

THE LEGAL REGIME SET FORTH BY ARTICLES 35 AND 171 OF THE PORTUGUESE COMPANIES CODE

Pursuant to Portuguese Law, companies should, at all times, be properly capitalized, i.e. the equity should not be equal or inferior to an amount corresponding to half of its registered share capital.

Companies which balance sheet reveals equity equal or inferior to an amount corresponding to half of the registered share capital are subject to legal requirements set forth by articles 35.º and 171.º of the PCC.

1. The obligations set forth by articles 35.º and 171.º of the PCC

1.1. When the financial statements of the company show that the equity corresponds to an amount equal or inferior to half of the registered share capital, article 35.º of the PCC requires:

- a) the directors to call for a general shareholders meeting, in order to inform the shareholders of such financial situation and to discuss measures to deal with the “undercapitalization” of the company;
- b) the convening notice of the general shareholders meeting shall necessarily include in the agenda the discussion of the following measures to overcome the loss of more than 50% of the company registered share capital:
 - i. discuss the winding up of the company;
 - ii. discuss the decrease of the company registered share capital to an amount no less than its equity;
 - iii. discuss the contribution by the shareholders for the reinforcement of the equity coverage.

At the general meeting, shareholders are entitled to pursue any of the above mentioned measures, or any other measures aiming at increasing the company’s equity, or decide not to take any measure at all.

The obligations above listed aim at providing shareholders with accurate information regarding the financial situation of the company, and although article 35.º requires the directors to call for a general shareholders meeting immediately after realizing such financial situation, the discussion and resolution of any measures to increase the equity are usually taken at the annual general shareholders meeting for the approval of the annual accounts of the company.

It must stressed that the shareholders are not compelled to take any measures to regularize the financial situation of the company. The obligation set forth by article

35.º is fulfilled with the disclosure of information that the equity is inferior to an amount corresponding to half of the registered share capital and the discussion of the three measures to regularize such situation.

- 1.2.** Following the general shareholders meeting, and in case no measure is approved by the shareholders, the PCC - article 171.º – requires the company to reveal such financial situation in all its external acts (such as contracts, correspondence, publications and announcements) with third parties.

This requirement aims at protecting any third parties dealing or doing business with the company.

In fact in all its external acts and contracts the companies are required to provide information regarding (i) its corporate name, (ii) the type of company (joint stock, limited liability or other), (iii) its registered offices, (iv) the commercial registry in which it was registered, (v) its registration number and taxpayer number, (vi) the amount of registered share capital, (vii) the amount of paid-up share capital if different, (viii) its equity according to the latest approved balance sheet, whenever the equity is equal or inferior to an amount corresponding to half of its registered share capital, and (ix) being the case, mention to the fact that the company is in liquidation.

Hence, companies whose balance sheet reveals that equity is equal or inferior to an amount corresponding to half its registered share capital, must also include such information in all its contracts, correspondence, publications, advertisements, internet sites, and in a more general way, in all its external activities.

2. Non compliance

- In case of non compliance of the obligation referred to in 1.2. above, the company may be liable to a fine ranging from € 250.00 (two hundred and fifty Euro) to € 1,500.00 (one thousand, five hundred Euro). [article 528(2) PCC].

Directors may also be held liable before the company and third parties (such as creditors) for any acts or omissions disregarding legal or contractual obligations.