RULES ON PUBLIC OFFERS

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On May 29 2000, the National Securities Commission or *Comisión Nacional de Valores* ("CNV"), issued the *Rules on Public Offers of Acquisition, Interchange and Takeover of Companies who make Public Offer of their Stock and Other Securities* ("Rules on Public Offers").

The Rules on Public Offers are based on the provisions of the Securities Market Law of 1998. Article 109 states that the CNV shall issue the rules governing the procedure of public offers.

AES Corporation's successful hostile takeover of Electricidad de Caracas was the opportunity for the CNV to regulate the subject of public offers. Electricidad de Caracas is a 100-year-old company, and one of the major players in the Venezuelan stock exchange. Seeking to protect minor stockholders, the CNV proceeded to issue the Rules on Public Offers.

The aim sought by the CNV, as established in Article 2 of the Rules, is fourfold:

1) To provide a transparent procedure, in order to prevent erratic fluctuations and deviations in the value of shares and other securities.

2) To allow the orderly participation, in conditions of equality, of all shareholders.

3) To permit bids by other interested parties, who may wish to equal or improve the offers' conditions.

4) To promote the supply of the information required by the existing shareholders, regarding their decision on whether or not to sell.

The Rules cover (i) Public Offers of Acquisition or *Ofertas Públicas de Adquisición* (OPA), (ii)Public Exchange Offers or *Ofertas Públicas de Intercambio* (OPI), and (iii) Public Takeover Offers or *Ofertas Públicas de Toma de Control* (OPTC).

In the first two cases, the initiator of the offer does not have and seeks a "Significant Participation" (to obtain control or to increase its participation in more than 10% of the capital) with the proviso that the procedure *"does not have the effects of a Takeover".* The difference between OPA (Acquisition) and OPI (Exchange) regards compensation; in the first case it is the payment of money, whereas in the second case it is the transfer of securities.

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A takeover offer (OPTC) is the procedure whereby the initiator seeks to acquire or to complete (by the transfer of money and/or securities) a controlling majority, or to increase its existing share participation by a percentage equivalent to a Significant Participation.

The Rules also apply to (i) the shareholders who wish to increase their participation by more than 10% —or by any percentage if in a takeover situation, and (ii) the majority shareholders who wish to increase their participation.

Regarding sellers, the provisions of the Rules apply also to shareholders who offer publicly to sell to the best bidder a Significant Participation or the majority control (more than 50% or the effective control of the decisions of the shareholders' meeting).

The Rules establish the common procedure to be complied with, which can be briefly summarized as follows:

—The initiator must file a report in the CNV, stating the information relevant to the offer. The duration of the offer shall be set by the initiator, within a limit of no less than 20 and no more that 30 stock market working days.

—The CNV shall then accept or deny the authorization for the release of the report.

—The concerned company must then consign its observations, including a report from its board of directors. These observations shall also be released to the public, after notifying the CNV.

—Any person, including the shareholders of the company involved, may present a competing offer, thus becoming an initiator.

—Initial offers may be modified, subject to the CNV's approval of the release of the modified report.

—The offers may also be revoked simply by previously notifying the CNV provided the revocation is made before the offer becomes effective. The CNV must approve the revocation if made afterwards.

—The acceptance of the offer must be notified to its initiator. The acceptance may also be revoked, but only in certain cases.

—The payment due must be made in a stock exchange within the 5 stock market working days following the closing of the offer.

Additionally, certain formalities apply to each of the different types of public offer, such as, in case of takeovers, the filing of a special report with detailed information (including future plans).

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There is also a simplified procedure, that applies (i) if the initiator already owns at least 2/3 of the shares and offers to acquire total control of the company; (ii) if the offer is limited to 10% of the shares; and (iii) if the company concerned proceeds to a plan of acquisition of treasury shares.

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