional and not purely national focus) are managed both by foreign entities (such as Advent or CVC) and by some regional players (such as Linzor Capital Partners or Southern Cross Group). Other key sponsors in the country are Blackstone, Quilvest, Brookfield, KKR and Partners Group. These funds use local feeder funds to raise capital, mainly from institutional investors. Other key local players include Aurus, Celfin (recently merged with BTG Pactual), Larraín Vial, Independencia, IM Trust and Moneda Asset Management.

The size of most funds (private equity and venture capital) is between US$15 million and US$40 million.[5] This is in line with the trend of Latin America, as according to LAVCA, since 2012 the market shifted towards smaller funds and mid-sized deals.[6]

Typically, foreign sponsors enter the country associated with local firms that have a better understanding of the local market.

Both the number of new deals and their aggregate amount increased considerably during 2012. There were a total of 14 reported deals in Chile during 2012 for an aggregate amount of US$398 million, an overall increase as compared to 2011, when there were 11 deals for an aggregate amount of US$42 million (at least according to publicly reported deals; anecdotal evidence suggests that the number and volume of actual new transactions, as opposed to only reported ones, was considerably higher). Exits, however, decreased compared to the previous year, with three exits consummated for an aggregate amount of US$139 million (as compared to five exits in 2011 for US$892million).

The table below shows reported deals in Chile during 2012 compared with deals in either countries in the region:

Country breakdowns	*2012 investments*				*2012 v. 2011 growth (%)*	
	Amounts		*Distributions*			
Country	*No. of deals*	*US$ deals (millions)*	*No. of deals*	*US$ deals*	*No. of deals*	*US$ deals*
Argentina	7	18	3%	0%	-36%	-73%
Brazil	147	5,657	62%	72%	63%	36%

5 Ibid.

6 2012 and 2013 LAVCA Mid-Year Reports.

Country breakdowns	2012 investments				2012 v. 2011 growth (%)	
	Amounts		Distributions			
Country	No. of deals	US$ deals (millions)	No. of deals	US$ deals	No. of deals	US$ deals
Chile	14	398	6%	5%	27%	859%
Colombia	14	413	6%	5%	-7%	-34%
Mexico	21	684	9%	9%	-5%	49%
Peru	12	269	5%	3%	500%	-287%
Other	22	437	9%	6%	0%	-44%
Total	237	7,875	100%	100%	37%	21%

Source: 2013 LAVCA Industry Data

The table below shows exits in Chile during 2012 compared to those in the other countries of the region. Although no final figures are available for 2013 at the time of writing this chapter, we provide information on specific deals closed in 2013 in Section III, *infra*.

Country breakdowns	2012 exits				2012 v. 2011 growth (%)	
	Amounts		Distributions			
Country	No. exits	$ exits (in millions)	No. exits	$ exits	No. exits	$ exits
Argentina	1	N/A	2%	N/A	-80%	N/A
Brazil	26	3,529	59%	92%	37%	-38%
Chile	3	139	7%	4%	-40%	-84%
Colombia	4	50	9%	1%	-50%	-94%
Mexico	5	37	11%	1%	67%	N/A
Peru	3	69	7%	2%	-25%	-87%
Other	2	3	5%	0%	-78%	-100%
Total	44	9,826	100%	100%	-17%	-64%

Source: 2013 LAVCA Industry Data

ii Operation of the market

The terms of private equity deals are fairly consistent with industry standards. Frequently, transaction documents are based on US forms (including contracts drafted in English if one of the parties is a non-domestic party). Usual terms include representations and warranties, purchase price adjustments, anti-dilution provisions (including full ratchets), affirmative and negative covenants, events of default, indemnities and non-compete clauses. Shareholders' agreements are generally used for the corporate governance of the target company and to restrict the transfer of shares for the benefit of the private equity sponsor.

In some cases, the private equity seller may agree to escrow arrangements to secure buyer claims until the lapse of the statute of limitations (generally five years). Arbitration is the preferred dispute resolution mechanism for these transactions in almost all instances.

A typical sale process starts with the negotiation by the parties of the basic terms and conditions of the transaction, typically in the form of a term sheet. Term sheets may

include indicative offers subject to due diligence conditionality. Often, the buyer will conduct the due diligence before the announcement of the transaction to the market, but a fair number of deals are announced without any due diligence having been carried out. Diligence 'outs' remain the norm, but it is standard practice for sellers to impose minimum thresholds and objective tests. Definitive purchase agreements will still be subject to conditionality, especially as they are relevant to governmental authorisations. For instance, in concentrated markets the approval of the antitrust authority will be a likely requirement, and transactions in the utilities sector will also require approval by the relevant authority (the sanitary authority in the water industry, the energy authority in the electric industry, etc.). If the sale process involves an IPO, prior approval by the Securities and Insurance Commission (SVS) will be required.

Unless there is an IPO, a deal will typically take between three and six months to close (of course, depending on the negotiations of the parties and the complexities of the deal, a particular transaction may take longer or shorter to close).

The management of portfolio companies usually have a significant portion of their compensation tied to stock options and other rewards linked to the performance of the company. Alignment of incentives and favourable tax treatment make this type of compensation very desirable in Chile.

II LEGAL FRAMEWORK

Chile allows for a number of corporate entities with different results in terms of control.

A Chilean corporation is managed by a board of directors, with certain specified decisions reserved to the shareholders.

A corporation can be publicly traded, or 'open', private or 'closed'. An open corporation is one that has issued equity shares registered with the SVS. Registration is voluntary, except where the corporation has 500 or more shareholders, or if at least 10 per cent of its capital stock is held by at least 100 shareholders. Open corporations are supervised by the SVS. All other corporations are closed. Closed corporations are not subject to the supervision of the SVS unless they are issuers of publicly traded securities (whether equity or debt) or if otherwise required by a special regulatory frame (for example, insurance companies).

Corporations are managed and controlled by a board of directors appointed by the shareholders. The board has the broadest authority over the corporation and its affairs. Closed corporations must have at least three board members, open corporations at least five.[7]

There are statutory withdrawal rights for shareholders pursuant to which a shareholder can put its shares to the corporation upon certain actions being approved.[8]

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7 An open corporation with a market capital capitalisation over a certain threshold (currently about US$50 million) must have at least seven board members.

8 Actions such as the conversion of the corporation into a different corporate type (LLC, SpA, etc.), a division or a merger of the corporation, a sale of substantially all of the assets of the corporation, the granting of guarantees or liens with respect to third-party obligations, *inter*

Corporations in Chile require at least two shareholders.

Chilean law also provides for a corporate type similar to Delaware's limited liability company, with two critical distinctions: Chilean limited liability companies (LLCs) require a minimum of two members, and Chilean LLCs require unanimous consent to amend their charter in any respect, accept new members or to allow existing members to assign their interest.

Share companies (SpAs) combine the best attributes of a corporation (free assignability of the equity interests) with the contractual flexibility of an LLC (the SpA does not require unanimous consent for amendments of its charter). An SpA can be formed by one or more persons (individuals or legal entities), and allows for any type of corporate agreement save for a few mandatory rules.

SpAs allow for a single equity holder and can have as many equity holders as desired. If an SpA, however, reaches the number of equity holders that would render a corporation an open corporation, then it will automatically become an open corporation.

If provided for in their charter, SpAs are allowed to make capital calls and issue equity interests if resolved by management (i.e., without the consent of the equity holders). Unlike corporations, there are no statutory pre-emptive rights (again, except as contemplated by the organisational documents). The organisational documents may indicate minimum or maximum percentages or amounts of capital that are to be directly or indirectly controlled by one or more shareholders. The repurchase of their own equity interests is allowed for SpAs. Contrast this with corporations, which can make capital calls only if agreed by the shareholders. Statutory pre-emptive rights apply to equity issuances by a corporation. Corporations are also generally prohibited from acquiring their own shares and must distribute minimum statutory dividends (at an amount of 30 per cent of net earnings).

However, most notably an SpA may issue preferred shares accruing fixed or variable dividends. Features like preferred dividends accruing from specific businesses or assets are permitted.

Chile also has investments funds. These can be structured as public funds (which are subject to substantive regulations by the SVS restricting the type and amount of assets in their portfolios, transactions with affiliates and periodic reporting to the market) or private funds (which are not subject to such regulations). Only public funds can publicly offer their securities.

i Sponsors' controlling investment of an entity

A sponsor seeking control of an investment in Chile will have to consider the specific features of each type of corporation.

Where the sponsor wishes to acquire control of a corporation, it will require at least the control of the number of shares required to control the board of directors and corporate decisions in shareholders' meetings, typically a majority of the outstanding shares. A number of material corporate actions require approval by at least two-thirds of

alia, result in statutory withdrawal rights. A corporation's charter may provide for additional withdrawal rights.

the outstanding shares.[9] Some of those actions (such as the sale of more than 50 per cent of the assets and the creation of preferred shares) are material to private equity or venture capital sponsors. No corporate actions require unanimous consent of the shareholders.

Chilean law explicitly recognises shareholders' agreements and provides that they need to be 'deposited' with the corporation as a condition of the parties to it making claims against third parties based on such agreements. Chilean law, however, provides that shareholders' agreements are not enforceable against open corporations insofar as they create restrictions on the transfer of shares.[10] As a result, frequently liquidated damages clauses are agreed to by the parties in amounts large enough to create the appropriate incentives.[11]

SpAs provide the broadest flexibility in terms of contractual structuring provisions. The express recognition by the statute of contractual requirements in terms of maximum (or minimum) levels of equity interests held by its members, the fairly broad flexibility to trigger increases or reductions in equity capital, the ability to repurchase their shares, *inter alia*, make SpAs highly desirable vehicles for private equity investors.

Uniquely, SpAs' charters can provide for 'squeeze-outs', whereby a minority holder can be forced to sell its interest upon another holder acquiring a certain threshold percentage. SpAs also allow for preferences consisting of multiple vote shares (and shares without voting rights).

In summary, a private equity sponsor will benefit significantly from the flexibility provided by an SpA when setting up a holding vehicle for its investment. By the same token, a sponsor investing in an existing SpA will need to conduct thorough due diligence and understand the implications of the SpA's organisational documents.

ii Structuring considerations for sponsors not domiciled in Chile

The key structuring considerations will be driven by control issues (as previously discussed), tax issues and the regulatory framework relevant to the industry in which the investment is made. For example, a number of activities in Chile have to be – at least directly – performed by corporations (banking, insurance, retirement funds administrators, etc.). In addition, corporations are the only corporate entity that allow for an IPO.

Similar to US tax law, Chilean law creates incentives for the use of leverage in a private equity transaction. Subject to certain conditions, Chilean tax law allows for tax deductions on account of interest payments. The same deduction does not exist for dividend payments.

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9 Actions such as the conversion of the corporation into a different corporate type (LLC, SpA, etc.), a division or merger of the corporation, a sale of more than 50 per cent of its assets, a decrease in its equity capital, the valuation of equity contributions made in assets other than cash, the reduction in the number of members of the board of directors, *inter alia*.

10 Section 14 of the Chilean Corporations Act.

11 In general, liquidated damages clauses are enforceable in Chile even if they are considered a 'penalty' or do not bear a direct relation to the expected damages caused by the breach of the relevant obligation.

Ordinarily, dividends remitted to non-Chilean sponsors are subject to a 35 per cent withholding tax rate. Interest payments are taxed at the same 35 per cent rate, but a 4 per cent reduced withholding rate applies, *inter alia*, to interest payments on loans made by foreign banks and financial institutions. In some cases, however, such as when the debt is guaranteed with cash or cash equivalents provided by third parties, in order to qualify for the reduced 4 per cent rate a 3:1 debt-to-equity ratio will have to be satisfied.

When structuring a transaction as a leveraged buyout, sponsors will have to ensure that the *pro forma* amount of debt of the target company (including the debt raised to finance the LBO), allow the surviving company to remain solvent. Chilean bankruptcy courts have jurisdiction to void transactions resulting in insolvent entities.

It is common to bridge a leveraged deal using short-term debt and then to refinance with long-term securities in the bond market.

Another reason for leveraging up a deal is that remittances of equity contributions to a foreign sponsor are first allocated to taxable retained earnings and profits. Accordingly, outflows of capital contributions can only be tax free if the Chilean business does not have accumulated earnings and profits that are taxable. There is no such requirement affecting principal payments on debt transactions.

iii Fiduciary duties and liabilities

The main source of fiduciary duties in the Chilean corporate context is the Corporations Act.[12] Directors of a corporation have an obligation to act with the degree of care and diligence that they would apply in their own affairs. They are jointly and severally liable for damages caused to the corporation or its shareholders for their fraudulent or negligent actions. The same principles apply to an SpA, unless it is not managed by a board of directors.[13]

As a result, a private equity sponsor will not, directly, be exposed to liability with regard to other shareholders. The shareholders of a corporation (or an SpA) do not generally owe fiduciary duties to each other, and are permitted to act in their own self-interest.

Areas of concern for a sponsor arise in the insolvency context. While the Chilean courts do not apply the 'zone of insolvency' test to the same extent that a court in the United States might,[14] the Chilean Bankruptcy Code[15] does provide for liability on account of actions that are fraudulent to creditors. For example, Chilean courts may void a sale of assets consummated within a year of the insolvency of a company.

12 Section 41.

13 Section 424 of the Chilean Commercial Code.

14 Delaware courts have created the 'zone of insolvency' concept, effectively extending fiduciary duties of a board of directors to creditors when a corporation is close to insolvency. See *Credit Lyonnais Bank Nederland, NV v. Pathe Communications Corp*, 1991 WL 277613 (Del. Ch. 30 December 1991); *Weaver v. Kellogg*, 216 B.R. 563, 582-84 (S.D. Tex. 1997); *Official Comm of Unsecured Creditors of Buckhead America Corp v. Reliance Capital Group, Inc (In re Buckhead Am Corp)*, 178 B.R. 956, 968 (D. Del. 1994).

15 Sections 74 to 81.

They are, however, very unlikely to find liability for a sponsor other than in the very narrow circumstances of a fraudulent voidable transaction expressly provided for in the Bankruptcy Code or under criminal fraud statutes.

Recent experience confirms the liability shield for sponsors. The *La Polar* case has resulted in a large number of claims and litigation (including criminal prosecutions), but none against the private equity sponsor.

La Polar is a large retail company. It was controlled by Southern Cross for a number of years, during which La Polar appears to have, in what seems to have been a common practice, unilaterally (i.e., without the knowledge, let alone the consent, of its clients) changed the terms (including pricing) and conditions of retail loans to its customers. The practice was allegedly on a grand scale, and has resulted in several members of the management team (including the CEO and the CFO) being subject to criminal prosecution. In this situation, litigation has been initiated against the company itself, the management and some individual members of the board. No litigation has been initiated against Southern Cross (the manager of the fund that controlled La Polar) or against any investors in the fund. Several years into the *La Polar* fiasco, the limited liability of the sponsor and the limited partners in a fund is still holding firm in Chile.

III YEAR IN REVIEW

i Recent deal activity

The private equity industry was active during 2013. New players entered into the market and others consolidated their interest in the country with new acquisitions. Among the new sponsors that arrived is Actis, an international firm that focuses its investments in Africa, Asia and Latin America. Actis invested US$290 million in Aela Energía, Chile's largest wind and solar energy project which is projected to increase the country's renewable energy capacity by 3.6 per cent.

Another representative transaction was the investment of Aurus Bios Investment Fund and Andrómaco Labs in Kinostics, a company formed by Chile's University of the Andes to develop a breakthrough technology for the diagnosis of kidney failure. The intention of the parties is to use this company as a platform for the expansion of this new invention worldwide. In the technology sector, regional investor Kaszek Ventures acquired a stake in the Chilean service comparison startup ComparaOnline.com, a Chilean platform that compares insurance, financial and telecommunication products.[16]

ii Financing

From a regulatory standpoint, it is worth noting that Chilean institutional investors, especially pension funds, are a key source of liquidity for private equity in Chile. They can only invest, however, in publicly traded entities, and face significant restrictions if investing in foreign investment vehicles. As a result, international private equity firms generally use local feeder funds to raise capital from institutional investors. Banks are also

16 See also 2012 LAVCA Mid-Year Report.

authorised to participate in private equity deals through their affiliates. Restrictions on the amounts invested (determined as a percentage of their assets) apply.

The Chilean Economic Development Agency (CORFO), the state development agency, is a significant source of financing for private equity and venture capital. CORFO encourages entrepreneurship and innovation by providing resources to start-ups or in key sectors of the economy. CORFO can provide direct financing (up to 40 per cent of the equity of a company) or through lines of credit available to private equity or venture capital investors. CORFO's financing can be unsecured, thereby allowing for additional third-party leverage on a secured basis. By the beginning of 2013, CORFO had committed US$90 million to venture capital investments, notably exceeding funds invested in the industry last year.

iii Exits

The most important exit during 2012 was the IPO by the construction company Moller y Pérez-Cotapos SA. Private equity investor CVCI divested a majority stake in the company in an offering that raised approximately US$92 million in the Santiago Stock Exchange. CVCI still holds a minority stake in Moller y Pérez-Cotapos.

IV REGULATORY DEVELOPMENTS

i Regulatory bodies of the industry

Except for specific instances in the context of regulated industries, private equity transactions are generally not subject to special regulations restricting them. If a transaction involves public investment funds or public companies, a private equity sponsor is likely to have to deal with the SVS, which may exercise its overseeing powers. Private investment funds and private companies (including SpAs), on the other hand, are not supervised by the SVS.

For an IPO, both the issuer and its securities to be offered to the public need to be registered with the SVS. An application describing in detail the terms and conditions of the offer is required, and must include extensive information regarding the company (ownership structure, legal information, accounting, business and activities, risk factors, etc.) and its securities. The SVS has ample discretion to approve an application, and usually it will exercise it by asking for further information and for changes to the way information is presented. Once the observations are resolved, the issuer and the shares will be registered in the Securities Registry of the SVS. The SVS making observations is very common; however, an application not ending in an approved registration is extremely unusual.

ii Regulatory developments

Chile is adopting policies to establish itself as the entrepreneurial hub of Latin America.[17] These policies are part of the reform informally referred to as 'MKB', a (somewhat

17 See *The Economist*, 13 October 2012 edition, referring to Chile as 'Chilecon Valley'.

playful) acronym combining the ideas of capital markets reform and the bicentenary of Chile's independence. MKB intends to boost innovation and competition, as well as opening the Chilean financial market internationally. MKB includes reforms on several areas: taxation, consumer protection, the banking system, information and transparency at the governmental level, improvement of government performance, capital markets, access to new markets and improved financing.

As part of these measures, 2012 was declared by the government as the 'year of entrepreneurship' and 2013 as the 'year of innovation'. In addition, and notwithstanding that the cost of starting a business is already one of the lowest of the region,[18] Congress recently approved a statute that permits the incorporation of the different types of legal entities (including closely-held corporations, LLCs and SpAs) essentially for free and within a day. The statute provides an alternative to the required formalities for the incorporation of companies by permitting that the incorporation, modification, conversion, merger, spin-off or dissolution all be effective using an online electronic registry.

In 2013, Congress approved a new statute (the Unified Law on Funds) which transforms Chile into a platform for the management of financial assets across the region. The new regulation sets a common framework and simplifies the legislation on investment funds, mutual funds and investment funds of foreign capital in order to simplify and make their legal and regulatory framework consistent.

The Unified Law of Funds includes tax incentives, such as a tax exemption for foreign nationals investing in funds that hold more than 80 per cent of their assets outside Chile, as well as mechanisms to reimburse value added tax paid by foreign nationals in Chile. The government projects a threefold increase in investment fund activity as a result of the Unified Law of Funds being enacted.

Finally, during 2012 the executive branch enacted regulations in connection with the corporate governance of corporations. The new regulations explicitly state that the directors have not only a right, but also an obligation to inform themselves about the affairs of the corporation. Directors are now under an obligation to affirmatively state and record in the board minutes their opposition to board resolutions in order to be exempt from personal liabilities for damages to the corporation and its shareholders. This should put an end to the practice of remaining silent during deliberations of the board and subsequently claiming opposition to resolutions of the board. The new regulations also make mandatory the appointment of independent experts in the context of the valuations of mergers, including with respect to mergers where the consideration is paid in shares. The new regulations also permit attendance to board and shareholders' meetings by electronic means.

Further developments in the Chilean regulatory landscape have also taken place during 2013 due to regulatory actions and lawsuits by the SVS, which have become known as 'waterfall cases' in reference to the flow of funds between subsidiary companies and shareholders. The waterfall cases are essentially stock sales between affiliates parties that allegedly resulted in losses to minority shareholders (most notably pension funds)

18 See LAVCA Scorecard 2012.

and gains to the controlling shareholders and related investment vehicles. While material regulatory and judicial decisions have yet to be issued, these actions have brought to the regulator's attention the manner in which publicly traded shares are sold, transactions between public issuers and their majority and minority stakeholders, transactions with affiliates, and the role and operations of the securities intermediaries.

V OUTLOOK

Chile has a competitive economy and a well-developed business environment. It has in place a smart regulatory framework with the necessary conditions to attract new investors and the private equity industry in general.

The new policies being implemented to improve the regulatory framework for investors in Chile, the continued growth of Chile's economy, the relatively early stage of the private equity industry in Chile and the number of exits (especially as IPOs) suggest the continued growth of the private equity industry in the country.

Appendix 1

ABOUT THE AUTHORS

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