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TEHAR

Caracas

Torre La Castellana, Piso 6, Avenida Principal, La Castellana.

Maracaibo

Unicentro Virginia, Piso 2, Local 2-12. Avenida 3C con esquina calle 67, Sector La Lago.

Valencia

Torre Movilnet, Piso 7, Oficina No. 3. Avenida Paseo Cabriales.

Puerto la Cruz

Torre Banco Venezolano de Crédito (BVC), Piso 6, Oficina 6-J, Avenida Intercomunal, Sector Las Garzas.

Maturín

Centro Comercial Petroriente (CCP), Nivel Oficinas 2, Oficinas 02-N19 y 02-N20, Ala Norte del Green Mall, Avenida Alirio Ugarte Pelayo.

Introduction

During the month of February, the greatest concern of most companies operating in Venezuela was to reduce power consumption. Some companies changed their working hours, reduced lighting in offices, turned off elevators, air conditioning and many other creative measures to reach the 20% reduction required by the government and avoid a possible blackout. The results were apparently better than expected and the government announced that a blackout would not occur...

Energy

On February 8, 2010, the government issued a special decree that declares the emergency of the Venezuelan power system and authorizes the Ministry of the Popular Power for Electric Energy to issue special measures for a period of 60 days to ensure that the power system will function properly. The decree is extremely vague with respect to what the possible measures will be but it specifically (i) instructs CORPOELEC (the holding of all power companies) to accelerate all works necessary to enable the national interconnected power system to increase its capacity, including direct awards to contractors under the Public Contracting Law, (ii) allows CORPOELEC to purchase energy from independent generators, both local and foreign; (iii) instructs administrative entities, the police and judicial authorities to support the elimination of unauthorized connections to the national interconnected system and the regularization of such connections; and (iv) orders the creation of an auto-generation registry to determine independent generation capacity.

On February 9, 2010, the Ministry of the Popular Power for Electric Energy prohibited, via resolution, the use of electricity in systems of advertising in illuminated billboards and advertising signs.

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On February 11, 2010, CORPOELEC issued a resolution regulating the 20% reduction of power used by industries, commercial establishments, and users of the official and residential sectors in Caracas. Said Resolution establishes the imposition of fines if there is no reduction of power use as required specifically for each sector. The lack of compliance with these provisions results in penalties that range from fines (from 75% to 200% of the monthly power bill) to the suspension of the electric power service. The Resolution also establishes discounts for the users that achieve the required reduction (from 25% to 50% of the monthly power bill). Please click here <http://www.traviesoevans.com/pub/Reduccion-consumo-energia-electrica-2010-02-11-39366.pdf> to access an excerpt of the Official Gazette of February 11, 2010 that contains the publication of the Resolution.

The National Electric Fund was created as per Presidential Decree published in the Official Gazette of February 22, 2010. The purpose of the fund is to finance strategic projects in the national electricity sector.

The Ministry of the Popular Power for Energy and Petroleum delimited the Junín 10 block in favor of PDVSA Petróleos, S.A., so that it may perform primary activities (exploration for and production of crude) in it. The Menpet also delimited the area of Guaramacal (which had been returned to the Republic by Repsol under the Barrancas gas license) in favor of PDVSA Petróleos, S.A., so that it may carry out activities of exploration for and exploitation of non-associated natural gas within it. (Official Gazette of February 12, 2010).

Tidewater Inc. (oil service company) filed a request for arbitration against Venezuela with the International Centre for Settlement of Investment Disputes (ICSID) requiring compensation for seizure of vessels.

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Banking

The Ministry of the Popular Power for Tourism issued a resolution (O.G. of February 2, 2010) to establish that banks will destine 3% of the average of the close of the gross debt portfolio as of December 31, 2008 and 2009 for the financing of tourism operations and projects mentioned in the resolution.

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The Internal Regulations of FOGADE – Fund for Guarantee of Deposits and Banking Protection – were published in the Official Gazette of February 24, 2010. The Signature Regulations of FOGADE were published in the Official Gazette of February 25, 2010.

Pursuant to Presidential decree published in the Official Gazette of February 1, 2010, the percentage of monthly contributions that banks and other financial institutions have to make to FOGADE was modified. The percentage contribution calculated on the total deposits of the public at the end of each semester is 0.50% for State-owned banking institutions and 0.75% for privately-

owned banking institutions.

Tax

In the following link <http://www.traviesoevans.com/pub/2010-02-04-393611-aumento-unidad-tributaria-bs65.pdf> you will find an extract of the Official Gazette of February 4, 2010 which contains Administrative Ruling N° SNAT/201/0007, dated February 4, 2010, in which the SENIAT modified the amount of the Tax Unit from Bs. 55.00 to Bs. 65.00. Please note that for Income Tax purposes, this new value will be applicable for fiscal year 2010. For Value Added Tax purposes, this new value will be applicable for tax period March 2010. For all other purposes, this new value is applicable from the date of its publication.

Through Ruling No. 001-2010 published in the Official Gazette of 2-11-2010, the Anti-drug National Office (ONA) issued the Rules relating to the admissible reductions from the contribution established in article 96 of the Organic Law against Unlawful Traffic and Consumption of Narcotics and Psychotropic Substances for the payment of the taxable fiscal years 2006, 2007, and 2008. As per this Ruling, the payments made by the taxpayers during said fiscal years may be reduced in the following events:

- execution of projects of integral prevention against unlawful traffic and consumption of drugs for the workers and relatives of the taxpayer;
- delivery of the contributions in the frame of the Non-reimbursable Technical Assistance Agreements executed to that end; and
- financing or performance of activities related to social integral prevention matters approved by the ONA.

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Labor

The national minimum salary was increased 25% as per Presidential Decree N° 7237, dated February 9, 2010 and published in the Official Gazette of February 23, 2010. The increase will be implemented as follows:

(i) Bs. 1,064.25 per month for workers of both the private and public sector as of March 1, 2010 and Bs. 1,223.89 per month as of September 1, 2010.

(ii) Bs. 791.34 per month for apprentices and teenagers as of March 1, 2010, and

Bs. 910.04 per month as of September 1, 2010. The above described minimum salaries will be payable in cash and not in kind.

For partial or conventional working hours other than the legal working hours, according to Article 194 of the Organic Labor Law and according to Article 7 of the Decree, a minimum salary proportional to the duration of said working hours must be paid, Articles 5 and 6 of the Decree fix the pensions of the retired and pensioned personnel of the Public Administration and those paid by the Social Security in the amount of the minimum salary to be paid to urban workers established in Article 1 of the Decree. The Decree entered into effect on March 1, 2010. According to Article 22 of the Organic Labor Law, in agreement with Article 69 of the Regulations to the same, the Decree must be sent to the National Assembly for its approval or suspension

Telecommunications

The List of Certified Trademarks and Equipment Models was updated on CONATEL's web page www.conatel.gob.ve to include 40 new equipment models. This list is available at http://www.conatel.gob.ve/homologacion_de_equipos.asp

Consumer Protection

Please click on <http://www.traviesoevans.com/pub/2010-02-01-393581-reforma-ley-defensa-personas-acceso-bienes-servicios.pdf> to access an extract of the Official Gazette No. 39.358 of February 1, 2010 in which the Law of Partial Amendment to the Law for the Defense of Individuals in the Access to Goods and Services was published. Following are some of the most significant aspects of this amendment:

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(i) All property necessary for the development of the activities of production, manufacture, importation, collection, transportation, distribution, and commercialization of goods and services is declared to be of public benefit and social interest. In the repealed law, this declaration was limited only to the property necessary for the development of the activities of production, manufacture, importation, collection, transportation, distribution, and commercialization of food and essential goods and services.

(ii) The definitions of unlawful acts concerning administrative law (*"ilicitos administrativos"*) that constitute charging of exorbitant prices, hoarding, boycott, fraudulent alteration of prices and fraudulent alteration of the supply and

demand conditions are broadened in order to comprise all type of property and not only the essential goods, as established in the repealed law.

Environmental

In the Official Gazette of February 4, 2010, the Norms about the National Registry of Users of Sources of Water were published for purposes of regulating the organization and functioning of the Registry, in which every person who carries out exploitation activities of water sources must register. This Registry will be under the responsibility of the Administrative Division of Waters of the General Division of Watersheds and of the State Environmental Division of the Ministry of the Popular Power for the Environment. The registration with said Registry is mandatory and must be made before the corresponding State Environmental Division, for which the requisites established in the Norms must be presented.

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Miscellaneous

The Law of the Federal Government Council was published in the Official Gazette of February 22, 2010. The purpose of such law is to regulate the organization and functioning of the Federal Government Council which is the entity in charge of the planning and coordination of policies and actions for the development of the process of decentralization and transfer of National Power attributions to the states and municipalities.

As per Presidential Decree published in the Official Gazette of February 1, 2010, the Ministries of the Popular Power for Planning and Development and for Economy and Finance were merged into one

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ministry called the Ministry of the Popular Power for Planning and Finance which is headed by Jorge A. Giordani. C.

The Organic Law of the National Bolivarian Armed Forces was published in the Official Gazette of February 2, 2010 due to typing errors.

The norms that regulate the authorization, registry and control of the associations, establishments and commercial houses that manufacture and commercialize military attire and accessories were published in the Official Gazette of February 8, 2010.

In Special Gazette of February 19, 2010, the amendments to several Venezuelan aeronautic regulations were published (i) RAV 14 – Design and Operation of Aerodromes and Heliports; (ii) RAV 273 – Aeronautical Information Services, Aeronautical Charts and Units of Measurements that are Used in Air and Terrestrial Operations; (iii) RAV 91 – Aircraft General Operations.

Caracas, March 19, 2010.

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NOTE: THIS NEWSLETTER SHOULD NOT BE CONSTRUED AS LEGAL ADVICE ON ANY SPECIFIC MATTER, AND ITS CONTENTS ARE INTENDED AS A MANAGEMENT ALERT AS TO CURRENT DEVELOPMENTS IN VENEZUELA. ANY SPECIFIC LEGAL QUESTIONS REGARDING THE POSSIBLE APPLICATION OF NEW OR PROPOSED LEGISLATION TO PARTICULAR SITUATIONS SHOULD BE ADDRESSED TO TRAVIESO EVANS ARRIA RENGEL & PAZ.