

## **BACKGROUND ON CONTRACT PROPOSAL**

Department of Investment and Financing

Sub-department of Investment

MAT: Financing Program for Venture Capital Investment Funds – Development and Growth Funds (hereafter “FC,” from the program’s acronym in Spanish).

1.- By means of Agreement No. 82 of the Venture Capital Committee on 12-06-2011, the creation of a stimulus program in the Venture Capital Industry called **Financing Program for Venture Capital Investment Funds – Development and Growth Funds** is approved.

2.- By means of the same agreement, preparation of the definitive text of the Program Standards is entrusted to the Sub-department of Investment of the Department of Investment and Financing. This will then be submitted to the Venture Capital Committee for approval.

**In conformity with the background detailed above, and with the recommendation of this Department, the following contract proposal is submitted for consideration:**

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APPROVED      DEFINITIVE      TEXT:  
VENTURE CAPITAL INVESTMENT/  
FUNDING      PROGRAM      –  
DEVELOPMENT      AND      GROWTH  
FUNDS (FC)

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**FUNDING PROGRAM**

**FOR VENTURE CAPITAL INVESTMENT/ FUNDING PROGRAM – DEVELOPMENT AND  
GROWTH FUNDS (FC)**

The **CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN** (Chilean Economic Development Agency), henceforth “**CORFO**” or the “**Agency**,” offers resources in the form of long-term **Lines of Credit**, hereinafter “**Line(s)**,” to **Investment Funds** governed by the provisions of Law 18,815 or Law 18,657 and their amendments, henceforth also called “**Funds**,” so that said resources may be invested in small or medium companies in a growth phase that need financing in order to expand their activities. Said resources are available to the Funds pursuant to the following **Venture Capital Investment/ Funding Program – Development And Growth Funds (FC)** regulations, hereinafter the “**Program**.”

## **CHAPTER ONE: OPERATIONAL REGULATIONS**

### **1. Program Objectives and Definitions**

#### **1.1 Objectives**

The purpose of the Program is to promote the creation of investment funds, which allow for financing and development of small and medium Chilean companies with high growth potential, and which currently are in an expansion phase.

In this context, investment funds may utilize CORFO funds to make capital contributions toward acquiring, in the majority of cases, partial equity interest and also granting credit to these companies.

The Agency offers long-term financing to Funds that are willing to invest in companies meeting the requirements established herein, so long as the managers of such Funds commit to engaging actively, directly or through authorized parties, agents or representatives, in the management of the end recipient companies of the funds provided hereunder.

## **1.2 Definitions**

For the purposes of the following Program, the following definitions apply:

- a) **Venture Capital Committee:** Hereinafter “CCR” (acronym in Spanish for *Comité de Capital de Riesgo*). This is a CORFO committee created by virtue of Article 7 of DFL 211, of the Agency, which is in charge of the development of CORFO’s Venture Capital Programs.
- b) **Company equity:** Company equity will be understood to mean the amount allocated in the respective balance of the receiving company, which must be verified by means of a certification by External auditors that verifies fulfillment of this condition, when the Balance has not been audited. For companies that have existed for less than one year, company equity will be understood to be its statutory capital.
- c) **BCU 10-year Interest Rate:** This is a variable rate, determined and reported each banking business day by the Chilean Association of Banks and Financial Institutions A.G., in conformity with the Compendium of Standards for Nominal, CERO, BCP and BCU Interest Rates, the revised text of which was agreed upon at a session of the Board of Directors of the Chilean Association of Banks and Financial Institutions A.G. on June 23, 2005, and the goal of which is to reflect the average of the interest rates on purchase and sale of these kinds of documents in the secondary market.
- d) **Institutional Investors:** This refers to Institutional Investors as defined in Article 4 bis of Law 18,045 of the Chilean Stock Market.

## **2.- Companies or Instruments Eligible for Capital Investments of Credit Operations**

### **2.1 Investment in Chilean companies**

Fund resources shall be invested as capital contributions in small and medium size companies legally incorporated in Chile as *Sociedades Anónimas (Public Corporation)*,

*Sociedades por Acciones (Joint-stock Company)* or companies governed by the Mining Code.

Additionally, the Fund's resources may be invested in bonds, negotiable instruments, and other forms of convertible debt, or other types of debt issued by eligible businesses, or they may be provided to companies in mutual funds or credit operations. Notwithstanding, credit operations for which conversion into Capital is not possible may only be granted to businesses in which the Fund has previously made capital contributions, and in an amount inferior to said contributions.

- i) For the effects of what is stipulated in the present Program, these are companies eligible to invest the Fund's resources.

Companies whose equity does not exceed 200,000 *Unidades de Fomento* (hereafter "UF", a Chilean peso-denominated unit indexed by inflation) at the time of the first investment with Fund resources.

- ii) Investment in capital contributions can be conducted via:

The acquisition of first-issue shares and/ or by means of the acquisition of shares or equity interests in third parties and/ or the acquisition of options.

Additionally, Fund resources may not be invested, directly or indirectly, in companies with which Fund investors, shareholders, board members or executives of the Fund Manager, or individuals or corporations related to any of the aforementioned entities have, at the time of the investment, directly or indirectly, an ownership relationship with or amounts due to them from these companies in the terms established in Article 100 of Law 18,045, except for those cases in which a request supported by the Fund Oversight Committee of the Venture Capital Committee, hereinafter CCR, expressly approves it.

To ensure appropriate liquidity management, notwithstanding the amounts held in cash, and provided its Bylaws so allow, the resources of the Fund may be invested in the financial instruments established in paragraphs 1) to 4), 6) and 7) of Article 5, Law 18,815.

## **2.2 Investment in foreign companies.**

i) In justified cases, and subject to approval by the Agency, indirect investment of the Fund's resources in a foreign company by means of capital contributions will be permitted, provided that the foreign company must, in turn, immediately invest those funds in a small or medium business legally constituted in Chile.

ii) Additionally, in the case of a national business in which the Fund has invested, and which is in an internationalization phase, meaning that it is controlled by a foreign parent company, the Fund, subject to authorization by the Venture Capital Committee, may participate in the acquisition of a part of the parent company's shares, always on the condition that the situation involves a first round of foreign financing.

All of this taken into consideration, foreign companies in which the Fund invests, directly or indirectly, may not be domiciled in or be residents of countries or territories that are considered to be tax havens or damagingly preferential fiscal regimes. The Venture Capital Committee may consider any background information that it deems necessary in order to improve the investment of its resources outside of Chile as contemplated in this paragraph.

All investments, including final investments in national companies, when these are verified by means of foreign companies, must be duly accredited to the satisfaction of the Agency, in the manner indicated in No. 6.

### **3. Amount of Lines of Credit**

The Venture Capital Committee may approve Lines of Credit from the resources of this Program up to a maximum amount, as requested in the respective application, equal to up to **100% of the investments paid and committed to the Fund**, which should be expressed in UF, for those Funds that have applied to the Program and are in compliance with the Regulations herein.

- i) The amount of the Lines will be in the range of a minimum of UF 100,000 and a maximum of UF 450,000
- ii) The Funds must express in their request:
  - a. The amount of the line of credit requested
  - b. Ratio of CORFO's debt/ Capital that they offer, **with a maximum of 1:1**.

If the Venture Capital Committee approves an amount less than the line of credit requested, the Investment Funds may reduce the size of their Capital, always provided that they **maintain the CORFO debt/ capital ratio relationship** specified in the Program Application.

#### **3.1 Decrease in size of the line of credit**

The Fund Managers may voluntarily request from the CCR expiration of the funds approved in the CORFO lines of credit and not used by the Fund, in those cases in which the originally defined investors have defaulted on their commitment, or if the project flow is not as expected.

The requested decrease may not exceed 25% of the line of credit previously requested. With the entire Fund, the credit line may only be decreased until a minimum amount of UF 100,000 remains.

#### **3.2 Increase in the line of credit, maintaining the CORFO debt/ capital relationship**

On the other hand, the Fund Managers may request from the CCR an increase in the line of credit originally approved by CORFO, of up to an **additional 25%**, on the condition that the following requirements are met.

- a) Promise to incorporate new private capital contributions into the Fund, in order to conserve the debt/ capital relationship in force at the date of the request. This situation must be supported by promissory subscription agreements and by payment of the respective installments.

- b) That the new investment structure does not violate what is stipulated in number 13 letter f).
- c) That no decreases have been requested, nor have there been expirations of the line of credit with respect to what is specified in numbers 3.1 and 7 of this program.
- d) That the Fund has materialized investments in the companies in its portfolio, **at least 30%** of the line of credit originally approved plus the paid and committed investments in force.

The Venture Capital Committee must approve increases in the line of credit, without exceeding the limit indicated in the previous paragraph. This increase will be subject to conservation of the same CORFO debt/ Capital relationship approved in the original granting of the Line of Credit, unless there has been an increase in the line of credit detailed in the following section, in which case the debt/ capital relationship should be what is established at the moment that said increase is approved.

### **3.3 Increase in the line of credit with an increase in the CORFO debt/ capital relationship.**

Notwithstanding what has been specified in the previous paragraphs, the Fund will have the right to request from the CCR an **increase in the line of credit of up to 50%** of the line of credit in force at the time of the request, superseding the debt/ capital relationship and/ or the size limits on the line of credit specified in number 3, above.

This increase can be requested from the CCR by means of the requirement to review its investment portfolio, when more than 50% of the Fund's resources have been invested, considering the amount of the line of credit that was approved as well as the current investments paid and committed.

The CCR will resolve the request to increase the line of credit, based on compliance with the Program's objectives and an analysis of the following criteria:

- i) Compliance with Bylaws and the Business Plan that the CCR took into consideration in order to approve the Fund's original line of credit, by means of a certificate issued and signed by the members of the Oversight Committee.
- ii) A percentage of the resources invested by the Fund, that have been invested in companies that due to the Fund's performance have increased significantly **in value**, measured in terms of one of the following parameters: a) **increase in sales volume; or, b) increase in revenue; or, c) increase in productivity; or, d) increase in the number of new products offered; or, e) the opening of new foreign markets; or, f) other elements providing evidence of the Fund Manager's performance that coincide with the company's increase in value.** Said increase in value may also be demonstrated by means of evidence of the acquisition of a significant percentage of the companies by third parties.
- iii) The degree of compliance with validly established obligations between the fund managers and the founders/ managers of the companies that receive investment, formally contracted in the documents establishing the investment (Shareholders' Agreement, sub-agreements, contracts, or similar documents.)
- iv) The degree of compliance with validly established obligations between the fund managers and investors, contained in the respective contracts entered into between the parties, including the Bylaws and Installment Subscription Contracts, among others.

- v) The Fund Manager's degree of compliance with its obligations to CORFO, by virtue of this Program.

CORFO reserves the right to formally request additional information from the founding partners, investors and fund managers in order to facilitate faithful fulfillment of the actions of the fund manager in accordance with the obligations validly contracted by this party; all of the above subject to the privacy and confidentiality obligations that may be applicable.

At the moment of approval of the credit line increase, **the new CORFO debt/ Capital relationship** with which the Fund must comply will be determined.

#### **4.- Credit Conditions**

i) Loans granted under the Line shall be paid in one single payment at a term that may not exceed 12 years as of the date of the Line of Credit Opening Contract, or the term of the Fund if this is shorter, notwithstanding the mandatory pre-payment provisions set forth in Number 5 of these Standards.

ii) These loans shall accrue interest at the annual BCU (Bank of Chile Bond) ten-year rate for loans expressed in UF.

This accrual is notwithstanding the additional interest payable to CORFO pursuant to the provisions of the following paragraphs and shall be contingent on the amounts resulting from Fund liquidation.

iii) Interest will be capitalized on an annual basis, on the last day of each calendar year.

On each occasion upon which the Fund pays out dividends to its investors, it shall at the same time pay CORFO an amount equal to the amount that results from multiplying the Debt/Fund Investment ratio (in accordance with the Fund balance used to calculate the dividends to be paid out) by the amount paid out to investors. The amounts paid to CORFO shall be calculated as payment against accrued interest.

Should the amount received by CORFO in the payout exceed the amount of interest accrued as of the date payment is received, the surplus shall be paid down against capital.

At the time of **the Fund's final liquidation of**, the resulting amounts shall be paid out in accordance with the following order of priority:

- a) Accrued interest not yet paid on the loans granted by CORFO, according to the provisions of numeral ii) of the first paragraph of the present No. 4.
- b) Next, and only up to the total balance of the amount to be paid down, CORFO shall be reimbursed for the capital of the loans granted, less prior capital payments made, if any.
- c) Thirdly, Fund investors shall be paid back the amount of their original investment, expressed in *Unidades de Fomento*.
- d) Next, CORFO shall be paid the amount necessary to complete **the total 10-year BCU + 2% per annum** for the loans expressed in *Unidades de Fomento* on the

amount effectively disbursed to the Fund, also calculated as annually-capitalized interest.

In any event, the amount CORFO is entitled to for this concept at this stage of the payout may not exceed 25% of amounts available (after having paid all investors in the order of priority indicated above).

To determine this additional interest, the total re-liquidation of the loan since its first disbursement shall be effected. To this end, payments received against capital and interest shall be re-calculated, applying the rate contained in this paragraph to the amount effectively disbursed by CORFO to the Fund.

- e) Remaining profits, following the allocation detailed above, shall be available for distribution among Fund investors and the Fund Manager, in accordance with the Fund's Bylaws.

In the event that Fund liquidation has not proceeded and the corresponding distribution of the resulting amounts has not occurred prior to the maturity date of the loan granted by CORFO, penalty interest of 8% *per annum* shall accrue in favor of the Agency, calculated on the amount of capital owed and interest, capitalized annually, calculated up to said date.

If, as a consequence of the need to liquidate the Fund, it is deemed necessary to transfer investments to investors in shares, the price to be agreed upon will be the result of financial evaluations carried out by two prestigious independent appraisers proposed by the Fund Manager and authorized by CORFO.

In the event of differences between the two evaluations, the higher price shall be utilized when the Fund is selling a majority percentage of a company's shares. Otherwise, the lower price shall be used.

## **5. Conditions for Pre-Payment of Loans**

Loans granted by CORFO under the Line and its capitalization(s) **may be wholly or partially prepaid**, at no additional expense, after paying the entire amount of interest capitalized and accrued, calculated, as the case may be, at a 10-year BCU annual base rate, until the pre-payment date.

Notwithstanding the above, in the event that the Fund wishes to effect a **partial decrease of its capital**, it must simultaneously pay to CORFO an amount equivalent to the result of multiplying the CORFO Debt/ Fund Investments ratio (according to the Fund Balance on the basis of which capital dividends were calculated) by the amount that will be paid out to investors, plus the amount that results after applying to this amount compound interest at the annual base rate **10-year BCU +2%** as from the date the line of credit was opened until the effective date of the prepayment. The payment made in this manner will be credited to loan interest and capital, successively in the order in which these were processed.

In order to proceed with the request for a partial decrease in the Fund's capital, the Fund must fulfill the following requirements:



- i) Having withdrawn the entirety of the funds in the current credit line granted within the framework of the present Program, or else to expressly forfeit the balance available for withdrawal.
- ii) Having the CCR's express authorization to carry out said decrease, which can approve or reject the request on the basis of the following criteria: economic, corporate governance, size of Fund, and other factors, which enable it to ensure that the funds provided by CORFO will be adequately safeguarded.

The Fund will be required to pre-pay a specific loan or the entirety of the loans granted by CORFO, with a charge to the approved line of credit, as applicable, should any of the following situations occur:

The following situations will result in pre-payment of the total amount of the loans granted by CORFO:

- a) Fund liquidation commences prior to the date agreed upon for the CORFO-granted loan maturity.
- b) Two years have passed since the expiration date of the original Fund term or the last of its renewals, or otherwise since the event or cause that brought on its early dissolution, and Fund liquidation has not yet concluded.

The following situations will result in partial pre-payment of the corresponding loan:

- c) Investment of the funds granted is not accredited in a timely and appropriate manner, as indicated in No. 6.

Notwithstanding the above, total or partial pre-payment of the credit line or of one of the loans does not exempt the Fund from paying to CORFO, at the time of the Fund's liquidation, the additional interest to which CORFO is entitled, as stipulated in letter d) of No. 4, above, unless, at the time of total prepayment of the credits granted and charged to the line of credit, the Fund proceeds to pay the maximum interest to which CORFO is entitled, as stipulated in number 4 letter d), above, and **all of the Fund's shareholders** unanimously consent to this, in an Extraordinary Shareholders' Meeting, the Minutes of which will be recorded as a Public Deed.

## **6. Formalities and Disbursement of Loans**

Funds advised of the approval of a Line under this Program by means of a letter or e-mail, shall sign a **Line of Credit Opening Contract** with CORFO **within 90 calendar days** of the aforementioned communication, unless the CCR grants an extension of up to 30 additional days, and prior to the first application for disbursement. This request shall be effected by means of a notarized public deed regulating the conditions and obligations derived from the use of the respective funds.

Commencing on the date of the Line of Credit Opening Contract, the Fund shall be entitled to apply for disbursements under that Line to finance investments or grant loans to eligible companies, up to an amount equal to the result of applying the amount of the debt/ capital ratio considered in the corresponding application, with a maximum of 1:1, unless the provisions specified in number 3.3 have occurred, in which case the ratio determined by

the Venture Capital Committee will be applied to the sum of investments paid-in to the Fund in cash.

In the case of Funds that opt for the **non paid-in investment modality**, but with investment commitments duly entered into by means of a promissory contract for the subscription and payment of installments, in addition to the application for disbursement, the Funds shall certify by means of external auditors that cash has been paid in to the Fund for an amount that is in accordance with the relationship of the line of credit and private investments authorized by CORFO.

CORFO shall effect disbursements following subscription of a **Loan Contract** and confirmation of the investment or loan appropriately formalized with a company that is the end recipient of the funds, eligible under these Regulations, or failing that, confirmation of the payment commitment to an end recipient company for the amount corresponding to the shares subscribed or upon disbursement of the loan, as the case may be, and as long as the existence of said end recipient company is confirmed.

These payments shall be confirmed **within 10 business days** of the date of the CORFO loan disbursement.

In either case, confirmation of the investment or loan shall be made by providing CORFO with authorized copies of the original documents regarding the securities, corporate shares, or a copy of the promissory notes or loan contracts.

Should a Fund invest in an eligible company through foreign corporations pursuant to No. 2, said confirmation shall be effected within the same timeframe, although expressed in foreign currency.

CORFO shall disburse loans in Chilean Pesos, applying for this purpose, as appropriate, the value of the *Unidad de Fomento* or the US dollar exchange rate reported by the Central Bank of Chile in effect on the date of each disbursement.

CORFO shall effect disbursements to a checking account in the name of the Investment Fund, at most within 10 banking days of the date of confirmed receipt of the respective request contained in a letter addressed to the *Gerencia de Inversión y Financiamiento* (Investment and Financing Division), in accordance with a format similar to the one attached as Appendix 2 to these Regulations.

Within said period, CORFO may request clarifications and additional documentation regarding the eligibility of the end recipient company of the investment and its formal status, in accordance with these Regulations. The term of 10 days mentioned above shall be extended by the number of days the Fund Manager takes to satisfactorily answer said requests for information.

## **7. Deadlines for Investments using Line of Credit Funds by End Recipient Companies**

Within a maximum of 24 months as of the date of the Line of Credit Opening Contract, the Fund shall have credited the end investment company an amount of no less than 30% of the amount approved by CORFO.

Should said dispersal fail to have been made upon this expiration date, the unused portion of this 30% shall be deemed precluded for all legal purposes.

Once 60 months have elapsed from the date of the Line of Credit Opening Contract, the Fund shall have credited to the end investment company an amount no less than 100% of the approved loan, minus the eventual amounts precluded pursuant to the provisions of the two preceding paragraphs.

Should investment fail to have occurred within this term, the unused balance, determined according to the indications above, shall be considered precluded for all legal purposes.

## **8. Reporting Obligation to CORFO**

The Funds for which Lines are approved, and their respective Fund Manager, shall send the Agency, during the time the loans are in effect:

- i) A copy of any information they provide to the SVS, as appropriate
- ii) The annual audited balance sheet of the Fund and Fund Manager and any salient information on material news.
- iii) They shall also send the Agency a copy of the Shareholder Agreements with the corresponding legal formalities, as the case may be, and any amendments of any nature in Fund end-recipient companies, a copy of the reports given to contributing investors and any other information provided or that the Fund is obligated to provide to Investor Assemblies and/or to the Oversight Committee, as well as any other information that enables follow-up of the provisions contained herein.

With regard to the Fund Managers and/or Funds that are not subject to SVS reporting requirements, they shall send their audited financial statements and balance sheets to the Agency on an annual basis. Notwithstanding the above, an unaudited provisional balance must be sent at mid-year.

The provisions of the preceding paragraphs notwithstanding, CORFO reserves the right to require any documents it deems necessary to secure the most accurate information available on Fund operations, the evolution of direct or indirect investments, and the Fund Manager, and may attend Investor Assemblies, without voting rights.

With respect to the Fund Manager and to the companies in which the fund has invested, the obligation to provide documentation shall remain in effect for up to five years after Fund liquidation.

Once per semester, the Fund Manager must send to CORFO the details of **all investments made by the Fund**, meaning that it is required to send all information indicated in the table described in appendix No. 4, in addition to any information that CORFO may need in order to evaluate the impact of the various Funds.

The fund manager must provide the necessary support to enable access to information about the Fund and about the companies in which it invests, which if necessary may include site visits by CORFO executives.

Additionally, every two years, counted as from the date of the Credit Line Opening Contract, all Funds must provide to CORFO the information necessary to conduct an evaluation and bi-annual analysis, the purpose of which will be to monitor compliance with the objectives and dispositions of this program. Analysis of documentation will be resolved by reviewing compliance with the objectives of the present program, its standards, and especially in compliance with the formal and written commitments established by the administrators of the companies in which the Fund invests its resources.

As part of its analysis, CORFO reserves the right to request, formally and always in writing, additional information from the administrators of said companies in order to make it possible to evaluate the Fund Manager, obligating the Fund Manager to provide all contact information for the companies in which it invests.

If as a result of the review detailed in the prior paragraph, CORFO finds evidence that the Fund and/ or its Fund Manager have incurred in practices that have caused detriment to or infringed upon the originally approved or validly modified conditions of the Fund's Bylaws or Business Plan, the Venture Capital Committee may, after an audience with the Fund Manager, resolve to collect on the Fund Manager's Faithful Fulfillment Guarantee and/ or reduce the credit line to the amount used to date.

The analysis of what is referred to in the preceding paragraphs may also be conducted at any moment during the term of the line of Credit, if duly supported complaints in writing are made to CORFO by companies in which the Fund invests, regarding the Fund's or the Fund Manager's conduct, (such as: in relation to acquisition processes by third parties, capital increases or other similar situations), in the previously specified terms.

## **9. Penalties for Non-Compliance**

Any breach in compliance with the obligations undertaken pursuant to these Regulations and the Line of Credit Opening Contract shall entitle the Agency to **fine the Fund Manager up to 1% of the capital owed or precluded**, as the case may be, notwithstanding any other pertinent legal actions.

The term for payment of the fine described above will be up to **60 days**.

As long as pending obligations exist related to fines, the Agency will not make new disbursements with a charge to the credit lines of Funds associated with the non-compliant Fund Manager.

The term for timely information delivery shall not exceed 90 days as of the date of the occurrence requiring a report, or the closing date of the respective accounting period. Prior to application of the fine and at the request of the Fund Manager, CORFO may grant an additional term of up to 30 calendar days for the fund to comply with the obligations referred to in the preceding paragraph.

The deadlines mentioned in the present No. 9 hereto shall be extended at the request of the Fund Manager when dealing with requests for information regarding Fund portfolio companies or companies that are end recipients of Fund resources, except for copies of the latest audited financial statements of the respective companies.

CORFO may demand early payment of the loans disbursed to the Fund in case of non-compliance with the requirement to provide information or if no agreement is reached regarding the content of amendments to the Bylaws, as well as in those cases in which the demand for early loan payment is expressly established in the Credit Opening Contract for breach of certain requirements or conditions contained therein.

## **10. Promotion**

The Fund Manager shall be obligated to adequately advertise the support received from the “Venture Capital Investment/ CORFO Funds for Development and Growth,” in an appropriate and visible fashion, using the same media employed to disseminate its own activities, in accordance with the guidance provided by CORFO.

## **CHAPTER TWO: APPLICATION TO THE PROGRAM**

### **11. Applying to the Program**

The Program shall launch an open Call for Proposals to which Investment Funds—already incorporated or to be created subject to the awarding of resources—may apply.

In both cases, said applications must be presented by the corresponding Fund Managers.

### **12. Requirements and Background of Fund Managers.**

- a) Fund Managers must comply with the requirements of Law No. 18,815 or those of Law 18,657, depending on the type of Fund being managed.
- b) Companies serving as Fund Managers, hereafter “**Fund Managers**”, must provide to CORFO the legal records that register their incorporation and current validity, as well as any modifications and the records accrediting its representatives as legal persons, with sufficient authority to take out Lines of credit and mutual funds with a charge to this Program, as is detailed in the Application Form.
- c) Prior to entering into the Credit Line Opening Contract, Fund managers must establish a bank guarantee receipt, payable on demand, in favor of CORFO **in the amount of 1% of the approved credit line.**

The guarantee must be provided upon signing the Credit Line Opening Contract, in order to guarantee Faithful Compliance with their Obligations as Investment Fund Manager of a Credit Line Opening Contract with CORFO, and must stipulate its validity for a term of one year, renewable for the entire term of the line of credit plus one year, and in which the Agency is authorized to demand payment of the guarantee in the case of non-compliance with reporting one of the renewals of the Guarantee 30 days prior to its expiration.

**Optionally, the Fund Managers may opt to provide as a guarantee, under the same conditions previously established and with the same purpose, a demand deposit, or a time deposit renewable in favor of the Agency.**

- d) The Fund Managers, and/ or their related parties in the Fund's capital, may authorize a maximum investment of up to **20% of the respective Fund Capital**. In exceptional cases, the Fund Manager, by means of a duly founded petition, may request a different percentage composition of investments from what is detailed above, which will be evaluated for approval or rejection by the CCR.

### **13. Requirements and background of the Funds**

Program Managers with Investment Funds—already incorporated or to be created subject to the awarding of resources, upon fulfillment of the requirements detailed below:

- a) In the case of Funds that have already been incorporated, records verifying the Fund's incorporation and validity with its respective modifications and inscriptions, including, among other documents, a fully processed copy of the Fund's ratified Bylaws, hereafter the **"Bylaws"**.
- b) In the case of Funds that have not yet been incorporated, they must attach a draft of the Fund's Bylaws containing the necessary notes indicating that it has not yet been fully processed and ratified. This legal processing must be conducted with a document approved by the Legal and Financial Sub-area of CORFO prior to its presentation before the Venture Capital Committee.
- c) Investment Funds subject to regulation by the Chilean Superintendence of Securities and Insurance ("SVS" for its acronym in Spanish) must have their Bylaws, as well as the agreements that it enters into with its investors, approved by this organization.
- d) The Funds must provide to CORFO copies of any agreements that their Fund Managers have entered into with investors, which may only be modified with express approval by CORFO.
- e) In the case of Funds that do not have subscribed contracts, be this because they have not yet been incorporated, or because they have been incorporated but have not yet entered into said Contracts, at the time of application these Funds must provide any investment commitments they possess, as well as a model of the Fund's promissory subscription and installment payment contract.
- f) Private Investment Funds must have a minimum of four investors, that are not related either directly or indirectly among themselves, each one of whom has a share of at least 10% of the Fund's investments.

Funds may be constituted in another manner, as long as the fund has one or more institutional investors that together hold at least a 50% share of the Fund's investments.

Fund Managers may propose to the Venture Capital Committee, at the moment of their application, another investment structure different from those described in the preceding paragraphs, which must be approved or rejected based on the extent to which, in the judgment of the Committee, effective corporate governance instances and mechanisms are considered for the Fund, as well as controls on potential conflicts of interests.

- g) The Investment Funds may be incorporated by means of a series of installments, the value of which must be expressed in UF, and for which the Bylaws must establish the details of any preferential rights and/ or restrictions established for the respective series. The equity interest of the Fund Manager and/ or parties related to the Fund Manager, taken together, may not exceed 10% of the Fund's capital, except with the express approval of the CCR, in conformity with what is stipulated in letter d) of No. 12 of the Program.
- h) In order to obtain access to this Program, Funds must contemplate payment by means of cash payments or with investments committed via promissory subscription and installment payment contracts. These promissory contacts may be subject to the condition that CORFO provides the line of credit requested by the Fund.
- i) Funds must include a maximum term of ten years, renewable for up to two years. Renewal will occur with the sole purpose of conducting activities related to liquidation of the Fund's assets. **During the renewal period, the Fund Manager may not receive any commission with a charge to the credit line approved by CORFO.**

#### **14. Requirements for Fund Bylaws**

Bylaws of the Investment Funds, in accordance with the standards of this program, must comply with the legal requirements stipulated in Law No. 18,815 or in Law No. 18,657, as applicable, in accordance with the type of Funds that it manages, and additionally:

- a) Include the Fund Manager's legal name, the process for designating representatives and for determining their removal, and the process for conflict resolution between investors and the Fund Manager.
- b) Include policies on conflicts of interests and investment in companies, in order to comply with the eligibility requirements defined in No. 2 of the present standards. Accordingly, investment limits must be considered, with the tendency to diversify the risk on asset investment by type of company, sector, economic group and equity interest limits for each company, among other factors.
- c) Include the requirement for annual external audits of the Fund, conducted by external independent auditors, registered in the auditors' registry of the SVS and which must, in turn, have been auditors of SVS-regulated, publicly traded companies for at least two years.
- d) Expressly indicate the nature and maximum annual amount of habitual and extraordinary expenses that the Fund Manager may charge to the Fund for these concepts.

Habitual expenses will be defined as those expenses that are predictable and that repeat on a periodic basis, such as annual audit expenses, publications, fees to Supervisory Committee members, and other similar expenses.

On the other hand, extraordinary expenses will be defined as those expenses that may at some time affect the Fund, such as legal expenses in defense of the Fund's interests, special audits, expert services, etc.

The limit of the total amount for each category must be related to the average values prevalent in the marketplace, given a consideration of the characteristics and orientation of each Fund.

The exclusion of all spending with a charge to the Fund must be expressly mentioned, with the exception of expenses conforming to the fixed commission and variable compensation that the Fund Manager has a right to collect, and excepting habitual and extraordinary expenses specifically stipulated in the Fund's Bylaws.

- e) Indicate the compensation or fixed commission to be collected by the Fund Manager. Independent of how it is calculated, this amount **must not exceed 2.5% per year plus VAT** during the fund's term, calculated based on the sum of:
  - i. Investments in the Fund committed via promissory subscription and installment payment contracts, always given that the term for their payment has not expired, plus
  - ii. The total amount of the approved Line of Credit, in accordance with what is stipulated in No. 6 of these Standards.
  - iii. The percentage indicated above will include the sum of any other expenses with a charge to the Fund, benefiting shareholders, directors or executives of the Fund Manager, or natural or legal persons related to any of these.

Notwithstanding the above, the Bylaws must expressly stipulate the limit on expenses that may be paid to a company or person related to the Fund Manager or to the Fund's Investors, and which must also be expressly reported to the Investors at an annual meeting.

- f) Mention the requirement to agree upon Shareholders' Agreements, in the case of companies that are the final investees of the Fund's resources.

These Agreements must stipulate the forms of active participation that the Fund Manager may have in the financial, administrative and commercial management of the companies that are the final investees of the Fund's resources, as well as mechanisms for the assumption of control by the Fund Manager, in the event of urgent situations. Likewise, a clause should be included that facilitates the provision of requested information about companies' progress to CORFO.

Finally, the Bylaws must contain mechanisms for Conflict Resolution between partners and shareholders of the companies that receive resources from the Investment Fund.

- g) Mention topics about which the Fund's Ordinary and Extraordinary Investors' Meetings must pronounce its opinion. Minimum quorums shall be indicated for important topics; among these, a majority of three quarters of the representative votes of subscribed and paid installments will be necessary for the approval of changes to the Bylaws.



- h) Incorporate a clause according to which what is established in the Credit Line Opening Contract between CORFO and the Fund prevails over the standards contained in the Bylaws.

The Funds' Bylaws must include variable compensation or a performance-based commission payable to the Fund Manager, which will be determined and paid through liquidation of the Fund, after deduction and payment of the entirety of interest and capital on the loan granted by CORFO, including additional interest, as well as the reimbursement of all investments in the Fund.

Any modification to the Bylaws must be reported to and is subject to approval by the Agency before it becomes binding. CORFO will have the right to object to said modifications if, in its judgment, these might affect the Fund's original design or the conditions and rights relating to the credit, with acceleration of the line of credit only permissible in the event that the contested modification violates the present standards.

#### **15. Business Plan Requirements**

The Fund Managers must turn in to the Agency a Business Plan for the Fund, with the following minimum requirements: identification of the specialization areas of the investments; methodology and criteria for investment selection; estimation of periods, terms and amounts of investments; administration, control and monitoring system for investments made; methods for the types of shareholders' agreements to be made and investments from the administrators being managed; networks and types of assistance provided to companies invested in; structure; partners and executives of the Fund Manager; investment structure of the Fund; external auditors; legal advisory; economic evaluation of the Fund's project and other aspects considered relevant by the Fund Manager.

It is hereby stated that the Business Plan must respond to all points of evaluation indicated in number 18, below, that stipulate a relationship with the content of this document.

#### **16. Documents and background information that must accompany the application.**

Interested Fund Managers shall present the respective application(s) in a sealed envelope in the CORFO Records Office, addressed to the *Gerencia de Inversión y Financiamiento* (Investment and Financing Division), indicating as a reference the VENTURE CAPITAL INVESTMENT FUNDS FINANCING PROGRAM – DEVELOPMENT AND GROWTH FUNDS (**FC**), and inside the envelope, they must include a folder in which the first page must be the application form included as Appendix 1 of these Regulations, and which shall contain the information and documentation listed below:

- a) Complete documentation of the Fund Manager as indicated in Appendix 1;
- b) Investment Fund applicant identification and full documentation thereof as indicated in Appendix 1; in the case of an unincorporated Fund, draft Bylaws shall be attached along with a Copy of the Shareholders' Meeting of the Fund Manager in which creation of the Fund is agreed upon, subject to CORFO's approval of the credit line.
- c) Amount of the requested line of credit, expressed in UF;

- d) Amount of Investments paid into the Fund in cash and/or by means of investment commitments;
- e) Duly approved or draft Bylaws
- f) Copy of Minutes of the Shareholders' Meeting in which creation of the Investment Fund was decided upon.
- g) Copy of the three most recent financial statements of the Fund Manager, as applicable, ordered by date.
- h) The Fund's Business Plan, including the contents indicated in the previous number.

### **THIRD CHAPTER: FUND ELIGIBILITY AND EVALUATION**

#### **17. Fund eligibility**

Once a credit line application is presented, CORFO will have a term of 180 days from the request date to make a decision with regard to the eligibility of an application. During this period, an analysis will be conducted of compliance with the minimum requirements for the Fund's Bylaws, the Promissory Subscription and Installment Payment Contracts, and of compliance with minimum requirements for the business plan.

During the eligibility analysis, the Agency will have the power to require any additional documentation that it deems necessary for a correct analysis. Likewise, during this period the Legal and Financial Sub-Area shall provide its assent that the Bylaws may be adopted, or that modifications to the already-approved Bylaws may be adopted.

#### **18. Evaluation Factors.**

Using the documentation provided by the Fund Manager, indicated in number 16, the Fund's Bylaws or the draft of these, as well as the other documentation accompanying the application in conformity with Appendix No. 1, CORFO will conduct an evaluation of applications, taking into consideration the following aspects:

- I. Work Teams: with respect to the work teams responsible for Fund Management, coherence of human resources made available by the Fund Manager, the Fund's Investment policy, and procedures established in the Bylaws will be analyzed and evaluated. Special emphasis will be placed on the experience and trajectory in:
  - a. Company search, selection, administration, management and financing;
  - b. Development of markets in Chile and especially outside of Chile;
  - c. Disinvestment via a stock market offering, liquidation, mergers and other mechanisms.
  - d. Administration of Investment Funds.
- II. Legal structure of the Fund and corporate governance
  - a. Content and quality of the Business Plan

- b. Quality of the Bylaws (the Bylaws accompanying the Application will be considered, without considering the modifications applied during the eligibility process);
  - c. Mode of shareholders' agreements to be made;
  - d. Investments of fund managers under management;
  - e. Instances of the Fund's Corporate Governance and policies regarding conflicts of interest among investors, companies receiving investment and fund managers;
  - f. Legal Team;
  - g. Fund investment structure
- III. Investment policy and strategy of the Fund:
- a. Company search and selection process;
  - b. Logic and quality of analysis for the areas or sectors in which investment of the Fund's resources will be prioritized;
  - c. Investment diversification and concentration policy;
  - d. Disinvestment strategies and process.
- IV. Fund Manager Operations:
- a. Copy of the Fund Manager's three most recent financial statements, as applicable, organized by date;
  - b. Experience managing third-party funds
  - c. Management systems and policies, investment control and monitoring;
  - d. Management systems and policies for investment, withdrawal and other factors;
  - e. Information systems and policies for fund investors;
  - f. Accounting and auditing systems and policies
- V. Added value for the Fund's companies
- a. Management support that the Fund Manager proposes to offer to the managers of the companies in which it invests;
  - b. Access to commercial networks in Chile and worldwide that allow the companies to successfully develop their business areas.
  - c. Investors in the fund.
- VI. Economic elements of the Fund:
- a. Relationship between private investments and CORFO debt;
  - b. Structure of the Fund Manager commission;
  - c. Fund Projection in relation to term limits for investments and expected profitability.

**APPENDIX 1**

**VENTURE CAPITAL FUNDING PROGRAM –DEVELOPMENT AND GROWTH FUNDS -  
FC**

**PROGRAM APPLICATION FORM**

<b>DATE RECEIVED</b>	
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**I. APPLICANT BACKGROUND**

<b>FUND MANAGER BACKGROUND INFORMATION</b>		
Corporate Name		Chilean Tax ID #
Type of Company		Year Incorporated
Address		
District	City	Region
Legal Representative		Chilean Tax ID #
Position		Email
Telephones:		Fax

Has prior CORFO support?	YES /NO
If prior CORFO support was granted, indicate program name	
Company overseen by SVS?	YES/NO

**I. LINE OF CREDIT APPLICATION**

Amount requested (UF) (from UF100,000/ UF450,000)	
CORFO requested-credit leveraging ratio (up to 100% of the total investments in the Fund)	
Credit Term in view of limits established in paragraph 5.	

**The Fund Manager shall attach the following documentation to this application:**

<b>Element</b>	<b>Applicant Checklist</b>	<b>CORFO Checklist (internal)</b>
The company's Articles of Incorporation.		
Company's registration in the Commerce Registry, with validity or validity certificate provided separately.		
Publication and modifications to the company		
Company's Chilean Tax ID Number		
Documentation of Registration in the respective SVS Registry, for publicly regulated companies.		
Listing of shareholders and their equity interest, signed by CEO		
Listing of Managers in charge of Fund Management		

Resumés of Shareholders and Managers in charge of the Fund		
Commercial background of the fund manager and of the shareholders (commercial bulletin)		
Three most recent annual income tax declarations of the Fund Manager, and its Financial Statements, or as applicable according to the age of the Fund.		
The Fund's Business Plan (as stipulated in number 15 of the program)		
Ratified version or draft of the Fund's Bylaws (which must also include what is stipulated in number 14 of the program)		
Listing of investments made to the Fund and/ or investment commitments.		
Letters of Intent from proposed Investors, manifesting their interest and commitment to investing in the Fund if it is incorporated.		
Listing of formalized Fund Investors, if these exist.		

.....

Name of Fund Manager

Name(s) and signature(s) of the legal representative(s)

**APPENDIX 2**

**Date:**

**RE: VENTURE CAPITAL FUNDING  
PROGRAM –DEVELOPMENT AND  
GROWTH FUNDS - FC**

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**To:**

Chilean Economic Cooperation Agency (CORFO)  
Office of Investment and Financing

Pursuant to the Program in reference, we hereby request the disbursement of UF.....corresponding to the Line of Credit approved by CORFO Venture Capital Committee Agreement #....., for investment in the company ....., RUT # .....

Please find attached the supporting documentation for this request.

Sincerely,

.....

Name of Fund Manager

Name(s) and signature(s) of the legal representative(s)

- Identification via a letter signed by the legal representative of the Fund Manager, indicating the checking account of the Investment Fund.
- Description of the company according to Appendix No. 3, along with the indicated documentation.

**APPENDIX NO. 3**

**SUMMARY OF INFORMATION ABOUT ELIGIBLE INVESTMENTS**

***1.- Information about the investee company***

- Company name:
- Date of incorporation of the company:
- Company equity at the moment of investment (expressed in UF):
- Region in which the company conducts the majority of its operations:
- Company sales in the last 12 months (expressed in UF):

***2.-Project information***

Brief description of the Project and economic sector:

Short-term and medium-term objectives:

Total amount of the investment:



### **3.- Project investment information**

The Fund's total investment and equity interest in the investment:

Investment made with CORFO funds:

Investment Type (capital, loan, other):

### **4.- Complementary information to attach**

- Legal Documentation: Incorporation of the public corporation, Incorporation Extract, Registration in Commerce Registry and publication in the Daily Gazette.
- Copy of the company's Chilean Taxpayer ID Number.
- Documentation accrediting Equity of less than UF 200,000 (balance or public deed for new companies)
- Shareholders' Meeting approving the capital increase.
- Shareholders' Agreement
- Promissory subscription and installment payment contract
- Fund Investors' Assembly
- External Auditors' Certification of Investments Paid in to the Fund
- **Any other documentation supporting the company's eligibility**

## APPENDIX No. 4

### INFORMATION ABOUT INVESTMENTS MADE

Fund Manager	Fund Manager Board of Directors	Fund Manager CEO	Name of Fund	Fund Investors (s)	Amount Committed Investments (UF)	Amount Disclosed Investments (UF)	Date	Approved Credit Line (UF)	Withdrawals on Credit Line (UF)	Date	Company Names	Investment Date	Amount of Fund Investment	Operation type (capital, debt, convertible debt).	Investee Company Line of Business (2)	Investee Company Region	Investee Company Size (3)
Fund Manager Name	Name 1 (Chairman of Board of Directors)	CEO Name	Fund Name	Name 1	Commitment of Investor 1	- Disclosed amount 1 Investor 1 - Disclosed amount 2 Investor 2 - Disclosed amount n Investor n	- Date 1 - Date 2 - Date n		- Withdrawal 1 - Withdrawal 2 - Withdrawal n	- Date 1 - Date 2 - Date n	Company 1	- Date 1 - Date 2 - Date n	- Amount 1 - Amount 2 - Amount n	- Operation 1 - Operation 2 - Operation n	Sector Company 1	Region Company 1	Size Company 1
	Name 2			Name 2	Commitment of Investor 2	- Disclosed amount 1 Investor 2 - Disclosed amount 2 Investor 2 - Disclosed amount n Investor 2	- Date 1 - Date 2 - Date n				Company 2	- Date 1 - Date 2 - Date n	- Amount 1 - Amount 2 - Amount n	- Operation 1 - Operation 2 - Operation n	Sector Company 2	Region Company 2	Size Company 2
	Name n			Name n	Commitment of Investor n	- Disclosed amount 1 Investor n - Disclosed amount 2 Investor n - Disclosed amount n Investor n	- Date 1 - Date 2 - Date n				Company n	- Date 1 - Date 2 - Date n	- Amount 1 - Amount 2 - Amount n	- Operation 1 - Operation 2 - Operation n	Sector Company n	Region Company n	Size Company n

- (1) For Company Investors, indicate in Parentheses which is the Controller/ Parent Company.
- (2) According to Table 10 of the Chilean Superintendency of Banks and Financial Institutions ("SBIF" for its acronym in Spanish).
- (3) Size of Receiving Company at the moment of the first Investment:

#### Annual Sales

Up to UF 2,400

Greater than UF 2,400 and up to UF 25,000

Greater than UF 25,000 and up to UF 100,000

Greater than UF 100,000

#### Company Size

Micro-entrepreneurial company

Small

Medium

Large

- (4) Values at the time of the event, expressed in UF.