

PREFERRED SHARES RULES

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The *Comisión Nacional de Valores* published on March 23, 2001, in the Official Gazette of Venezuela as “Rules on the Issue and Public Offer of Preferred Shares and of Different Kinds of Shares with Different Rights” (*Normas Sobre Emisión y Oferta Pública de Acciones Preferidas y de Distintas clases de Acciones con Derechos Diferentes*) (the “**Rules**”). The object of the Rules was to establish the legal frame for the issue and public offer of different kinds of shares, including (i) preferred shares (“**Preferred Shares**”), which, according to article 2 of the Rules, are those which grant its possessor both increased and preferential economic rights, and which may restrict certain political rights; as opposed to the rights of the possessor of ordinary or common shares; and (ii) shares of different kinds with different rights (“**Different Shares**”).

In the first place, the decision to issue and place these categories of shares, rests upon the shareholders’ meeting, requiring the same quorum and votes as the decision to increase the company’s capital or to amend its by-laws. The new issue may be done by means of a capital increase or by converting existing shares into Different Shares or Preferred Shares (in the latter case, the approval of the shareholders whose shares will be converted is necessary). The shareholders’ meeting may also authorize the administrators to issue and place these categories of shares, by means of a mechanism of authorized capital.

The *Comisión Nacional de Valores* established that the new categories of shares must be registered in a stock market. However, upon a request from the issuing company, backed by justified reasons, the *Comisión Nacional de Valores* may authorize the opposite, as stipulated under article 4. It also established under article 5 that —except for the applicable differences and preferences— all shares must have the same rights and nominal value. It further mandates that the dividends paid to the holders of Preferred Shares or Different Shares shall be tallied in order to determine compliance with the obligation contained in article 115 of the Venezuelan Capital Market Law.

If the Preferred Shares or Different Shares have a limitation or restriction regarding voting rights, the shareholders may always attend the shareholders’ meetings, and

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they have a right to speak. Nevertheless, their presence will not be considered for the purposes of determining the quorum for the meeting in those matters where they do not have the right to vote.

For certain decisions related to the categories of shares regulated by this resolution (e.g. to modify the rights of the shareholders, to make a new issue of those shares, to amend the by-laws of the common shareholders, etc), 50% of the capital must be represented at the shareholder' meeting, and approval is by simple majority vote, except if otherwise established in the by-laws. After the aforementioned approval the shareholders' meeting may decide upon the issue itself.

The Rules allow the preferential right of subscription for the shareholders of these shares, over those of the common shareholders. Additionally, the Rules establish the right to exchange the Preferred Shares or Different Shares for: (i) common shares, (ii) other kind of Different Shares, (iii) Preferred Shares, or (iii) any other bond subject to public offer. However, the exchange has certain restrictions, such as the obligation to obtain the consent of the holder of the other shares and the obligation not to sell during the period of exchange.

Furthermore, the Rules foresee the possibility that the shareholders' meeting should establish a conversion regime to enable the shareholder of the shares regulated by these Rules, to convert them into other kinds of shares or into bonds. Nevertheless, certain restrictions are placed on the company if the shares which are converted are those of the common shareholders.

Another important issue regulated by the Rules is that Preferred Shares, may not represent more than 30% of the company's capital, while the joint representation of Preferred Shares and Different Shares may not exceed 49% of said capital. In this respect it also establishes that, if these categories of shares have restricted political rights, the right to vote relative to the common shares may not exceed 2/3 of the joint rights of the other categories of shares. The same rule applies if the Different Shares have increased political rights with respect to the common shares.

Regarding the restrictions of political rights, the Rules establish three main points. First, it provides that the by-laws must grant that holders of Preferred Shares or of Different Shares, if their political rights are restricted, will recover those rights in the same conditions as the common shares, if the ordinary shareholders' meeting does not allow the stipulated sharing of revenues to those categories of shareholders. Second, it prohibits the association of those shareholders with shareholders with different political rights for the purposes of Article 125 of the Capital Market Law (which allows minority shareholders to join together in order to select members of the board of directors). Thirdly, the Rules establish that if restrictions on the political rights of certain shareholders exist, half of the Board of Directors must be composed of independent directors, which shall be selected according to the proceeding established thereby.

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ABOGADOS

Additionally, the Rules provide that the companies which have either Preferred Shares or Different Shares shall conduct a shareholders' m meeting within one hundred and eighty (180) days following the publication of said Rules. The purpose of the shareholders' meeting shall be the company's adjustment to the new regulations.

Finally, the Rules abrogate the Rules relative to the Minimum Conditions for Issue and Public Offer of Preferred Shares (*Normas relativas a las Condiciones Mínimas para la Emisión y Oferta Pública de Acciones Preferidas*).