



Legal Structure for Local Brazilian Vehicles

Specially prepared to:



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Brazilian Legal Framework – more than 180 yrs

■ Consolidated Legal Environment

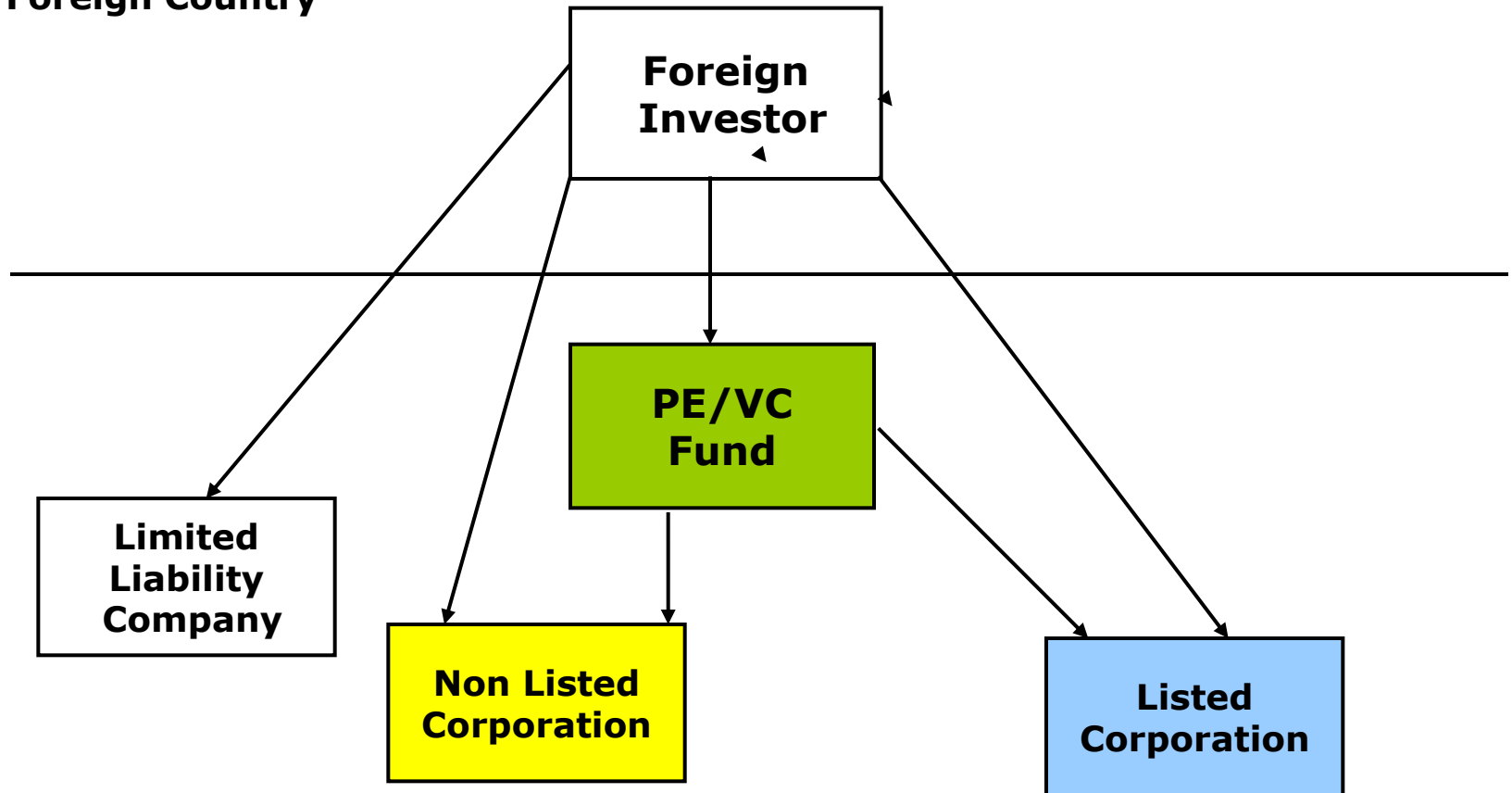
FIRST FEDERAL CONSTITUTION 1824	COMMERCIAL CODE 1850	CIVIL CODE 1916	CORPORATION LAW 1940	LABOR LAWS 1943
BANKRUPTCY LAW 1945	FOREIGN INVESTMENT LAW 1962	BANKING LAW 1964	CAPITAL MARKETS LAW 1965	TAX CODE 1966
NEW CORP. LAW 1976	SECURITIES LAW 1976	LAST FEDERAL CONSTITUTION 1988	CONSUMERS CODE 1990	VENTURE CAPITAL RULES 1994
ARBITRATION LAW 1996	NEW CIVIL CODE 2003	REV COMMERCIAL CODE 2003	PRIVATE EQUITY RULES 2003	NEW BANKRUPTCY LAW 2005

Foreign Investment - Principles

- **EQUAL TREATMENT TO FOREIGN AND NATIONAL CAPITAL**
 - No restrictions, except for Nuclear Energy, Rural Property, Domestic Aviation, Mail, Media
- **FREE INFLOW/OUTFLOW OF FUNDS – SINCE 1962**
 - Registration of Foreign Direct Investment with Central Bank of Brazil (Cenbank)
 - Declaratory Electronic Registration System
 - No prior approval of Cenbank for repatriation of registered FDI and remittance of profits
- **REGULATED CAPITAL MARKETS SINCE 1976**
- **SPECIFIC PERFORMANCE OF SHAREHOLDERS AGREEMENTS SINCE 1976**
 - Purchase and Sale of Shares, Right of First Refusal, Tag and Drag Along, Put and Call
 - Voting Rights
 - Exercise of control
- **ENFORCEABILITY OF FOREIGN AND BRAZILIAN ARBITRATION AWARDS SINCE 1996**

Foreign Investment Vehicles

Foreign Country



Brazil

Private Equity Funds (FIP)

- **Nature:** Closed-end investment funds (condominium) for investing in Brazilian private or listed companies or other funds
- **Investors:** Only for qualified investors
 - Financial institutions
 - Insurance companies
 - Pension funds
 - Individuals and legal entities having investments in financial markets over R\$ 300K
 - Investment funds for qualified investors
 - Portfolio managers and securities consultants, in respect of their own funds
- **Minimum Investment:** R\$ 100 thousand

Private Equity Funds (FIP)

- **Quotas:** May issue different classes with special economic / political rights

- **Payment of Quotas:** Brazilian currency / assets or rights of companies under reorganization or restructuring processes

- **Corporate Governance:**
 - General Meeting for approval of accounts, dismissal of administrator, issuance of new quotas, amendment to FIP Regulation, extension of the term of the FIP or reorganization
 - Fund may have committees (investment, supervisory, audit committees)
 - Restriction to related parties transactions, except if approved by the General Meeting

Private Equity Funds (FIP)

- **Administration :**
 - Investment Manager authorized by CVM
 - Manager duties may be exercised by the Investment Manager or by a third party contracted by the Investment Managers also authorized by CVM

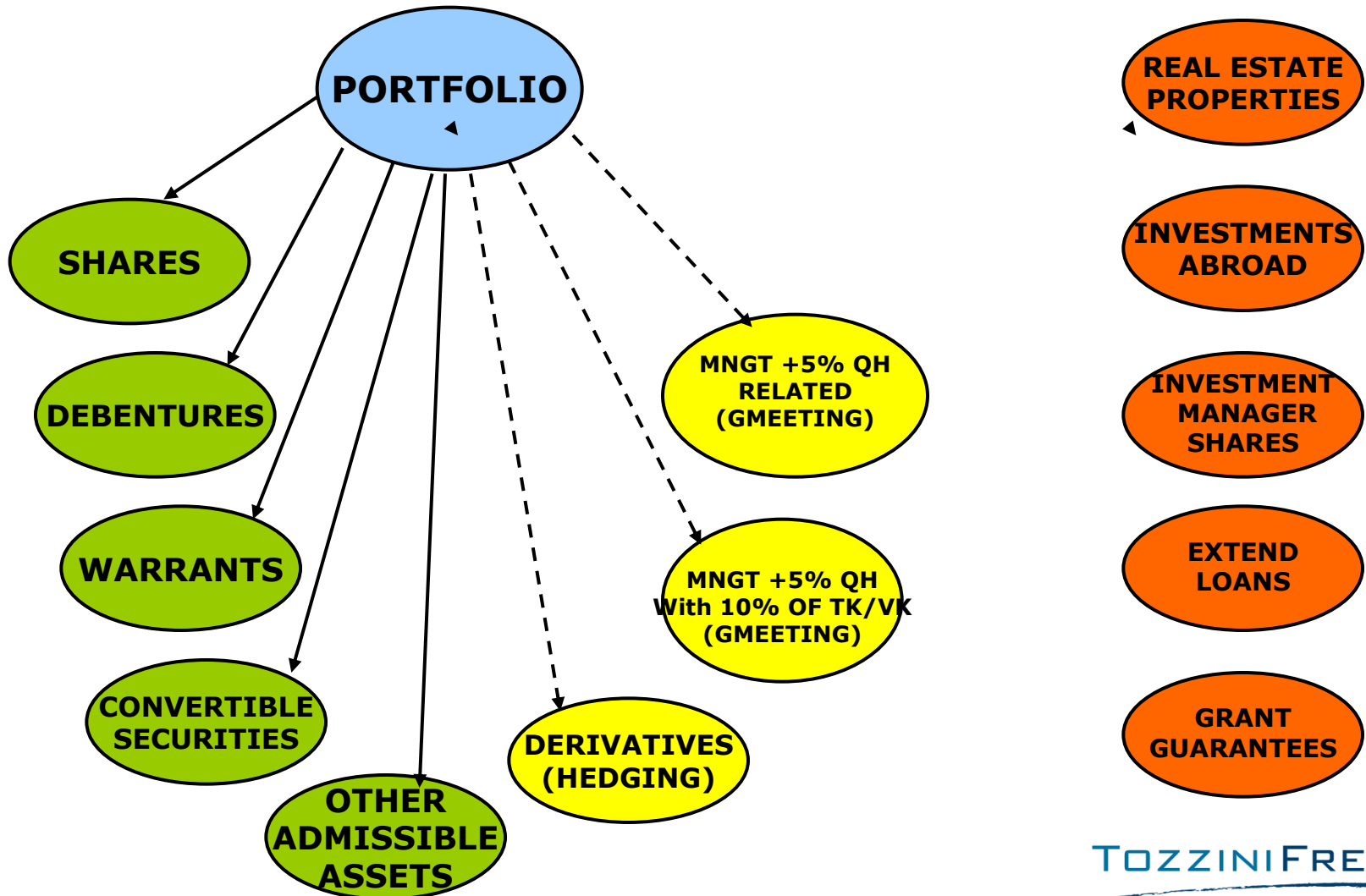
- **Duty to inform and CVM reporting:**
 - Investment Manager to disclose material events to CVM and quotaholders
 - Investment Manager to provide CVM and quotaholders with information quarterly (net equity, number of quotas), twice a year (portfolio composition, accounting statements, custodians) and yearly (audited accounting statements, net value of quotas, funds expenses)

- **Audit:** FIP shall be annually audited by an independent audit firm

Private Equity Funds (FIP)

- **Participation in the decision-making process of the portfolio companies:**
 - By participating in the block of control
 - By shareholders agreement
 - Any other arrangement guaranteeing actual influence on strategy and management
- **Investment in listed companies:** Regulation shall establish criteria for investment
- **Privately-held companies of the portfolio:**
 - Shall not issue participation certificates
 - Board of Directors shall have a unified term of 1 year
 - Disclose agreements with related parties, shareholders agreements, stock option plans
 - Adhere to arbitration procedure
 - When becoming listed, adhere to special listing segment of the stock exchange
 - Accounting records audited annually by independent auditors registered at CVM

PE / VC FUNDS - PORTFOLIO



Emerging Companies Funds (FMIEE)

- Closed-end investment funds (condominium) with the purpose of investing in emerging companies: annual revenues up to R\$ 150 million and not part of an economic group with consolidated net worth above R\$ 300 million
- No need to be qualified investor
- 10 year term (renewable)

Self Regulation and Best Practices Code of ABVCAP / ANBIMA:

- **Purpose:**
 - Transparency on management activities
 - To create standard practices and processes
 - Equitable treatment
 - Increase fiduciary duties
- **Mandatory Adhesion for:**
 - Private equity managers affiliated to ABVCAP
 - Institutions affiliated to ANBIMA
 - Investment Managers of FIP/FMIEE
 - Managers of FIP/FMIEE
 - Distributors of FIP/FMIEE Quotas

Self Regulation and Best Practices Code of ABVCAP / ANBIMA:

- **Classification of FIP/FMIEE:**
 - **Restricted**: 50% or more of total quotas are held by a sole investor, by investor having a family relation as defined in the Code or by investor that belong to the same economic group
 - **Diversified**: Constituted by several investors and not within the definition of Restricted
 - **Type 1**: Representatives of the investors in the Investment Committee. No obligation to have a Supervisory Committee
 - **Type 2**: Investment Committed solely composed by representatives of the Administrator or Manager and a has Supervisory Committee
 - **Type 3**: No Investment Committee. May have a Supervisory Committee

LLC and Corporations

▪ **Limited Liability Companies**

- No tradable securities
- No need to publish financial statements
- Simple management structure (one Brazilian resident)
- Supermajority approval of 75% of capital
- Largely used for holding companies

▪ **Corporations**

- May be listed and trade securities
- Publication of financial statements
- Board of Directors, Officers, Fiscal Council, Committees
- Supermajority approval of 50% capital plus one share
- Largely used for joint ventures

Legal Due Diligence

- Investment Manager: registration with CVM, administrative proceedings at CVM, general reputation
- Portfolio Companies: corporate, tax, labor, civil litigation, real estate, IP, contracts, environmental, insurance, administrative, governmental licenses for regulated activities, antitrust

Exit Strategies

- Public Offerings – IPOs
- Strategic Sale and Buy-back

Public Offerings in Brazil - IPOs

- BMF&Bovespa - within the 3 or 4 major Stock Exchange Markets, together with Hong Kong and Chicago Mercantile Exchange
- 377 listed companies
- Listing Segments: Standard Market / Bovespa Mais / Corporate Governance Levels 1 and 2 / Novo Mercado
- Regulation – CVM as governmental regulatory agency and several self-regulation entities – BM&FBOVESPA, ANBIMA, ABRASCA, IBGC

Public Offerings in Brazil – IPOs (2007-2011)

- 2007 – 64 IPOs
- Total Amount Raised – Approximately US\$ 55.6 billion

- 2008 – 4 IPOs
- Total Amount Raised – Approximately US\$ 4 billion

- 2009 – 6 IPOs
- Total Amount Raised – Approximately US\$ 13.2 billion

- 2010 – 7 IPOs
- Total Amount Raised – Approximately US\$ 3.7 billion

- 2011 – 11 IPOs
- Total Amount Raised – Approximately US\$ 4,11 billion

Corporate Governance

▪ **CORPORATION LAW**

- Tag along for voting shareholders (80%)
- Reduction of disproportion between voting and non-voting
- Minority shareholder on the board

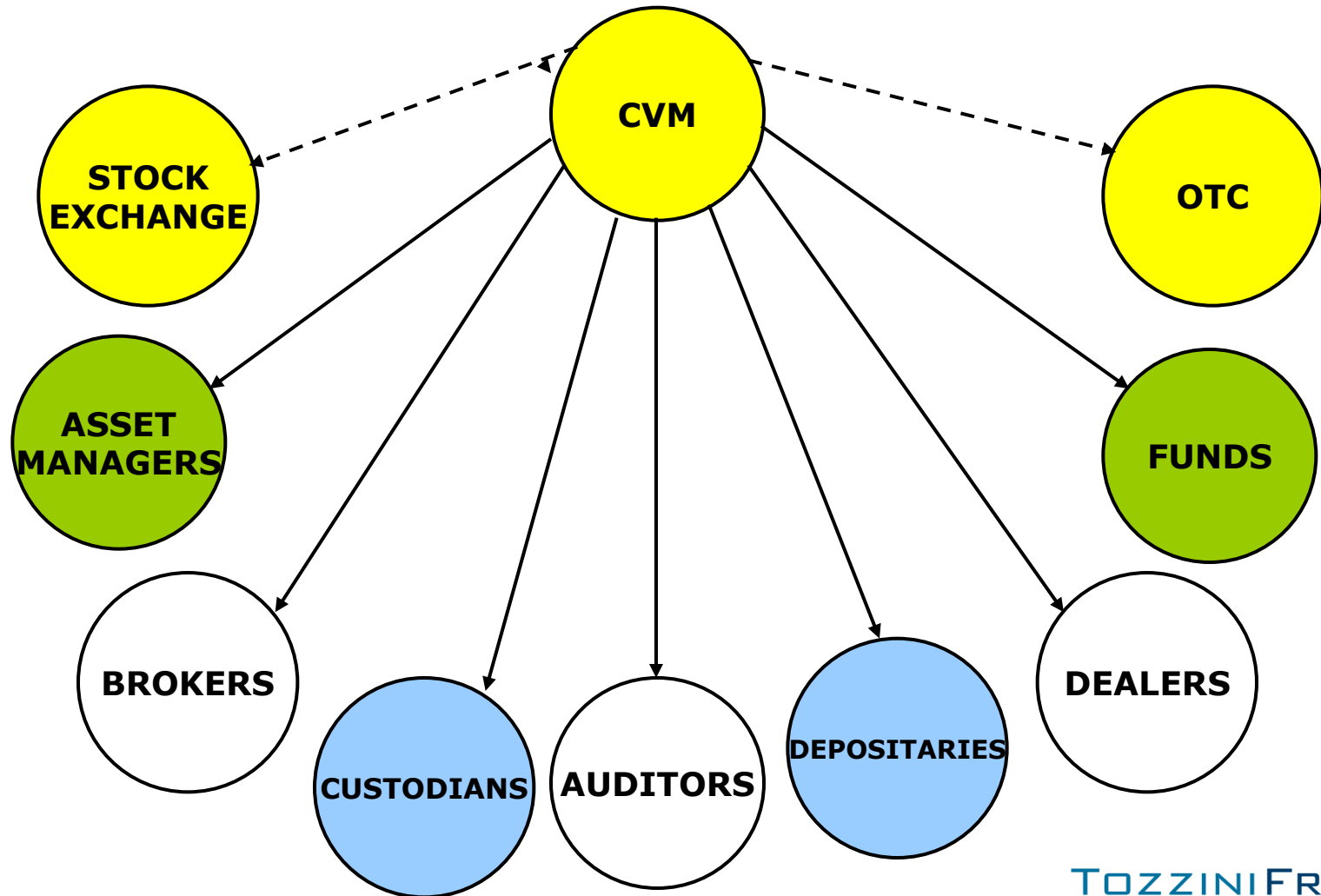
▪ **NOVO MERCADO**

- Only voting shares
- Minimum free float of 25%
- Same premium paid to controlling stake for all shares
- 20% of independent directors
- Compliance with IFRS
- Mandatory arbitration for resolution of corporate disputes

Strategic Sale and Buy Back

- Shareholders Agreement dealing with the purchase and sale of shares, put and call options, right of first refusal, tag and drag along rights, voting rights and exercise of control are subject to specific performance as per Brazilian Corporation Law

Capital Markets – Regulated Activities





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