



Update

Momentum

Comercial, Societário e M&A

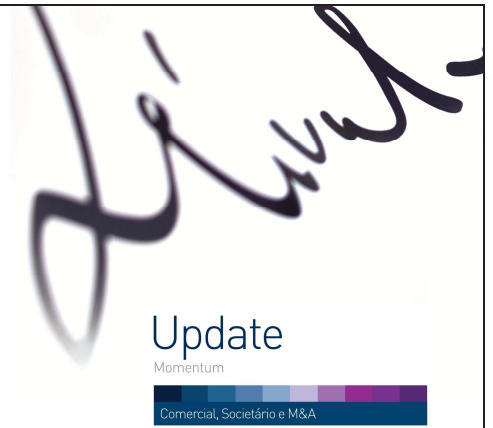
March 14, 2018

Legal framework for conversion of the debts into capital

Law no. 7/2018, of March 2, provides for the legal framework for conversion into capital of credits held on commercial companies or civil law companies having a commercial form, with the headquarters located in Portugal and whose turnover is equal to or higher than one million Euros.

Pursuant to applicable law, creditors whose credits represent, at least, two thirds of the relevant company's total liabilities and the majority of the non- subordinated credits can make a proposal to the company regarding the conversion of such credits into share capital, provided that the following cumulative conditions are satisfied:

- (i) the company's equity, as expressed on the most recent final accounts, or, if any, on intermediary accounts drawn by the board and approved in the last three months, is lower than the share capital; and
- (ii) the existence of a default for more than 90 days on the payment of the non-subordinated credits in an overall amount higher than 10 % of the total credits of the same category, or, if the issue regards installments for partial repayment of share capital or interests, if such installments represent non-subordinated credits in an amount higher than 25 % of the total of the relevant credits.



Any necessary information to prepare the proposal can be requested to the Board of Directors by the creditors.

After conversion, the company's equity has to be higher than the share capital on the date of the proposal, although it is also possible to carry out a previous reduction of the share capital before increasing it to cover some losses.

In spite of the foregoing, shareholders have a pre-emption right, by means of cash contributions in lieu of third-party credit claims to be converted.

The General shareholders meeting shall be held, within 60 days as from the day when the company receives the proposal, to approve or reject it.

If no general meeting is held, if the proposal is rejected, or if the resolutions submitted to the shareholders decision are not approved or enforced within 90 days as from receipt of the creditors' proposal, the relevant creditors can file a legal action for the judicial enforcement of the resolution in lieu of the company's shareholders resolution.

In the event of judicial enforcement of the resolution in lieu of the company's shareholders resolution, the shareholders, or any third parties appointed by them, have the possibility of, within 30 days as from the date when the judicial decision declaring or determining it may no longer be appealed, acquire the shares subscribed by the creditors, by its nominal value, if they also acquire or pay all remaining credits on the same company held by the relevant creditors.

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