

LAW No. 10.303, OF OCTOBER 31, 2001

Alters and adds provisions to Law No. 6.404 of December 15, 1976, which governs Corporations, and to Law No. 6.385 of December 7, 1976, which governs the securities market and creates the Brazilian Securities Commission.

THE VICE-PRESIDENT OF THE REPUBLIC, exercising the duties of the PRESIDENT OF THE REPUBLIC

The Brazilian Congress decrees and I approve the following law:

Section 1. This Law alters and adds provisions to Law No. 6.404 of December 15, 1976, which governs Corporations, and to Law No. 6.385 of December 7, 1976, which governs the securities market and creates the Brazilian Securities Commission.

Section 2. Sections 4, 15, 17, 24, 31, 41, 44, 47, 52, 54, 59, 62, 63, 68, 109, 115, 118, 122, 124, 133, 135, 136, 137, 140, 141, 142, 143, 146, 147, 149, 155, 157, 161, 163, 164, 165, 172, 196, 197, 202, 264, 287, 289, 291, and 294 of Law No. 6.404 of December 15, 1976, shall have the following wording:

Section 4. For the purposes of this Law, the corporation shall be publicly-held or closely-held depending on whether its securities are accepted for trading in the securities market.

§ 1. Only securities issued by a corporation registered in the Brazilian Securities Commission may be traded in the securities market.

§ 2. No securities may be publicly distributed in the market without previous registration with the Brazilian Securities Commission.

§ 3. The Brazilian Securities Commission may classify publicly-held companies in categories according to the types and classes of securities issued by it and traded in the market, and shall specify the regulations for publicly-held companies applicable to each category.

§ 4. The registration of a publicly-held corporation for shares to be traded in the market may only be canceled if the corporation that issued the shares, the majority shareholder or the controlling corporation directly or indirectly makes a public offering to acquire the entirety of outstanding shares for a fair price, at least equal to the appraised worth of the corporation, calculated based on one or more of the following criteria: net assets appraised at market value, discounted cash flow, comparison by multiples, share quotation in the securities market, or another criteria adopted by the Brazilian Securities Commission. The review of the offered amount shall be assured according to the provisions of Section 4-A.

§ 5. If less than five percent (5%) of all shares issued by the corporation are outstanding after the expiration of the term for public offering established by the regulation issued by the Brazilian Securities Commission, the general meeting may decide to redeem these shares for the amount of the offer provided for in § 4, as long as it deposits the redemption amount at a bank authorized by the Brazilian Securities Commission, in which case the provisions of § 6 of Section 44 shall not apply.

§ 6. If the majority shareholder or the controlling corporation acquires shares of a publicly-held corporation under its control, and these shares directly or indirectly increase their interest in a certain class of shares in a way that hinders the market liquidity of the remaining shares, they shall be required to make a public offering for a price determined as per § 4 for the acquisition of all shares remaining in the market, according to the general rules issued by The Brazilian Securities Commission.

Section 15...

...

§ 2. The number of preferred shares without voting rights, or subject to restriction on voting rights, may not exceed fifty percent (50%) of all issued shares. (New wording)

Section 17. Preferences or advantages of preferred shares may include:

I – priority in the distribution of fixed or minimum dividends;

II – priority in the reimbursement of capital, with or without premium; or

III – the accumulation of the preferences and advantages provided for in items I and II.

§ 1. Regardless of having priority rights in the reimbursement of capital, with or without premium, preferred shares will only be accepted for trading in the securities market if they are afforded at least one of the following preferences or advantages.

I – the right to have an interest in the dividend to be distributed, corresponding to at least twenty-five percent (25%) of the net income for the year, calculated as set forth in Section 202, according to the following criteria:

a) a priority in the receipt of dividends mentioned in this item, corresponding to at least three percent (3%) of the share's net worth; and

b) the right to have interest in the profit distributed in conditions equal to the common shares, after a dividend equal to the minimum priority as set forth in item *a* is assured; or

II – the right to receive dividend, for each preferred share, at least ten percent (10%) higher than the dividend assigned to each common share; or

III – the right to be included in the public offering for alienation of control, in the conditions set forth in Section 254-A, in addition to the right to receive dividends at least equal to the common shares dividend.

§ 2. In addition to those set forth in this Section, the bylaws must precisely indicate preferences or advantages assigned to the shareholders without voting rights, or with restricted voting rights.

§ 3. Dividends, even when fixed or cumulative, shall not be distributed to the detriment of the share capital, unless the corporation is liquidated and this advantage has been expressly afforded.

§ 4. Unless the bylaws provide otherwise, the priority dividend is non-cumulative, the share with fixed dividend has no interest in the remaining profits and the share with minimum dividend has interest in the profits distributed in conditions equal to the common shares after a dividend equal to the minimum is paid to such shares.

§ 5. The bylaws may not exclude or restrict the right of preferred shares to participate in capital increases resulting from the capitalization of reserves or profits (Section 169), except with respect to shares with fixed dividends.

§ 6. The bylaws may confer upon the preferred shares with priority in the distribution of cumulative dividends the right to, in such years where earned profits were insufficient, receive such dividend to the account of the capital reserves provided for in § 1 of Section 182.

§ 7. In corporations object of privatization, a special class of preferred shares exclusively owned by the privatizing entity may be created. The bylaws may confer specific powers upon such shares, including the power to veto resolutions of the general meeting in certain matters.

Section 24 ...

...

§ 2. The certificates for shares issued by publicly-held corporations may be signed by two attorneys-in-fact with special powers, or by mechanical authentication, with observance of the regulations issued by the Brazilian Securities Commission. (New wording)

Section 31. The ownership of registered shares is evidenced by the name of the shareholder written in the "Registered Shares Book" or by the certificate supplied by the custody agent acting as fiduciary owner of the shares.

... (New wording)

Section 41. Institutions authorized by the Brazilian Securities Commission to act as custodians of fungible shares may agree to hold shares in custody where shares of each type and class of the corporation's shares shall be kept as fungible shares, and the custodian shall act as fiduciary owner of the shares.

§ 1. The depositary institution may not sell the shares, being required to return the amount of shares received, with the modifications resulting from alterations in the share capital or in the number of shares in the issuing corporation, regardless of the order number of the shares or their respective certificates.

§ 2. The provisions of this Section shall apply to other types of securities whenever applicable.

§ 3. The depositary institution is required to inform to the issuing corporation:

I – immediately, the name of the final beneficiary of the shares if there is any corporate event in which his identification is required; and

II – in up to ten (10) days, any custody agreement or the creation of liens or encumbrances upon the shares.

§ 4. The ownership of shares that are held in fungible custody shall be evidenced through the agreement executed between the owner of the shares and the depositary institution.

§ 5. The institution has the obligations of a depositary, and it is liable to the shareholder and third parties for any breaches of its obligations.

Section 44. ...

...

§ 6. Unless the bylaws provide otherwise, the redemption of shares of one or more classes can only be effected if, in a general meeting called to resolve this specific matter, the redemption is approved by shareholders who represent at least half of the shares of the affected classes. (New wording)

Section 47. ...

Sole Sub-section. Publicly-held corporations are not allowed to issue founders' shares. (New wording)

Section 52. The corporation may issue debentures that will confer upon its holders credit rights against the company, under the conditions specified in the respective indenture and certificates, if any.

Section 54. ...

§ 1. The debenture may include a monetary correction clause, based on the coefficient established for the correction of government bonds, based on the foreign exchange rate variation or based on other indices not expressly forbidden by law.

§ 2. The debenture indenture may grant to the debenture holder the option to receive principal and interest at the expiration, amortization or redemption, in cash or in assets valued pursuant to Section 8. (New wording)

Section 59. ...

...

§ 1. In publicly-held corporations, the board of directors may decide on the issuance of non-convertible debentures and unsecured debentures, and the general meeting may delegate to the board of directors the power to decide on the conditions specified in items VI to VIII hereof and on the time of issuance. ... (New wording)

Section 62. No debentures shall be issued unless the following requirements are met:

I – filing with the commercial register and publication of the minutes of the shareholder meeting or the board of directors meeting that resolved on the issuance;

II – registration of the indenture with the commercial register;

...

§ 4. The commercial registers shall hold a special book for the registration of the issuance of debentures, in which the essential conditions of each issuance shall be written. (New wording)

Section 63. ...

§ 1. The debentures may be the object of deposit with the issuance of a certificate under the terms of Section 43.

§ 2. The indenture may establish that the debentures shall be held in custody accounts in the name of their holders, at the institution it appoints, without the issuance of certificates, and the provisions of Section 41 shall apply whenever possible. (New wording)

Section 68. ...

§ 1. ...

...

c) in the maximum term of sixty (60) days, give notice to the debenture holders of any default by the corporation in the obligations undertaken in the indenture.

... (New wording)

Section 109. ...

...

§ 3. The corporation's bylaws may establish that any disputes between the shareholders and the corporation, or between the majority shareholders and the minority shareholders may be resolved by arbitration under the terms specified by it. (New wording)

Section 115. The shareholder shall exercise the right to vote in the corporation's interest; the right to vote shall be deemed abusive if it is exercised with the intent to cause damage to the corporation or to other shareholders, or of obtaining an advantage for the shareholder or for a third party to which neither is entitled, and which results or may result in damage to the corporation or to other shareholders.

...

§ 5. VETOED.

§ 6. VETOED.

§ 7. VETOED.

§ 8. VETOED.

§ 9. VETOED.

§ 10. VETOED.

Section 118. Shareholder agreements regulating the purchase and sale of shares, preference to acquire shares, the exercise of voting rights, or the exercise of control must be observed by the corporation when filed in its head office.

...

§ 3. VETOED.

...

§ 6. A shareholder's agreement with a term that depends on a certain condition may only be denounced according to its provisions.

§ 7. The mandate granted under the terms of a shareholders agreement to render a vote against or in favor of a resolution in a general or special meeting may have a term that exceeds the term provided for in § 1 of Section 126 hereof.

§ 8. The president of the meeting or of the decision making body of the corporation shall not compute a vote that infringes a duly filed shareholders agreement.

§ 9. Failure to attend a general meeting or meetings of the corporation's management bodies, as well as failure to vote on matters specified in the shareholders agreement by any party or by members of the board of directors elected under the terms of the shareholders agreement assures the damaged party the right to vote with the shares belonging to the shareholder who is absent or remiss and, in case of a member of the board of directors, by the board member elected by the votes of the damaged party.

§ 10. Shareholders bound to the shareholders agreement shall indicate, in the act of filing, a representative to communicate with the corporation to render or to receive information upon request.

§ 11. The corporation may request the members from the agreement to elucidate its clauses.(New wording)

Section 122. The general meeting has exclusive authority:

I – to amend the bylaws;

II – to elect or discharge corporation officers and auditors at any time, subject to the provisions of item II of Section 142;

III – to receive the yearly accounts drawn up by the corporation's officers and to decide on the financial statements presented by them.

IV – to authorize the issuance of debentures, subject to the provisions of § 1 of Section 59;

V – to suspend the rights of a shareholder (Section 120);

VI – to resolve on the appraisal of assets contributed as capital by shareholders;

VII – to authorize the issuance of founders’ shares;

VIII – to resolve on the corporation’s transformation, consolidation, incorporation and divestment, its dissolution and liquidation, to elect and discharge its liquidators, and to examine their accounts; and

IX – to authorize the officers to file for bankruptcy or request reorganization.

Sole Sub-section. In case of urgency, the filing for bankruptcy or the request for reorganization may be made by the officers, as agreed with the majority shareholder, if any, immediately calling a general meeting in order to vote on the matter. (New wording)

Section 124. ...

§ 1. The first call of the general meeting shall be made:

I – in a closely-held corporation, at least eight (8) days in advance counted from the date of publication of the first notice; if the meeting is not held, a new notice of second call shall be published at least five (5) days prior to the meeting;

II – in a publicly-held corporation, the first call shall be made fifteen (15) days in advance, and the second call eight (8) days in advance.

...

§ 5. The Brazilian Securities Commission may, at its sole discretion, by justified resolution of its decision-making body, upon request from any shareholder and following manifestation of the corporation:

I – increase the term to publish the first notice for the call of the general meeting of a publicly-held company by up to thirty (30) days, counted from the date in which the documents related to the matters to be resolved are made available to the shareholders if the meeting relates to complex transactions and, accordingly, shareholders need more time to be familiarized with and analyze such transactions;

II – suspend, by up to fifteen (15) days, the course of the advance notice term for the call of the special general meeting of a publicly-held corporation in order to be familiarized with and to analyze the proposals to be submitted at the meeting and, if applicable, inform the corporation, up to the end of the suspension, the reasons by which it understands that the resolution proposed at the meeting violates legal or regulatory provisions.

§ 6. On the date of publication of the call of the meeting, publicly-held corporations admitted for trading in Stock Exchanges must provide to the stock exchange in which their shares are most actively traded the documents made available to shareholders for deliberation at the general meeting. (New wording)

Section 133. ...

...

IV – the finance committee’s opinion, including all dissident votes, if any; and

V – the remaining documents relevant to matters included in the agenda.

...

§ 3. The documents referred to in this Section, except for the ones included in items IV and V, shall be published at least up to five (5) days before the date the general meeting is scheduled to be held.

...(New wording)

Section 135. ...

...

§ 3. the documents relevant to the matters to be discussed at the special general meeting shall be made available to the shareholders, at the corporation's head office, upon the publication of the first notice for the call of the general meeting. (New wording)

Section 136. ...

I – creating preferred shares or increasing an existing class of preferred shares without maintaining the existing ratio with the remaining class of preferred shares, unless when already set forth in or authorized by the bylaws;

...

§ 3. The provisions of § 2 of this Section also apply to special meetings of preferred shareholders provided for in §1.

... (New wording)

Section 137. The approval of the matters set forth in items I to VI and IX of Section 136 grants the dissenting shareholder the right to withdraw from the corporation, by refund of his/her shares (Section 45) , according to the following rules:

...

II – in the cases of items IV and V of Section 136, the holder of shares of a class or type that has market liquidity and dispersion shall not have the right to withdraw, provided that:

a) liquidity is evidenced when the type or class of share, or the certificate that represents it, is part of a general index representing a portfolio of securities in Brazil or abroad, defined by the Brazilian Securities Commission; and

b) dispersion is evidenced when the majority shareholder, the controlling corporation or other corporations under their control hold less than half of issued shares of the applicable type or class;

III – in the case of item IX of Section 136, there shall only be a right to withdraw if the spin-off results in:

a) a change in the corporate purposes, except when the spun-off company is transferred to a corporation with a main line of business that coincides with the line of business of the spun-off company;

b) a reduction in the mandatory dividend; or

c) participation in a group of corporations;

IV – the reimbursement of the share must be claimed to the corporation in a term up to thirty (30) days counted from the publication of the minutes of the general meeting;

V – the term for the dissent of a resolution of a special meeting (Section 136, §1) shall be counted from the publication of the respective minutes;

VI – the payment of the refund shall only be requested after compliance with the provisions of § 3 and, if applicable, the ratification of the resolution of the general meeting.

...

§ 2. The right for reimbursement may be exercised in the term set forth in items IV or V of this Section, as the case may be, even if the shareholder failed to vote against the resolution or did not attend the meeting.

§ 3. The administrative bodies are allowed to call a general meeting to ratify or reconsider the resolution during the ten (10) days after the end of the term provided for in items IV and V of this Section, if it is understood that the payment of the reimbursement price for the shares to the dissenting shareholders who exercised the right of withdraw may jeopardize the corporation's financial stability.

... (New wording)

Section 140. ...

I – the number of board members, or the maximum and minimum allowed, and the process of choosing and substituting the chairman of the board of directors by the meeting or by the board member himself;

...

IV – the rules for the call, installation and functioning of the board, which shall resolve by a majority of votes, provided that the bylaws may establish a qualified quorum for certain resolutions.

Sole Sub-section. The bylaws may establish the participation of an employees' representative in the board, chosen by their votes in a free election, organized by the corporation jointly with the unions that represent them. (New wording)

Section 141. ...

...

§ 4. Shareholders representing the majority of the following shares shall have the right to elect and remove from office a member and his substitute from the board of directors, in a separate election at the general meeting, being excluded from such election the majority shareholder:

I – shares issued by a publicly-held corporation which represent at least fifteen percent (15%) of shares with voting rights; and

II – preferred shares without voting rights or with restricted voting rights, issued by a publicly-held corporation, which represent at least ten percent (10%) of the share capital, provided that they have not exercised the right set forth in the bylaws under the terms of Section 18.

§ 5. If neither the holders of shares with voting rights nor the holders of preferred shares without voting rights or with restricted voting rights are sufficient to achieve the quorum required under items I and II of § 4, they shall be allowed to aggregate their shares in order to jointly elect a member and his substitute for the board of directors, in this case considering the quorum required by item II of § 4.

§ 6. The right afforded by § 4 can only be exercised by shareholders that have continuously held their shares for at least three months prior to the general meeting.

§ 7. Whenever the election of the board of directors is conducted through multiple voting and the holders of common shares or preferred shares exercise the right to appoint a member of the board, the shareholder or shareholders bound by voting agreements representing more than fifty percent of voting shares shall have the right to appoint the same number of members appointed by the remaining shareholders plus one, regardless of the number of board members specified in the bylaws.

§ 8. The company shall maintain a record identifying those shareholders that have exercised the rights afforded by § 4.

§ 9. VETOED.

Section 142. The board of directors shall be responsible for:

...

§ 1. The minutes of the board of directors meetings that contain resolutions designed to affect third parties shall be filed with the Commercial Registry and published.

§ 2. The selection and dismissal of independent auditors may be vetoed by the directors elected pursuant to Section 141, § 4, as applicable. (New wording.)

Section 143. VETOED.

Section 146. VETOED.

§ 1. The minutes of the general meeting or of the board of directors meeting which elects officers shall contain the identification and the term of office of each person elected and shall be filed with the Commercial Registry and published.

§ 2. Officers residing or domiciled abroad may only take post by appointing a representative residing in Brazil, having powers to receive service of process in actions brought against him as per corporate legislation, by means of a power of attorney with a validity extending over a period of at least three (3) years after the end of the officer's term in office. (New wording.)

Section 147. ...

§ 3. Officers shall have unblemished reputations and are ineligible for election, unless an applicable waiver is granted by the general meeting, in the following cases:

I – holding of a position in a competing company, specially in management board or advisory or finance committees; and

II – conflicting interests with the company.

§ 4. The evidence of compliance with the provisions set out in § 3 shall have be effective with a statement signed by the elected officer pursuant to the terms defined by the Brazilian Securities Commission (CVM), as mentioned in Sections 145 and 159, under the penalties of law. (New wording)

Section 149. ...

§ 1. Any such appointment shall be void unless the instrument is signed within thirty (30) days following the appointment, unless the delay is excused by the managing body to which the person was elected.

§ 2. Under the penalty of nullity, the instrument of appointment shall inform at least one domicile where the person can receive writs of notice in administrative or juridical actions regarding acts during the term of office, to be considered as delivered at the indicated address, and to be altered by a written notice to the company. (New wording)

Section 155. ...

§ 4 Any officer who may receive any confidential information not yet revealed to the public shall not make use of such information to obtain any advantages for himself or for third parties by purchasing or selling securities. (New wording)

Section 157. ...

§ 6. Officers of a publicly-held corporation shall immediately inform, as specified by the Brazilian Securities Commission, to such Commission and the Stock Exchanges or any organized over-the-counter market entities where the securities issued by the corporation are traded, of any changes to their ownership positions in the company. (New wording)

Section 161. ...

§ 5. VETOED.

§ 6. The members of the finance committee and their alternates shall exercise their positions until the first general meeting which takes place after election, reelection being permitted.

§ 7. The duties of a member of the finance committee may not be delegated. (New wording)

Section 163. The finance committee shall:

I - supervise the acts of any officer, the acts of any director, and ensure that they comply with their legal and statutory duties;

...

IV – report any error, fraud, and criminal act which may be discovered to any officer or to members of the administrative bodies, and if these fail to take any necessary steps to protect the corporation interest, report to the general meeting.

...

§ 2. Upon request of any of its members, the finance committee shall request clarification or information from the administrative bodies, as well as the preparation of special financial or accounting statements.

... (New wording)

Section 164. ...

Sole Sub-section. The opinions and statements of the finance committee, or of any of its members, may be presented and read at a general meeting, irrespective of publication, even if the matter has not been included in the agenda. (New wording)

Section 165. The members of the finance committee shall have the same duties as the officers, as described in Sections 153 to 156, and shall be liable for any damages resulting from any failure to comply with their duties, from negligence or misconduct or from any violations of the law or the bylaws.

§ 1. The members of the finance committee shall perform their duties in accordance with the company's interests; any action that causes damage to the company or its shareholders or officers shall be deemed abusive, as shall be deemed abusive the exercise of duties so as to obtain any advantages for himself or for third parties to which they have no right and which cause damages to the company, its shareholders or officers.

§ 2. A member of the finance committee shall not be liable for the illegal acts performed by other members, unless he acted in connivance with them or concurs in the practice of the act.

§ 3. The members of the finance committee shall be jointly and severally liable for omissions in performing their duties, but any dissenting member shall be exempt from such liability if he causes his dissent to be recorded in the minutes of a finance committee meeting and informs the managing bodies and the general meeting about it. (New wording)

Section 172. The bylaws of a publicly-held corporation with authorized capital may provide for the issue of shares, convertible debentures, or subscription bonuses, without any right of first refusal for existing shareholders or with a reduction of the term provided by § 4 of article 171, provided that the placement of the applicable securities occurs:

I – VETOED; or

II – pursuant to an exchange for shares in a public offer for the acquisition of control, in accordance with Sections 257 and 263.

... (New wording)

Section 196. ...

§ 2. The budget may be approved by the general meeting which approves the balance sheet for the fiscal year and revised annually when applicable for more than one fiscal year. (New wording)

Section 197. In fiscal years where the amount of compulsory dividends, calculated in the terms of the bylaws or of Section 202, exceeds the amount of realized net profits, the general meeting may, accepting a proposal from the managing bodies, apply that excess in the formation of a reserve for realizable profits.

§ 1. For the purposes of this article, the amount of realized net profits in the fiscal year is the amount exceeding the sum of the following:

I – the net positive value of the equity pick-up (Section 248); and

II – the profit, earning or revenue to be realized after the end of the subsequent fiscal year.

§ 2. The reserve of realizable profits may be used for paying compulsory dividends and, for the purposes of item III of Section 202, there shall be considered part of the reserve for realizable profits the first profits to be realized in cash in each fiscal year. (New wording)

Section 202. In every fiscal year, the shareholders shall be entitled to receive as a compulsory dividend the portion of the profits as may be stated in the bylaws or, in the event the latter is silent in this regard, the amount to be determined as follows:

I – half of the net profit as increased or reduced by:

a) the amount intended to form the legal reserve (Section 193); and

b) the amount intended to form the reserves for contingencies (Section 195) and any written-off amounts of the same reserves formed in previous fiscal years;

II – the payment of dividends provided for in item I may be limited to the amount of net profits realized during the fiscal year, provided that the difference is recorded as a reserve for realizable profits (Section 197);

III – profits registered in the reserve of realizable profits, when realized and not absorbed by losses in subsequent fiscal years, shall be added to the first dividend declared after their realization.

...

§ 2. Whenever the bylaws are silent and the general meeting resolves to amend the bylaws in order to regulate compulsory dividends, the compulsory dividend may not be less than twenty-five per cent (25%) of the net profit as adjusted in accordance with item I of this Section.

§ 3. As long as no present shareholder opposes to it, a general meeting may resolve to distribute a dividend which is less than the compulsory dividend prescribed by this Section or to retain the entire net profit, in the following corporations:

I – publicly-held corporations which have gone public exclusively to raise capital by issuing non-convertible debentures;

II – closely-held corporations, except those controlled by publicly-held corporations not in compliance with the provisions of item I.

...

§ 6. The profits which are not allocated pursuant to Sections 193 to 197 shall be distributed as dividends. (New wording)

Section 264. In the merger of a controlled corporation into its controlling corporation, the justification presented to the general meeting of the controlled corporation shall contain, in addition to the information required by Sections 224 and 225, a calculation relating to the share exchange ratio of shares owned by the non-controlling shareholders of the controlled corporation, based on the net value of the shares of both the controlling and controlled corporations, the assets and liabilities of both corporations being valued according to the same criteria and on the same date, at market prices, or according to another criteria indicated by the Brazilian Securities Commission (CVM) for publicly-held corporations.

§ 1. The appraisal of the assets and liabilities of the two corporations shall be carried out by three (3) experts or by a specialist firm or, for publicly-held corporation, necessarily by a specialist firm.

§ 2. For purposes of the comparison mentioned in this Section, the shares in the controlled corporation owned by the controlling corporation shall be valued according to the provisions of this Section 264 (first part).

§ 3. If the conditions for the exchange of shares of the non-controlling shareholders provided for in the protocol of the merger are less advantageous than that resulting from the comparison provided for in this Section, the shareholders dissenting from the resolution of the general meeting of the controlled corporation which approved the transaction shall be entitled to choose, subject to the provisions of Section 230, between the refund value determined in accordance with Section 45 and the value adjusted in accordance with this Section 264 (first part), as determined by Section 137, item II.

§ 4. The same provisions of this Section are applied to the merger of a controlling corporation into its controlled corporation, the merger of the controlling corporation with its controlled corporation, as well as the merger and consolidation of companies under common control.

... (New wording)

Section 287. There shall preclude:

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II - ...

...

g) judicial actions by a shareholder against the corporation, for any reason. (New wording)

Section 289. ...

...

§ 7. Notwithstanding the provisions of this Section 289 (first part), publicly-held corporations may make available the mentioned publications through the worldwide computers net system. (New wording)

Section 291. The Brazilian Securities Commission (CVM) may reduce, by reference of a scale relating to the amount of the capital, the minimum percentage applicable to publicly-held corporations specified by Section 105, letter "c" of the sole sub-Section of Section 123; the first part of Section 141; Sub-Section 1 of Section 157; sub-Section 4 of Section 159; sub-Section 2 of Section 161; sub-Section 6 of Section 163; letter "a" of sub-Section 1 of Section 246; and Section 277.

... (New wording)

Section 294. A closely held corporation with less than twenty (20) shareholders and net worth of less than one million reais (R\$ 1,000,000.00), may:

... (New wording)

Section 3. The following Sections 4-A, 116-A, 165-A and 254-A shall be added to Law No. 6.404, of December 15, 1976.

Section 4-A. Shareholders holding at least ten per cent (10%) of outstanding shares of a publicly-held corporation may request the officers to call a special general meeting with holders of outstanding shares in order to determine a new appraisal, based on the same on or different criteria from those originally adopted, for purposes of determining the valuation of the company as provided for in § 4 of Section 4.

§ 1. The request shall be delivered within fifteen (15) days from the announcement of the price attributed to the public offer, accompanied by a justification and evidence of inadequacy or misuse of the calculation methodology or the valuation criteria. The shareholders specified in this Section 4-A (first part) may call the applicable meeting if the officers fail to do so within eight (8) days the date of the request.

§ 2. Outstanding shares include all issued shares of a publicly-held corporation less the shares held by controlling shareholders, officers and directors, and treasury shares.

§ 3. Those shareholders who request a new valuation and those shareholders who vote in favor of the new valuation shall reimburse the company of all costs incurred with the new valuation if the new valuation amount is lower than or equal to the initial amount of the public offer.

§ 4. The Brazilian Securities Commission shall regulate the provisions of Section 4 and of this Section, and shall establish the periods for the effectiveness of the review stipulated herein.

Section 116-A. The controlling shareholder of a publicly-held corporation, and the shareholders or group of shareholders that elect a member of the board of directors or of the finance committee shall immediately inform any changes in their ownership positions to the Brazilian Securities Commission and to the Stock Exchange or entities of the organized over-the-counter market where the securities issued by the corporation are traded, with observance of the terms and conditions determined by the Brazilian Securities Commission.

Section 165-A. The members of the finance committee shall immediately inform any changes in their ownership position to the Brazilian Securities Commission, to the Stock Exchange or to entities of the organized over-the-counter market where the securities issued by the corporation are traded, , with observance of the terms and conditions determined by the Brazilian Securities Commission.

Section 254-A. The direct or indirect transfer of control of a publicly-held corporation can only be effected under the condition that the purchaser agrees to conduct a public offer to acquire the voting shares owned by the remaining shareholders. The offer price for such shares shall be at

least eighty per cent (80%) of the amount paid for the voting shares comprising the controlling block.

§ 1. Transfer of control shall be understood as the transfer, whether direct or indirect, of shares comprising the controlling block, of shares bound by shareholders' agreements and of securities convertible into voting shares, assignment of share subscription rights and other rights related to securities convertible into shares which may result in the transfer of corporate control.

§ 2. The transfer of control provided for in this Section 254-A (first part) shall be approved by the Brazilian Securities Commission as long as the conditions of the public offer comply with the applicable legal requirements.

§ 3. The Brazilian Securities Commission shall be responsible for establishing the rules to be observed in the public offer indicated in this Section 254-A (first part).

§ 4. The purchaser of control of a publicly-held corporation may offer the minority shareholders the option to keep their holdings in the company in exchange for payment of a premium equivalent to the difference between the market value of the shares and the amount paid for shares comprising the controlling block.

§ 5. VETOED.

Section 4. Sections 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 22, 24, 26 and 28 of Law No. 6.385 of December 7, 1976, shall have the following wording:

Section 1. The following activities shall be regulated and supervised in accordance with this law:

- I - the issue and distribution of securities;
- II - the trading and intermediation in the securities market;
- III- the trading and intermediation in the derivatives market;
- IV- the organization and operation of Stock Exchanges;
- V- the organization and operation of commodities and Futures Exchanges;
- VI- the management of securities portfolios and the custody of securities;
- VII- the auditing of publicly-held corporations;
- VIII- the services of securities consultants and advisors. (New wording)

Section 2. The following shall be deemed securities for the purposes of this Law:

- I - shares, debentures and subscription bonuses;
- II – coupons, rights, subscription receipts and split certificates relating to the securities indicated in item I;
- III – certificates of deposit of securities;
- IV – debentures certificates;
- V – shares of mutual funds investing in securities and shares of investment clubs investing in any type of assets;
- VI – commercial papers;

VII – futures, options and other derivatives agreements whose underlying assets are securities;

VIII – other derivatives agreements regardless of the respective underlying assets; and

IX – when publicly offered, any other collective investment instrument or agreement that creates the right of participation on profits or remuneration, including as a result of the rendering of services, and whose profits derive from the efforts of the entrepreneur or from the efforts of third parties.

§ 1. The following are excluded from the regime of this Law:

I – federal, state or municipal debt securities;

II – letters of exchange payable by financial institutions, except debentures.

§ 2. The issuer of the securities referred to in this Section, as well as their managers and controlling parties, are subject to the rules established by this Law with respect to publicly-held corporations.

§ 3. The Brazilian Securities Commission shall be responsible for issuing regulations in order to give effect to the provisions of this Section, being empowered to:

I – require that the issuers be incorporated as stock corporations;

II – require that the financial statements of the issuers, or information concerning the applicable project, be audited by an independent auditor registered with the Brazilian Securities Commission;

III – waive the requirement of participation of a company comprising the system established in Section 15 of this Law in a public offering of securities;

IV – establish standard clauses and conditions to be adopted in the collective investment instruments and agreements to be traded in Stock Exchanges or in over-the-counter markets, and refuse the trading of any issue that fails to meet such standards. (New wording)

Section 4. ...

...

IV - ...

c) the use of relevant information not disclosed to the market.

... (New wording)

Section 5. VETOED.

Section 6. VETOED.

Section 7. The Commission shall pay for all of its operational expenses with funds deriving from:

...

V – fees payable in exchange for the exercise of its police powers, as provided by law. (New wording)

Section 8. The Brazilian Securities Commission shall:

...

§ 1. VETOED.

§ 2. VETOED.

Section 9. VETOED.

I – VETOED.

b) of publicly-held corporations and other issuers of securities and, whenever there are indicia of illegal activities, of the corresponding controlling and controlled companies, affiliated companies and companies under common control;

...

g) VETOED.

II – issue subpoenas requesting information or clarifications to the persons indicated in item I, under penalty of a fine, without prejudice to the penalties set out in Section 11;

...

V – investigate, through administrative proceedings, illegal acts and inequitable practices of managers, members of the finance committee and shareholders of publicly-held corporations, intermediaries, and other market participants;

...

§ 1. VETOED.

Section 10. The Brazilian Securities Commission may enter into agreements with similar entities in other countries, or with international entities, for assistance and cooperation in the investigations relating to infringement of regulations pertaining to the securities market occurring in Brazil and abroad.

§ 1. The Brazilian Securities Commission may refuse to provide the assistance referred to in the this Section 10 (first part) when the public interest needs to be preserved.

§ 2. The provisions of this Section shall also apply to information deemed confidential by law. (New wording)

Section 11. ...

...

§ 4. VETOED.

§ 5. VETOED.

...

§ 7. The commitment letter shall be published in the Federal Official Gazette, describing the period assigned for compliance with the obligations that have been undertaken, and shall constitute an extrajudicial collection instrument.

...

§ 10. VETOED.

§ 11. VETOED.

... (New wording)

Section 14. The Brazilian Securities Commission may provide for the endowment of funds to Stock Exchanges and Futures Exchanges. (New wording)

Section 15. ...

...

VI – commodities brokers, special operators and the commodities and futures exchanges; and

VII – securities clearing and settlement entities.

§ 1. VETOED.

Section 16. The exercise of the following activities depends on previous authorization from the Brazilian Securities Commission:

...

III – VETOED.

IV – VETOED.

Section 17. The Stock Exchanges, Futures Exchanges, over-the-counter market entities and securities clearing entities shall have administrative and financial autonomy, and shall operate under supervision of the Brazilian Securities Commission.

§ 1. Stock Exchanges, Futures Exchanges, over-the-counter market entities and securities clearing entities, as ancillary entities of the Brazilian Securities Commission, shall be required to supervise their respective members and the securities transactions carried out by them.

§ 2. VETOED.

Section 18. VETOED.

Section 22. ...

§ 1. VETOED.

§ 2. VETOED.

Section 24. VETOED.

Section 26. ...

...

§ 5. VETOED.

Section 28. The Central Bank of Brazil, the Brazilian Securities Commission, the Supplemental Social Security Agency, the Internal Revenue Service and the Superintendency of Private Insurance shall keep a system for the exchange of information relating to the supervision in their respective areas of jurisdiction of the securities market.

Sole Sub-Section. The obligation to keep on a confidential basis the information obtained through the exercise of supervisory powers by the entities referred to in this Section 28 (first part) may not be invoked as an impediment for the exchange of information provided for herein. (New wording)

Section 5. The following Sections 17-A, 21-A, and Chapters VII-A and VII-B, with Sections 27-A and 27-B, and 27-C to 27-F, shall be added to Law No. 6.385 of December 7, 1976:

Section 17-A. VETOED.

Section 21-A. VETOED.

CHAPTER VII-A

ACCOUNTING STANDARDS BOARD

Section 27- A. VETOED.

Section 27- B. VETOED.

CHAPTER VII-B

CRIMES AGAINST THE CAPITAL MARKETS

Market manipulation

Section 27-C. To engage in fraudulent transactions or other deceitful action aiming at artificially changing the regular operation of the securities markets in Stock Exchanges and in futures and commodities exchanges, over-the-counter markets or organized over-the-counter markets for the purpose of obtaining undue advantages or profits for oneself or others, or to cause damage to third parties:

Penalty – imprisonment of one (1) to eight (8) years and fine of up to three (3) times the amount of the undue advantage obtained as a result of the crime.

Misuse of privileged information

Section 27-D. To use relevant information not yet disclosed to the market, which one may know and which must remain confidential, so as to create undue advantages, for oneself or others, through the negotiation of securities, in one's behalf or on behalf of others:

Penalty – imprisonment of one (1) to five (5) years and fine of up to three (3) times the amount of the undue advantage obtained as a result of the crime.

Irregular exercise of position, profession, activity or function

Section 27-E. To act in the securities market, whether free of charge or not, as an institution belonging to the distribution system, as a collective or individual portfolio manager, self-employed investment agent, independent auditor, securities analyst, fiduciary agent or to exercise any position, profession, activity or function without being so authorized by or registered at the applicable administrative authority, when required by law or regulation:

Penalty – imprisonment of six (6) months to two (2) years and fine.

Section 27-F. The fines imposed to the crimes set forth in Sections 27-C and 27-D shall be applied according to the damage caused or the undue advantage obtained by the agent.

Sole Sub-Section. In case of repeated offense, the fine may reach up to three times the amounts set forth in this Section.

Section 6. The existing corporations must conform their bylaws to the provisions of this Law within one (1) year as of its effective date and, for this purpose, a general meeting shall be called.

Section 7. The provisions of Section 254-A of Law No. 6.404 of 1976 are not applicable to corporations under privatization process and which, as of the date of the enactment of this Law, have published their invitation to bid.

Section 8. Any change in the rights granted to the existing shares as a result of adjustments to comply with this Law shall not result in withdrawal rights under Section 137 of Law No. 6.404 of 1976 if effected prior to the end of the year 2002.

§1. The proportion set forth in Law No. 6.404 of 1976, Section 15, §2, shall be applied according to the following criteria:

I – new corporations: immediately;

II – existing closely-held corporations: at the moment they decide to register as publicly-held corporations; and

III – existing publicly-held corporations may maintain the proportion of up to two-thirds of preferred shares to the total issued shares, including in relation to new issuance of shares.

§2. Issuance of common shares by publicly-held corporations which choose to comply with Law No. 6.404 of 1976, §2, Section 15, as amended by this Law, may be conducted, at the company discretion, without the granting of preemptive rights to preferred shareholders under Law No. 6.404 of 1976, item b, § 1, Section 171. Once the percentage of participation of preferred shares is reduced, the corporation may not increase such percentage beyond the limit that has been reached.

§3. Publicly-held corporations may only issue new preferred shares in compliance with Law No. 6.404 of 1976, §1, Section 17, as amended by this Law, and the respective bylaws must be adjusted to comply with such provision within one (1) year as of the effective date of this Law.

§4. Until the annual general meeting is held to approve the financial statements of the 2004 fiscal period, the director elected as per Law No. 6.404 of December 15, 1976, Section 141, §5 or item II, §4, shall be chosen from a triple list prepared by the controlling shareholder; and as of the 2006 annual general meeting, such director shall be elected as set forth in this Law, regardless of the term of mandate of the director to be replaced.

Section 9. This Law shall become effective after one hundred and twenty (120) days of its official publication; however, it shall be applicable as of the date of publication to the corporations organized as of that date.

Section 10. Section 242 of Law No. 6.404 of December 15, 1976, and Sections 29 and 30 of Law No. 6385 of December 7, 1976 are hereby revoked.

PROVISINAL MEASURE No. 08, OF OCTOBER 31, 2001

(Converted into Law 10.411, of February 26, 2002)

Alters and add provisions to Law No. 6.385 of December 7, 1976, which governs the securities market and creates the Brazilian Securities Commission.

The VICE-PRESIDENT OF THE REPUBLIC, exercising the duties of the PRESIDENT OF THE REPUBLIC and using the powers conferred by Section 62 of the Federal Constitution, adopts the following Provisional Measure, effective as a law:

Section 1. Sections 5, 6, 16 and 18 of Law No. 6.385 of December 7, 1976, shall have the following wording:

Section 5. The Brazilian Securities Commission is created as an autonomous government agency linked to the Ministry of Finance, with legal autonomy and separate assets and liabilities, with an independent administrative authority, a fixed mandate, stable administrators, a financial and budget autonomy and no hierarchical subordination. (New wording)

Section 6. The Brazilian Securities Commission shall be governed by a President and four (4) Officers, designated by the President of the Federative Republic of Brazil, after approval by the Federal Senate, among individuals with unblemished reputation and recognized knowledge in matters relating to the capital markets.

§ 1. The mandate of the managers of the Commission shall be of five (5) years, reappointment being unauthorized. One-fifth (1/5) of the members of the Executive Committee shall be renewed each year.

§ 2. The managers of the Commission shall only lose their mandates through resignation, final judicial decision or by virtue of disciplinary administrative procedures.

§ 3. Notwithstanding the provisions of the criminal and the administrative responsibility laws, the noncompliance with the rules and prohibitions concerning the position of President or Officer shall cause the loss of mandate.

§ 4. The Minister of Finance shall be entitled to file a regulatory administrative lawsuit to be conducted by a special committee, and the President of the Federative Republic of Brazil shall be entitled to order the preventing layoff, if applicable, and issue the corresponding final decision.

§ 5. In case of resignation, death or loss of mandate by the President of the Brazilian Securities Commission, the Officer who has held longer its position or the oldest Officer, in such order, shall replace the President until a new appointment takes place, without any prejudice to its original duties.

§ 6. In case of resignation, death or loss of mandate of any Officer, a new appointment according to the applicable provisions of this Law shall take place and the Officer so appointed shall hold the position until completion of the original mandate. (New wording)

Section 16.

...

III – mediation or brokerage of securities transactions; and

IV – clearing and settlement of securities transactions.

... (New wording)

Section 18. The Brazilian Securities Commission shall be responsible for:

I – issuing general rules on:

a) the conditions to obtain the required authorization or registration to exercise the activities listed in Section 16, and the respective administrative proceedings;

b) the requirements of good standing, technical skills, and financial capacity that must be satisfied by the managers of corporations and other persons operating in the securities market;

c) the conditions for organization and liquidation of Stock Exchanges, over-the-counter market entities and clearing entities for securities transactions, their corporate form and governing bodies;

d) the exercise of disciplinary powers by Stock Exchanges and over-the-counter market entities with respect to transactions with securities, and by clearing entities over their members, the imposition of penalties and cases of exclusion;

...

f) the administration of Stock Exchanges, over-the-counter market entities and clearing entities; fees, commissions, and any costs charged by the Stock Exchanges and by the clearing entities or their members, when applicable;

...

h) the conditions for organization and liquidation of Futures Exchanges, their corporate form and governing bodies;

... (New wording)

Section 2. Upon the formation of the first Executive Committee of the Commission with fixed and staggered mandates, the President and the four Officers shall be appointed, respectively, for mandates of five, four, three, two and one year.

Section 3. This Provisional Measure shall come into force on the date of its publication.

Brasília, October 31, 2011.

MARCO ANTONIO DE OLIVEIRA MACIEL

PEDRO MALAN

TRANSLATION

(November 28, 2001)

[Published in the Official Gazette of the Federal Executive,

Section I of November 1, 2001]

Decree No. 3995 of October 31, 2001

Amends and supplements Law No. 6385 of December 7, 1976, which provides for the Brazilian securities market issues to be regulated by decree.

The VICE PRESIDENT OF THE REPUBLIC, acting *pro tempore* as President of the Republic and in the exercise of the powers bestowed on him under article 84, VI(a) of the Federal Constitution, hereby DECREES as follows:

Article 1. - Articles 6, 8, 9, 11, 15, 22 and 24 of Law No. 6385 of December 7, 1976 shall henceforth read as follows:

"Article 6. - (...)

Paragraph 7. - The Securities Commission shall operate as a joint decision-making board as provided for in its internal rules, which shall likewise prescribe the duties attributable to the Chairman, Members, and Joint Board."

"Article 8. - (...)

Paragraph 1. - The provisions of this article shall not override the powers and authority of Stock Exchanges, the Commodities and Futures Exchanges, and clearing agencies in relation to their members and to the securities traded therein.

Paragraph 2. - All documents and administrative case records shall be generally available to the public, unless the confidentiality thereof is pivotal to safeguard one's privacy rights or in the public interest, or whenever this confidential treatment is expressly provided by law.

(...)"

"Article 9. - With due regard for the provisions of article 15, paragraph 2, the Securities Commission may:

I. - examine and take copies of accounting records, books or documents, including software and magnetic, optical or other files, as well as the working paper of independent auditors, all of which shall be kept in perfect order and upkeep for at least five years:

(...)

(g) from any other individuals or legal entities, whenever there is any irregularity to be investigated pursuant to item V of this article for determination of any unlawful or inequitable conduct;

(...)

Paragraph 1. - In order to prevent or correct unexpected market conditions, the Securities Commission may:

(...)

Paragraph 2. - The proceedings related to item V of this article may be preceded by investigative works, which shall be warranted the degree of secrecy necessary for elucidation of facts or otherwise required in the public interest, also with due regard for the procedures determined by the Securities Commission.

Paragraph 3. - Whenever the public interest so requires, the Securities Commission may disclose the commencement of investigative works pursuant to paragraph 2 above.

Paragraph 4. - In investigating the breach of securities market laws and regulations, the Securities Commission shall give priority to material violations, the punishment of which will have a stronger educational and preventative effect on market agents.

Paragraph 5. - The Securities Commission Board judgment on the administrative proceedings dealt with in item V of this article shall be held in public sessions. Third-party access may only be denied in the public interest.

Paragraph 6. - The Securities Commission shall have the powers and authority necessary to investigate and mete out punishments for fraudulent conduct in the securities market, whenever:

I. - this event may cause damage to persons resident in the Brazilian territory, wherever such event has occurred; and

II. - the material acts or omissions have occurred within the Brazilian territory."

"Article 11. - (...)

Paragraph 5. - To the extent permissible in the public interest, the Securities Commission may suspend, at its exclusive discretion and at any stage, the administrative proceedings initiated to investigate any breach of the securities market laws and regulations, whenever the investigated or accused person signs a cease and desist commitment, undertaking to:

(...)

Paragraph 10. - The Securities Commission shall lay down the rules for application of paragraphs 5 through 9 of this article to the proceedings conducted by Stock Exchanges, Commodities and Futures Exchanges, organized over-the-counter market entities, and clearing agencies.

Paragraph 11. - The fine for failure to comply with an order issued by the Securities Commission pursuant to article 9, main section, II and paragraph 1, IV shall not exceed five thousand reais (R\$ 5.000,00) per day of delay, and shall apply irrespective of the administrative proceeding set out in the main section, item V of that same article.

(...)"

"Article 15. - (...)

Paragraph 1. - The Securities Commission shall define:

(...)"

"Article 22. - (...)

Paragraph 1. - The Securities Commission shall lay down the rules to be followed by publicly-held companies with regard to the following issues:

- I. - the nature of information to be disclosed, and the timing thereof;
- II. - the management report and financial statements;
- III. - the purchase of shares for treasury and disposal thereof;
- IV. - accounting statements, as well as independent auditors' reports and opinions;
- V. - reporting requirements applying to senior managers, audit committee members, controlling and non-controlling shareholders concerning the purchase, swap or sale of securities issued by the company, its controlled or controlling entities;
- VI. - reporting requirements related to resolutions taken at general meetings and by the company's senior management bodies, or to material facts affecting the company's business, which may have a substantial bearing on the market investors' decision to buy or sell the company's securities;
- VII. - the annual meetings held by the publicly-held companies listed in stock exchanges or organized over-the-counter markets with their shareholders or securities market agents, at the place where the company's securities were most actively traded in the preceding year, for purposes of disclosing information on the company's income forecasts and financial and economic conditions, as well as to respond to any request for clarifications;
- VIII. - other matters provided for by law.

Paragraph 2. - The rules issued by the Securities Commission for the purposes of paragraph 1, II and IV shall apply to the financial institutions and other entities accredited with the Central Bank of Brazil, inasmuch as they do not conflict with the rules laid down by the Central Bank of Brazil."

"Article 24. - The Securities Commission shall resolve on the authorization for securities custodial activities, which shall be performed by financial institutions and clearing agencies only.

(...)"

Article 2. - Article 21-A is added to Law 6385/76 as follows:

"Article 21-A. - The Securities Commission may issue rules on the minimum reporting requirements and the timing thereof that shall apply to any person who has access to material information."

Article 3. - This Decree comes into force on the date of its publication, and shall be enforceable on existing companies one hundred and twenty days thereafter.

Brasília, October 31, 2001; 180th year of Independence, and 113th year of the Republic.

MARCO ANTONIO DE OLIVEIRA MACIEL

Pedro Malan