

LAW N°18,046¹

CORPORATIONS LAW

TITLE I

Corporation and incorporation

Article 1. A corporation is a legal entity established by the gathering of a common fund contributed by shareholders liable exclusively for their own contribution and administered by a board of directors made of members who may be revoked.

A Corporation is always a mercantile corporation even though it is established to carry out businesses of a civil nature.

Article 2. Corporations may be of two kinds: listed corporations or closely held corporations.

Listed corporations are:

1) Corporations having 500 or more shareholders.

2) Corporations in which at least 10% of the subscribed capital belongs to a minimum of 100 shareholders, excluding those who individually, or through other individuals or corporations, exceed that percentage, and

3) Those that voluntarily register their shares in the Securities Registry.

Closely held corporations are those corporations not included in the foregoing paragraph.(*)

Listed corporations and closely held corporations, whose by-laws agree to subject themselves to the rules that govern listed corporations, or that according to legal provisions are obliged to do so, shall be subject to the supervision of the *Superintendencia de Valores y Seguros*, hereinafter the SVS; shall register in the Securities Registry; and shall fulfill the provisions applicable to listed corporations.

The SVS may, by means of a general rule, establish classes of listed corporations for supervision purposes, being able to establish simplified information and operating rules and requirements in the case of corporations that do not offer their securities publicly or whose transaction is not relevant to the securities market.

Corporations that cease to fulfill the conditions to be considered listed corporations or which have voluntarily registered in the Securities Registry, shall continue subject to the rules that govern them, while the special shareholders' meeting does not agree otherwise by two thirds of the voting shares. In this case, the absent or dissident shareholder shall have a right to withdraw.

Each time that reference is made herein to corporations subject to SVS enforcement, control or surveillance, or other similar expressions are used, except expressly indicated otherwise, such reference is to listed corporations.

¹ The Corporations Law was published in the Official Gazette of October 22, 1981 and ratifications to it in the Official Gazette of October 31, 1981. Modified by the laws: a) N° 18,496, published in the Official Gazette of January 23, 1986; b) N° 18,496, published in the Official Gazette of October 20, 1987; c) N° 19,221, published in the Official Gazette of June 1, 1993; d) N° 19,499, published in the Official Gazette of April 11, 1997; e) N° 19,653, published in the Official Gazette of December 14, 1999; f) N° 19,705, published in the Official Gazette of December 20, 2000; g) N° 19,769, published in the Official Gazette of November 8, 2001; h) N° 19,806, published in the Official Gazette of May 31, 2002; i) Article 7 of law N° 20,190, published in the Official Gazette of June 5, 2007.

The modifications introduced by the last law cited are highlighted in bold in this document.

The provisions hereof shall prevail over the provisions of the by-laws of corporations that cease to be closely held corporations because they have fulfilled some of the requirements established in the second paragraph of this article. The foregoing, without detriment to the obligation of these corporations to adapt their by-laws to the regulations hereof, at the time the first amendment is introduced thereto.

Article 3. A corporation is formed, exists and approved by public instrument registered and published according to the terms of Article 5. The timely fulfillment of the corporation's registration and publication shall have retroactive effects with respect to the date of the public instrument.

The minutes of the general shareholders' meetings in which the agreement was adopted to modify the corporate by-laws or dissolve the corporation, shall be executed in the form of a public instrument with the solemnities indicated in the foregoing paragraph.

No evidence shall be admitted whatsoever against the tenor of the public instruments granted in compliance with the foregoing paragraphs, not even to justify the existence of the covenants not expressed therein.

Article 4. The corporation's articles of incorporation must state:

- 1) The name, profession, and domicile of the shareholders who concur to the granting thereof;
- 2) The corporation's name and domicile;
- 3) The enumeration of the specific corporate purposes;
- 4) The corporation's duration, which may be indefinite and, if not stated otherwise, its duration shall be understood as such;
- 5) The corporation's capital, number of shares which the capital is divided into, indicating their series and privileges, if any, and whether or not the shares have par value; the form and terms in which the shareholders must pay their contribution, and the indication and valuation of any other non-monetary contribution;
- 6) The corporation's organization, forms of administration, and supervision by shareholders;
- 7) The date on which the financial year must be closed and the balance sheet prepared, and the time when the regular shareholders' meeting must be held;
- 8) The form of distributing earnings;
- 9) The way in which the corporation's liquidation must be executed;
- 10) The kind of arbitration to which any controversies that may arise between the shareholders or between the shareholders and the corporation or their administrators, whether during the corporation's term or during its liquidation, must be subjected to. If it should not be stated otherwise, it shall be understood that the controversies shall be submitted to the decision of an arbitrating arbitrator.
- 11) The appointment of the members of the provisional board of directors and the external auditors or the account inspectors, if applicable, who must supervise the corporation's first financial year;
- 12) Other covenants that the shareholders may agree on.

Article 5. An excerpt of the corporate charter, authorized by the relevant Notary Public, must be registered with the relevant Registry of Commerce of the corporation's domicile and published once in the Official Gazette.

The registration and publication must be made within a period of 60 days as of the date of the corporate charter.

The excerpt of the corporate charter must state:

- 1) The name, profession and domicile of the shareholders who concur to the granting thereof;
- 2) Corporation's name, purpose, domicile, and duration.
- 3) The capital and number of shares, which such capital is divided into, indicating the series and privileges, if any, and whether or not the shares have a par value, and
- 4) The amount of the capital subscribed and paid in and the term to complete such capital, if applicable.

The excerpt of an amendment must express the date of the public instrument and the name and domicile of the Notary Public before whom it was granted. Reference must be made to the content of the modification when any of the matters indicated in the foregoing paragraph have been changed.

Article 5 A. If the corporate domicile should have been omitted in the corporate charter, the corporation shall be understood to be domiciled in the place the charter was granted.

In the event that any of the designations referred to in number 11) of Article 4 should have been omitted, they may be made in a general shareholders' meeting of the corporation.

Article 6. Notwithstanding the provisions in Article 6 A, a corporation that is not established by a public instrument or whose corporate charter omits any of the information requested in numbers 1, 2, 3 or 5 of Article 4, or whose excerpt may have been registered or published late or it has omitted any of the information required in Article 5, shall be absolutely null, without prejudice to the reparation in accordance with the law. After the corporation's nullity is declared it shall be liquidated. However, the null corporation shall continue having legal capacity and shall be winded up as a corporation if it has the relevant corporate charter or a public instrument duly legalized or executed in the form of a public instrument.

The amendments to by-laws and the agreement of dissolving a corporation duly registered and published but whose excerpts omit any of the information requested in Article 5 shall be equally void. However, these amendments and agreement shall have an effect on shareholders and third parties while the nullity has not been declared; the declaration of such nullity does not have retroactive effect and shall only be applicable to situations occurring as of the time at which the such decision is signed; all without prejudice to the reparation in accordance to law.

Any essential inconsistency existing between the public instruments and the registrations or publications of the respective excerpts shall be considered similar to an omission. An essential inconsistency shall mean an inconsistency that induces to an incorrect understanding of the excerpted public instrument.

Any by-law amendments and the agreement to dissolve the corporation duly registered and published but whose excerpt omits any of the information requested in Article 5 shall also be null.

However, these reforms and agreements shall have effects before the shareholders and third parties while it has not been declared null; the declaration of such nullity does not have a retroactive effect and shall exclusively be applicable to situations occurring as of the moment in which the resolution containing it is executed; without prejudice to the clearing thereof pursuant to the law.

Any fundamental inconsistency in the public instruments and registrations or publications of the relevant excerpt shall be considered an omission. An fundamental inconsistency shall be understood any inconsistency that leads to the erroneous understanding of the excerpted public instrument.

The parties executing the agreement that is declared null shall jointly respond to third parties with whom they should have contracted on behalf of and in the interest of the corporation.

In any case, the nullity of a corporation or of an amendment of a corporate charter may not be requested after four years following the occurrence of the flaw that caused the nullity thereof.

Article 6 A. Notwithstanding the provisions in the foregoing article, any corporation not having a public instrument, or an instrument executed into a public instrument, or a legalized instrument, shall be null and void by operation of law and may not be repaired.

Notwithstanding the foregoing, if the corporation should exist *de facto* it shall give origin to a community among its members. The income and losses shall be shared and supported and the restitution of the contributions shall be made among them as agreed and, as subsidy, pursuant to the provisions for corporations.

The community members shall be jointly liable to third parties with whom they should have contracted in the name and in the corporation's interest; and they may not oppose to the third parties the lack of the instruments mentioned in the first paragraph. The third parties may accredit the corporation's existence *de facto* through any of the means allowed for producing evidence acknowledged by the Code of Commerce, and the evidence shall be appreciated in accordance with the rules of fair comment.

Any amendment whose excerpt has not been duly registered and published shall have no effects on the shareholders or third parties, except in the event of reparation in accordance with the law and with the restrictions imposed thereby. Such lack of effects shall operate as a matter of law, without prejudice to the action due to enrichment without an applicable cause.

Article 7. The corporation must put at the disposal of shareholders at the main office and at the agencies or branch offices, updated copies of corporate by-laws signed by the manager, indicating the date and Notary's office where the corporate charter and the modifications were granted, if applicable, and the information related to their authentication. It must also maintain an updated list of shareholders, indicating the domicile and number of shares of each one.

The board members, manager, liquidator or liquidators, if applicable, shall be jointly liable of the damage caused to shareholders and third parties because of the lack of accuracy or validity of the documents mentioned in the foregoing paragraph. The foregoing without prejudice to the administrative penalties that the SVS may apply to listed corporations.

TITLE II

Corporate name and purpose

Article 8. The corporation's name shall include the word "Corporation" or the abbreviation "S.A.".

If a corporation's name should be identical or similar to another existing corporation, the latter shall have the right to demand its modification in a summary proceeding.

Article 9. The corporation's corporate purpose or purposes may be any lucrative activity that does not go against the law, moral, public order, or State security.

TITLE III

Capital stock, shares and shareholders

Article 10. The corporation's capital shall be clearly established in the by-laws and it may exclusively be increased or reduced by the amendment thereof.

Notwithstanding the provisions in the foregoing paragraph, the capital and the value of the shares shall be understood modified by the operation of law each time the regular shareholders' meeting approves the balance sheet for the financial year. The balance sheet must express the new capital and the value of the shares resulting from the revaluation of the capital stock.

For the purposes of the provisions in the foregoing paragraph, the board of directors, when submitting the balance sheet for the financial year to the consideration of the shareholders' meeting, must previously distribute the revaluation of the capital stock proportionately among the accounts of paid in capital, retained earnings and other accounts representing the capital.

Article 11. The capital stock shall be divided into shares of equal value. If the capital should be divided into shares of different series, the shares of a same series shall have the same value.

The initial capital must be totally subscribed and paid within a time limit of not more than three years. If this should not occur, at the expiry of such term, the capital stock shall be reduced to the amount actually subscribed and paid in.

The provisions in the foregoing paragraph apply without prejudice to the provisions in the special laws.

Article 12. The shares shall be registered and their subscription shall be evidenced in writing as specified by the relevant Regulations. The transfer shall be made in accordance with such Regulations, which shall also determine the information that the titles must contain and the way that any lost titles shall be replaced.

Corporations shall not give an opinion about the transfer of shares and shall be obliged to register any transfers that are presented thereto, provided that they comply with the minimum formalities specified in the Regulations.

In the case of listed corporations, the SVS shall administratively resolve, with the hearing of the interested parties, the difficulties that may arise as a result of the processing and registration of a share transfer.

The SVS may authorize corporations under its control, to establish systems that substitute the obligation of issuing titles or that in qualified cases simplify the way of transferring shares, provided that such systems duly safeguard the shareholders' rights.

Article 13. The creation of industry and organization shares is forbidden.

Article 14. The by-laws of listed corporations can not stipulate provisions restricting the free transfer of shares.

Private agreements between the shareholders related to transfer of shares, shall be deposited in the company and placed at the disposal of the rest of the shareholders and third parties interested, and reference shall be made thereto in the Shareholders' Registry. In the event that this should not be fulfilled, such agreements shall be considered not entered into.

Article 15. Shares must be paid in cash or with other property.

If the by-laws should not stipulate anything in this regard, it shall be understood that the value of the cash shares shall be paid in cash.

The board members and the manager that should accept a form of payment different to the one established in the foregoing paragraph, or the method agreed in the by-laws, shall be jointly liable of the placement value of the shares paid in such manner.

Except if unanimously agreed by the issued shares, any contributions other than cash shall be calculated by experts and in the case of a capital increase, it shall also be necessary that the shareholders' meeting approve such contributions and estimates.

If the foregoing should not be fulfilled it may not be put into effect after two years as of the date of the public instrument in which the relevant contribution is evidenced. Compliance with such formalities carried out after the issuing of the public instrument evidencing such contributions, shall eliminate such nullity.

Article 16. Outstanding balances of shares subscribed and not paid shall be adjusted proportionately in accordance with the variation of the UF (indexed currency unit).

If the value of the shares should be expressed in foreign currency, the outstanding balances shall be paid in such currency or in the local currency at the official rate of exchange on the payment date. In the absence of an official rate of exchange, the value specified in the by-laws shall be applied.

The shares whose value is not fully paid, shall have the same rights than those fully paid, except for the share of corporate earnings and capital repayment, in which cases they shall concur proportionately to the part paid. Notwithstanding the provisions in this paragraph, and in the by-laws, a different rule may be stipulated.

Article 17. If a shareholder should not pay all or part of the subscribed shares, the corporation may sell in a Bearer Securities Exchange, on the account and risk of the defaulter, the number of shares necessary to pay itself the unpaid balances and sales expenses, reducing the title to the number of remaining shares. The foregoing without prejudice to any other arbitration, which also may be stipulated in the by-laws.

Article 18. The shares registered in the name of persons who have died and whose heirs or legacies do not register them to their name within a period of 5 years as of the death of the constituent, shall be sold by the corporation in the manner, terms and conditions determined in the Regulations.

The prohibitions established in Law No. 16,271 shall not be applicable to these sales and the monies obtained shall remain at the disposal of the heirs and legacies of the respective successions for a period of 5 years as of the date of the relevant sale, and during that term they shall accrue the adjustment and interests established in Article 84 hereof. After such term has expired, the monies shall be donated to the National Fire Department and they shall be paid and distributed as provided for in the Regulations.

Article 19. The shareholders shall be exclusively responsible for paying their shares and shall not be obliged to reimburse to the corporate fund the amounts received as earnings.

In the case of transferring underwritten, unpaid shares, the assignor shall be jointly responsible with the assignee of the payment thereof, and payment conditions of the shares must be stated in the title.

Article 20. Shares may be common or preferred shares.

The preferences shall be stated in the corporate by-laws and the titles of the shares must indicate such preferences. The preferences may not be stipulated without specifying the term of the shares. Preferences consisting in the granting of dividends derived from other sources other than earnings for the financial year or retained earnings and their respective revaluations may not be stipulated either. The by-laws of corporations that publicly offer their shares may contain preferences or privileges that confer preeminence in the corporation's control to a series of shares for a maximum period of five years, which may be extended by agreement of the special shareholders' meeting.

Article 21. Each shareholder shall have one vote for each share it holds or represents. However, the by-laws may contemplate series of preferred shares without the right to vote or with a limited right to vote.

Series of shares with multiple right to vote may not be established.

Shares without a right to vote or shares with limited right to vote, in those matters in which they lack the right to vote all the same, shall not be computed to calculate the quorum to hold the meeting or for voting in the shareholders' meetings.

In the cases where there are preferred shares without right to vote or with a limited right to vote, such shares shall acquire the full right to vote when the corporation has not fulfilled the preferences granted in favor thereof, and shall maintain such right while such preferences are not fully complied with. If there should be any doubt in this regard, the acquisition of the full right to vote in listed corporations shall be administratively decided by the SVS with the hearing of the claimant and the corporation, and in the case of closely-held corporations, by the arbitrator or ordinary legal proceedings, as appropriate, in a summary proceeding without appeal or further remedy.

Article 22. The acquisition of shares of a corporation implies accepting its by-laws, the agreements adopted in the shareholders' meetings, and paying the unpaid installments in the case the shares acquired are not fully paid.

Article 23. The constitution of liens and actual rights other than the ownership of a corporation's shares, shall not be opposed, unless the corporation should have been notified by a sworn official officer, who shall register the right or encumbrance in the Registry of Shareholders.

The embargo of shares does not deny the holder the full exercise of the corporate rights, except the free transfer of the shares that is subject to the restrictions established in the common law.

In the cases of usufruct, the shares shall be registered in the Registry of Shareholders in the name of the owner subject to usufruct and the usufructuary, expressing the existence, mode and term of usufruct. Unless the law or convention should state otherwise, the owner subject to usufruct and the usufructuary shall concertedly act before the corporation.

In the event that one or more shares shall jointly belong to several persons, the co-owners shall be obliged to appoint a representative to act before the corporation.

Article 24. The agreements of the shareholders' meetings about capital increases may not establish a term of over three years as of the date thereof, for the issuance, subscription and payment of the respective shares, whatever the form they are completed. If such term expires without the capital increase having been completed, the capital shall be reduced to the amount actually paid.

Notwithstanding the provisions in the foregoing paragraph, during the time that an emission of bonds convertible into shares is pending, a non-subscribed margin of the capital increase should remain in effect for the amount of shares necessary to fulfill the option, when this is required in accordance with the conditions of the bond issuance.

In a capital increase of a listed corporation, up to 10% of the amount may be destined to corporate or subsidiary worker compensation plans. Of this part, the shareholders shall not have the preferred option referred to in the following article.

However, if the shareholders should not exercise their preferential right to underwrite all or part of the remaining shares, the non-subscribed balance may also be used in worker compensation plans if it should have been agreed by the shareholders' meeting.

The workers shall have a period of up to five years to underwrite and pay the shares as of the date of agreement of the relevant shareholders' meeting.

Article 25. The options to underwrite shares of the corporation's capital increase and debentures convertible into shares of the issuing corporation, or of any other securities that confer future rights over those shares, shall be offered at least once, preferably to shareholders in proportion to the shares they hold. Fully paid shares issued by the corporation shall be distributed in the same proportion.

This right can be essentially waived and transferred.

The preferential right dealt with in this article shall be exercised or transferred within a period of 30 days as of the publishing of the option in the manner and conditions determined in the Regulations.

Article 26. The corporation may issue cash shares, which shall be offered at the price that the shareholders' meeting may freely determine.

The greater value obtained from the placement of cash share over the par value thereof, if any, shall be capitalized and may not be distributed as a dividend among shareholders. On the contrary, if the value should be lower, this should be recorded as a loss in the corporate results.

Article 27. Corporations may exclusively acquire and hold shares of their own issuance when the acquisition:

1. Results from the exercise of the right to withdraw referred to in article 69;
2. Results from the merger with another corporation, which is a shareholder of the corporation taking over;
3. Makes it possible to carry out a by-law amendment to reduce capital, when the current market price of the shares is lower than the redemption value that must be proportionately paid to shareholders.
4. Permits fulfilling an agreement adopted by the special shareholders' meeting to acquire the shares issued thereby, under the conditions established in Articles 27 through 27 D.

While the shares are held by the corporation, they shall not be computed to establish the quorum in the shareholders' meetings and they shall not have the right to vote, dividends or preference in the subscription of capital increases.

The shares acquired in accordance with the provisions in numbers 1) and 2) of this article, shall be sold in a stock exchange within a maximum period of one year counting from the acquisition thereof and if this should not be fulfilled, the capital shall be reduced by operation of law.

In order to sell the shares, the preferential offer to the shareholders referred to in Article 25 must be previously fulfilled.

Article 27 A. Corporations whose shares are traded in the stock exchange may acquire and hold shares of its own issuance, under the following copulative conditions:

- a) That it is agreed in the special shareholders' meeting by two thirds of the voting shares issued;
- b) The acquisition may only be made up to the amount of the retained earnings, and
- c) If the corporation should have series of shares, the acquisition offer must be made in proportion to the number of shares of each series that is traded in the stock exchange.

The shareholders' meetings summoned to consider the acquisition of shares of their own issuance, must give an opinion about the maximum amount or percentage to be acquired, the purpose and the duration of the program, which may not exceed three years, as well as the minimum and maximum price it is paid for the relevant shares, matters about which the corporation's board of directors shall provide sufficient and detailed information. In any case, the shareholders' meeting may delegate on the board of directors the setting of the acquisition price.

After the program to acquire and hold shares of its own issuance is approved in the shareholders' meeting, no corporation may keep shares of its own issuance in its portfolio, representing over 5% of their subscribed and paid in shares.

Any resulting excess may be sold within a period of 90 days as of the acquisition date that should have generated such excess, without prejudice to the responsibility of the corporation's board members and manager.

Only corporation shares that are fully paid and free of any liens and prohibitions may be acquired through this procedure.

Article 27 B. Transactions carried out to acquire shares of its own issuance shall be made in the stock exchanges through systems that permit acquiring the shares in proportion to the shares received, and if the percentage to be bought is not achieved, the remaining balance may be bought directly on the exchange floor. However, an agreement may always be entered into to acquire shares through a Public Offer of Share Acquisition, in accordance with the law.

Also, an amount of up to 1% of the corporation's share capital may be directly acquired on the exchange floor in any twelve-month period, without having to apply the proportionate distribution procedure, when the board of directors should have been duly authorized by the shareholders' meeting to do so.

The amount of the operations carried out on a same day may not exceed 25% of the average daily trading volume that the corporation's shares have experimented over the past 90 days in the local stock exchanges and, if applicable, in overseas stock exchanges, for the balance of those shares that should not have been acquired by the proportional distribution procedure.

Through general application instructions, the SVS shall determine the minimum conditions that the shares must meet to be considered tradable in the stock exchange. In any case, the application of these instructions may not exclude corporations in which a mutual fund may invest, in accordance with the rules applicable thereto.

Article 27 C. Shares acquired by virtue of the provisions in number 4) of Article 27, shall be transferred by the corporation within a maximum term of twenty-four months as of their acquisition, and if this should not occur, the capital shall be reduced by operation of law.

At the time of transferring the shares, the corporation shall carry out a preferential offer to shareholders in the terms referred to in Article 25. However, such offer shall not be obligatory in the case of complying with a compensation plan or program for corporation workers, or with respect to a number of shares that within a period of twelve months does not exceed 1% of the corporation's capital stock, provided that in both cases the shareholders' meeting has given its approval.

If the shareholders should not exercise the preferential right indicated in the foregoing paragraph, fully or partially, or in the case of shares within the mentioned quota, the transfer shall always be made in a stock exchange.

Article 27 D. The acquisition and possession of shares of its own issuance by a bank shall be subject to the following additional rules:

- a) The value of the own shares in the portfolio shall be deducted from the basic capital for all legal and regulatory purposes.
- b) For the effects of the provisions in paragraph three of Article 56 of the General Bank Law, the acquisition of own shares shall be considered a dividend distribution.

The acquisition shall require the approval of the SVS, Banks and Financial Institutions, and it may be denied only if the requesting company is not Class I, according to Article 60 of the General Bank Law or should cease to belong to such Class as a result of the acquisition of own shares.

Article 28. Any agreement to reduce capital shall be adopted by the majority established in the second paragraph of Article 67, and capital may not be distributed or returned, or shares acquired with the funds that are to be reduced, until after thirty days as of the publication of the excerpt of the relevant modification in the Official Gazette.

Within 10 days following the publication referred to in the foregoing paragraph, a notice shall also be published in a newspaper of local circulation, informing the public about the capital reduction and the amount involved.

Article 29. In the event of the corporation's bankruptcy, the credits of the corporate creditors, whatever the class they belong to, shall prevail over those possessed by the shareholders due to capital reduction, and article 73 of the Bankruptcy law shall be applied with respect to the payments already made thereto.

Article 30. The shareholders must exercise their rights in the partnership respecting the corporate rights and the rights of the rest of the shareholders.

TITLE IV

Corporation Management

Article 31. The corporation is managed by a board of directors elected by the shareholders' meeting.

The corporate by-laws shall establish a fixed number of board members. The board of directors shall be completely renewed at the end of the period, which may not exceed three years. The board members may be reelected indefinitely in their functions. If the by-laws should not expressly provide otherwise, the board of directors shall be renewed every year.

The board of directors of closely held corporations may not be made up of less than three board members and that of listed corporations by less than five, and if the by laws should not mention anything in this regard, this minimal number shall be complied with.

Notwithstanding the foregoing, if the listed corporation must constitute the committee referred to in article 50 bis, the minimum number of directors shall be seven.

Article 32. The by-laws may establish the existence of alternate board members, whose number shall be the same as the number of regular board members. In this case, each board member shall have an alternate, who may substitute the regular member in a definitive manner in case of vacancy and in temporarily in case of absence or temporary disability.

The alternate board members may always participate in the meetings of the board of directors without a right to vote and shall only have a right to vote when the regular board members are absent.

The alternate board members shall fulfill the rules established for regular board members, unless expressly stated otherwise or in the event that those same laws indicate that they are not applicable to alternate members.

If a regular board member should leave a vacancy and also its alternate, the complete board of directors shall be renewed in the following regular shareholders' meeting to be held by the corporation, and in the mean time, the board may name a substitute.

Article 33. The by-laws shall determine whether or not the board members shall be compensated for their functions and if so, the amount of such compensation shall be annually set by the regular shareholders' meeting.

The annual report that listed corporations provide the regular shareholders' meeting must indicate any compensation that the board members may have been paid by the corporation during the relevant financial year, including compensation for functions or jobs other than the exercise of their position, or by representation expenses, allowances, bonuses and, in general, any other stipend.

These special compensations must be presented in detail and separately in the annual report, valuating those that do not consist of money.

Article 34. If by any cause the shareholders' meeting summoned to carry out the election of the board members should not be held, the functions of the outgoing board members shall be understood extended until they are replaced, and the board of directors shall be obliged to summon a meeting to appoint the new members within a period of 30 days.

Article 35. The following persons may not be members of the board of directors of a corporation:

- 1) Persons under age;
- 2) Persons affected by the revocation referred to in Article 77 hereof;
- 3) Persons who have been accused of a criminal offense deserving punishment involving personal restraint of penal servitude, perpetually forbidden to occupy a public position or job, and the failures or administrators of legal representative of persons who failed, and were imprisoned or condemned for the offense of bankruptcy due to bad management or fraudulent bankruptcy who have been accused of a criminal offense deserving punishment involving personal restraint of penal servitude or condemned for bankruptcy due to bad management or fraudulent bankruptcy and other established in articles 203 and 204 of the Bankruptcy Law.

The incapacity referred to in this number shall cease from the moment the defendant is dismissed or absolved.

- 4) Public, semipublic officials, or government enterprises or agencies and autonomously administered companies in which the Government makes contributions or has representatives in the top management, in relation to entities on which such officials exercise, directly and in accordance with the law, functions of supervision or control.

Persons who become officials in the public entities or companies indicated, shall automatically cease to hold the position of director of a supervised or controlled entity.

Article 36. In addition to the cases mentioned in the foregoing Article, the following persons may not be board members of a listed corporation or its subsidiaries:

- 1) Senators or deputies;
- 2) Ministers or undersecretaries of State, heads of service, and the immediate top executive that must substitute any of the mentioned persons, with the exception of the positions of director of the listed corporations in which the State, by law, must have representatives in its administration, or be a majority shareholder, directly or indirectly through the autonomous administration entities, government enterprises, semi-public enterprises and enterprises with autonomous administration, or those in which the State is a majority shareholder;
- 3) SVS officials;
- 4) Securities brokers/dealers, except in securities exchanges.

Article 37. The capacity as director is acquired by express or tacit acceptance of the position.

Any director that should acquire a capacity that disqualifies him to occupy such a position or who should incur in supervening legal incapacity, shall automatically cease in such position.

When the Government or its agencies own a number of shares in a corporation that permit them to name one or more board members, they shall be applied the provisions in Paragraph 3 of Title III of law No. 18,575.

The same rule shall be applied to corporation managers when they should have been appointed by a board of directors made up in its majority by board members representing the Government or government agencies.

Likewise, the board members and managers of State-owned companies that by virtue of special laws are subjected to the legislation applicable to corporations shall be subject to such provisions.

The stipulations in paragraphs third, fourth and fifth shall be applied even though in accordance with the law it should be necessary to expressly mention the enterprise so that it be applied the rules for State-owned companies or public sector companies, like in the case of Televisión Nacional de Chile, Empresa de los Ferrocarriles del Estado, Empresa Nacional de Minería, Corporación Nacional del Cobre de Chile and the Banco del Estado de Chile.

Failure to make the declaration referred to in the foregoing clauses shall be penalized by the SVS in accordance with Title III of Decree Law No. 3,538 of 1980.

Article 38. The board of directors may only be completely revoked by the regular or special shareholders' meeting, therefore the individual or collective revocation of one or more of its members is not applicable.

Article 39. The function of corporation director cannot be delegated and is exercised collectively in a legally constituted room.

Each director has the right to be fully informed, with complete documentation and at any time, by the manager or whoever acts as such, with respect to the corporation's operation. This right shall be exercised in such a way so as not to affect the corporation's management.

The board members elected by a group or class of shareholders have the same duties with the corporation than the rest of the board members elected by the other shareholders, and they may not defend the interests of the shareholders who elected them.

The expenses of the board of directors must be presented in the annual report, grouped by relevant items, and informed in the regular shareholders' meeting.

Article 40. The board of directors of a corporation represents the corporation judicially and extra-judicially and for the fulfillment of the corporate purpose, which shall not be necessary to prove to third parties, is invested of all the faculties to administer and dispose of that the law or the by-laws should not establish as exclusive of the general shareholders' meeting, without it being necessary to grant it any special power of attorney, including for those actions or contracts for which the law makes such requirement. The foregoing notwithstanding the representation that involves the manager in accordance with the provisions in article 49 hereof.

The board of directors may delegate part of its faculties on the corporation's managers, assistant managers or lawyers, on a member of the board or on a commission of board members and, for specific purposes on other persons.

Article 41. The board members must use in the exercise in their functions the care and diligence that people normally use in their own businesses and shall be jointly liable of any damage caused to the corporation and the shareholders for any fraudulent or negligent actions.

Any provision in the corporate by-laws and any agreement adopted by the shareholders' meeting that tends to release or restrict the liability of board members referred to in the foregoing paragraph shall be null and void.

The approval by the general shareholders' meeting of the annual report and the balance sheet submitted by the board of directors, or the approval of any other account or general information, does not release the board members of their responsibility for specific actions or businesses; nor the specific approval thereof exempts them of such liability, when they should have been carried out or executed with ordinary negligence, gross negligence or fraud.

Article 42. The members of the board may not:

- 1) Propose by-law modifications and agree the issuance of bearer securities or adopt policies or decisions that are not in the corporation's interest but on their own interest or in the interest of third parties related thereto.
- 2) Prevent or obstruct any investigations aimed at establishing their own responsibility or that of the corporation's executives in the management thereof;
- 3) Induce managers, executives and dependents or account inspectors or auditors, to render irregular accounts, submit false information and conceal information;
- 4) Deliver shareholders irregular accounts, false information and conceal essential information;
- 5) Take any corporation money or property as a loan or use such money or property in their own benefit, the benefit of their relatives, principals or corporations referred in the second paragraph of Article 44, corporation goods, services or credits, without the prior authorization of the board of directors granted in accordance with the law;
- 6) Use any business opportunities they may know about because of their position in their own benefit or in the benefit of third parties related thereto, thereby damaging the corporation; and
- 7) In general, practice illegal actions, or actions against the corporate by-laws or interest, or use their position to obtain undue advantages for themselves or for third parties related thereto, thereby damaging the corporation.

The benefits received by the parties that infringe the provisions in the last three numbers of this Article shall go to the corporation, which shall also be indemnified for any other damage.

The foregoing, without prejudice to the penalties that the SVS may apply in the case of corporations subject to its control.

Article 43. The board members are obliged to keep confidentiality in relation to the corporation's businesses and any information they may have access to because of their position and which has not been officially disseminated by the company.

This obligation shall not apply when such confidentiality affects the corporate interest or refers to events or omissions that infringe the corporate by-laws, the legislation applicable to corporations, or the complementary rules thereto.

Article 44. A corporation may exclusively enter into contracts or agreements in which one or more board members have an interest or as representatives of a third party, when such operations are previously known and approved by the board and fulfill equity conditions similar to those usually prevailing in the market. The agreements that the board may adopt in this respect shall be notified by the chairman in the following shareholders' meeting and the matter must be mentioned in the summons to the meeting.

As a matter of right it is presumed that there is an interest of a board member in any negotiation, act, contract, or operation in which he/she, his/her spouse or relatives up to the second degree of consanguinity, or corporations or enterprises in which he/she is a director or indirect owner or through other individuals or corporations of 10% or more of its capital, or the partnerships or

corporations in which one of the abovementioned persons, whether a board member or the direct or indirect owner of 10% or more of its capital; and the persons whom the board member represents.

Board members of subsidiaries appointed by the parent company, and those representing the Government, autonomously managed entities, public or semi-public companies or autonomously managed, who, in accordance with the law, shall have representatives in the corporation's management or be majority shareholders thereof, shall not be understood to be acting as representatives of a third party.

Every time that the act or contract involves relevant amounts, the board of directors shall give an opinion as to whether such amount fulfills equity conditions similar to those usually prevailing in the market. If it should be considered that it is not possible to determine such conditions, the board of directors, with the abstention of the board member with an interest, may approve or reject the operation or, if applicable, appoint two independent evaluators for such purpose.

The acts or contracts referred to in the foregoing paragraph, as well as the designation of the independent evaluators, shall have the character of an essential event.

The evaluators shall give an opinion in their report about the operation's conditions and the manner proposed for paying the price in the case of paying in property other than money.

The evaluator's reports shall be put at the disposal of the shareholders and the board of directors at the corporation's offices the business day after the reception thereof, for a period of 20 business days as of the date on which the last of the reports was received, duly notifying the shareholders thereof. The board of directors may agree, with the abstention of the board member with an interest, to give the operation and the reports the character of confidential.

The board of directors may only give an opinion about the approval or rejection of the act or contract after the term referred to in the seventh paragraph has elapsed, after receiving the last of the reports, with the abstention of the board member with an interest.

If shareholders representing at least 5% of the voting shares issued should consider that the conditions are not favorable for the corporation's interests, or the evaluations should be substantially different between them, the shareholders may request the board of directors, within the term referred to in the seventh paragraph, that a special shareholders' meeting be called for to decide, with the approval of two thirds of the voting shares.

The controller or the related person who intends to carry out the operation shall put at the disposal of the board of directors, in a timely manner, all the information, reports, documents and communications, related to this operation, sent to supervising entities or competent foreign regulators or foreign stock exchanges, on the date that the transfer of the business, assets and liabilities, or assets, as appropriate, is submitted to the consideration of the board of directors.

Likewise, the board of directors shall put such information at the disposal of the shareholders, on the day after the reception thereof.

It is also presumed as a matter of law that a board member has an interest when he/she or the persons related thereto furnish advice for the entering of such act or contract.

The deliberations of the board of directors to approve the terms and conditions of the respective acts or contracts must be expressly placed on record on the minutes of the relevant meeting of the board of directors.

The name of the board members and the way in which each of them voted in the relevant meeting about the matters dealt with in this Article must be expressly indicated in the summons sent by mail to the shareholders in accordance with Article 59.

For the purposes of this Article, any act or contract involving more than 1% of the corporation's equity is considered a relevant amount, provided that such act or contract exceeds the equivalent of 2,000 UF and, in any case, when it is over 20,000 UF.

The violation of this article shall not affect the operation's validity, but in addition to the relevant administrative penalties if applicable, and the corresponding penal penalties, it shall grant the corporation, the shareholders or third parties interested, the right to claim indemnity for the damage caused and request that the corporation be refunded by the interested board member, a sum equivalent to the benefits obtained by him/her, the relatives or the parties represented thereby as a result of such negotiations. In case of claiming the damage caused by the violation of this article, the demanded party shall have to prove that the act or contract complied with market conditions or that the negotiation conditions benefited the corporation, unless the operation should have been approved by the special shareholders' meeting.

Article 45. The board members shall be presumed guilty and therefore they shall be jointly liable of the damages caused to the corporation, shareholders or third parties, in the following cases:

- 1) If the corporation should not keep books or records;
- 2) If the board members who concurred to the relevant agreement should be distributed dividends and the corporation should have accumulated losses;
- 3) If the corporation should conceal its property, recognize presumed debts or should simulate sales.

The board member(s) that is (are) unduly benefited, directly or through another individual or corporation that, in turn, may cause damage to the corporation, is equally presumed guilty.

Article 46. The board of directors shall provide the shareholders and the public, the sufficient, trustworthy, timely information that the law, and if applicable, the SVS may determine in relation to the corporation's legal, economic and financial situation.

If the failure to fulfill this obligations damages the corporation, the shareholders or third parties, the infringing board members shall be jointly liable of the damages caused. The foregoing notwithstanding the administrative penalties that may be applied, if applicable, by the SVS and the other penalties established in the law.

Article 47. The meetings of the board of directors shall be held with the absolute majority of the regular board members established in the by-laws and the agreements shall be adopted by the absolute majority of the voting board members present. In the event of a draw, and unless the by laws should provide otherwise, the chairman's vote shall be decisive.

The by-laws may establish a higher quorum than the one indicated.

The Regulations shall determine and the by-laws shall specify the way in which the summons of the board of directors' meeting must be made and the minimum frequency with which such meetings must be held.

In the case of listed corporations, the SVS by means of a grounded resolution, may request the board of directors to meet in order to give an opinion about the matters submitted to the decision thereof.

Board members who, despite not being present, are communicated in real time and permanently through technological means authorized by the SVS through instructions of general application, shall be understood to be participating in the meeting. In this case, their attendance and participation in the meeting shall be certified under the responsibility of the chairman or whoever chairs the meeting, and the secretary of the board, duly recording this event in the meeting's minutes.

Article 48. The deliberations and agreements of the board of directors shall be recorded in a minutes book by any means, provided that such means is sufficiently safe and does not permit intercalations, suppressions, or any other adulteration that may affect the act's trustworthiness, which shall be signed by the board members who attended the meeting.

If any of the board members who attended the meeting should die or be disabled by any cause to sign the relevant minutes, evidence thereof shall be duly recorded in the minutes.

The minutes shall be deemed approved at the time they are signed in accordance with the foregoing paragraphs and as of that time the agreements referred to therein shall enter into force.

If a director should not wish to assume any responsibility for an act or agreement of the board of directors, he/she shall place on record in the minutes his/her disagreement, and it shall be duly reported by the chairman in the following regular shareholders' meeting.

If a board member should deem that certain minutes contain errors or omissions, such board member shall have the right to add the corresponding proviso before signing the minutes.

The chairman, the secretary and the board members that have participated in the relevant meeting in any of the ways indicated in the last paragraph of the foregoing Article, may not refuse to sign the minutes of such meeting. The corresponding minutes shall be signed and saved, if applicable, before the following regular meeting is held or the following closest meeting, whatever its nature.

Article 49. Corporations shall have one or more managers appointed by the board of directors, which shall establish the attributions and duties thereof, having the authority to replace them at their discretion.

The manager or the general manager, as appropriate, will be the corporation's judicial representative, being legally invested with the faculties set forth in both paragraphs of article 7 of the Code of Civil Procedure, and shall not have the right to vote in the board meetings, being liable with the board members of any unfavorable agreements to the corporation and shareholders, if they should not have expressed their disagreement in the relevant minutes.

The position of manager is incompatible with that of corporation chairman, auditor or accountant and for listed corporations, also with that of member of the board.

Article 50. The managers, or the persons acting as such and the top executives, shall be applied the provisions hereof related to board members with regard to the responsibilities of the position or function, especially, those contemplated in articles 35, 36, 37, 41, 42, 44, 45 and 46, as appropriate.

The manager is responsible for the custody of the corporate books and records and that they are kept with the regularity required by the law and the complementary rules thereof.

Article 50 bis. Listed corporations must designate the committee of board members referred to in this Article, when their shareholders' equity is equal or greater than 1,500,000 UF.

If during the year the equity referred to in the foregoing paragraph should be reached, the corporation shall be obliged to designate a committee as of the following year; if the reduction of the shareholder's equity should reach an amount lower than the one indicated, the corporation shall be obliged to maintain the committee as of the following year.

The committee shall have the following faculties and duties:

- 1) To examine the reports prepared by the account inspectors and external auditors, as appropriate, the balance sheet and other financial statements presented by the corporations administrators or liquidators to shareholders for their approval.

- 2) To propose external auditors and private risk rating agents, as appropriate, to the board of directors, who shall propose them to the relevant shareholders' meeting. In the event of disagreement with the committee, the board of directors may formulate a proposal of its own, subjecting both to the consideration of the shareholders' meeting.
- 3) To examine the background information related to the operations referred to in Articles 44 and 89 and to produce a report about such operations. A copy of the report shall be sent to the chairman of the board of directors, who shall read the report in the meeting called for to approve or reject the respective operation.
- 4) To examine manager and top executive compensation systems and plans.
- 5) To examine the other matters indicated in the corporate by-laws, or entrusted by a general shareholders' meeting or the board of directors, if applicable.

The committee shall consist of 3 members, the majority of which shall be independent from the controller. In the event that more board members should have the right to form part of the committee, as appropriate, in the first meeting of the board of directors after the shareholders' meeting where the board members have been elected, the same members shall decide, unanimously, who shall make up the committee. If an agreement should not be reached in this regard, it shall be decided by drawing.

The board members linked to the controller may constitute a majority if the number of independent board members is not sufficient to achieve such majority.

A board member shall be understood to be independent when, taking away the votes of the controller or persons related thereto from his votes, he would have been elected all the same.

The deliberations, agreements and committee organization shall be governed in all applicable matters, by the rules related to the corporation's board of director meetings. The committees shall notify to the board of directors the manner in which it shall request information, as well as the agreements reached.

The board members that make up the committee shall be duly compensated. The amount of the compensation shall be fixed annually in the regular shareholders' meeting in accordance with the functions that they must carry out.

The regular shareholders' meeting shall determine a budget of financial expenses for the committee and its advisors, and the committee may request contracting professional advice to develop its work, in accordance with such budget.

The activities developed by the committee and the expenses incurred thereby, including those incurred by the advisors, shall be presented in the annual report and informed in the regular shareholders' meeting.

The board members that make up the committee to perform the functions indicated in this article, besides the responsibility inherent to their position as board member, shall be jointly liable of any damages caused to the shareholders and the corporation.

Listed corporations that do not have the minimum equity indicated in the first paragraph, may voluntarily subject themselves to the foregoing rules; in this case, they must strictly comply with the provisions in this Article.

TITLE V

Supervision and administration

Article 51. Regular meetings of closely held corporations must name two regular and two alternate account inspectors, or independent external auditors each year, who shall examine the accounts, inventory, balance sheet and other financial statements, and who shall report in writing to the following regular shareholders' meeting about the fulfillment of their mandate. The account inspectors may also oversee the corporate operations and supervise the actions of the administrators and the faithful compliance with the legal, regulatory and statutory duties.

Article 52. The regular shareholders' meeting of listed corporations shall annually designate independent external auditors to examine the corporation accounts, inventory, balance sheet, and other financial statements, who shall have the obligation of sending a written report to the following regular shareholders' meeting about the fulfillment of their mandate.

The by-laws may also establish, permanently or temporarily, the existence of account inspectors, for the purposes and with the faculties specified in the foregoing Article.

Article 53. The Regulations shall determine the requirements, rights, obligations, functions, and other attributions related to the external auditors and account inspectors, who may attend the general shareholders' meetings without the right to vote.

The external auditors shall be liable including of negligence for the damage caused to shareholders as a result of their actions, reports or omissions.

The external auditors of listed corporations shall be elected from the list of auditors registered in the registry kept by the SVS for this purpose and shall be subject to the supervision thereof.

Article 54. The annual report, balance sheet, inventory, minutes, books and reports of the external auditors and, if applicable, of the account inspectors, shall be at the disposal of the shareholders for their examination at the corporation's management during fifteen days before the date set for the shareholders' meeting. The shareholders may examine such documents exclusively within the specified period.

During the period indicated in the foregoing paragraph, the shareholders shall have the right to examine the equivalent information of subsidiary corporations, in the manner, term and conditions indicated in the Regulations.

Notwithstanding the provisions in the foregoing paragraph, certain documents related to pending negotiations that if made public could damage the corporate interest, may be classified as confidential with the approval of three fourths of the acting board members. The board members who fraudulently or deceitfully concur with their favorable vote to the declaration of confidential information, shall jointly be liable of the damage they may cause.

TITLE VI

Shareholders' meetings

Article 55. The shareholders shall gather in regular and special meetings. Regular meetings are held once a year, at the fixed time of year stipulated in the by-laws, to decide about matters that are of its concern without it being necessary to specify them in the relevant summons.

Special meetings may be held at any time, when the social needs should require so to decide about any matter that the law or the by-laws may submit to the consideration of the shareholders' meetings and provided that such matters are specified in the relevant summons.

When a special shareholders' meeting must give an opinion about matters that are the concern of a regular shareholders' meeting, its operation and agreements shall be subject to the quorums applicable to the regular shareholders' meeting.

Article 56. The regular shareholders' meeting deals with the following matters:

- 1) The examination of the corporations situation and the reports of the account inspectors and external auditors, and the approval or rejection of the annual report, balance sheet, financial statements and demonstrations submitted by the corporation's managers or liquidators.
- 2) The distribution of earnings for each financial year and, especially, dividend distribution;
- 3) The election or revocation of the regular and alternate board members, liquidators, and management supervisors; and
- 4) In general, any matter of corporate interest that is not the exclusive concern of the special shareholders' meeting.

Article 57. The special shareholders' meeting deals with the following matters:

- 1) Corporation dissolution,
- 2) Corporation transformation, merger or division, and the amendment of its by-laws;
- 3) The issuing of bonds or debentures that may converted into shares;
- 4) Sale of corporation assets under the terms stipulated in No. 9) of Article 67, or 50% or more of the liabilities.
- 5) Granting of real or personal guarantees to secure third party obligations, except in the case of subsidiary corporations, in which case the approval of the board of directors shall be sufficient; and
- 6) Any other matters that the law or by-laws specifies are of the concern or competence of the shareholders' meetings.

The matters referred to in numbers 1), 2), 3) and 4) may exclusively be agreed in a shareholders' meeting held before a Notary Public, who shall certify that the minutes faithfully express what occurred and was agreed upon in the meeting.

Article 58. The meetings shall be summoned by the corporation's board of directors.

The board of directors shall summon:

- 1) The regular shareholders' meeting to be held in the fourth quarter following the date the balance sheet is issued in order to know about all matters of its competence;
- 2) A special shareholders' meeting provided that, in its opinion, the interests of the corporation justify it;
- 3) A regular or special shareholders' meeting, as appropriate, when so requested by the shareholders representing, at least 10% of the issued voting shares, expressing the matters to be dealt with in the meeting;
- 4) A regular or special shareholders' meeting, as appropriate, when so requested by the SVS, for the corporation subject to its control, without prejudice of their faculty to summon them directly.

The meetings called for by shareholders' or SVS' request, shall be held within a period of 30 days as of the date of the relevant request.

Article 59. The summons to the shareholders' meeting shall be made by means of a notice published at least three times on different days in a newspaper of the domicile of the corporation that should have been determined by the shareholders' meeting or, if an agreement should not be reached

or if the designated newspaper should be suspended or disappear, in the Official Gazette, at the time, and in the form and conditions specified in the Regulations.

In listed corporations, also, a summons must be sent by mail to each shareholder at least fifteen days before the date the meeting shall be held, specifying the matters to be dealt with in the meeting.

Failure to fulfill the obligation referred to in the foregoing paragraph shall not affect the validity of the summons, but the directors, liquidators, and manager of the infringing corporation shall be liable of any damage caused to the shareholders, notwithstanding the administrative penalties that the Superintendence may apply thereto.

Article 60. The meetings attended by all of the voting shares issued may be validly held, even though the formalities required for their summons should have not been complied with.

Article 61. The meetings shall be held on first call, unless the laws or by-laws establish a higher quorum, with the absolute majority of the voting shares and, on second call, with the persons present or represented, whatever their number, and the agreements shall be adopted by absolute majority of the voting shares present or represented.

The notices to the second call may exclusively be published after the meeting to be held on first call should have failed and, in any case, the new meeting shall be called for to be held within 45 days following the date set for the meeting that was not held.

The meetings shall be chaired by the Chairman of the board of directors or whoever acts as such and the minutes shall be taken by the regular secretary or by the manager in the absence thereof.

Article 62. Exclusively holders of shares registered in the Shareholders' Registry five days before the relevant meeting is held, may participate in the meetings and exercise their rights to vote.

The holders of shares without a right to vote, as well as board members and managers who are not shareholders, may participate in the general meetings without a right to vote.

For the purposes of this law, shares without a right to vote shall mean those shares that have this characteristic due to a legal or statutory provision.

Article 63. Listed corporations must notify the SVS each time they hold a shareholders' meeting, at least fifteen days before the meeting is held.

In the case of listed corporations, the SVS may suspend through a grounded resolution the summons to shareholders' meeting and the meeting itself, when it should go against the law, the regulations or the by-laws.

The SVS may be represented in any shareholders' meeting of a corporation under the control thereof, with a right to vote, and its representative shall administratively decide about any matter that may arise, whether in relation to the qualification of powers of attorney, or any other matter that may affect the legitimacy of the meeting or the validity of the agreements.

Article 64. The shareholders may be represented in the shareholders' meetings by another person, even if such person is not a shareholder. The authorization to be represented must be given by the shareholder in writing for the total shares it holds at the time indicated in Article 62.

The Regulations shall specify the text of the power of attorney authorizing the representation of shares in shareholders' meetings and the rules for the qualification thereof.

Article 65. The exercise of the right to vote and right to an option for pledged shares shall correspond to the maker of a chattel mortgage, and the right to shares encumbered with usufruct, jointly to the usufructuary and the owner subject to usufruct, unless otherwise stated.

Article 66. In any elections carried out in the shareholders' meetings, the shareholders may accumulate their votes in favor of a single person, or distribute their votes as they deem pertinent, and the persons elected shall be those who in a single election obtain the greatest number of votes, until completing the number of positions to be filled.

If there are regular and alternate board members, the sole election of a regular member shall imply the election of the alternate member that was previously nominated as an alternate for that regular member.

The provisions in the foregoing paragraphs do not prevent that by unanimous agreement of the shareholders present with a right to vote, voting is not carried out and the election is performed by acclamation.

Article 67. The agreements of the special shareholders' meeting that imply the amendment of the corporate by-laws or the elimination of the annulment of modifications caused thereby due to irregularity of procedures, shall be adopted with the majority stipulated in the by-laws, which in closely-held corporations may not be less than the absolute majority of the voting shares issued.

Agreements related to the following matters shall require the favorable vote of two thirds of the voting shares:

- 1) The corporation's transformation, division and merger with another corporation;
- 2) The modification of the corporation's term if any;
- 3) The corporation's early dissolution;
- 4) The change of the corporation's domicile;
- 5) The reduction in corporate equity;
- 6) The approval of contributions and estimate of property other than money;
- 7) The modification of the exclusive faculties of the shareholders' meeting or of the restrictions to the limitations of the attributions of the board of directors;
- 8) The reduction in the number of members of the board of directors;
- 9) The sale of 50% or more of its assets, whether or not it includes the corporation's liabilities; as well as the formulation or modification of any business plan that contemplates the sale of assets for an amount exceeding the abovementioned percentage. For these purposes, all those operations executed by means of one or more acts related to any corporate property shall be understood as a same sale operation during any period of 12 consecutive months.
- 10) The way of distributing corporate earnings;
- 11) The granting of real or personal guarantees to secure third party obligations exceeding 50% of the assets, except with respect to subsidiaries, in which case the approval by the board of directors shall be sufficient.
- 12) The purchase of shares of its own issue, under the conditions established in Articles 27A and 27B;
- 13) Other established in the by-laws, and
- 14) The elimination of the nullity caused by irregularities of procedure, contained in the corporate charter or a modification of the corporate by-laws including one or more matters indicated in the foregoing numbers.

The amendment of by-laws aimed at the creation, modification or suppression of preferences, must be approved with the favorable vote of two thirds of the shares of the affected series.

Article 68. The shares belonging to shareholders who during a period of more than 5 years should not have collected the dividends distributed by the corporation, or attended the shareholders' meetings held, shall not be considered for the purposes of the quorum and the majorities required to hold such meetings. When any of the mentioned events should cease, such shares shall be again considered for the abovementioned purposes.

Article 69. The approval by the shareholders' meeting of any of the matters indicated hereinafter, shall give the dissident shareholder the right to withdraw from the corporation, after being paid by the corporation the value of his/her shares. Without prejudice to the above, in the event that the corporation has been declared bankrupt, the right to withdraw shall be suspended until outstanding debts that existed at the time such right was generated have been paid. The same rule shall be applied if the corporation is subject to an agreement approved in accordance with Title XII of the Bankruptcy Law and while it is in force, unless such agreement authorizes such withdrawal or when it ends because of the declaration of bankruptcy.

A dissident shareholder is he/she who in the relevant shareholders' meeting should have opposed the agreement that gives the right to withdrawal, or who not having attended the meeting, expresses his/her dissent to the corporation in writing within the period established in the following article.

The price to be paid by the corporation to the dissident shareholder that makes use of the right to withdraw shall be, in closely held corporations, the book value of the shares, and in listed corporations, the market value of the shares, determined in the manner specified in the Regulations. The agreements that give origin to the right to withdraw from the corporation are:

- 1) The corporation's transformations;
- 2) The corporation's merger;
- 3) The sale of 50% or more of the corporation's equity, in the terms referred to in No. 9) of Article 67;
- 4) The granting of the guarantees referred to in No.11) of Article 67;
- 5) The creation of preferences for a series of shares or the increase or reduction in the already existing ones. In this case, exclusively dissent shareholders shall have the right to withdraw from the affected series;
- 6) The elimination of the nullity caused by irregularities of procedure in the corporation's creation or any modification of its by-laws that should grant this right;
- 7) The other cases established in the law or by-laws, if applicable.

Article 69 bis. In the case of listed corporations in which the State, directly or through its companies, decentralized or autonomous institutions, municipalities or through any legal entity, should be the controlling shareholder, and while it maintains such capacity in such corporations, the rest of the shareholders may exercise the right to withdraw from the corporation, if in accordance with the provisions of Title XIV of Law No.18,045, their shares should have been rated first class and subsequently were classified second class or without sufficient information, by two risk rating entities that had to rate the shares in accordance with the mentioned law, on the basis of reasons that affected their profitability negatively and substantially as a result of any of the following causes:

- a) When rules are issued on rates or prices of services or goods offered or produced or related to access to the markets, or the existing rules are modified;
- b) When the authority determines a price for goods or services offered or acquired, different from the price fixed and calculated in accordance with the procedures established by the laws, or

- the price agreed between the provider of the service and the user, negatively affecting the price that was considered when the shares were classified first class;
- c) When the corporation is subject to the setting of rates or prices for the goods or services offered or produced and the administrators should determine fixing a lower value for them, which negatively affects the price that was considered when classifying the shares first class;
 - d) The determination of the administrators to acquire raw materials or other goods or services necessary for the line of business which affect costs thereof, in more costly terms or conditions in relation to the average price in which they are normally offered in the local or foreign markets, considering the volume, quality and specialty required by the corporation;
 - e) The determination by the administrators of the corporation of starting important investment projects without taking into account an adequate rate of return, considering the project's characteristics and risk; and
 - f) The realization of development or aid shares or the direct or indirect granting of subsidies by the corporation, which were not contemplated at the time the shares were rated first class, provided that the State should not have granted, directly or indirectly, the sufficient funds for the financing thereof.

The right to withdraw established in the second paragraph of Article 106 of decree law No. 3,500, related to the pension funds administrators, may also be exercised by the shareholders referred to in Article 56 of decree law No.251, of 1931, and those indicate in the foregoing paragraph.

The right to withdraw dealt with in this article, Article 106 of decree law No.3,500, of 1980, and Article 56 of statutory decree No.251, of 1931, shall be exercised by the shareholder within a period of 30 days as of the date the disapproving or pertinent rating was published.

In those cases in which the right to withdraw is created, whether by virtue of this law or other laws, it shall be the obligation of the issuing corporation to publish a notice in a widely circulating national newspaper and sending a notification to all shareholders with a right, informing them about this situation and the period for exercising the right, within two days following the date that the right to withdraw has originated.

To exercise the right to withdraw, the shareholder must express his intention of withdrawing in writing to the issuing corporation within the time limits indicated in the third paragraph, and it shall include the shares held to his name in the Shareholders' Registry on the date the relevant agreement or ratings were published.

The price to be paid by the corporation to the shareholder who exercises the right to withdraw, in accordance with the provisions in Article 106 of decree law No.3,500, of 1980, in Article 56 of statutory decree No.251, of 1931, or in the first paragraph of this article shall be equivalent to the weighted average price of the stock exchange transactions of the shares in question, during the six months prior to the day on which the publication of the disapproving agreement of the Risk Rating Commission or rating of the risk rating entities is published, as appropriate, which motivates the withdrawal. To calculate the weighted average price, the variation of the UF between the day of each transaction and the day prior to the publication of the relevant agreement or ratings must be considered.

However, the price to be paid to the shareholder exercising the right to withdraw when the corporation shares cease to be traded in the stock exchange, or if they are, they do not reach a value in accordance with the rules issued by the SVS in such regard, shall be book value, as determined in the Regulations of such law.

The payment of the price must be made 60 days following the deadline of the time limit referred to in the third paragraph of this article. If it should not be paid within this term, the price shall be expressed in UF and shall accrue the normal interests for adjustable operations, as of the expiry of the abovementioned term. For the collection of such price, the certification granted by the SVS shall

have executive merit with respect to the publications made by the risk rating entities or Commission, as appropriate, and the title of the shares or the document replacing such title.

Likewise, the SVS certification shall have the same merit in relation to the copy of the minutes, or part of them, referred to in the following paragraph.

If the shareholders who exercise the right to withdraw should account for a percentage equal or greater than one third of the issued shares, the board of directors shall call a special shareholders' meeting, within 60 days following the expiry of the term referred to in the third paragraph of this article, so that the corporation, represented by its board of directors, shall agree with the dissident shareholders representing the favorable vote of two thirds of the shares that have exercised the right to withdraw, the conditions and terms for paying the debt generated as a result thereof. This agreement shall be binding for the other dissident shareholders. For those shareholders that should not have exercised the right to withdraw, this meeting shall have information purposes and the shareholders shall not be considered for quorum purposes and they shall not have a right to vote.

The dissident shareholder may waive to exercise its right to withdraw, until before the corporation carries out the payment or that the corporation and the dissident shareholders accept the payment agreement referred to in the penultimate paragraph of this Article.

Article 69 ter. If as a result of any acquisition, a person should reach or exceed two thirds of the voting shares of a corporation that publicly offers its shares, he/she shall have a period of 30 days as of the date thereof to make an offer for the remaining shares, under the terms established in Title XXV of law No.18,045. Such offer shall be made for a price not lower than the one that would correspond in the case the right to withdraw should exist.

If the offer is not carried out within the term established, the rest of the shareholders shall have the right to withdraw in the terms established in article 69. In this case, the date of reference to calculate the price to pay shall be the day following the expiry of the term indicated in the first paragraph.

The obligation established in the first paragraph shall not apply, when the abovementioned percentage is achieved as a result of a reduction by right of law of the capital, because an increase was not totally subscribed and paid in within the legal term.

In the event that all of the shareholders should exercise the option to sell all of their shares to the controlling shareholder or to exercise the right to withdraw, if applicable, the corporation shall not be applied the cause for dissolution established in No. 2) of Article 103, unless the controller should decide otherwise and he should express so pursuant to Article 213 of law No.18,045.

Article 70. The right to withdraw by virtue of the provisions in Article 69 shall be exercised by the dissident shareholder within a period of 30 days as of the date the shareholders' meeting that adopted the agreement that established such right is held, in the manner determined in the Regulations.

The right to withdraw includes exclusively the shares that the dissident shareholder had registered to his name in the corporation's Shareholders' Registry on the date that determined his/her right to participate in the meeting in which the agreement he opposed was adopted.

Article 71. The board of directors may summon a new meeting that must be held no later than 30 days following the expiry of the term indicated in Article 70, so that it reconsiders or ratifies the agreements that motivated the exercise of the right to withdraw. If the mentioned agreements should be revoked in such meeting, the referred right to withdraw shall expire.

The price of the shares shall be paid without any surcharge whatsoever within 60 days following the date on which the meeting was held where the agreement that motivated the withdrawal was adopted. If the price should not be paid in that time limit, the price must be expressed in UF and shall accrue normal interests as of the expiry of the term indicated above.

Article 72. Deliberations and agreements made in the meetings shall be recorded in the minutes book, which shall be kept by the secretary, if any, or the corporation's manager.

The minutes shall be signed by the Chairman and secretary of the meeting, and by three shareholders elected therein, or by all the attendants if they are fewer than three.

The minutes shall be understood approved from the moment they are signed by the persons mentioned in the foregoing paragraph and as of that date the agreements reached therein may be executed. If any of the persons designated to sign the minutes should deem that they contain errors or omissions, he/she shall have the right to add the pertinent proviso before signing the minutes.

The deliberations and agreements of the minutes shall be registered in the relevant minutes book by any method, provided that such method is safe and does not permit intercalations, suppressions or any other adulteration that may affect the trustworthiness of the minutes. The foregoing, notwithstanding the attributions that the SVS has on these matters in relation to the entities under the control thereof.

The chairman, the president and the other persons that have undertaken to sign the relevant shareholders' meeting minutes may not refuse to sign them. The minutes taken of a shareholders' meeting must be signed and saved, as appropriate, within 10 days after the relevant meeting was held.

TITLE VII

Balance sheet, other financial statements and records, and earnings distribution

Article 73. Accounting entries shall be made in permanent registries, in accordance with the applicable laws, and they must be kept in accordance with the generally accepted accounting principles.

Article 74. Corporations shall annually prepare a general balance sheet at December 31st or at the date specified in the by-laws.

The board of directors shall submit to the consideration of the regular shareholders' meeting a reasoned annual report about the corporation's situation over the past financial year, accompanied by the general balance sheet, the income statement and the report made by the external auditors or account inspectors, if applicable. All of these documents must clearly reflect the corporation's equity at the closing of the financial year and the earnings or losses experimented during the year.

In listed corporations, the annual report shall include an appendix consisting of a summary of the comments and proposals made by the shareholders holding or representing 10% of more of the voting shares, related to the operation of the business and provided that the shareholders should request so.

Likewise, all information sent by the board of directors of listed corporations to shareholders in general, because of a summons to a meeting, requests of powers of attorney, justification of their decisions and other similar matters, shall include the relevant comments and proposals made by the shareholders mentioned in the foregoing paragraph.

The Regulations shall determine the manner, term, and modes to which this right must be subject to and the information obligations of the minorities referred to in the foregoing paragraphs.

Article 75. On a date no later than that of the first notice of summons to a regular shareholders' meeting, the board of directors of a listed corporation shall **make available** to each one of the shareholders registered in the relevant registry, a copy of the balance sheet and the corporation's annual report, including the auditor's opinion and the notes thereto.

In closely held corporations, the delivery of the annual report and the balance sheet shall be made only for those shareholders that should request so.

If the general balance sheet and the income statement should be modified by the shareholders' meeting, such modifications shall be **made available** to the shareholders within a period of 15 days following the date of the meeting.

Article 76. Listed corporations must publish the information determined by the SVS on their duly audited balance sheets and income statements, on a newspaper with wide circulation in the place of the corporate domicile, not less than 10 days and no more than 20 days before the date on which the meeting shall be held where this matter will be dealt with.

Likewise, the documents indicated in the foregoing paragraph must be submitted to the SVS within that same term, in the number of copies the SVS should determine.

If the balance sheet and income statement should be altered by the shareholder's meeting, such modifications, without prejudice to the obligation established in the foregoing Article, shall be published in the same newspaper in which such documents were published in accordance with the first paragraph, within a period of 15 days following the date of the meeting.

If the SVS should have any comments about these documents, it may order the publication of such comments in the manner it may determine.

The foregoing, without prejudice to the other faculties the legal, regulatory, and administrative provisions confer the SVS.

Article 77. The shareholders' meeting called for to decide about a determined financial year, may not defer its opinion about the annual report, general balance sheet and income statements, that have been presented thereto, being obliged to immediately decide about the approval, modification or rejection thereof, and the amount of the dividends that shall be paid in the terms established in Article 81 hereof.

If the shareholders' meeting should reject the balance sheet, because of specific and well grounded comments, the board of directors shall submit a new one to its consideration on the date that may be determined thereby, which may not exceed 60 days as of the rejection date.

If the shareholders' meeting should reject the new balance sheet submitted to its consideration, the board of directors shall be understood revoked, without prejudice to the responsibilities that may result. On that same opportunity a new board of directors shall be elected.

The board members that should have approved the balance sheet that brought about the board's revocation shall not be able to be reelected for the complete following period.

Article 78. Dividends shall be paid exclusively of the net earnings for the financial year, or retained earnings from balances approved by the shareholders' meeting.

Notwithstanding the provisions in the foregoing paragraph, if the corporation should have accumulated losses, the financial year's earnings shall be primarily aimed at absorbing such losses.

If the financial year should have losses, they shall be absorbed by retained earnings, if any.

Article 79. Unless otherwise unanimously agreed by the voting shares in the relevant shareholders' meeting, listed corporations shall annually distribute to its shareholders a cash dividend of at least 30% of the net earnings for each financial year in proportion to the number of shares held by each shareholder or in the proportion established in the by-laws if there are preferential shares. In the case of closely-held corporations, the distribution shall be carried out as stipulated in the by-laws and if they should not specify anything in this respect, the foregoing rule shall be applied.

However, the board of directors may, under the personal responsibility of the board members concurring to the relevant agreement, distribute provisional dividends during the financial year to be charged to the earnings thereof, provided there are no accumulated losses.

Article 80. The part of the earnings that are not allocated by the shareholders' meeting to dividends payable during the financial year, whether as minimum obligatory dividends or additional dividends, may at any time be capitalized, prior amendment of the by-laws, through the issuance of paid-up shares or the increase in the par value of the shares, or be allocated to the payment of eventual dividends in future financial years.

Paid-up shares issued, shall be distributed among the shareholders in proportion to the number of shares registered in the relevant registry on the fifth business day before the distribution date.

Unless otherwise specified, the pledge encumbering determined shares shall be extended to the paid-up shares corresponding thereto in the proportional distribution.

Article 81. Minimum obligatory dividends to be paid according to the law or by-laws, shall be due and payable after thirty days as of the date of the shareholders' meeting that approved the distribution of the earnings of the financial year.

Payment of additional dividends agreed by the shareholders' meeting shall be carried out in the financial year in which the agreement is adopted and on the date determined thereby or by the board of directors, if the shareholders' meeting should have authorized it for that purpose.

Payment of provisional dividends shall be made on the date determined by the board of directors.

The dividends shall be paid to the shareholders registered in the relevant registry on the fifth business day prior to the dates established for such payment.

Article 82. Unless otherwise unanimously agreed in the relevant shareholders' meeting by the issued shares, the dividends shall be paid in cash. However, in listed corporations the obligation of paying dividends may be fulfilled, in the portion exceeding the obligatory minimum amounts, whether legal or statutory, giving shareholders' the option of receiving them in cash, paid-up shares of their own issuance, or shares of listed corporations held by the corporation.

The optional dividend shall fulfill equity and information conditions, and other conditions that the Regulations may determine. However, if the shareholder should not state otherwise, it shall be understood that he opts for the money.

Article 83. The SVS, for listed corporations, and a Notary Public, for closely held corporations, may authenticate at the request of the interested party, a copy of the minutes of the shareholders' meeting or of the agreement of the board of directors, or the pertinent part thereof, in which payment of dividends was agreed on. Such certified copy and the title(s) of the shares or the document that may replace it, as appropriate, shall constitute the executive title against the corporation to demand payment of such dividends, without prejudice to the other shares and judicial or administrative penalties to be applied against it and its administrators.

Article 84. The dividends accrued that the corporation should not have paid or placed at the disposal of its shareholders within the terms established in Article 81, shall be adjusted according to the variation of the UF between the date in which they became due and payable and the date of their actual payment and they shall accrue current interests for adjustable operations for the same period.

Article 85. The dividends and other cash earnings unclaimed by the shareholders within a period of five years as of the date they became due and payable, shall be transferred to the National Fire Department.

The Regulations shall determine the form in which payment of these distributions shall be made.

TITLE VIII

Subsidiary and associated corporations

Article 86. An affiliate company of a corporation called parent company, is that company in which the latter directly or through another individual or corporation controls more than 50% of its capital with a right to vote or the capital, if it is not a shareholding company, or may chose to designate or have the majority of its board members and administrators chosen or designated.

The limited partnership shall also be an affiliate of a corporation, when the latter has the power to direct or guide the manager's administration.

Article 87. A company is related to a corporation (*coligada*) when the latter without controlling the former holds directly or through another individual or corporation 10% or more of the capital with a right to vote or the capital, if it is not a shareholding company, or may chose to designate or have elected or designated at least one member of the board of directors or of the corporation's management.

The limited partnership shall also be related to a corporation, when the latter may participate in the designation of the manager or in guiding the corporation's management.

Article 88. Affiliated and related companies of a corporation may not have reciprocal participation in their respective capitals, or in the capital of the parent company, nor even indirectly through other individuals or corporations.

The reciprocal participation that occurs by virtue of the incorporation, merger, division or acquisition of control by a corporation, must be evidenced in the relevant annual reports and end within a year as of the occurrence of such event.

This prohibition shall be applicable even when the parent company is not a corporation, provided that at least one of the affiliated or related companies is a corporation. For these purposes and for the purposes of the following article, the concepts defined in articles 86 and 87 hereof shall be applied.

Article 89. Operations between related companies, between the parent company and its affiliates, between affiliates, or with related companies, and operations carried out by all listed corporations, whether directly or through other entities belonging to a holding, with their related persons, defined in Law No.18,045, shall fulfill equity conditions, similar to those usually prevailing in the market. The administrators of all of them shall be responsible for any losses or damages caused to the corporation administered due to operations carried out infringing this article.

Even though the parent company or the head company, as appropriate, should not be a corporation, the provisions in this article shall be applied.

Article 90. In the corporation's annual report, the board of directors must indicate the corporation's investments in related companies or affiliates and the modifications occurred therein during the financial year, disclosing to the shareholders, the balance sheets thereof and an annual report describing the businesses thereof.

However, the existence of investments in affiliate companies obliges the parent company to prepare a consolidated annual balance sheet and the minimum dividend established in Article 79 of this law shall be calculated on the basis of the consolidated net earnings.

The notes explaining investments must contain accurate information about the affiliated and related companies as determined in the Regulations.

Article 91. Notwithstanding the provisions in the foregoing article, the SVS may set rules about the matters referred to in such article, applicable to corporations controlled thereby, especially with regard to the valuation of investments.

Article 92. The board members of parent corporation, even if they are not members of the board of directors of an affiliate company or administrators thereof, may attend such board meetings or to the meetings of the managers, if applicable, with a right to vote, and shall also have the authority to examine the books and the background information of such affiliate corporation.

Article 93. The operations of an affiliate corporation in which a director of the parent corporation or another of the persons mentioned in Article 44 should be interested in, as provided for in the same precept, may be exclusively carried out in the manner and conditions and subject to the penalties of such provision.

The agreements adopted shall be communicated in the first regular shareholders' meeting of both corporations, by the relevant chairman.

TITLE IX

Division, transformation and merger of corporations

Article 94. The division of a corporation consists of distributing the equity thereof between itself and one or more corporations created for such purpose, the shareholders of the divided corporations being entitled to the same proportion of the capital in each of the new corporations than it had in the corporation that is being divided.

Article 95. The division must be agreed upon in a special general shareholders' meeting in which the following matters must be approved:

- 1) The reduction in the corporate capital and the distribution of the shareholders' equity between the corporation and the new corporation or corporations to be created;
- 2) The approval of the by-laws of the company or companies to be created, which may be different from those of the corporation that is being divided, in all those matters indicated in the summons. This approval incorporates by operation of law all those shareholders of the divided corporation in the new corporation or corporations created.

Article 96. The transformation is the change in the kind or type of company, carried out through an amendment of the by-laws thereof, although its legal capacity subsists.

Article 97. In the transformation of other kinds or types of companies into corporations, the formalities indicated in Article 5th hereof must be fulfilled and in the case of the transformation of special corporations, the formalities specifically stipulated for them.

If the transformation should be from one type or kind of corporation to another type or kind, the typical formalities of both types of corporations must be fulfilled.

Article 98. The transformation of limited partnerships or collective partnerships into corporations, does not release the managing or collective partners of the transformed corporation of their responsibility for the corporate debts assumed before the corporation's transformation, except with respect to the creditors that should have expressly consented thereto.

Article 99. The merger consists of joining one or more corporations in a single one that succeeds the former in all of its rights and obligations, and to which the total capital and shareholders of the merged entities are incorporated.

A merger by creation occurs when the assets and liabilities of two or more corporations that are dissolved is contributed to a new corporation that is created.

A merger by incorporation occurs when one or more corporations that dissolve are absorbed by an already existing corporation, which acquires all of its assets and liabilities.

In these cases, the liquidation of corporations merged or taken over shall not be applicable.

After the audited balance sheets and the reports from experts of the merged corporations and the by-laws of the created corporation or the corporation taking over, if applicable, have been approved, the board of directors of the latter must directly distribute the new shares among the shareholders thereof, in the relevant proportion.

Article 100. No shareholder, unless he/she consents thereto, may lose his/her capacity as such because of an exchange of shares, or the merger, incorporation, transformation or division of a corporation.

TITLE X

Bankruptcy, dissolution and liquidation

Article 101. The board of directors of the corporation that has ceased to pay one or more of its obligations or that has been declared bankrupt by a final decision, shall call for a shareholders' meeting to be held within 30 days following the occurrence of the event, to report extensively about the legal, economic and financial situation of the corporation.

When a listed corporation should cease to pay one or more of its obligations, the manager or the board of directors in absence thereof, shall notify the SVS on the following business day.

If a corporation's creditor should request the bankruptcy thereof, it must also be notified to the SVS, without prejudice that the court where the suit is filed must report this event to the SVS and also notify the subsequent declaration of bankruptcy.

Article 102. For the purposes of Article 203 of the Bankruptcy Law, it is presumed that the board members, liquidators and managers of the bankrupt corporation knew about this matter in the following cases:

- 1) If the corporation should have entered into private agreements with some creditors in detriment of the others; and
- 2) If after having ceased payments, the corporation should have paid a creditor in detriment of the other creditors, anticipating or not the expiry of the credit thereof.

Article 103. The corporation is dissolved:

- 1) Because of the expiry of the term thereof, if any;
- 2) Because all the shares are gathered in the hands of a single person;
- 3) By agreement of the special general shareholders' meeting;
- 4) By revocation of the authorization to exist in accordance with the law's provisions;
- 5) By judicial decision that can be appealed to the Executive but not to a higher court in the case of corporations not subjected to the supervision of the SVS by virtue of this law or other laws.
- 6) By the other causes contemplated in the by-laws.

Article 104. In the cases that this law or other laws should establish that a corporation requires an authorization to exist in order to be created, the SVS may revoke such authorization due to causes indicated therein and, in any case, due to gross infringement of the applicable law, regulations or rules.

Article 105. Corporations referred to in No.5 of Article 103 hereof, may be dissolved by a judicial decision that can be appealed to the Executive but not to a higher court, when the shareholders representing at least 20% of its capital should request so because they consider that there are sufficient reasons, like a serious breach of the applicable law, regulations and other rules, that may damage the shareholders or the corporation; declaration of bankruptcy of the corporation, fraudulent administration or other equally serious reasons.

The court shall briefly and summarily assess the evidence in conscience.

Article 106. Without prejudice to the provisions in Article 133, the board members and the manager of a corporation that has been dissolved because of a judicial decision that can only be appealed to the executive but not to a higher court, or revoked by a well-grounded decision of the SVS, unless its lack of participation or disagreement with the event or events that have served as a basis for the judicial or administrative decisions should be expressly confirmed, shall be assumed guilty and shall be jointly liable for the damages that may be eventually caused to the shareholders.

Article 107. A corporation subject to the control of the SVS by virtue of this law or other laws, shall not register, without the approval thereof, the transfer of shares that determine the corporation's dissolution, by transferring all the shares of the company to a single person.

The SVS shall not give its authorization unless measures have been taken to safeguard the third party rights that should have contracted with the corporation.

Article 108. When the dissolution is caused by the expiry of the corporation's term, the gathering of all the shares in a single hand, or any other cause contemplated in the by-laws, the board of directors shall execute this information in the form of a public instrument within a period of thirty days following their occurrence and an excerpt thereof shall be registered and published in the manner contemplated in article 5.

When the dissolution is the result of a revocation decision of the SVS, or of a judicial decision that can be appealed to the Executive but not to a higher court, if applicable, the board of director shall record this circumstance on the margin of the registration of the corporation and publish once a notice in the Official Gazette, informing about this event.

After sixty days of the occurrence of the abovementioned events, without the formalities established in the foregoing paragraphs being fulfilled, any board member, shareholder or third party interested may fulfill such formalities.

Failure to comply with the requirements established in the foregoing paragraphs shall make the corporation's board members jointly liable of the damages and losses caused due to such non-fulfillment.

Article 109. The dissolved corporation shall survive as a corporation for the purposes of its liquidation, and its by-laws shall be effective for any pertinent matters. In this case, the corporation must add to its name the words "in liquidation".

During its liquidation, the corporation may only execute the acts and enter into the contracts aimed directly at facilitating such liquidation, and under no circumstance it may continue with its line of business. Notwithstanding the above, it shall be understood that the corporation may carry out occasional or temporary operations in its line of business in order to achieve a better realization of the corporate property.

Article 110. After the corporation is dissolved, a liquidating commission chosen by the shareholders' meeting shall liquidate the corporation as provided for in article 66. The shareholders' meeting shall establish the compensation to be paid to such commission.

The same procedure shall be followed for corporations declared null.

If the corporation should be dissolved because its shares are gathered in the hands of a single person, its liquidation shall not be necessary.

If the corporation's dissolution should have been made by a judicial decision that can be appealed to the Executive but not to a higher court, such liquidation shall be executed by a single liquidator chosen by the general shareholders' meeting from five candidates submitted to the court, in those cases in which the law does not assign that function to the SVS or another authority.

Article 111. Unless otherwise unanimously agreed by the voting shares and the provisions in the foregoing article, the liquidating commission shall be made up of three liquidators.

The liquidating commission shall designate a chairman from among its members, who shall represent the corporation judicially and extrajudicially and in the event of a single liquidator, both representations shall be vested thereon.

The liquidators shall occupy their positions during the time specified in the by-laws, the shareholders' meeting or the ordinary legal proceedings, as applicable; such term may not exceed three years and if it should not be stipulated in the abovementioned documents, the duration shall be exactly three years.

If the liquidator should have been designated by ordinary legal proceedings, after his/her period expires a substitute may be designated in the manner established in the final paragraph of this article.

The liquidators may be reelected once.

Article 112. The liquidators may not occupy their position until all the formalities established by law for the corporation's dissolution have been complied with.

In the interim, the last board of directors shall continue in charge of the corporation's administration.

The liquidators shall be applied the articles hereof related to the board members.

Article 113. The shareholders' meeting may revoke at any time the mandate of the liquidators designated thereby, except when they have been elected from a group of five candidates proposed by the SVS or the courts, in which case the revocation shall not become effective until it is approved by the SVS or the courts, as appropriate.

Article 114. The liquidating commission or the liquidator, if applicable, may exclusively execute the acts and enter into the contracts directly aimed at carrying out the liquidation of the corporation; they shall represent the corporation judicially and extra-judicially and they shall be invested with all the faculties to administer and decide that the law or the by-laws do not specify as the exclusive responsibility of the shareholders' meeting, without it being necessary to grant it any special power of attorney, not even for those acts or contracts for which the laws require such circumstance.

Notwithstanding the foregoing, the meetings held after the corporation's dissolution or the meeting that agrees such dissolution may restrict the faculty of the liquidators specifically indicating their attributions or the ones that are being removed. The relevant agreement shall be executed in the form of a public instrument and annotated on the margin of the corporate registration.

When the liquidation is carried out by the liquidators proposed by the court or the SVS, or directly by the latter, as appropriate, the liquidators shall act legally invested with all the faculties necessary for the adequate fulfillment of their mission, and the shareholders' meeting shall not be able to restrict or limit them in any way whatsoever.

The judicial representation referred to in this article is without prejudice to the capacity as representative of the chairman of the liquidating commission or the liquidator, if applicable, in

accordance with Article 111 hereof. In both cases, the judicial representation shall include all the faculties established in two paragraphs of article 7 of the Code of Civil Procedures.

Article 115. During the liquidation, the regular shareholders' meetings shall continue to be held and the liquidators shall report about the progress of the liquidation process, and the necessary providences shall be agreed upon to successfully complete the process. The liquidators shall send, publish and present the balance sheets and other financial statements established herein and the complementary rules thereof.

The liquidators shall call for a special shareholders' meeting in accordance with Article 48 hereof.

The functions of the liquidating commission or the liquidator, if applicable, may not be delegated. However, they may delegate part of their faculties to one or more liquidators if there are several, for specially determined purposes, on other persons.

When the Chairman carries out the liquidation on his own account or on the account of delegates, he shall call for a shareholders' meeting only when he may deem it necessary or when shareholders holding at least 10% of the shares should request so for information purposes. After the liquidation has been completed, he/she shall report this through three adds published on consecutive days in a newspaper of the corporate domicile and shall provide general information about the liquidation process to those shareholders that should request so within 60 days as of the date the last notice was published.

Article 116. Any distributions made during the liquidation shall be paid in cash to shareholders, unless otherwise unanimously agreed by the voting shares in each case.

Notwithstanding the foregoing, the special shareholders' meeting may approve optional distributions, by two thirds of the issued shares, provided that the options offered are equitable, informed and fulfill the conditions specified in the Regulations.

Article 117. The corporation may exclusively make distributions on the basis of capital refund to its shareholders, after making sure that corporate debts have been paid or shall be paid.

Distribution shall be made at least quarterly, and in any case, each time that sufficient corporate funds have accumulated to pay shareholders a fund equivalent to at least 5% of the book value of the shares, applying the provisions in Article 84 hereof.

Distributions must be paid to registered shareholders on the fifth business day before the dates established therefor.

Distributions not collected within a period of five years after they have become due and payable, shall belong to the National Fire Department and the Regulations shall determine the way such amounts shall be distributed and paid.

Article 118. The liquidators that concur with their vote shall be jointly liable of the damages and losses caused to the corporation's creditors as a result of the capital distributions carried out.

Article 119. The SVS, in the case of corporations subject to the supervision thereof, in special cases and at the request of shareholders accounting for at least 10% of the issued shares, may call for a shareholders' meeting or order that it be summoned so that the liquidation system is modified and a single liquidator be appointed from a group of 5 persons submitted for such purpose.

In closely-held corporations, this right shall be exercised before the Ordinary Justice, which shall decide with a hearing of the corporation, in accordance with the procedure established for the incidents.

It is presumed as a matter of law that it is a serious and aggravated case, when the liquidation process is not completed within a period of 6 years following the corporation's dissolution, or in the

shorter period that the shareholders' meeting should determine at the time of designating the liquidating commission.

The provisions in this Article are without prejudice to the faculty the confers the Chairman of carrying out the liquidation by himself or through delegates in relation to determined corporations.

Article 120. When the liquidation is carried out by delegated liquidators of the Chairman or designated by the proposal thereof or the Courts, the total compensation of such liquidators may not be less than 0.5% of the total assets, or more than 3% of the distributions made to the shareholders, without detriment to the faculty of the shareholders' meeting to establish a higher compensation.

When the liquidation is carried out by the SVS or its officials, the compensation shall go to the SVS and shall be the SVS' own income.

TITLE XI

Foreign corporation agencies

Article 121. For a foreign corporation to constitute an agency in Chile, its agent or representative must legalize in the office of a Notary Public of the domicile the agency shall have in Chile, in the official language of the country of origin, translated into Spanish if it should not be in that language, the following documents issued in the country where the corporation has been incorporated, duly authenticated:

- 1) The background information certifying that it is legally constituted in accordance with the law of the country of origin and a certificate of the corporation's valid existence;
- 2) A true copy of the current by-laws; and
- 3) A general power of attorney granted by the corporation to the agent that shall represent it in the country evidencing the legal capacity of the principal and clearly stating that the agent acts in Chile under the direct corporation's responsibility, with broad faculties to execute operations in its name and to be expressly conferred the faculties referred to in the second paragraph of Article 7 of the Code of Civil Procedures.

Article 122. By means of a public instrument of the same date and before the same notary with whom the registration referred to in the foregoing paragraph was made, the agent must declare in the name of the corporation and with sufficient authority to do so:

- 1) The name under which the corporation shall operate in Chile and the purpose(s) thereof;
- 2) That the corporation knows the Chilean legislation and the relevant Regulations which shall govern the corporation in Chile, the agencies, acts, contracts and obligations thereof.
- 3) That the corporation's property shall be subject to the Chilean laws, especially to respond for the obligations it must fulfill in Chile;
- 4) That the corporation undertakes to maintain in Chile property easy to realize to meet the obligations to be fulfilled in Chile;
- 5) The actual capital that the corporation shall have in Chile to develop its operations and the date and manner the capital shall be entered into the corporation's funds in Chile; and
- 6) The domicile of the principal agency.

Article 123. An excerpt of the official registration and the public instrument referred to in the foregoing articles, duly certified by the relevant notary, evidencing the date and number of the abovementioned official register and public instrument; the name of the corporation and the name under which it shall operate in Chile; the domicile the corporation shall have in Chile; the agency's

capital and the name of the agent or representative thereof must be registered in the relevant Registry of Commerce of the principal agency's domicile and published once in the Official Gazette; all of this within a period of 60 days as of the date of the official registration with the notary.

Article 124. The agent shall fulfill the same formalities indicated in the previous articles in this Title, with respect to any modification occurred in relation to the documents or statements referred to in these provisions, except for the one mentioned in No. 4 of Article 122.

The agent shall publish the agency's annual balance sheet in a newspaper of the domicile thereof, within the quarter following the closing date of the financial year.

TITLE XII

Arbitration

Article 125. The corporate by-laws shall establish how the arbitrator(s) who shall hear the matters referred to in No. 10 of Article 4 hereof shall be appointed. Under no circumstance one or more specific persons be named as arbitrators.

The arbitration established herein is without prejudice to the fact that if a conflict should arise, the claimant may remove its hearing from the competence of the arbitrators and subject it to the decision of the ordinary justice.

TITLE XIII

Corporations subject to special rules

Article 126. Insurance and reinsurance companies, mutual fund administrators, stock exchanges and other corporations that the law expressly submits to the formalities indicated hereinafter, are created, exist and are evidenced by public instrument, obtaining a decision from the SVS authorizing their existence and registration and publishing the special certificate granted by such SVS.

In addition to the general requirements herein, public instruments must contain the aspects required in the special laws that govern them.

The SVS shall prove that these corporations fulfill the legal and economic requirements necessary, in order to authorize the existence thereof.

The resolutions revoking the authorizations conferred shall be well grounded.

After the existence of a corporation has been approved, the SVS shall issue a certificate evidencing such circumstance and containing an excerpt of the clauses of the by-laws that may be determined thereby, which shall be registered in the Registry of Commerce of the corporate domicile and published in the Official Gazette within a period of 60 days as of the date of the decision.

Article 127. The modification of the corporations' by-laws referred to in the foregoing article and its early dissolution agreed by the relevant shareholders' meetings, after being executed in the form of a public instrument, shall be approved by the SVS, carrying out the registrations and publications indicated in the foregoing article.

Article 128. The corporations referred to in Article 126 do not exist, in whose incorporation the public instrument, the approving decision or the timely registration and publication of the certificate issued by the SVS were omitted or in whose amendments similar omissions have been incurred in.

Any inconsistency between the certificate granted by the SVS and the registration or publication shall annul the corporate agreement or the amendment agreements, as appropriate.

In all those aspects not modified, the provisions of Article 6 hereof shall govern.

Article 129. Corporations referred to in Article 126 hereof shall be governed by the legal and regulatory provisions applicable to listed corporations in all those matters that do not conflict with the provisions of the foregoing articles of this Title and the special provisions that govern them.

Article 130. Pension funds administrators shall be constituted as special corporations in accordance with the following provisions:

To initiate incorporation, the organizers must submit to the Pension Funds Administrators Commission a descriptive brochure with the essential aspects of the corporation and the way it shall develop the activities thereof. This brochure shall be assessed by the Chairman with regard to the convenience of establishing it or not.

After the brochure has been accepted, a provisional authorization certificate shall be delivered to the organizers that shall enable them to start to carry out the formalities for obtaining the authorization for the corporation's existence and the administrative acts for the incorporation and future operation thereof. The corporation shall be considered to have legal capacity from the granting of the certificate. The authorization for the corporation's existence may not be requested after ten months have elapsed from the date such certificate was issued.

The organizers shall be obliged to deposit in any bank or financial institution in the name of the administering corporation that shall be created, the funds received in payment for share subscription. These funds may only be drawn once the corporation's existence has been authorized and its board of directors has started operating. The organizers shall be severally and jointly responsible for the repayment of such funds.

The organizers may not receive any compensation whatsoever for the work executed in the capacity thereof.

Article 131. After the authorization of existence has been requested accompanied by an authorized copy of the public instrument containing the by-laws, to which the certificate referred to in the foregoing paragraph has to be inserted to, the Pension Funds Administrator's Chairman shall verify the existence of the company's capital. After this has been proved, it shall issue a decision authorizing the corporation's existence and approving the by-laws thereof.

The relevant SVS shall issue a certificate evidencing such circumstance and containing an excerpt of the by-laws. The certificate shall be registered in the Registry of Commerce of the corporate domicile and it shall be published in the Official Gazette within a period of sixty days as of the date of the approving decision. The same must be done with the amendments made to the by-laws or with resolutions approving or ordering the corporation's early dissolution.

Article 132. The pension funds administrators are governed by provisions applicable to listed corporations in that such provisions may be conciliated or not enter into conflict with the rules of the special legislation they are subject to.

TITLE XIV

Liabilities and penalties

Article 133. Any person violating this law, its Regulations or the corporate by-laws or the rules issued by the SVS, thereby damaging other persons, is obliged to indemnify such damage. The foregoing without prejudice to the other relevant civil, penal, and administrative penalties.

The administrators or legal representatives shall be liable for corporations from a civil, administrative and penal point of view, unless there is evidence of their lack of participation or disagreement with the event constituting the violation.

The board members, managers and liquidators that are proved liable in accordance with the foregoing paragraphs, shall be jointly liable between each other and with the corporation they administer, of all indemnities and other civil or monetary penalties resulting from the application of the rules referred to herein.

Article 133 bis. Any loss caused to the corporation's equity as a result of an infraction hereof, and the Regulations and by-laws thereof or the rules issued by the SVS, shall give the shareholder or group of shareholders representing at least 5% of the shares issued by the corporation or any of the members of the corporation's board of directors, the right to claim indemnity for damage from whoever may be liable, in the name and to the corporation's benefit.

Any legal expenses incurred shall be paid by the claimants and shall not benefit the company in any way whatsoever. On their part, if the claimant shareholders' or board members should be condemned to pay legal expenses, they shall be exclusively responsible thereof.

The actions contemplated in this Article, are compatible with the other actions established herein.

Article 134. The experts, accountants or external auditors who by means of false or fraudulent reports, statements or certificates should lead shareholders' or third parties to error on the grounds of such false or fraudulent information or statements, shall be condemned to prison or relegation in their medium or maximum degrees and a fine in benefit of the State for a value of up to the equivalent of 4,000 UF.

TITLE XV

Miscellaneous provisions

Article 135. Each corporation shall keep a public registry indicating its presidents, board members, managers, principal executives or liquidators, specifying the dates on which they started and ended their functions. The designations and annotations recorded on such registry shall serve as evidence against the corporation, whether in favor of the shareholders or third parties.

The board members, managers and liquidators, as appropriate, shall be jointly liable for the damage caused to shareholders and third parties due to the lack of truthfulness or validity of the information contained in the registry referred to in this Article. The foregoing without prejudice to the administrative penalties that the SVS may apply to listed corporations.

Article 136. Each time that conditions of equity, market conditions, or undue advantages or benefits, or other similar conditions are referred to herein, they shall be understood to be the ones prevailing at the time they occurred.

Article 137. The provisions hereof shall prevail over any rule of the corporate by-laws that may enter into conflict therewith.

Article 137 bis.- The SVS will determine a general norm regarding the alternative means that may be used by supervised corporations to send and make the documents, information and communications established by this law available to shareholders and other investors.

Article 138 to 144.²

² These articles modify other legal documents.

Article 145. The following law is hereby repealed: law on transfer of shares or promises of shares of corporations published in the Official Gazette on September 11, 1878, Articles 424 through 469, both inclusive, second and third paragraphs of clause number two of Article 5 and Articles 83 through 139a, both inclusive, of the statutory decree No. 251, of the Ministry of Finance, of 1931; laws No. 6,057 and 7,302; all of the Articles of Law No.17,308, with exception 3, 6, 7, 14, 16 and 18; executive decree No.4,705, of the Ministry of Finance, of November 30, 1946; Article 21 of Law No.7,869; Articles 7, 8 and 9 of Law No.12,680; the second paragraph of Article 1 of executive decree No.341, of the Ministry of Finance, of June 8, 1977, which approved the revised, coordinated text of law decrees 1,055 and 1,233, of 1975; 1,327 and 1,611, of 1976; 1,675 and 1,698, of 1977, about Duty-Free Zones and Deposits.

Also, in Law No.12,680, Article 1, the expression "and of corporations" is eliminated; Article 6, the comma (,) following the words "Article 2" is substituted for the letter "y", and in Article 11, the phrase "as appropriate, the corporation, or" and the comma (,) anteceding it is eliminated.

TITLE XVI

Transitory provisions

ARTICLE 1. This law shall be effective as of its publication in the Official Gazette.

Existing corporations must adapt their by-laws to this piece of legislation on the first amendment they carry out thereof or at the latest within 180 days following the date of the publication thereof in the Official Gazette.

The board members, managers and liquidators of corporations that do not adapt their bylaws in a timely manner, shall jointly be liable of any damage they may cause shareholders and third parties, without prejudice to the penalties that the SVS may impose, as appropriate.

ARTICLE 2. Corporations existing on the date this law became effective shall be governed by the rules applicable to listed corporations or closely-held corporations in accordance with the concepts and ratings specified in Article two hereof.

Notwithstanding the provisions in the foregoing paragraph, while the SVS does not place on record, in an official letter or at the request of the interested party, of determined company's condition of closely-held corporation, it shall be governed by the rules applicable to listed corporations.

ARTICLE 3. While the Regulations referred to herein are not issued, the rules that until the effectiveness of this law were applicable, shall govern in all matters compatible with the provisions hereof and regarding the matters that refer to regulations.

ARTICLE 4. The shares that enjoy preferences at the date of the effectiveness hereof and that should not have a specific term, shall set such term in 2 years as of the publication hereof. Failure to do so, shall imply that such term is equal to the one that would have been established for the duration of the corporation.

ARTICLE 5. The shares of industries and organizations existing on the date this law entered into force, shall expire after 2 years as of such date, unless they should be eliminated or substituted by common or preferred stock in a shorter period via modification of the by-laws. The favorable vote of industry and organization shares shall be required for this modification as well as two thirds of the other shares issued with right to vote.

ARTICLE 6. Corporations that at the time this law entered into force held shares of its own issuance not subject to a sales term, shall sell within one year as of such date.

ARTICLE 7. Corporations that at the time this law entered into force had investments in other corporations infringing the provisions in Article 88, must sell them within a period of two years as of that date.

ARTICLE 8. If the by-laws should not be amended to adapt them to this law, the modifications introduced in relation to the compensation of the board members and alternate board members, shall govern as of the following regular shareholders' meeting that the corporation must hold and in any case as of April 30, 1982.

ARTICLE 9. The current liquidators of corporations shall occupy their positions for the time stipulated in Article 111 and from the time of their respective designations.

Notwithstanding the foregoing, if at the time this law was published, the terms specified in this provision should be exceeded, the liquidators shall remain in their positions until the following general shareholders' meeting and, in any case, until April 30, 1982.

ARTICLE 10. Capitalization corporations currently existing, other than mutual funds administrators, shall adapt their by-laws and internal Regulations to the legal and regulatory provisions governing mutual funds administrators, within the period of one year as of the effectiveness of this law. If they should not do so, they shall be understood dissolved by operation of law. In such a case, the liquidation of the corporation and of fund(s) administered shall be subject to the rules established for mutual funds administrators.

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