

RESOLUTION NO. (67) OF 2014
OF THE BOARD OF COMMISSIONERS OF THE CAPITAL MARKETS AUTHORITY
REGARDING
THE ISSUANCE OF REGULATIONS ON PREFERRED SHARES

Having perused:

- Law No. (7) of 2010 concerning the Establishment of the Capital Markets Authority and Regulating Securities Activities, its Executive Bylaw and their amendments;
- Decree Law No. (25) of 2012 Issuing the Companies Law, its Executive Bylaw and their amendments; and
- Decree Law No (33) of 1988 regarding Permitting Gulf Cooperation Council Citizens to hold Shares in Kuwaiti Shareholding Companies; and
- Resolution of the Board of Commissioners of the Capital Markets Authority passed in their Meeting No. 27/2014, convened on 10/12/2014 for the approval on the issuance of the Regulations regarding the Issuance of Preferred Shares.

The Following Was Resolved

Article (1): Regulations of Preferred Shares are hereby issued, in accordance with the Companies Law issued by Decree Law No. (25) of 2012 and its Executive Bylaw as amended, and Law No. (7) of 2010 concerning the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaw, as amended.

Article (2): Where these Regulations on Preferred Shares do not address a particular matter, the provisions of the Companies Law issued by Decree Law No. (25) of 2012 as amended and its Executive Bylaw and Law No. (7) of 2010 concerning Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaw, shall apply to the fullest extent.

Article (3): These Regulations shall be published on the Authority's electronic website and come into force on the April 1, 2015.

Dr. Nayef Falah Al-Hajraf

Chairman, Board of Commissioners

Issued on 16/12/2014

**REGULATIONS
OF PREFERRED SHARES**

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Chapter One

Introduction

Scope of Application

Article (1)

In accordance with Article (153) of the Companies Law, the principal purpose of these Regulations is to govern the issuance, trading, conversion, and redemption of Preferred Shares as well as to govern the rights of the holders of Preferred Shares, on-going obligations, and disclosure requirements.

These Regulations shall apply to Preferred Shares issued by:

1. Public Shareholding Companies, as defined under Article (119) of the Companies Law; and
2. Closed Shareholding Companies, as defined by Article (265) of the Companies Law.

In each case, the Company Contract (as defined under the Companies Law) shall permit the issuance of Preferred Shares.

The provisions of these Regulations shall be read in conjunction with the Companies Law and its Executive Regulations, the Capital Markets Authority Law and its Executive Bylaw, and any other rules or regulations issued by the Ministry or the Authority.

Definitions

Article (2)

In the application of these Regulations, the following phrases and words shall bear the meanings corresponding to each of them:

Advisor	: An expert or a Person licensed as a Lead Manager who is independent of the management and Board of Directors of the Issuer which appoints it.
Licensed Person	: As defined in the Executive Bylaw of the Capital Markets Authority Law, or any other person licensed by the Authority.
Authority	: The Capital Markets Authority.
Broker	: As defined in the Executive Bylaw of the Capital Markets Authority Law.
Business Day	: An official working day for the Authority.
Capital Markets Authority	: Law No. (7) of 2010 concerning the Establishment of the Capital

Law	Markets Authority and Regulating Securities Activities as amended.
Clearing Agency	: As defined in the Executive Bylaw of the Capital Markets Authority Law.
Companies Law	: Companies Law issued by Decree Law No. (25) of 2012 as amended.
Company Contract	: As defined in the Companies Law.
Convertible Preferred Shares	: A type of Preferred Shares that gives its holders the right to convert such Preferred Shares into ordinary shares in the share capital of the Issuer at a later date.
Cumulative Preferred Shares	: A type of Preferred Shares of which the scheduled dividends to the preferred shareholders shall accumulate until fully paid, if no profits are available or no dividends are declared by the Issuer.
Executive Bylaw of the Capital Markets Authority Law	: Executive Bylaw of the Capital Markets Authority Law, as amended.
Executive Bylaw of the Companies Law	: Executive Bylaw of the Companies Law, as amended.
Finance Company	: A company as defined by Ministerial Resolution No. (38) of 2011 of the Ministry of Finance regarding the Reorganization of the Supervision of Finance Companies by the Central Bank of Kuwait.
Interested Person	: As defined in Article (380) in the Executive Bylaw of the Capital Markets Authority Law.
Issuer	: As defined in the Executive Bylaw of the Capital Markets Authority Law.
Local Bank	: Kuwaiti banks and branches of foreign banks licensed by the Central Bank of Kuwait.
Material Information	: Any information that is held by the Issuer with respect to its activity, identity, financial position or management, which has an impact on its assets, liabilities, financial standing or the general course of its business, and may lead to a change in the price or trading volume of the security or attraction of, or abstention by, investors/ traders on the security, or affect the Issuer's ability to fulfill its obligations.

Ministry	: The Ministry of Commerce and Industry.
Non-Convertible Preferred Shares	: A type of Preferred Shares that does not give its holders the right to convert into the ordinary shares in the share capital of the Issuer at a later date.
Non-Cumulative Preferred Shares	: A type of Preferred Share that does not grant its holder the right to accumulate dividends, if any dividends have been omitted in the past.
Non-Redeemable Preferred Shares	: A type of Preferred Shares that cannot be redeemed by the issuer during the given term as set under the Company Contract, and the value of such shares is paid at the time of the liquidation of the Issuer.
Non-Kuwaiti Investor	: As defined under Article (1) of Ministerial Resolution No. (205) of 2000 concerning regulating the participation of Non-Kuwaitis in Kuwaiti shareholding companies.
Offering Document	: A prospectus, memorandum, or any other offering document in accordance with the conditions and requirements prescribed by the Authority.
Participating Preferred Shares	<p>: A type of Preferred Shares that grants its holders the right to participate in the surplus profits of the Issuer, along with holders of ordinary shares after dividends at a certain rate have been paid to holders of ordinary shares.</p> <p>In the event of the liquidation of the Issuer, holders of such Participating Preferred Shares shall, in addition to the par value of such Preferred Shares, also have the right to receive a pro-rata share of any remaining proceeds received by holders of ordinary shares of the Issuer.</p>
Permanent Technical Committee	: As defined under the Executive Bylaw of the Companies Law.
Preferred Shares	: As defined under Article (153) of the Companies Law, shares that are granted specific privileges with respect to voting, profits, liquidation proceeds or any other rights provided that the shares of the same type shall be equal in terms of the rights, privileges and restrictions.

Private Placement	: The offering of shares by an Issuer whereby only limited and specifically defined types of investors are eligible to purchase such shares under Article (7) of these Regulations.
Record Date	: The date established by an Issuer for the purpose of determining the eligibility of the holders of Preferred Shares that are entitled to any corporate action, such as payment of dividends or distributions, or attending general meetings of the Issuer.
Redeemable Preferred Shares	: A type of Preferred Shares that may be redeemed either on a fixed date or after a determined period of time during the term of the Issuer.
Security	: As defined in the Capital Markets Authority Law.
Sophisticated Investor:	: A person that takes any of the forms set forth under Article (7) of these Regulations.
Securities Exchange	: A securities exchange licensed by the Authority.
Supervisory Authority	: The Ministry, the Authority, or the Central Bank of Kuwait in respect to companies that are subject to the supervision of any of them, or any other authority determined by the Law.
Term of Preferred Shares	: The term of the Preferred Shares that commences at the date of issuance of the preferred shares until the date of its redemption or conversion to ordinary shares.
Underwriter	: As defined under Article (130) of the Executive Bylaw of the Companies Law.

Chapter Two

Issuance of Preferred Shares

Types of Companies Eligible to Issue Preferred Shares

Article (3)

Public shareholding companies and closed shareholding companies shall be eligible to issue Preferred Shares in accordance with the provisions of these Regulations.

Minimum Eligibility Requirements for the Issuer

Article (4)

Any Issuer of Preferred Shares shall fulfill the following minimum requirements:

1. All subscribed shares of the Issuer shall be fully paid up;
2. The completion (including the allotment) or cancellation of any subscription of shares in respect to any previous offer of the Issuer;
3. The accumulated losses shall not exceed seventy five percent (75%) of the paid up capital.
4. Compliance with the debt/leverage requirements and any other capital requirements as mandated under any law or regulation applicable to such entity.

Minimum Eligibility Requirements for the Issue

Article (5)

Issuance of Preferred Shares shall be permitted only if:

1. Such issue is permitted by the Company Contract of the Issuer;
2. A resolution has been passed by an extraordinary general assembly of the Issuer stating the types of privileges to be granted to the Preferred Shares; and
3. The aggregate of the issued capital of the Issuer and the value of the new issuance does not exceed the authorized share capital of the Issuer.

All Preferred Shares issued in the State of Kuwait shall be denominated in Kuwaiti Dinars only. The nominal value of each Preferred Share shall not be less than one hundred (100) Kuwaiti Fils, unless exempted by the Authority.

Method of Offering the Preferred Shares

Article (6)

Subject to the directives issued by the Authority, Preferred Shares shall be issued only by way of Private Placement. The Authority may issue regulations for the issuance of the Preferred Shares by way of public offering.

The offering of Preferred Shares shall be restricted to an offer to Sophisticated Investors only, in accordance with Article (7) of these Regulations; or any other circumstances determined by the Authority, in accordance with any terms and conditions stipulated by the Authority.

Article (7)

The Issuer shall offer the Preferred Shares for Private Placement to Sophisticated Investors which take any of the following forms:

1. The Government of the State of Kuwait;
2. Central Bank of Kuwait;
3. The Securities Exchange or a Clearing Agency;
4. A public authority, body, or entity of the State of Kuwait;
5. An Authorized Person acting for its own account;
6. A Local Bank acting for its own account;
7. A Finance Company acting for its own account;
8. A client of a Licensed Person, provided that the offer is made through such Licensed Person, and all relevant communications are made with such Licensed Person; and such Licensed Person has been engaged as an investment manager on terms which enable it to make decisions concerning the acceptance of private offers of Preferred Shares on the client's behalf without reference to the client.
9. A natural person with a net worth, either individually or jointly with spouse, that exceeds one million Kuwaiti Dinars or its equivalent, excluding the value of the primary residence of such person, at the time of the Private Placement;
10. A collective investment scheme or a regulated pension fund in the State of Kuwait;
11. A company whose shares are listed on the Securities Exchange;
12. A company which has a paid up share capital of at least one million Kuwaiti Dinars or its equivalent;
or
13. Any other person approved by the Authority.

The minimum subscription amount to be paid by each investor shall not be less than one hundred thousand Kuwaiti Dinars or its equivalent.

Article (8)

The Board of Directors of the Issuer shall, in accordance with the applicable provisions of the Companies Law and its Executive Bylaw, convene an extraordinary general assembly of the Issuer which shall pass a resolution for the issuance of the Preferred Shares.

Article (9)

If the Issuer is subject to the supervision of any other Supervisory Authority other than the Authority, the Issuer shall obtain the preliminary approval of such Supervisory Authority prior to the approval of the Authority and the issuance of the Offering Document.

Subscription Underwriter of the Issue

Article (10)

An Issuer may appoint one or more parties as a Subscription Underwriter registered with the Authority to assist with the management, marketing, and underwriting of the Preferred Shares on behalf of the Issuer. The Issuer shall enter into an agreement with such Subscription Underwriter setting out the rights, roles, responsibilities, liabilities, and obligations of the parties in relation to the issuance.

Article (11)

The Issuer and any Subscription Underwriter shall comply with the procedures, conditions, and requirements for management and marketing of the subscription, as provided in the Executive Bylaw of the Companies Law, Capital Markets Authority Law and its Executive Bylaw, and any other rules or regulations that the Authority may issue from time to time in this regard.

Advisor to the Issue

Article (12)

The Authority may require the Issuer to appoint an Advisor to assist in the issuance process. The Issuer may appoint an Advisor on its own initiative to assist in the issuance process.

Article (13)

An Advisor shall perform at the very least the following duties:

1. Act as the principal point of contact to the Authority in relation to the application for the issuance of the Preferred Shares;
2. Ascertain that the Issuer has complied with all conditions required for the issuance of the Preferred Shares ; and
3. Provide to the Authority any information or clarifications within such time limit and in such form as the Authority may require.

Article (14)

The Advisor shall be approved or licensed by the Authority to perform the aforementioned duties and shall have the required experience to perform those duties.

Compliance with the regulatory requirements applicable to the issuance of Preferred Shares shall remain the responsibility of the Issuer, and such responsibility shall not be transferred to the Advisor even if the appointment of the Advisor is at the direction of the Authority.

Requirements of the Offering Document

Article (15)

The Offering Document shall contain the information, declarations, and disclosures outlined in Chapter Nine of the Capital Markets Authority Law and Chapter Nine of the Executive Bylaw of the Capital Markets Authority Law.

Article (16)

The Offering Document shall provide details with respect to the terms and conditions of the issuance of the Preferred Shares, including at least:

1. The size of the offer;
2. The minimum subscription amount;
3. The types of investors eligible to apply for the offer;
4. The Term of the Preferred Shares;
5. Dividends to be paid on the Preferred Shares, including the frequency of payments;
6. Any restriction on the payment of dividends;
7. The terms and conditions for the redemption of any Redeemable Preferred Shares;
8. The terms and conditions for the conversion of any Convertible Preferred Shares;
9. The rights of holders of the Preferred Shares with respect to voting, profits, liquidation proceeds, or any other rights;
10. Detailed information on the underwriters including a copy of the underwriting agreement;
11. Disclosure with regards to the rights, liabilities, and obligations of the underwriter if applicable;
12. A declaration provided by an independent audit firm on the role of the auditor and the key findings on the financial due diligence performed ;
13. Important dates for investors, including at least:
 - a. The opening date of the offer;
 - b. The closing date of the offer;
 - c. The first payment date for dividends;
 - d. The conversion date for any Convertible Preferred Shares;
 - e. The redemption date for any Redeemable Preferred Shares.

14. Percentage of interest payment, in the case of a delay in the refund of subscription amounts, due to cancellation of issuance.

Article (17)

All Offering Documents shall contain on the first page a prominent and legible disclaimer statement which shall be written in bold letters and box framed as follows:

INSTRUMENTS OFFERED THROUGH THIS OFFERING DOCUMENT ARE PREFERRED SHARES AND NOT BONDS. THEY ARE RISKIER THAN BONDS AND MAY NOT PROVIDE ANY GUARANTEED DIVIDENDS. INVESTORS ARE ADVISED TO READ THE RISK FACTORS CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS OFFER. FOR TAKING AN INVESTMENT DECISION, EACH INVESTOR MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE OFFER INCLUDING THE RISKS INVOLVED. THE PREFERRED SHARES HAVE NOT BEEN RECOMMENDED BY THE CAPITAL MARKETS AUTHORITY NOR DOES THE CAPITAL MARKETS AUTHORITY GUARANTEE THE ACCURACY OR ADEQUACY OF THIS DOCUMENT.

A clause on "Issuer's Absolute Responsibility" shall be incorporated in a box format as follows:

THE ISSUER HAS COMPLETED THE DUE DILIGENCE, ACCEPTS RESPONSIBILITY FOR AND CONFIRMS THAT THIS OFFERING DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE, THAT THE INFORMATION CONTAINED IN THIS OFFERING DOCUMENT IS TRUE AND CORRECT IN ALL MATERIAL ASPECTS AND IS NOT MISLEADING IN ANY MATERIAL RESPECT, THAT THE OPINIONS AND INTENTIONS EXPRESSED IN IT EXPRESS ITS ACCURATE CONTENT, AND THAT THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKE THIS DOCUMENT AS A WHOLE OR ANY OF SUCH INFORMATION OR THE EXPRESSION OF ANY SUCH OPINION OR INTENTIONS MISLEADING IN ANY MATERIAL RESPECT.

Article (18)

The Issuer shall classify for accounting purposes the Preferred Shares being offered in accordance with the International Financial Reporting Standards, taking into consideration the structure of the Preferred Shares; and the Issuer shall submit an opinion from an audit firm approved by the Authority supporting its classification of the Preferred Shares, together with the assumptions and reasons forming the basis for the classification and the opinion of the auditing firm.

The Authority may request the Issuer to re-classify such Preferred Shares.

Pricing of the Shares

Article (19)

The Preferred Shares may be issued at nominal value, at a discount or at a premium; and any such premium shall be determined in accordance with any terms and criteria established by the Permanent Technical Committee.

The aggregate amount of any premium received by the Issuer on the Preferred Shares shall be allocated to a Securities Premium Account, and shall be used in accordance with the Companies Law.

Payment for the Preferred Shares

Article (20)

Payment for the subscription in Preferred Shares may be made in full or in installments in accordance with what is provided for in the Offering Document; and if payment for the Preferred Shares is to be made in multiple installments, these shall be determined in accordance with the Companies Law.

If the Preferred Shares are only partially paid, the holder of such Preferred Shares would be liable to pay for any calls on the Preferred Shares in accordance with the terms upon which such Preferred Shares are issued as provided in the Offering Document, and dividends shall be paid only in proportion to the paid up value of such Preferred Shares.

Submission of Draft Offering Document

Article (21)

The Issuer shall submit to the Authority a draft of the proposed Offering Document, which shall follow the format approved from time to time by the Authority. The margins shall be marked with indications demonstrating where each relevant item of the requirements for the content and disclosure for the Offering Document have been met, and each page of the Offering Document shall be signed by the authorized signatory of the Issuer.

Review and Approval of Preferred Shares Issue

Article (22)

Upon the submission of the Offering Document's draft by the Issuer, the Authority shall undertake the process for the review of the issuance application in accordance with the applicable provisions of the Capital Markets Authority Law and the Executive Bylaw of the Capital Markets Authority Law.

Validity of the Offering Document

Article (23)

The approved Offering Document shall be valid for a period of three months from the date of approval of the Authority.

Period of the Issue

Article (24)

The subscription shall remain open for a period of not less than fifteen Business Days and not more than three months and it may be extended for a period of three months after the approval of the Authority.

Where the Issuer is subject to the supervision of any other Supervisory Authority, the Issuer shall immediately notify such other Supervisory Authority in writing about any request for extension made to the Authority as well as of any approval or rejection by the Authority of such request.

Shareholders Pre-emption Rights

Article (25)

Only the holder of existing Preferred Shares shall have a pre-emption right to subscribe to new Preferred Shares being offered by the Issuer, provided however that such pre-emption rights are stipulated in the Company Contract and in the Offering Document for the existing Preferred Shares.

Article (26)

The Issuer shall notify all holders of Preferred Shares of:

1. The new issuance of Preferred Shares;
2. The holder's pre-emption rights; and
3. The process of exercising pre-emption rights.

Each holder of existing Preferred Shares with a pre-emption right shall notify the Issuer of its election to exercise the right to subscribe within fifteen Business Days from the date of notification to the Issuer regarding the issuance. In case the holder of the shares did not notify the Issuer of its election to exercise the right to subscribe during the period mentioned in this clause, the holder of the shares shall be deemed to have waived such pre-emption right.

Subscription Process

Article (27)

The Preferred Shares shall be offered for subscription in accordance with these Regulations to the persons specified in Article (7) of these Regulations. The names of such persons shall be recorded by the Issuer prior to making the Offering Document available to such persons. The offer for subscription to the Preferred Shares shall be issued to such persons by name, and the Issuer shall keep a complete record of all such offers made by the Issuer in such manner as may be prescribed by the Authority.

Under subscription/Oversubscription

Article (28)

Any under subscription or oversubscription of an issue of Preferred Shares shall be resolved in accordance with the terms of the Offering Document, the Companies Law and its Executive Bylaw, and any other relevant rules and regulations.

Article (29)

In the event where an Issuer cancels the issue of Preferred Shares, the application amounts received thereto shall be fully refunded to the applicants within fifteen Business Days from the date of cancellation of the issue.

Article (30)

Where the application amounts for a cancelled issue are delayed beyond the period stipulated in Article (29) of these Regulations, the Issuer shall be liable to pay interest on any un-refunded amount for the period commencing from the initial receipt of the funds by the applicant until the date of payment, at a rate specified in the Offering Document which at any point of time shall not be less than the dividend rate specified in the Offering Document for such Preferred Shares.

Allotment of Preferred Shares

Article (31)

The allotment of Preferred Shares to subscribers shall be handled in the manner specified in the Offering Document, and in accordance with applicable provisions of the Companies Law and its Executive Bylaw, and any other relevant rules and regulations. Such allotment shall be restricted to the maximum of the size of the issue specified in the Offering Document.

Article (32)

Allotment of the Preferred Shares shall be made within fifteen Business Days from the closing date of the subscription for such Preferred Shares, and the Issuer shall notify each subscriber of the details of the allotted Preferred Shares.

Full or Partial Payment of the Preferred Shares

Article (33)

Any right of the Issuer to demand full or partial payment on any unpaid amount of the subscribed shares and any forfeiture of Preferred Shares shall be in accordance with the relevant provisions of the Companies Law and its Executive Bylaw.

Pledge on Preferred Shares

Article (34)

Preferred Shares may be pledged in accordance with the relevant provisions of the Companies Law and its Executive Bylaw.

Chapter Three

Rights of Preferred Shareholders

Rights of Preferred Shareholders

Article (35)

The Company Contract of the Issuer shall set out the characteristics of the Preferred Shares, including at least:

1. Priority of payment of dividends and capital;
2. Voting rights;
3. Accumulation of dividends;
4. Redemption of Preferred Shares;
5. Conversion rights;
6. Any participation in surplus assets in case of liquidation;
7. Any participation in profits.

Article (36)

Holders of Preferred Shares shall have priority in respect to the payment of dividends and capital over the holders of ordinary shares.

If, for any reason, a scheduled payment of dividends is not made within fifteen Business Days of the payment date specified in the Offering Document, the Issuer shall not, without the approval of who represents two-thirds of all Preferred Shares:

- a. Declare or pay any cash or in-kind dividend by the Issuer prior to payment of dividends to the holders of Preferred Shares; or
- b. Redeem or buy back any securities issued by the Issuer, or reduce capital in respect to any securities issued by the Issuer which rank equally with or junior to Preferred Shares.

Article (37)

Without prejudice to the other rights set out in these Regulations, unless the Offering Document specifically provides for any additional rights, the holders of Preferred Shares shall be entitled to participate in the deliberations of the general assembly of the Issuer, but shall not have the right to vote on any resolutions placed at the meeting.

Article (38)

The holders of Preferred Shares collectively representing five percent (5%) or more of a class of issued Preferred Shares shall have the right to request the Board of Directors to convene a meeting for the holders of such class of Preferred Shares. The Board of Directors shall call the Board to convene within fifteen days from the date of the request.

Amendment of Shareholder Rights

Article (39)

Pursuant to Article (153) of the Companies Law, the privileges, rights, or restrictions attached to a specific type of shares may not be amended without prior consent of not less than two-thirds of all the shares of the affected class of Preferred Shares.

If a variation by one class of shareholders affects the rights of any other class of shareholders, the consent of two-thirds of such other class of shareholders shall also be obtained.

Article (40)

No resolution for the liquidation of the Issuer, the reduction of the Issuer's share capital, or the redemption of Preferred Shares, on conditions other than as provided in the Offering Document, may be passed without the consent of the holders of Preferred Shares in accordance with Article (39) of these Regulations.

Article (41)

Amendments affecting the respective rights of different classes of Preferred Shares shall be communicated by the Board of Directors to each holder of such class of Preferred Shares at the time of passing of such amendments by the extraordinary general assembly by registered mail to the designated address maintained in the register at the Clearing Agency. Alternatively, the Issuer may choose to notify the holders of Preferred Shares through an announcement made in accordance with the relevant provisions of the Companies Law.

In the case of Convertible Preferred Shares, this announcement shall include any effect in the rights of the holders of the ordinary shares of the Issuer into which such Convertible Preferred Shares would be converted.

Article (42)

Where dividends in respect of a class of Preferred Shares have not been fully paid in accordance with the Offering Document for a period of two consecutive years, the holders of such class of Preferred Shares shall have the right to vote on all of the resolutions raised at a general meeting of the Issuer.

In such situations, the voting rights of holders of the ordinary shares of the Issuer and of the Preferred Shares shall be in the same proportion to each class of such shares in the paid up capital of the Issuer.

When the Issuer makes payment in full with respect to the late dividends, the temporary right granted to holders of such class of Preferred Shares to vote in the general assembly of the Issuer shall automatically be forfeited.

Chapter Four

Transfer of Preferred Shares

Transfer of Preferred Shares

Article (43)

In the event the holder of Preferred Shares wants to transfer the ownership of Preferred Shares, it shall be made in accordance with the conditions specified in Article (6) and Article (7) of these Regulations, the relevant provisions of the Executive Bylaw of the Capital Markets Authority Law, and any other instructions and resolutions issued by the Authority.

Ownership by Non-Kuwaiti Investors of Preferred Shares

Article (44)

Non-Kuwaiti Investors may own Preferred Shares in accordance with all applicable laws.

Settlement of Securities

Article (45)

In accordance with the Companies Law, an Issuer shall have a special shareholders' register held by a Clearing Agency in which are recorded the Civil ID number/ Company registration number or appropriate identification number, name, nationality, and address of the holders of the Preferred Shares, along with the number of Preferred Shares held by such holders, as well as the types and the value paid for the Preferred Shares.

Information in such a register shall be updated immediately in accordance with details of trades and other transfers of ownership permitted under these Regulations and in accordance with the procedures permitted by the Authority.

Article (46)

Clearing and settlement in Preferred Shares shall be in accordance with the procedures permitted by the Authority.

Chapter Five

Redeemable Preferred Shares

Article (47)

Any Issuer of Redeemable Preferred Shares shall, in addition to those specified in Article (4) of these Regulations, ensure that the total shareholder's equity shall not be less than the minimum capital requirements as defined by the Ministry or any other relevant Supervisory Authority, taking into account the type of corporate entity and its activities.

Conditions for Redemption of Preferred Shares

Article (48)

An issuer may redeem the Preferred Shares provided that:

1. The Preferred Shares are fully paid up; and
2. The redemption of Preferred Shares is paid out from the profits of the Issuer or out of the proceeds of a new issue of shares made for the purposes of such redemption.

Where Preferred Shares are proposed to be redeemed out of the profits of the Issuer, there shall be a transfer of a sum equal to the nominal amount of the Preferred Shares to a reserve, which shall be named as the Capital Redemption Reserve Account.

Article (49)

The redemption of Preferred Shares by the Issuer shall not be deemed as reducing the amount of the Issuer's authorized share capital.

Where Preferred Shares are redeemed, the amount of the issued share capital of the Issuer shall be reduced by the nominal value of the Preferred Shares redeemed, and these Preferred Shares shall be deemed as cancelled.

Article (50)

The Issuer shall notify the Authority, the Ministry, any other Supervisory Authority, and the Clearing Agency, of the redemption of the Preferred Shares fifteen Business Days prior to such redemption.

Article (51)

The Issuer shall redeem and settle the Preferred Shares in accordance with the terms of the issue, as specified in the Offering Document.

Article (52)

If the Issuer is unable to redeem any Preferred Shares or pay dividends (if any) on such Preferred Shares in accordance with the conditions specified in the Offering Document, the Issuer shall, no less than

twenty Business Days prior to the scheduled redemption date specified in the Offering Document, call for a meeting of the holders of such Preferred Shares in accordance with Article (38) of these Regulations to deliberate upon and to approve the options of redemption and payment.

Article (53)

The Issuer shall provide the Authority within twenty Business Days after the redemption of Preferred Shares, with the following:

1. The number of redeemed Preferred Shares;
2. The redemption date;
3. The redemption value.

Article (54)

The statement provided by the Issuer to the Authority as specified in Article (53) of these Regulations shall be accompanied by a statement of share capital. The statement shall provide the following information with respect to the Issuer's share capital immediately before and after the redemption:

1. The total number of shares of the Issuer;
2. The aggregate nominal value of those shares;
3. The prescribed particulars of the rights attached to the shares;
4. The total number of shares of that class;
5. The aggregate nominal value of shares of that class;
6. The amount paid and the unpaid amount;
7. Share Premium Account (if any);
8. Capital Redemption Reserve (if any);
9. Capital Reserve;
10. Voluntary Reserves;
11. Other Reserves (if any).

Article (55)

If the redemption value has not been claimed by any holder of Preferred Shares within six months of the redemption, the Issuer shall, within ten Business Days of the expiration thereof, transfer the total amount of unpaid redemption amount to a special account to be opened by the Issuer in any Local Bank to be set apart to account for unpaid redemption amount, and amount shall not be utilized for any other purpose other than redemption of Preferred Shares to the designated shareholders.

The Issuer shall maintain a statement containing the names of each holder entitled to an unpaid redemption amount, its last known address and the unpaid redemption amount due to such Person.

Chapter Six

Convertible Preferred Shares

Conditions for the Issuance of Convertible Preferred Shares

Article (56)

In addition to conditions specified within Article (4) of these Regulations, the ordinary shares into which the Convertible Preferred Shares may be converted shall have been issued or authorized to be issued.

Article (57)

In respect to Convertible Preferred Shares, the terms and criteria established by the Permanent Technical Committee, if any, shall be adhered to.

Conditions of the Conversion of Convertible Preferred Shares

Article (58)

The Issuer shall notify the Authority, the Ministry, any other relevant Supervisory Authority, and the Clearing Agency of the conversion of the Preferred Shares into ordinary shares of ten Business Days prior to the date of conversion.

Where an investor holds five percent or more of the original share capital as a result of the exercise of the conversion option, the Issuer shall disclose to the Authority such change of interest in accordance with the provisions of the Executive Bylaw of the Capital Markets Authority Law, and any other instructions or resolutions issued in that respect.

Article (59)

Convertible Preferred Shares shall be converted into ordinary shares of the Issuer as per the terms of the issue specified in the Offering Document.

Any fractions arising upon conversion of Convertible Preferred Shares to ordinary shares shall be settled in cash.

Article (60)

The Issuer shall notify the Authority within twenty Business Days after a conversion of Preferred Shares, specifying the following:

1. Number of Preferred Shares being converted to ordinary shares;
2. The date of such conversion;
3. The conversion ratio;
4. The number of ordinary shares of the Issuer that the Preferred Shares would be converted into;
5. The conversion price.

Article (61)

The statement provided by the Issuer to the Authority as specified in Article (60) shall be accompanied by a statement of share capital, and the statement shall provide the information set forth in Article (54) of these Regulations before and immediately after the conversion.

Article (62)

Upon the conversion of the Preferred Shares into ordinary shares of the Issuer, the Issuer and the Interested Person shall adhere to the requirements under Chapter Ten of the Executive Bylaw of the Capital Markets Authority Law. For the purpose of calculation of the total number of shares in which the person has an interest, the number of ordinary shares held shall be aggregated with the number of ordinary shares issued on the conversion of the Preferred Shares.

Protection of Holders of Convertible Preferred Shares

Article (63)

The Issuer shall not distribute bonus shares, distribute profits from the reserves, issue Convertible Preferred Shares, nor issue new convertible bonds or Sukuk, from the date of the resolution of the extraordinary general assembly for the issuance of Convertible Preferred Shares, up until the date of conversion or repayment, without obtaining the approval of the holders of such Convertible Preferred Shares in accordance with Article (38) of these Regulations; provided that the conversion ratio of the existing Convertible Preferred Shareholders is automatically recalculated as per Terms and conditions of the Preferred Shares issuance.

Chapter Seven

Continuing Obligations

General Obligations

Article (64)

An Issuer of Preferred Shares shall comply with all applicable disclosure requirements as issued from time to time by the Authority, the Ministry, or any other relevant Supervisory Authority.

Article (65)

An Issuer of Preferred Shares shall keep the Authority and the holders of its Preferred Shares promptly informed of any Material Information which may be expected to affect the ability of the Issuer to meet its obligations to the holders of such Preferred Shares.

Article (66)

The Issuer shall be responsible to send to the Authority a copy of all correspondence sent by the Issuer to the holders of Preferred Shares, and the Issuer shall respond promptly to any enquiries made by the Authority.

Article (67)

An Issuer shall ensure equality of treatment for all holders of its Preferred Shares of the same class in respect of all rights attached to such Preferred Shares.

Notifications related to Preferred Shares

Article (68)

An Issuer shall, after approval by its Board of Directors or an extraordinary general assembly of the Issuer or the meeting of holders of its Preferred Shares in accordance with Article (38) of these Regulations, as appropriate, inform the Authority of the following information:

1. Any purchase, redemption or cancellation of its Preferred Shares immediately after such purchase, redemption or cancellation ;
2. Any change in the rights attaching to any class of shares or any convertible Preferred Shares into such shares; or
3. Any proposed material alteration of its Company Contract, or any other event, that may affect the rights of holders of its Preferred Shares.

Financial Information

Article (69)

An Issuer shall, during the tenure of its Preferred Shares, provide the Authority with its annual report and audited financial statements as soon as they have been approved and, in any event, within a period not exceeding ninety (90) days after the end of the financial period included in such financial statements.

Chapter Eight

Supervision, Inspection and Dispute Resolution

Article (70)

Non-compliance with the provisions of these Regulations shall expose the violator to disciplinary and criminal action in accordance with the Capital Markets Authority Law and its Executive Bylaw.

Article (71)

The powers of supervision and inspection in respect of these Regulations shall be as specified in Section Thirteen of the Companies Law and Chapter Eleven of the Capital Markets Authority Law, and any other applicable law or regulation as provided in the State of Kuwait.

Article (72)

Any dispute arising from the obligations prescribed in these Regulations or any contractual dispute in relation to obligations arising from the transaction documents or Offering Document in relation to Preferred Shares, shall be adjudicated by the competent Kuwaiti courts and the parties may agree to refer the dispute to the Arbitrational Tribunal formed pursuant to the arbitration system of the Authority established pursuant to the Capital Markets Authority Law.