dangers have perhaps been exaggerated a bit as a marketing device by certain Trust Companies trying to sell their services, from more "stable" jurisdictions but which are normally also more expensive. The reason is that most Governments of the free world and specially of the so called tax havens avoid isolated or wholesale incidents of expropriation or punitive taxation against private property, to avoid in turn creating a climate which will discourage the development of new private business. Additionally, more important than the domicile of the trust or corporation for purposes of effectively avoiding potential dangers like the ones discussed in this section, is the actual situs of the assets of such trust or corporation.

As long as the assets of a trust or corporation are beyond the immediate reach of a Government which might issue a confiscatory or expropriatory decree the property in question will remain safe because appropriate documentation can always be conveniently produced to transfer such assets to a new title holder from another jurisdiction, even if the potential hostile government were to try to nationalize or expropriate the trust company itself and not only the assets of such institutions.

The above comment is very important as it relates to tax havens like Panama because the Trusts and Corporations of such countries are mostly used simply as juridical instruments to hold title of assets which are in turn maintained or invested in other jurisdictions.

As a general rule of international law, expropriations or other similar acts against private property requires the expropriating country to pay prompt and adequate compensation to the affected parties. The rule is so widely recognized that most countries of the civilized world will not even consider the validity or enforceability of Governmental decrees issued by other countries, affecting properties located within their borders, unless they have seen the evidence that the confiscation or expropriation was justified and/or that there was prompt and adequate compensation. (The only exception might be the confiscatory decrees issued against the property of deposed Dictators who have ram-sacked the treasury of their Nations and even in such cases the legal battles can become very complex for the confiscating Nation as has happened in the recent case of Mr. Marcos of the Philippines).
Notwithstanding the above mentioned comments and taking into consideration that it is the responsibility of international asset management companies to avoid all real or imaginary potential dangers to the assets under their custody or control, it will certainly be wise to make use of the flexibility of the Law and of the trusts themselves, as readily movable legal instruments, and to have a clause that will allow the trust to migrate expeditiously to another country in case that it is ever considered necessary.

7. VOTING TRUSTS

The voting trusts present interesting possibilities of new business for the Banking Industry.

By means of a voting trust a small shareholder of a large Corporation, who might not understand or have the desire or time to understand the intricacies of a particular business, could appoint, for a small fee, a professional from a Bank or other financial institution or trust Company to represent him and vote his shares for his benefit in the Company's shareholders meetings.

The professional, who most likely will be a financier or an accountant, will be in many cases better prepared to exercise a correct business judgement in the meetings than a shareholder who might not be so well trained in such business matters.

Additionally, by having a whole group of small shareholders getting together under a voting trust agreement for a number of years, perhaps they could even manage to appoint a representative to the Board of Directors of the Company.

In Panama most of the Corporations are still family controlled businesses, but such situation is changing rapidly as businesses expand and the whole country advances on the road toward economic development. Very soon we expect to see the emergence of a Panama stock exchange where big capital could be raised by the small investment of a large group of people

Voting trusts have many other practical applications, as in the case of long time partners in a particular business that agree to make a testamentary voting trust whereby the one will exercise the right to vote the shares of his predeceased partner for a

(7) Litvinoff, Saul, op cit., pag. 70
number of years after his or her death without the unwanted influence of the beneficial heirs of the deceased who might not know anything about the business.

8. GUARANTEE TRUSTS

These types of trusts are also very interesting and offer a number of practical applications.

In essence, through the use of a guarantee trust, a person (grantor) transfers property to a given trustee with specific instructions that if he does not pay a particular obligation, such trustee is to proceed to sell the property at a fair market price, cancel the amount of the outstanding obligation and give the remaining balance back to him. If, on the contrary, the obligation is repaid, the trust simply terminates and the property reverts back to the original owner.

In some countries, the procedure of a guarantee trust offers even more advantages than the popular and widely used first preferred mortgage, because there is no need to go through the costly, and in certain cases, time consuming, judicial procedure for the foreclosure of the mortgage; and where additionally, there is the risk that another person might acquire the goods in the public auction at a lower than fair market price.

In Panama, however, there is a transfer tax of 2% for immovable property located within the country (based on the sale price or on the assessable value of the property, whichever is higher) and which will have to be paid at the time such immovable property is transferred to the trustee and again whenever he sells the property. Thus, the institution should only be used when movable goods are given as guarantee or if the property is in the name of a corporation, by giving the shares of the corporation in trust with the instruction that the trustee could sell enough assets of the corporation to repay the obligation.

Needless to say, it is very important for this type of trust to select a trustee that will be "trusted" beyond a reasonable doubt to determine when default has occurred and to have the necessary ability to obtain a good price on the sale of the goods given in the guarantee trust. In the alternative, and since the trustee

(8) Ibid, pag. 67
will otherwise be making decisions which normally correspond to a Judge, all the difficult details as to when default has occurred, possible exceptions or defenses, if any, which the trustor could allege for nonpayment as well as the exact procedure to be followed for the sale of the property, should be stated as clearly as possible in the trust deed itself.
COST OF ESTABLISHING A PANAMANIAN TRUST

Article 35 of the New Trust Law specifies:
"All acts concerning the creation, modification or termination of a trust, as well as the transfer, transmission or encumbrance of the property given in trust and the proceeds emanating from such property or any other act regarding the same shall be exempt from any tax, assessment, toll or any charge, provided that the trust involves:

1. Property located abroad,
2. Money deposited by natural or juridical persons whose income does not derive from Panamanian source or is not taxable in Panama or
3. Shares or securities of any kind, issued by corporations whose income is not derived from Panamanian source, even when such money, shares or securities are deposited in the Republic of Panama.

Proviso First: The foregoing exemptions shall not apply in the case in which such property, money, shares or securities as are mentioned in subparagraphs 1, 2 and 3 above are used in operations which are not exempt from taxes, assessments, tolls or charges in the Republic of Panama, unless they are invested in housing development projects or the urban development of industrial parks in the Republic of Panama, in which case the proceeds of such investments shall be exempt from income tax.

Proviso Second: Notwithstanding what is stated in this article, every trust shall be subject to an annual toll equal to ONE HUNDRED DOLLARS (US$100.00) payable upon setting up the trust, and subsequently, within the
first three (3) months following each anniversary of the trust.  
Default in the payment of such toll shall result in a TWENTY DOLLAR (US$20.00) surcharge for each year of delay and shall suspend the effects of the trust during the duration of such default.  
Upon the expiration of a period of three (3) years in default, the trust shall be extinguished as a matter of law.

Persons duly authorized to engage in the trust business must collect the annual toll and keep a numbered record evidencing Payment thereof and must deliver such amounts to the Ministry of the Treasury upon collection and submit before such Ministry a monthly affidavit.

Thus, we envision that for most of the trusts that will be created, according to the New Trust Law of Panama, the only charges will be:

A. An annual toll of US$100.00 payable to the Government of Panama. (For a model of the tax information sheet that has to be filled in by the Trustee for every trust, please see Annex 1. As will be appreciated, basically only a number is given out as information to the Government on every trust, for the payment of the annual toll.)

B. A resident agent fee, which will be charged by the lawyer or law firm who will act in such capacity in Panama, and whose role is similar to that of the resident agent of a Panamanian Corporation. The fee should be small and is probably negotiable with every particular lawyer or law firm.

C. An annual charge to be negotiated with the Trust Company for drafting or presenting the trust deed and for serving in its capacity as trustee. The charges will certainly depend on the prestige and competence of the Trustee, on the amount of time and responsibility required in drafting the deed with their attorneys (a specialized versus a standard form) and on the type of service that the company will actually be required to perform. (Depends on the type of trust, that is administrative, investment, title holder, voting, etc.)
THE PANAMANIAN LAW ON TRUST

1. GENERAL COMMENTS

If there is one word which can best describe the New Trust Law of Panama it is "simplicity".

Contrary to other jurisdictions where even the most minute details are covered by the statutes, the Panamanian Legislator decided to create a simple, easy to understand ordinance which leaves little room for future complications as to its interpretations.9

As can be appreciated in the index of content which follows this introductory comments, the Law is composed of 43, mostly brief, articles.

The Trust is defined as an "act" (Article 1) to avoid the problems presented mainly in the civil law countries with the prior definition of the Trust as a "contract" or as "mandate" for which there are additional sets of regulations already present in our Civil and Commercial Codes. Only express trusts are allowed (Article 4).

Trusts can be revocable or irrevocable and can be set up for a specific property or for the whole state of the Settlor (Article 3).

The Settlor can also act as the beneficiary of the Trust (Article 1) and the Trust can be set up for any type of property (Article 2) and for any purpose not contrary to morale, the law or public order (Article 5).

The Law provides that Trusts established according to the Panamanian Law can be subject to the laws of another country.

(9) Due credit should be given to Professor José A. Noriega for his role in drafting the project which eventually and after ample discussions, consultations and appropriate changes, became the new law.
in their execution if so provided in the trust deed. There is additionally a "flee clause" or the possibility of transferring the whole Trust as well as the property thereof to the laws or jurisdiction of another country, as provided in the trust deed (normally a simple declaration by the Trustees) (Article 38). Foreign trusts may also be subject to Panamanian Law as long as the substantive requirements and formalities of the Panamanian Law are also fulfilled (Article 40).

There are very strict secrecy provisions with stiff penalties for its violations of up to 6 months in prison and fines up to US$50,000, not only in the law itself (Article 37), but also on the complementary regulation (also included in this booklet, please see articles 19 to 22, Chapter IV of Executive Decree No.16).

2. WORDS OF CAUTION WHEN ESTABLISHING A TRUST BASED ON THE PANAMANIAN LAW

Panamanian Trusts must be created complying strictly with all of the requirements established in Article 9 of the law which stipulates certain clauses that must be included in the trust deed. If the trust deed is created by means of a private document, the signatures of the Settlor and of the Trustee or of their attorneys-in-fact must be duly authenticated by a Panamanian Notary (The Panamanian Consuls in foreign countries can act as Public Notaries). Additionally if the trust deed includes inmovable property located in Panama, the transference of such property to the trustee must be done following all of the formalities established in our system of laws to execute such transference (essentially a Public Deed that must be registered in the Panamanian Public Registry).

Failure to comply with the formalities stated above will mean that the trusts will be considered null and void, thus professional advise should be sought when drafting a Trust based on the Laws of Panama (or at least a model trust agreement) to make sure that it complies with such formalities.

The law contains other stipulations that also deserve some words of caution for the Settlor, the Trustee or the Beneficiaries as the one contained in Article 35. Such article states that Trusts established according to the Laws of Panama must pay an an-
nual franchise tax to the Government of Panama of US$100.00 and that the failure to pay such tax for a total period of time of three years will cause the trust to be terminated as a matter of Law (Please see article 35). Precaution should be made then at the time of establishing the trusts, not only to appoint a prestigious, diligent and reputable trustee that will not fail to make such payments but perhaps a clause can be inserted in the trust deed which will expressly assign full responsibility to the Trustee for any adverse consequence to the grantor or beneficiary, that such negligent lack of payment and unexpected termination of the trust might produce to them. (Actually article 27 of the law hold Trustees liable for any loss or damage resulting from failure to exercise the care of a good head of a family, which will be the case at hand).

Panamanian Trusts, like Panamanian Corporations require a Resident Agent which is not a service of process agent but rather the local contact of the Trust Instrument with the country and Government of Panama at the time of establishing the Trust who must countersign the trust deed and who must be an attorney or a Law Firm (The countersignature can actually serve to pass on to the attorney the responsibility of ascertaining that the trust deed has been drafted following the formalities of the Panamanian Law).

The rest of the Law is basically in harmony with the provisions of the most flexible and advanced jurisdictions of the anglo-saxon world in regard to trust and can be rapidly studied by the interested reader with the help of the index of content by articles provided in the following sections.
REGULATIONS OF THE TRUST BUSINESS

After the issuance of the new Trust Law of Panama, the legislator also realized that it was necessary to set the rules and regulations that would apply to all natural or juridical persons conducting professionally or customarily the trust business in or from the Republic of Panama.

In October 3, 1984, Executive Decree No.16 was issued and later amended by means of Executive Decree No.53 of December 30, 1985.

Since the Banking Commission of Panama had proven to be so efficient in ensuring and maintaining the soundness and efficiency of the Banking System, and since one of the main purposes of the new Trust Law was to make available to the Banks operating in Panama a new and more flexible instrument for the captation and commercial utilization of assets, the legislator decided to assign to the same Banking Commission the responsibility of supervising and ensuring the proper operation of the trust business in or from Panama.

The regulations which are included in this booklet with its respective index of content in essence stipulate the requirements for the obtainment of a Trust Licence, the security or guarantees that the Companies shall give to the Commission for the proper fulfillment of their obligations and the authority of the Commission to make inspections when necessary. The regulations also cover in detail the trust secrecy, the procedure for cancellation of licences, the reports that the companies must submit to the Commission, the activities and investments prohibited to trust companies and other necessary rules to ensure the proper and adequate operation of the trust business in the country.

One of the most important stipulations of the Regulations is that all professional Trustees operating in Panama must be licensed by the appropriate office of the Government of Panama.
which as stated above is the prestigious Banking Commission. Applications for licenses are very carefully reviewed by the Commission in order to maintain the high standard for which Panama has become known in international financial circles.

Out of more than one hundred and thirty (130) banks operating in Panama, there have only been two Bank failures within the last fifteen years and the main reason for such adequate record is that the Commission is very strict in its acceptance requirements and only grants Banking Licences to the most prestigious and reputable organizations (for a brochure on the "Guides for the obtainment of a Banking Licence in Panama", please contact our main office or any of our affiliated offices in other jurisdictions).

Following the strict requirements for the obtainment of Banking Licences, the Trust Regulations originally demanded that Trust Companies had to maintain in Panama a minimum capital of US$1,000,000.00 (Article 14 of Executive Decree No.16 of October 3, 1984) but such requirement was subsequently changed by means of Article 14 of Executive Decree No.53 of December 30, 1985). The new requirements look more for the prestige and reputation of the applicants and have reduced the monetary guarantees to US$250,000.00 which can be set up now, as cash deposit, Government bonds, insurance company policies, banking guarantees (a letter from a bank) or checks drawn or certified by local Banks. At least 10% of the security that is US$25,000.00 must consist of a deposit with the Official Government Bank of Panama (Banco Nacional de Panama) or the official savings and loans associations (Caja de Ahorros).
Law No. 1 of January 5, 1984
Trust's Law

Article No. 1:
Definition of Trusts; Trustor can also be Beneficiary ......................... 43

Article No. 2:
Property given in trust can be of any kind, present or future. Additional
property might be added with consent of trustees ............................... 43

Article No. 3:
Trust can be set up for specific property of for a whole estate ............ 43

Article No. 4:
The intention of creating up a trust must be stated in writing .............. 43

Article No. 5:
Trusts can be set up for any purpose not contrary to moral, the law
or public order ....................................................................................... 43

Article No. 6:
Trusts can be pure or simple or subject to a condition ....................... 43

Article No. 7:
Trusts can be revocable if stated in trust deed; otherwise, they will be
considered irrevocable .......................................................................... 44

Article No. 8:
All trust shall be considered onerous unless otherwise expressed in
trust deed ............................................................................................... 44

Article No. 9:
Formalities and stipulations that a trust deed must contain.
If trust is made by private document, signature of Trustor and Trustee
shall be authenticated by Panamanian Public Notary ............................ 44

Article No. 10:
Inter-vivos trusts can be created by private or public document.
Testamentary Trust must be created with the formalities of a will unless
Trustee is duly licensed to engage in the trust business ....................... 45

Article No. 11:
Trusts on real estate property located in Panama must be created by
Public Deed ............................................................................................ 45

Article No. 12:
Trusts that lack consideration or the respective formalities of Articles
9, 10, 11 are null and void. The nullity of one clause does not necessarily
invalidate the whole document ................................................................... 45
Article No. 13:
Trust on real estate property located in Panama and other cases; when do they affect third parties ................................................................. 46

Article No. 14:
Transfer by trusts of real estate property located in Panama becomes effective when document is registered in Public Registry ..................... 46

Article No. 15:
Assets given in trust constitute an estate separate and apart from Trustee’s ................................................................................................. 46

Article No. 16:
Revocation or substitution of beneficiaries ........................................ 46

Article No. 17:
(Not in effect any more)

Article No. 18:
Effectiveness of designation of non-existent beneficiaries ................... 47

Article No. 19:
Natural or juridical persons may act as Trustees ................................... 47

Article No. 20:
Appointment of more than one trustee; how shall they act ................... 47

Article No. 21:
Replacement or substitution of Trustees .............................................. 47

Article No. 22:
Judge, when can he appoint substitutes for Trustee ............................. 47

Article No. 23:
Trustee not bound to accept position. When does his obligations commence. ................................................................. 48

Article No. 24:
Resignation of trustees; when and how to resign ................................... 48

Article No. 25:
Trustee’s rights equal to ownership of property but must abide by Trust Deed ................................................................................................. 48

Article No. 26:
Obligations of Trustees as to disposition of property ........................... 48

Article No. 27:
Trustees; when are they liable for loss or damage of assets given in trust ................................................................. 48
Article No. 28:
Trustees; need to render an account of their management ............. 48

Article No. 29:
Trustees; not necessarily bound to provide special management bond ................................................. 49

Article No. 30:
Trustees; justified causes for judicial removal ................................. 49

Article No. 31:
Judicial removal of Trustee, who may request it ............................. 50

Article No. 32:
Trustees; must transfer property to his substitute in the event of his replacement. Otherwise transfer shall be made by Judge .... 50

Article No. 33:
Termination of trust; when does it occur ......................................... 50

Article No. 34:
Termination of trust without beneficiary to receive assets ............... 51

Article No. 35:
Trusts; when are they exempted from taxes. Payment of annual toll . 51

Article No. 36:
National Banking Commission of Panama in charge of supervising Trust business. Regulations to be issued by special Commission (already included in this booklet). Securities to conduct business must be placed at disposal of Banking Commission .......... 52

Article No. 37:
Trustees; need to maintain secrecy. Penalties for violation thereof . 53

Article No. 38:
Trusts and foreign legislations. Transfer of trust and property thereof to other jurisdiction ................................................. 54

Article No. 39:
Trusts established before promulgation of present law .................... 54

Article No. 40:
Foreign trusts may be subject to Panamanian Law if substantive and formal requirements of the Law are met ................................................. 54

Article No. 41:
Controversies; how shall they be resolved ........................................ 54

Article No. 42:
Prior Law on Trusts (Law No. 17 of February 20, 1941) is repealed .... 54

Article No. 43:
Law shall go into effect as of date of promulgation ......................... 55
GENERAL INDEX OF CONTENT BY ARTICLE

Executive Decree No. 16 of October 3, 1985
(As amended by Executive Decree No. 53 of December 30, 1985)
Whereby the exercise of the Trust Business in the
Republic of Panama is regulated

TITLE I
PRELIMINARY DISPOSITIONS

CHAPTER I
ON THE SCOPE OF APPLICATION AND DEFINITIONS

Article No. 1: Regulations shall apply to all natural or juridical persons conducting professionally or customarily a trust business in or from Panama except Governmental Banks................................. 60

Article No. 2: Definitions of: Trusts; Trustor; Trustee; Beneficiary; Trust Company, Commission; for purposes of application of Regulations................................. 60

Article No. 3: Banking Commission of Panama in charge of supervising the Trust Business................................................................. 61

TITLE II
ON TRUST LEGISLATION

CHAPTER I
ON AUTHORIZATIONS

Article No. 4: Trust Company must obtain corresponding license in order to operate in or from Panama................................................................. 61

Article No. 5: Requirements for a natural person to submit application for a trust license................................................................. 61

Article No. 6: Requirements for a juridical person to submit application for a trust license................................................................. 62
Article No. 7:
Commission may undertake additional investigation to obtain
more information about applicant. Notice must be given to the
general public about new applications, to hear any objections........63

Article No. 8:
Not in effect any more.................................................................64

Article No. 9:
Restriction for the use of the word "trust" or any other word
deriving therefrom ........................................................................64

Article No. 10:
Panamanian Notaries and Public Registry must help enforce
restriction on the use of the word "trust"...........................................65

Article No. 11:
Companies already using the word "trust" in their name.
Time period to comply with new regulations........................................65

Article No. 12:
Trust companies shall keep a numbered record of trust managed
by them. Affidavit will suffice for payment of annual tax.................66

Article No. 13:
Amendments of Article of incorporation of trust companies
require prior approval of Commission...............................................66

CHAPTER II
SECURITY (Guarantees)

Article No. 14:
Security of US$250,000.00 for proper fulfillment of obligations.
How to set up the security.................................................................66

Article No. 15:
Shares of trust companies must be issued in nominative
(not bearer) form. Transfer of shares requires prior approval
of Commission unless expressly exempted .......................................66

CHAPTER III
ON REPORTS AND INSPECTIONS

Article No. 16:
Trust Companies must submit corresponding Balance, and Profit
and Loss Statements duly certified by Public accountant at the close
of fiscal year..................................................................................67

Article No. 17:
Commission empowered to make necessary inspections.................67
Article No. 18:
Commission may take action like intervention or cancelation of license to protect public interest in case it is deemed necessary. 67

CHAPTER IV
ON TRUST SECRECY

Article No. 19:
Secrecy must be maintained even after termination of trust and other circumstances. 67

Article No. 20:
Information obtained by Commission may not be revealed unless requested by judicial authorities. 67

Article No. 21:
Information shall only be given if requested by court through exhibitory actions as part of proceedings started in Panama. Courts must also maintain confidentiality of information. 68

Article No. 22:
Imprisonment of up 6 months and or US$50,000.00 fine for violation of secrecy. 68

CHAPTER V
ON THE CANCELLATION OF TRUST LICENSES

Article No. 23:
Causes for cancellation of license. Cancellation and substitute Trustee. 68

Article No. 24:
Trust companies which want to cease operations. Procedures thereof. 69

Article No. 25:
Commission shall grant cancellation within 30 days period of application being duly submitted. 69

Article No. 26:
In case of cancellation, provision of Article 9 of Regulation in regard to use of word "Trust" shall apply. 69

CHAPTER VI
SUNDRY DISPOSITIONS

Article No. 27:
Companies engaged in other businesses besides trusts must maintain separate accounting records for their Trust department. 70
| Article No. 28: | Activities and investments prohibited to trust companies | 70 |
| Article No. 29: | Procedure for notification of resolutions issued by the Commission | 70 |
| Article No. 30: | Penalty for violations of prohibitions or other dispositions shall be up to US$50,000.00 | 71 |
| Article No. 31: | Authority of the Commission to make inspections and prosecute any violators of the regulations | 71 |
| Article No. 32: | Persons conducting operations indicating link with Trust companies without company's consent might be fined by the Commission | 71 |
| Article No. 33: | Sanctions by the Commission are independent of criminal or civil liability | 71 |
| Article No. 34: | Judicial officers shall inform the Commission of proceedings where Trust Companies are defendants | 71 |
| Article No. 35: | Commission shall adopt its decisions as stated in Banking Law (Chapter II of Cabinet Decree No.238 of July 2, 1970) | 72 |

Decree shall go into effect as of date of promulgation.
NATIONAL LEGISLATION COMMITTEE

LAW 1
(of January 5, 1984)

Whereby matters concerning trusts are regulated in Panama, and other dispositions are adopted

THE NATIONAL LEGISLATIVE COUNCIL

DECLRES:

Article 1: A trust is a Juridical act by virtue of which a person named trustor (settlor, grantor) transfers property to a person named trustee to manage or dispose of same in favor of a beneficiary, who may be the trustor himself.

Public law entities may hold their own property in trust and act as trustees thereof for the furtherance of their object, by statement made pursuant to the formalities of the present law.

Article 2: A trust may be set up (created) on present or future property of any kind. Additional property may be added to the trust by the trustor or by a third party, after the trust is created, with the acceptance of the trustee.

Article 3: A trust may be set up on a given property or on the whole or any part of an estate.

Article 4: The intention of setting up a trust must be expressly stated in writing. Consequently, oral, alleged or implied trusts shall not be valid.

Article 5: A trust may be set up for any purpose not contrary to morals, the law or public order.

Article 6: Trusts may be pure and simple or be subject to a condition or term.
Article 7: Trusts shall be irrevocable unless otherwise expressly stated in the trust deed.

Article 8: All trusts shall be considered onerous, unless expressly established in the trust deed that the trustee shall receive no remuneration for his services.

The trustee's remuneration shall be as specified in the trust deed and, if not indicated therein, shall be equal to that usually paid in the domicile in which the trust is established.

Article 9: Trust deeds must contain:
1. Full and clear designation of the trustor, trustee and beneficiary. In the case of future beneficiaries or of classes of beneficiaries, sufficient information must be provided for the identification thereof.

2. Sufficient designation of substitute trustees or beneficiaries, if any.

3. Description of the property or estate or share thereof on which the trust is established.

4. Express statement of intention to set up a trust.

5. Trustee's powers and obligations.

6. Prohibitions and limitations imposed upon the trustee in the management of the trust.

7. Rules regarding accrual, distribution or disposal of property, revenues and proceeds of the property the subject of the trust.

8. Place and date on which the trust is created.

9. Designation of a Resident Agent in the Republic of Panama, who must be an attorney or law firm, to countersign the trust deed.
10. Domicile of the trust in the Republic of Panama.

11. Express statement that the trust is established in accordance with the laws of the Republic of Panama.

The trust deed may contain such additional clauses as the trustor or trustee may deem fit to include, provided that the same are not contrary to morals, the law or public order.

Whenever the trust is created by private document, the trustor's or trustee's signature, or that of the attorneys-in-fact in charge of setting up the same, must be authenticated by a Panamanian Notary Public.1

Article 10: An inter-vivos Trust might be created by public or private deed.

A trust that is to become effective upon the death of the trustor, must be created by means of a will. The same type of trust may also be created by means of a private deed, without the formalities of a will, whenever the trustee is a person duly authorized to engage in the trust business.

Article 11: Trusts on real estate property located in the Republic of Panama must be created by public deed.

Article 12: A trust created without the respective formalities established in Articles 9, 10 and 11 of the present law shall be null and void.

Also null and void are any trusts lacking a purpose or consideration or having an unlawful purpose or consideration, or entered into with an incompetent person.

The nullity of one or more clauses of the trust deed shall not invalidate the trust itself, except if on account of such nullity the enforcement of the trust shall become impossible.

(1) Please take note that Panamanian Consuls in foreign countries can act as Notary Publics.
Article 13: Trusts established on real estate property located in the Republic of Panama shall only affect third persons, as regards to such property, as of the date of registration of the trust deed in the Public Registry.

In all the other cases, trusts shall only become effective as to third parties upon the signatures of the trustor and the trustee or their attorneys in fact being authenticated by a Panamanian Notary Public.

Article 14: The actual transfer of real estate property located in the Republic of Panama and given in trust, shall be made by the registration of such property in the Public Registry in the name of the trustee.

Article 15: The assets of the trust shall make up an estate separate and apart from the trustee's personal property for all legal purposes and may not be seized or embargoed, except for obligations incurred or for damages caused by virtue of the execution of the trust, or by third persons whenever the property has been transferred or withheld with fraud and in prejudice to their rights.

Consequently, the trustee shall pay, separately, all the taxes, surcharges or any other charges incurred by the assets given in trust.

Proviso: In the case of Trusts in which the trustee is Caja de Ahorros (a financial institution of the Panamanian Government) and the beneficiaries are minors, the property in trust, as well as the proceeds thereof, in addition to being unseizable and not attachable, shall not be liable to persecution, except if so decreed by nonappealable or executory judgement.

Article 16: The trustor may appoint substitutes for the beneficiary, which substitutes may or may not be successive. In the case of revocable trusts, the beneficiary may be replaced or new beneficiaries may be appointed, at any time, by the trustor, or by a person authorized by him to make such replacement or appoint-
ment, subject to the same formalities under which the trust deed was executed.

Article 17: (Not in effect any more.)

Article 18: The designation of one or more non-existent beneficiaries or of a class of beneficiaries to be ascertained in the future, shall be effective provided that one or more or such beneficiaries shall come into existence or be determined during the term of the trust.

Article 19: Natural or juridical persons may act as trustees. Public law institutions may transfer or withhold funds in trusts, by statement made pursuant to the formalities of the present law.

Article 20: The trustor may appoint one or more trustees. Unless otherwise provided in the trust deed, in the event of two trustees being appointed, they must act jointly; if more than two, they shall act by decision of the majority.

Article 21: Trustors may appoint, in the trust deed, one or more substitutes to replace the trustee. In the case of revocable trusts, the trustee may be replaced or new trustees may be appointed at any time by the trustor or the person authorized by him to make such replacement or appointment, subject to the same formalities under which the trust deed was executed.

Article 22: In the event of death, continuing disability, removal or resignation of the trustee, leaving no substitute, a competent judge may appoint a substitute upon request by the trustee, trustor or, in the absence of the latter, upon request by the beneficiary of beneficiaries or by the Justice Department if the beneficiary or beneficiaries should be minors or disabled and shall order the transfer of the property in trust to the substitute, so appointed.

Such application must be filed within a period no greater than three (3) years following the default of the trustee.

Having elapsed such period without any application being made, the trust shall be extinguished.
Article 23: The person designated as trustee shall not be bound to accept such position.

The trustee’s obligations shall go into effect as of his acceptance of the position in writing.

Article 24: Trustees may resign to their position when expressly authorized by the trust deed.

In the absence of express authorization, the trustee may resign with the Judge’s approval, for justified cause, but such resignation shall only be effective as of the time in which a substitute trustee has been appointed and the latter has accepted his appointment.

In this case the provisions of Article 21 shall apply.

Article 25: Trustees shall have all of the rights of action and other rights incidental to the ownership of property, but must abide by the purposes of the trust and the conditions and obligations imposed thereon by Law and by the trust deed.

Article 26: The trustee shall dispose of the property in trust according to the provisions of the trust deed.

Article 27: Trustees shall be liable for any loss or damage of the property given in trust resulting from failure to exercise in the execution of the trust the care of a good head of family.

The trust deed might establish limitations to the liability of the Trustee but in no case can such limitations release the trustee from liability for loss or damages resulting from gross negligence or fraud.

In case that there is more than one trustee, all of them will be severally liable for the execution of the Trust unless otherwise provided in the trust deed.

Article 28: Trustees must render an account of their management as established in the trust deed. If nothing is provided to that effect in the deed, to the trustor or the existing beneficiaries, an ac-
count must be rendered at least once a year and upon the termination of the trust.

In the event of such account not being contested within the period established in the trust deed or, if no period is specified therein, within a ninety (90) day period counted as of the receipt thereof, the account shall be considered to be implicitly approved.

Upon express or implied approval of such account, the trustee shall be free from all liability to the trustor or to the present or future beneficiaries for all the events occurred during the period covered by the account and that are clearly evidenced from a comparative analysis of the account and the trust deed. However, such approval shall not release the trustee from any liability for the damages caused by his negligence or fraud in the management of the trust.

Article 29: Trustees shall not be bound to provide special management bond in favor of the trustor or beneficiary, unless it is so established in the trust deed.

This provision is without prejudice to the guarantees required from persons authorized to conduct a trust business.

Any person who may be liable to suffer damages from the execution of the trust may make a petition before the Judge in order for the latter to order the trustee to provide such bond as a precautionary measure.

Article 30: A trustee may be removed judicially by summary proceedings:

1. Whenever his interests are incompatible with the interests of the beneficiary or the trustor.

2. If he should manage the property given in trust without the diligence of a good head of a family.

3. If he is condemned for a crime against property or the public trust.
4. Upon his becoming disabled or being unable to carry out the trust.

5. Due to his insolvency or bankruptcy proceedings or due to administrative intervention in the case of a person authorized to conduct a trust business.

Article 31: The judicial removal of the Trustee may be requested by the Trustor, the beneficiary or beneficiaries, or by a representative of the Department of Justice in defense of minor or disabled beneficiaries, or in the interest of good morals or the Law.

Article 32: In the event of a trustee being replaced by a substitute, the property in trust must be transferred to such substitute by the outgoing trustee, or in the absence of such transfer, by resolution of the Judge, who shall make a final decision with no further consideration, upon receiving the documents evidencing the corresponding circumstances.

The same procedure shall apply in the event of dissolution of the juridical person acting as trustee.

Article 33: A trust shall be extinguished:

1. Upon attaining the purposes for which the same was created;

2. If enforcement thereof should become impossible;

3. Due to resignation or death of the beneficiary, leaving no substitute;

4. Due to loss or total extinction of the property given in trust;

5. Upon being entrusted upon a single person the capacity of sole beneficiary and sole trustee; and,
6. For any of the reasons established in the trust deed or in the present Law.

Article 34: Upon the trust being extinguished without there being a beneficiary to receive the property subject to the trust and there being no Provision in the trust deed as to the destiny of such property, the trustee shall transfer the same to the National Treasury pursuant to the provisions of the Law in such respect and to the regulations issued to that effect.

Such being done, the trustee must submit a final account to the approval of a competent Judge.

Article 35: All acts concerning the creation, modification or termination of a trust, as well as the transfer, transmission or encumbrance of the property given in trust and the proceeds emanating from such property or any other act regarding the same shall be exempt from any tax, assessment, toll or any charge, provided that the trust involves:

1. Property located abroad:

2. Money deposited by natural or juridical persons whose income does not derive from Panamanian source or is not taxable in Panama or

3. Shares or securities of any kind, issued by a corporation whose income is not derived from Panamanian source, even when such money, shares or securities are deposited in the Republic of Panama.

**Proviso First:** The foregoing exemptions shall not apply in the cases in which such property, money, shares or securities as are mentioned in subparagraphs 1, 2 and 3 above are used in operations which are not exempt from taxes, assessments, tolls or charges in the Republic of Panama, unless they are invested in housing, housing development projects or the urban development of industrial parks in the Republic of Panama, in which case the proceeds of such investments shall be exempt from income tax.
Proviso Second: Notwithstanding what is stated in this article, every trust shall be subject to an annual toll equal to ONE HUNDRED DOLLARS (US$100.00) payable upon setting up the trust, and subsequently, within the first three (3) months following each anniversary of the trust.

Default in the payment of such toll shall result in a TWENTY DOLLAR (US$20.00) surcharge for each year of delay and shall suspend the effects of the trust during the duration of such default.

Upon the expiration of a period of three (3) years in default, the trust shall be extinguished as a matter of law.

Persons duly authorized to engage in the trust business must collect the annual toll and keep a numbered record evidencing Payment thereof and must deliver such amounts to the Ministry of the Treasury upon collection and submit before such Ministry a monthly affidavit.

Article 36: Until promulgation of a law to rule on the matter, the Executive Branch of Government, through the Ministry of Planning and Economic Policy, shall regulate the exercise of the trust business, regarding requirements, license concessions, securities, sanctions and any other conditions to which trust companies, insurance companies, banks, law firms and other natural or juridical persons conducting a trust business on a regular or professional basis, shall be subject to.

The National Banking Commission shall supervise and ensure proper management of trusts pursuant to the legal dispositions ruling thereon.

A special Commission designated by the Executive Branch of Government on the basis of candidates proposed by the organization, and to be formed by two representatives from the National Bar Association, two from the National Banking Commission, two from the Banking Association of Panama, two from the Panamanian Association of Insurers, one from the National Bank of Panama and one from the Caja de Ahorros, shall
prepare, within a period of no more than six (6) months, as of the convening thereof, a Project of Law to regulate the trust business. The Commission shall be convened by the Executive Branch of Government to assemble by no later than ninety (90) days as of the promulgation of the present Law.²

Proviso First: Official (Governmental) Banks may conduct a trust business without having to obtain a license or grant other securities. Securities required of natural or juridical persons conducting a trust business on a regular or professional basis must be placed at the disposal of the National Banking Commission and deposited with the National Bank of Panama or the Caja de Ahorros.

Proviso Second: Natural or juridical persons presently conducting a trust business shall count on a maximum period of two (2) years counted as of the date in which the regulation fixed by the Ministry of Planning and Economic Policy shall go into effect, to abide thereby. In the event of such period elapsing without such persons meeting the requirements established by the respective regulations, such persons may not continue to exercise a trust business.³

Article 37: Trustees and their representatives or employees, Government entities authorized by law to carry out inspections and to obtain documents pertaining to trust operations and their respective officers, as well as persons taking part in such operations on account of their profession or job, shall at all time maintain the secrecy thereof and comply with the legal dispositions ruling on such matters in the Republic of Panama.

Violations of the present disposition shall be sanctioned under penalty of confinement or prison for up to six (6) months and a FIFTY THOUSAND DOLLAR (US$50,000.00) fine.

(2) Please take note that part of this article is not in effect any more since the Regulation was already issued and is included in the following pages.
(3) Please note that the two years period has already elapsed as of the time of this publication.
The provisions of this article are without prejudice to the information which must be disclosed to official authorities and to the inspections to be conducted in the manner established by Law.

Article 38: Trusts established in accordance with the laws of the Republic of Panama, shall be ruled by Panamanian law. However, such trusts may also be subject to a foreign legislation in the execution thereof, if so provided in the trust deed.

Trusts, as well as the trust assets, may be transferred or submitted to the laws or jurisdiction of another country, as provided in the trust deed.

Article 39: Trusts established before the promulgation of the present Law shall be ruled by the laws in force at the time of their establishment, but may chose to abide by the present law at any time by written statement from the trustor, trustee or beneficiary.

Article 40: Trusts established in accordance with a foreign law may be subject to Panamanian law, provided that the trustor and trustee or the latter singly, if so authorized by the trust deed, should make a statement in that respect, subjecting himself to the substantive requirements and the formalities established in the present law for the creation of trusts.

Article 41: Any controversy for which no special procedure is specified in the present law, shall be resolved by summary proceedings.

Trust deeds may establish that any controversy arising in connection with the trust shall be resolved by an arbitrator or arbitrators, as well as the procedure to be followed thereby.

In the event of no such procedure being established, the statutes ruling such matters as contained in the Judicial Code, shall apply.

Article 42: Law 17 of February 20, 1941 on Trust, is hereby repealed.
Article 43: This law shall go into effect as of the promulgation thereof.

BE IT COMMUNICATED AND PUBLISHED.

Given in Panama City, on the 5th day of the month of January, one thousand nine hundred and eighty four.

(Sgd.) LORENZO S. ALFONSO G.
President of the National Legislation Committee.

(Sgd.) CARLOS CALZADILLA GONZALEZ
General Secretary of the National Legislation Committee.
"TRANSLATION"

MINISTRY OF PLANNING AND ECONOMIC POLICY

WHEREBY LAW No. 1 OF JANUARY 5, 1984, ON TRUST BUSINESS, IS REGULATED

EXECUTIVE DECREES
No. 16

(As amended by EXECUTIVE DECREES No. 53 of December 30, 1985)

Whereby Law No. 1 of January 5, 1984, on Trust Business, is regulated.

THE PRESIDENT OF THE REPUBLIC,
in the exercise of its legal powers,

WHEREAS:

By Law 1 of January 5, 1984, trusts are regulated in Panama and other dispositions are adopted, and

Pursuant to the provisions of Article 36 of Law 1, of January 5, 1984, the Executive Branch of the Government, through the Ministry of Planning and Economic Policy, is charged with regulating the exercise of trust businesses.

DECREES:

FIRST: The exercise of trust business is regulated.

SECOND: The following regulations are approved.
TITLE I

PRELIMINARY DISPOSITIONS

CHAPTER I

ON THE SCOPE OF APPLICATION AND DEFINITIONS

Article 1: These regulations shall apply to all natural or juridical persons conducting professionally or customarily a trust business, in or from the Republic of Panama, with the exception of official banks.

Article 2: For the application of the present Regulations, it is understood by:

a. Trust: The juridical act by virtue of which the person known as trustor transfers his property to a person known as trustee in order for the latter to administer and dispose of the same in favor of a fideicommissary or beneficiary, who may be the trustor himself.

b. Trustor: The natural or juridical person who sets up the trust.

c. Trustee: The natural or juridical person to whom the property is transferred in order for the trustor's will to be carried out.

ch. Fideicommissary or beneficiary: The natural or juridical person in whose favor the trust is established.

d. Trust Company: Banks, insurance companies, attorneys and any natural or juridical person conducting a trust business professionally or customarily, by authorization from the Commission.

Article 3: The Commission, on the basis of the legal dispositions in force, shall supervise and ensure the proper operation of trust business, in accordance with the Law and the present Regulations.

TITLE II

ON TRUST LEGISLATION

CHAPTER I

ON AUTHORIZATIONS

Article 4: In order for a trust company to exercise a trust business, the same must obtain prior authorization from the Commission, who shall grant the same by issuing the corresponding trust license, upon compliance with the requirements established by the present Regulations. The provisions of the present Article are without prejudice to the obtainment of the corresponding commercial license.

Article 5: Any natural person intending to act as a trust company in or from Panama, must submit an application therefor to the Commission, through an attorney, accompanied by the following documents:

a. Curriculum Vitae an other documents accrediting to the professional qualifications of the persons who shall manage the company.

b. Personal and commercial references.

c. Duly audited financial statements.

ch. Personal background and police record.
d. Affidavit of not having been disqualified for the exercise of commerce.

e. Certification issued by a Certified Public Accountant, noting that the requirement established by Article 14 of the present Regulations has been met.

f. Certified or Cashier's check in the amount of ONE THOUSAND DOLLARS (US$1,000.00) to cover investigation expenses incurred by the Commission.

g. Project of activities to be carried out.

h. Any other document required by the Commission.

Article 6: Any juridical person intending to act as trust company in or from Panama, must submit an application therefor to the Commission, through an attorney, accompanied by the following documents:

a. Authenticated copy of its Articles of Incorporation and amendments thereto, with the corresponding certificate of corporate existence from the Public Registry.

b. Curriculum Vitae and other documents accrediting the professional qualifications and experience of directors, officers, managers and other persons who shall manage the company.

c. Personal and commercial references of stockholders, directors and officers, who shall manage the company.

ch. Sworn Affidavit of not having been disqualified for the exercise of commerce.
d. Certification issued by a Certified Public Accountant, indicating the names of the stockholders and their respective share in the company.

e. Duly audited financial statements.

f. Certification issued by a Certified Public Accountant noting that the requirement established by Article 14 of the present Regulations, has been met.

g. Certified or Cashier's check in the amount of ONE THOUSAND DOLLARS (US$1,000.00) to cover investigation expenses incurred by the Commission.

h. Project of activities to be carried out.

i. Any other document required by the Commission.

In the case of corporations being organized for the purpose of acting as trust companies in or from Panama, the License application, submitted through an Attorney, will be accompanied by a Draft of its Articles of Incorporation. In such cases, the requirement established by sub-paragraph b), c), ch) and d) of this Article shall apply with respect to future stockholders, directors, officers and managers, and the Certification required by sub-paragraph f) must not be submitted in advance.

Article 7: Upon receiving a trust license application the Commission shall undertake or cause to be undertaken such investigations as it may deem necessary and shall request any additional information as it may deem fit, in order to prove the authenticity of documents filed, applicant's financial situation and background, adequacy of its capital and to provide any other elements of judgement.

All applications for Trust Licenses shall be revealed to the general public by notice to be published three (3) times, at applicant's expense, in a national newspaper of broad circulation. Copy of this notice shall be posted for three (3) consecutive days at the offices of the Commission in a place accessible to the public.
Unless otherwise provided in Paragraph 2 of this Article, the Commission shall count on a ninety (90) day period to rule on the License application.

**PROVISO 1:** In the case of corporations to be organized, once their application is approved, the notarial protocolization and registration in the Public Registry of their Articles of Incorporation shall be ordered, at applicant’s expense, upon which the Commission shall issue the respective Trust License to the corporation so organized.

**PROVISO 2:** If, within thirty (30) days following the last publication as established by the present Article, any objections should be filed before the Trust License application, the period granted to the Commission to rule on the application shall be counted as of the date of such publication. The Commission shall fix the procedure to prosecute these objections.

**Article 8:** Natural or juridical persons who are able to prove, before the Commission within a one hundred and eighty (180) day period counted as of the promulgation of the present regulations that they conduct a trust business, shall be authorized to continue operating such business and shall count of a two (2) year period, counted as of the promulgation of the present Regulations, to abide by the same. Upon such period elapsing without the requirements specified therein being fulfilled, the Commission shall order such persons to cease operations and shall notify its decision to the Ministry of Commerce & Industries. In the case of juridical persons, such notice shall also be served upon the General Director of the Public Registry so that he may proceed to cancel the registration thereof. (Please note that this article is not in effect any more as the time already elapsed).

**Article 9:** As of the effectiveness of the present Decree, only such persons as are authorized by the Commission may use the word trust or any other words deriving therefrom in any language, or any other expression implying that a trust business is being conducted thereby in its trade name, corporate object, description, corporate title, stationery, invoices, letterheads, advertisements or publications. Corporations organized under Panamanian legislation
prior to the effectiveness of the present Decree, may keep the word
trust or any words deriving therefrom, in its trade name. However,
if such corporations should dedicate themselves to acting as trust
companies in or from Panama, they must meet the requirements
established by the present Regulations.

Corporations operating in Panama may indicate in their cor-
porate objects that they conduct trust activities, provided that such
activity is not carried out professionally or costumarily. Corpora-
tions not operating in or from Panama as trust companies may in-
clude the conducting of trust activities in their corporate objects,
provided that all the documents mentioned in the foregoing article
and in its corporate objects, should state that such activities are
not covered by license or other authorization on the part of any
Panamanian authority, which circumstance must be expressly in-
dicated to the Trustors.

Article 10: Notaries are forbidden to issue deeds or copies there-
of, minutes, statements or any other instruments incidental to their
trade and to authenticate signatures in contravention with the
foregoing article.

The same restriction is applicable to the Public Registry
regarding its registrations.

Article 11: Companies which, upon these Regulations going into
effect, should fail to show that they conduct a trust business and
whose trade name or corporate title does not adjust to the disposi-
tions of Article Nine, shall count on a one hundred eighty (180)
day period to enter into voluntary dissolution, apply for a trust
license or amend their Articles of Incorporation in order to change
their trade name or corporate title. Once such period has elapsed,
without such companies proceeding as established herein, the
Commission shall order, by resolution, the dissolution or dis-
qualification thereof, depending on whether they are national or
foreign companies, and shall notify the Public Registry thereof in
order for the corresponding marginal note to be made in the
registration of the same. Such notice shall also be served upon the
Ministry of Commerce & Industries, in order for the latter to
proceed to cancel the respective commercial license. The Com-

mission shall publish the resolution as referred to in the present Article in a newspaper of general circulation throughout the Republic for three (3) consecutive days, and once in the Official Gazette.

**Article 12:** Trusts companies shall keep a numbered record of any trusts conducted thereby.

For the purposes of payment of the annual tax as referred to in the second paragraph of Article 35 of Law 1, of 1984, an affidavit by the trust company indicating the code number corresponding to the respective trust, shall suffice.

**Article 13:** Any amendment to the Articles of Incorporation of trust companies shall require prior approval by the Commission.

**CHAPTER II**

**ON SECURITY**

**Article 14:** Any company conducting a trust business in or from Panama, must have available to the Commission at all times a security in the amount of TWO HUNDRED AND FIFTY THOUSAND DOLLARS (US$250,000.00) for the proper fulfillment and enforcement of its obligations. This security must be set up as cash deposits, Government bonds, insurance company policies, banking securities or checks drawn or certified by local banks. At least TEN PERCENT (10%) of the security must consist of deposits with the National Bank of Panama or the Caja de Ahorros.

**Article 15:** Corporations being authorized to act as trust companies, must issue any shares representing its capital stock in nominative form. Transfers of shares shall require prior approval by the Commission. The Commission may exempt corporations making public offer of their shares and certain other companies who are able to prove having sufficiently justified reasons therefore, from this obligation.
CHAPTER III

ON REPORTS AND INSPECTION

Article 16: Trust companies shall, within three (3) months counted as of the closing of each fiscal year, submit their corresponding Balance, and Profit and Loss Statements, duly audited by Certified Public Accountants professionally qualified therefor, as determined by the Commission.

Article 17: The Commission is empowered to conduct or order such inspections as it may deem convenient, in order to prove that the statutes ruling the exercise of trust businesses are being duly complied with.

Article 18: In the event of the Commission considering that a trust company is exercising the trust business in a manner detrimental to the interests of the public or its clients, or in violation of the ruling statutes or regulations of trust businesses, the same may require action to be taken by such company in order for the violations to be remedied or, depending on the seriousness of the offense, suspend or cancel its license.

The Commission may also order the intervention of a trust company by taking possession of its property and assuming its administration under such terms as established in Articles 83 and up of Cabinet Decree No. 238 of 1970.

CHAPTER IV

ON TRUST SECRECY

Article 19: The obligation to keep trust secrecy is maintained regardless of the trust being terminated, the professional or labor relation being ended or the trust license being cancelled.

Article 20: Any information obtained by the Commission and other Government entities authorized by Law to conduct inspec-
tions or collect documents pertaining to trust operations and their respective officers may not be revealed to any person or authority, unless such information is judicially required.

Article 21: Information shall only be given upon request by judicial authorities whenever the corresponding exhibitory action is decreed in proceedings commenced within the territory of the Republic. Judicial officers must keep any information obtained in strict confidentiality, whenever such information is not conductive to solving the litigation in question, and shall not agree to any request for withdrawing of documents from the court records.

Article 22: Any person providing information in violation of the trust secrecy, as provided in Article 37 of Law 1, of 1984, and by the dispositions of the present Regulations, shall be sanctioned with up to six (6) months imprisonment or a FIFTY THOUSAND DOLLARS (US$50,000.00) fine.

CHAPTER V

ON THE CANCELLATION OF TRUST LICENSES

Article 23: The Commission shall cancel licenses upon request by the trustee himself or whenever it should so decide, upon the latter incurring in any of the following causes for cancellation:

a. Ceasing to exercise the trust business for one year or more;

b. Failing to begin operations within one year following the granting of such license;

c. Whenever by executed judicial judgement the trustee is condemned for not carrying out the purpose of the trust and not complying with the conditions or obligations imposed thereto by the laws regulating trusts.
ch. Whenever the trustee is disqualified from the exercise of commerce.

d. In the event of bankruptcy or dissolution of the corporation.

e. Upon violation of the prohibitions established in the present Regulations, or default of any of the dispositions contained therein.

PROVISO: If on account of cancellation of the Trust License, a substitute Trustee should have to be appointed, the procedure established by Article 32 or Law 1, of 1984, shall apply.

Article 24: Any trust company wishing to cease operating as a trust business must file a trust license cancellation petition before the Commission, through an attorney, accompanied by the following documents:

a. Affidavit attesting to its compliance with the trust agreements;

b. Authenticated copy of the judicial resolution approving the resignation.

c. The resignation to its position, in the event of the trust instrument authorizing the trustee to resign;

ch. In the cases of sub-paragraph b and c, whenever there are trusts which have not yet been terminated or are still pending execution, an acceptance, in writing, by the new trustee, must also be submitted.

Article 25: Upon the petition for cancellation being submitted in due form, the Commission shall count on a thirty (30) calendar day period to issue a resolution cancelling such license.

Article 26: The provisions of Article 9 of these Regulations, shall apply to juridical persons whose trust license is cancelled.
CHAPTER VI

SUNDARY DISPOSITIONS

Article 27: Trust companies which do not conduct the trust business on an exclusive basis, must maintain, regarding all matters, separate accounting records for their trust and other departments.

Article 28: Unless otherwise provided by the trustor, trust companies are prevented from:

a. Investing any property given in trust in:

1. Shares of the trust company and in other assets of its property.

2. Shares or property of companies in which they should have an interest or in which their directors or officers should act as partners, directors, officers, advisors or counselors, except in the case of shares of a corporation registered with the National Securities and Exchange Commission of Panama or shares offered to the public by authorization from the equivalent ruling authority abroad, upon prior authorization by the National Banking Commission.

b. Grant loans, with funds deriving from the trust, to officers, directors, stockholders, employees, subsidiaries, affiliates or related companies.

c. Acquire for its own account or through third parties, any property given in trust.

Article 29: Resolutions issued by the Commission shall be notified in accordance with the dispositions of Law 1, of August 22, 1916, admitting only of appeal for reconsideration in executive action, to be filed within five (5) working days, counted as of the serving of such notice.
The Commission shall count on a sixty (60) day period to decide upon such appeal.

**Article 30:** Violations of the prohibitions established in the present Regulations and default of any of the dispositions contained therein, shall be sanctioned with a fine of up to FIFTY THOUSAND DOLLARS (US$50,000.00) depending on the seriousness of the infraction.

**Article 31:** Whenever there is knowledge or well founded reason to believe that a person is exercising the trust business in violation of the provisions of the present Regulations, the Commission shall be empowered to examine its books, accounts and documents in order to determine if it has infringed upon or is infringing upon any disposition of the present Regulations. Such infringement having been proved, the Commission shall punish the infringer.

Any refusal to submit the documents referred to in the foregoing article shall be construed as an assumption of the fact that the trust business is being exercised without authorization.

Recurrence of this type of violation shall empower the Commission to apply to the office of a government attorney for the disqualification of the infringer for the exercise of commerce.

**Article 32:** Any person conducting operations indicating or insinuating the existence of any kind of link with a trust company authorized by the Commission without such company’s consent, shall be sanctioned with a fine imposed by the Commission. In the case of recurrence, the Commission shall proceed in accordance with the provisions of the final paragraph of the foregoing article.

**Article 33:** Any sanctions imposed by the Commission are independent of the corresponding criminal and civil liability.

**Article 34:** Judicial officers shall inform the Commission of the proceedings in which trust companies may be involved as defendants. Likewise, they shall forward a copy of any judgements pronounced in such proceedings.
Article 35: The Commission shall adopt its decisions pursuant to the dispositions of Chapter II of Cabinet Decree No. 238 of July 2, 1970.

THIRD: This Executive Decree shall go into effect as of the promulgation thereof.

Given in Panama City, on the third (3) day of the month of October, one thousand nine hundred and eighty four (1984).

BE IT COMMUNICATED AND PUBLISHED

DR. JORGE E. ILLUECA
President of the Republic

DR. HECTOR E. ALEXANDER
Minister of Planning and Economic Policy
THE CORPORATION
UNDER
PANAMANIAN LAW

Advantages
Incorporation
Legislation
# INDEX

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>9</td>
</tr>
<tr>
<td>ADVANTAGES OF A PANAMENIAN CORPORATION</td>
<td>11</td>
</tr>
<tr>
<td>INCORPORATION UNDER THE LAWS OF THE REPUBLIC OF PANAMA</td>
<td>14</td>
</tr>
<tr>
<td>INCORPORATING THROUGH OUR FIRM</td>
<td>15</td>
</tr>
<tr>
<td>TO ORDER A CORPORATION</td>
<td>15</td>
</tr>
<tr>
<td>FORME E- INCORPORATION OF A COMPANY</td>
<td>16</td>
</tr>
<tr>
<td>POWER OF ATTORNEY IN-FACT</td>
<td>17</td>
</tr>
<tr>
<td>DISSOLUTIONS</td>
<td>18</td>
</tr>
<tr>
<td>FEES AND EXPENSES</td>
<td>18</td>
</tr>
<tr>
<td>MANAGEMENT AND ADMINISTRATIVE SERVICES</td>
<td>19</td>
</tr>
</tbody>
</table>

## CORPORATION LAW OF THE REPUBLIC OF PANAMA

- **Law 32 of February 26, 1927** .................................................. 23

## COMPLEMENTARY LAWS:

- **Executive Decree No 130 of June 3, 1948** .................................. 44
- **Decree No 147 of May 4, 1966** ................................................ 46
- **Law No 9 of July 3, 1946** .................................................... 48
- **Amended by Cabinet Decree No 247 of July 16, 1970** ................. 48
- **Law No 77 of December 22, 1976** ........................................... 51
- **As Amended by Law No 1 of February 28, 1985** ......................... 51
- **Law Decree No 16 of August 23, 1958** ................................... 53
- **Law No 32 of June 30, 1978** ................................................ 56
PANAMA CITY

NIGHT SCENE OF BAY OF PANAMA
ADVANTAGES OF A PANAMANIAN CORPORATION

1. Setting up a corporation takes, once the required information is received, approximately 24 hours for its incorporation and two (2) working days to be registered at the Public Registry. In any event, for cases of extreme urgency corporations are already available.

2. A fixed number of stockholders is not required by Panamanian law for the corporation to exist. Therefore, it may be wholly owned by a single person.

3. All the shares of stock of the corporation may be issued to the bearer. In that event, there would be no official record of, nor the need to disclose, the identity of the stockholders.

4. The capital of the corporation need not be paid at the time of the incorporation. Thus, it is possible to have the corporation in existence without unnecessarily tying up funds prior to the time in which these are really needed.

5. Panamanian law does not require any correlation between the paid in capital and the value of the assets of the corporation. Thus, a corporation with a paid in capital of US$10,000.00 may have assets worth several millions.

6. The Directors and Officers of the Corporation need not be Panamanians, may have any nationality and may be residents of any country.

7. The Board of Directors must be composed of at least 3 members which is the minimum established by law but any higher number of Directors may be appointed.

8. The meetings of the Board of Directors of a Panamanian corporation may be held in any country.

9. The Directors of the corporation may attend the meetings of the Board of Directors personally or by proxy.
10. The meetings of stockholders of the corporation may be held in any country.

11. The stockholders of the corporation may attend the meetings of stockholders personally or by proxy.

12. The corporation may engage in any lawful business, even if it is not similar to any of the objects of the corporation specified in the articles of incorporation.

13. The corporation may, according to Panamanian Law, undertake any kind of lawful business in any country outside of the Republic of Panama.

14. Corporations only have to pay income tax in Panama for income derived from sources within the territory of the Republic of Panama.

15. Income obtained from business effected outside the territory of the Republic of Panama is not income derived from a source within Panama, and therefore, is not taxable under Panamanian Law, even though the business might be directed from an office established in Panama.

16. Income derived from international maritime trade or commerce of Panamanian merchant vessels duly registered in Panama, even if the transportation contracts are executed in Panama, are not taxable in Panama.

17. Interest earned on savings accounts or time deposits kept in banks established in Panama, are not taxable in Panama even if the account is in the name of Panamanian Corporation.

18. It is not considered as produced within the territory of the Republic of Panama, income derived from invoicing, from an office established in Panama, the sale of merchandise or products for a sum higher than that at which said product or merchandise had been invoiced to the office established in Panama, provided that said merchandise or products are handled exclusively abroad.

19. A Panamanian Corporation engaging in business in the Republic of Panama and also in other countries, will only pay income tax in Panama on the part of its income obtained from business transacted in Panama.
20. Panamanian legislation does not tax dividends received by corporations, if said dividends are paid out of income produced outside the Republic of Panama. Therefore, a Panamanian corporation receiving dividends from another corporation paid out of income produced outside of the Republic, is not subject to tax in Panama.

21. Employees, Officers or Directors of a Panamanian Corporation residing in foreign countries do not have to pay income tax or any other tax in Panama on the compensation which they receive for their services.

22. The sole registration tax assessed on corporations by the Republic of Panama is US$100.00, payable annually within the three months following the anniversary date of registration. This is the only tax charged to off-shore Panamanian Corporations and must be paid yearly if the Corporation is to maintain its "good standing" status.

23. Panama has not entered into any tax treaties with other countries.
INCORPORATION UNDER THE LAWS OF THE
REPUBLIC OF PANAMA

GENERAL INFORMATION

To incorporate a company, i.e., to execute the Articles of Incorporation in conformity with the laws of the Republic of Panama, the following data must be furnished:

1. Name of the corporation (which may not be similar to the name of any corporation already incorporated or registered in Panama) which could be written in any language and must indicate that it is a corporation by adding to it the letters S. A. or INC., or CORP., or any other acceptable formula that indicates it is a corporation.

2. Its general object or objects.

3. The amount of its capital and the number of shares of stock into which it is divided. It is noted that said amount may be expressed in the legal currency of any country.

4. Since the shares of capital stock may be par value or non par value, when the shares are without par value, that amount of the capital need not be mentioned, but it will be necessary to state the total amount of shares of stock that the corporation is authorized to issue.

5. Whether the corporation may issue its certificates of shares in bearer, or nominative form, or either way.

6. If the corporation it to issue shares of different classes: the number if shares of each class and the designations, preferences, privileges, voting rights, restrictions and requisites of the shares of each class or the statement that said designations, preferences, privileges, voting rights, restrictions and other requisites may be determined by a resolution adopted by the majority of the Directors.

7. The names and addresses of the Directors of the Corporation, which may not be less than three, and who need not be stockholders and may have any nationality and be residents of any country (when requested by the client we can also provide nominee Directors and Officers for minimal extra cost per year).
8. The names of the first Officers of the Corporation which need not be directors and stockholders, and may have any nationality and reside in any country. The law requires corporations to have a President, a Treasurer and a Secretary, but one person may serve in more than one of said capacities and usually the Directors are also the officers.

**INCORPORATION OF A COMPANY**

Please incorporate a Company with a wide object in the following choice of names: (1) ...........................................................................(2) ........................................................................ or (3) .........................................................................

with USS (4) ___________ capital, divided into (5) ___________ shares of common stock of USS (6) ___________ each. Or (7) ___________ non par value shares. Directors appointed as follows:

President: (8a) ___________ (8b) ___________ (8c) ___________

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Treasurer: (9a) ___________ (9b) ___________ (9c) ___________

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Secretary: (10a) ___________ (10b) ___________ (10c) ___________

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Directors appointed among your personnel (11) ___________.
(12) I am responsible for cancelling your charges for the formation of the company and my name, title, complete, address, and references are as follows:

a) .......................................................... (name)

b) .......................................................... (title)

c) .......................................................... (postal address)

d) .......................................................... (permanent address)

e) .......................................................... (telephone number)

f) .......................................................... (references)
(13) The following are the name(s), title(s), etc., of the person(s) other than myself, authorized to instruct your firm on future assignment in regard to this Corporation:

a) ........................................................................
   (name)

b) ........................................................................
   (title)

c) ........................................................................
   (address)

(14) The following is the name, title, and complete address of the responsible party for payments of annual fees for Resident Agent Franchise tax and Directors from your firm:

a) ........................................................................
   (name)

b) ........................................................................
   (title)

c) ........................................................................
   (postal address)

d) ........................................................................
   (permanent address)

e) ........................................................................
   (telephone number)

POWER OF ATTORNEY IN-FACT

Many of our foreign clients that for one reason or another want to maintain anonymity in their use of the Corporations request us to have the Board of Directors issue them separately either a Special or a General Power of Attorney in-fact.

The power of attorney in fact can be as broad as to cover basically any economic activity that the client might want to do in the name of the Corporation. The activities might range from opening a bank-account to purchasing or selling a condominium or any other property. The Power of Attorney can be issued not only in the name of the client who will carry it with him personally, but also in the name of any other person he might designate like his own personal attorney or his wife and/or heirs.

* Please provide us with a complete list.
Dissolutions

The Panamanian Corporation is very easily and inexpensively dissolved. If for any reason at all the Corporation is going to fall into total disuse we strongly advise the client to dissolve it. Otherwise, it will accumulate registration taxes and other expenses which the client should not incur.

The procedure for dissolution is to have a Board of Directors Meeting where the decision to dissolve is recommended to the shareholders who in turn hold a meeting where they decide to dissolve the Corporation.

The resolution is then registered in the Public Registry and a copy thereof is published in a newspaper within Panama and the Corporation ceases to exist. (please see Article 82).

If all of the shareholders having voting rights consent in writing to dissolve the corporation, then the Board of Directors meeting is not even necessary. (please see Article 83).

A corporation whose existence terminates by dissolution, or by expiration of the term agreed in the Articles of Incorporation, will nevertheless, continue for a period of three years, counted as of such date, for the specific purpose of prosecuting or defending suits or for settling its business. The Directors shall act as Trustees of the Corporation during the three year period and they shall be jointly or separately liable for the indebtedness of the corporation up to the amount of the assets over which have had possession and management. (please see Articles 85, 86, 87, 88, 89 of the law).
CORPORATION LAW
OF THE
REPUBLIC OF PANAMA

LAW 32 OF FEBRUARY 26, 1927

COMPLEMENTARY LAWS:
EXECUTIVE DECREES N° 130
JUNE 3, 1948

DECREE NUMBER 147
OF MAY 4, 1966

LAW N° 9 OF JULY 3, 1946
AS AMENDED BY CABINET DECREES
N° 247 OF JULY 16, 1970

LAW N° 77 OF DECEMBER 22, 1976
AS AMENDED BY LAW N° 9 OF MARCH 4, 1980
LAW 32 OF 1927
(of February 26)

ON CORPORATIONS

The National Assembly of Panama,

DECREES:

SECTION I

On the Organization of Corporations

ARTICLE 1 — Two or more persons of legal age, regardless of nationality, and whether or not residents of the Republic, may organize a corporation for any lawful purpose, according to the formalities prescribed in the present law.

ARTICLE 2 — Such persons wishing to organize a corporation shall subscribe its Articles of Incorporation, containing the following:

1 Names and domicile of each one of the subscribers to the Articles of Incorporation;

2 The name of the corporation, which shall not be the same as or so similar to that of another corporation as to lead to confusion;

3 The corporate title shall include a word, phrase or abbreviation indicating that it is a corporation as distinguished from a natural person or another type of company.

The name of the corporation may be stated in any language;

4 Amount of capital stock and number and face value of shares into which it is divided; if the corporation is to issue shares without face value, statements required by Article 22 of the present law;
In the event of there being more than one class of shares, the number of shares in each class, designations, preferences, privileges, and voting powers, and restrictions or requirements of shares in each class; or the provision that such designations, preferences, privileges, and voting rights, or such restrictions or other requirements may be determined by resolution of a majority in interest of the stockholders or by resolution of a majority of the directors;

Number of shares which each subscriber to the Articles of Incorporation agrees to take;

Corporate domicile and name and domicile of its resident agent in the Republic, which agent may be a juridical person;

Duration of the corporation;

Number of directors (no less than three), indicating names and addresses;

Such other lawful clauses as may be agreed upon by the subscribers.

ARTICLE 3 —The Articles of Incorporation may be executed anywhere, within or outside of the Republic, and in any language.

ARTICLE 4 —The Articles of Incorporation may be issued as a Public Deed, or otherwise, provided that said articles are certified by a Notary Public or by any other officer authorized to make such certification at the place of issuance.

ARTICLE 5 —In the event of such Articles of Incorporation not being issued as a Public Deed, the same must be protocolized in a Notary Office of the Republic.

In the event of such document being issued outside of the Republic, the same must be authorized by the Panamanian Consul, or in the absence thereof, by the Consul of a friendly nation, before being protocolized. If written in a foreign language, the same must be protocolized together with an authorized translation into Spanish by an official or public interpreter of the Republic.

ARTICLE 6 —The Public Deed or protocolized document containing the Articles of Incorporation must be filed for registration in the Mercantile Registry.
The organization of the corporation shall be ineffective, as regards to third parties, until the registration of the respective Articles of Incorporation has taken place.

ARTICLE 7 —A corporation organized under the provisions of the present law, may amend any of the clauses of its Articles of Incorporation, provided that such amendments conform to the dispositions of the present law.

Consequently, a corporation may: change its number of shares or of any class of its shares subscribed at the time of such amendment; vary the face or par value of the subscribed shares of any class; change the subscribed shares of one class having a par value for the same or a different number of shares of the same class or of another class of shares without par value; change the subscribed shares of one class from shares without par value for the same or a different number of shares of the same class, or of another class of shares with par value; increase the amount or the number of shares of its authorized capital; increase the number of classes of its authorized capital; vary the denominations of the shares, their rights, privileges, preferences, voting powers and restrictions or requirements.

However, the capital stock may not be reduced except in accordance with the provisions of Article 14 et seq. of this law.

ARTICLE 8 —Amendments to the Articles of Incorporation shall be made by such persons as are determined below and in such manner as it is established by the present law for the execution of the Articles of Incorporation.

ARTICLE 9 —Amendments to the Articles of Incorporation agreed to prior to the issuance of shares shall be signed by the subscribers to such articles and by all persons that had agreed to take shares in the corporation at the time of execution of the original Articles of Incorporation.

ARTICLE 10 —In the event of shares having been issued, amendments to the Articles of Incorporation must be subscribed by:

a) The holders or proxies of all issued and outstanding shares with voting rights, provided that such deed of amendment is accompanied by a certificate issued by the Secretary or by an Assistant Secretary of the Corporation certifying that the persons executing such amendments in their own names or by
adopted by the holders or proxies of a majority of such shares with voting rights; or

b) By the President or a Vice-President and the Secretary or an Assistant Secretary of the corporation, who shall sign and add to the deed of amendment a certificate indicating that: they have been authorized to execute such document by resolution adopted by the holders or proxies of a majority of such shares and that such resolution was adopted at a Stockholders’ Meeting held at the time stated in the notice or waiver thereof.

ARTICLE 11 —In the event that the amendments to the Articles of Incorporation alter the preferences of outstanding shares of any class or authorize the issuance of shares with preferences being in any way superior to those of the outstanding shares of any class, the certificate referred to in paragraph b) of the foregoing Article shall note that the officers of the corporation executing such deed of amendments have been authorized to execute the same by resolution adopted by the holders or proxies of a majority of the shares of each class with voting rights and that such resolution was adopted at a Stockholders’ Meeting held at the time stated in the notice or in the waiver thereof.

ARTICLE 12 —In the event of the Article of Incorporation providing that more than a majority of the issued and outstanding shares or of any other class of shares shall be required for the amendment thereof, the certificate referred to in paragraph b) of Article 10 must indicate that the amendment in question has been so authorized.

ARTICLE 13 —Unless otherwise provided in the Articles of Incorporation or in any amendments thereto, each stockholder shall have a pre-emptive right to acquire, in proportion to the shares owned thereby, shares issued by virtue of an increase in capital stock.

ARTICLE 14 —The corporation may reduce its authorized capital by means of amendments to its Articles of Incorporation, but may make no distribution of its assets if by virtue of such reduction the current value of such assets is reduced to an amount representing less than the aggregate value of its liabilities, including such reduced capital as a part thereof.

The document containing the respective amendment shall be accompanied by a certificate issued under oath by the President or the
Vice-President and the Treasurer or one of the Assistant Treasurers indicating that such distribution is not in violation of the provisions of the foregoing paragraph.

Appraisals by the Board of Directors of the value of corporate assets and liabilities shall be construed as correct except in case of fraud.

ARTICLE 15 — Unless otherwise provided in the Articles of Incorporation, the corporation may acquire its own shares. If such acquisition is made with funds or assets which are not part of the excess of assets over liabilities or of net profits, the acquired shares shall be paid by means of a reduction in the issued capital; but such shares may be resold if the authorized capital is not reduced by virtue of the cancellation of such shares.

ARTICLE 16 — The shares of its own stock acquired by a corporation with funds emanating from the surplus of its assets over its liabilities or from its net profits, may be withheld by the corporation, or sold by it for the purposes of its organization, and may be canceled and reissued by agreement of the Board of Directors.

ARTICLE 17 — The shares of the corporation acquired thereby may not be represented, directly or indirectly, at a Stockholders' Meeting.

ARTICLE 18 — No corporation may acquire its own shares with funds other than those emanating from the surplus of its assets over its liabilities or from the net profits if on account of such acquisition the present value of its assets is reduced to an amount representing less than the aggregate value of its liabilities, including such reduced capital as a part thereof.

Appraisals by the Board of Directors of the value of corporate assets and liabilities shall be construed as correct except in case of fraud.

SECTION 11

On Corporate Powers

ARTICLE 19 — Any corporation organized under the present Law shall have, in addition to such authorities as are conferred thereto by the law itself, the following powers:

1. To sue and be sued against in any court;
2. To adopt and use a corporate seal and to change the same at will;

3. To acquire, purchase, have, use and assign real and personal property of all kinds and to set up and accept pledges, mortgages, leases, charges and encumbrances of any kind;

4. To appoint officers and agents;

5. To enter into agreements of all kinds;

6. To issue, without contravening the laws in force or the articles of incorporation, by-laws for the management, regulation and government of its business and properties, for the transfer of its shares, for the convening of meetings of stockholders and directors, for any other lawful purpose;

7. To conduct its business and exercise its powers in foreign countries;

8. To agree to its dissolution in accordance with the law, whether on its own free will or for any other reason;

9. To borrow money and assume debts in connection with its business or for any lawful purpose; to issue bonds, promissory notes, bills of exchange and other evidences of indebtedness (which may or may not be convertible into shares of the corporation) payable on a certain date or dates, or payable upon the occurrence of a certain event, whether with mortgage or collateral security, or without security, for money borrowed or in payment for goods acquired or for any other legal consideration;

10. To guarantee, acquire, purchase, have, sell, assign, transfer, mortgage, pledge or otherwise dispose of or deal in shares, bonds or other securities issued by other corporations or by any municipality, province, state or government.

11. To do anything that may be necessary in furtherance of the purposes listed in the Articles of Incorporation or in its amendments, or anything that may be necessary or convenient for the protection and benefit of the corporation and, in general, to conduct any lawful business, whether or not similar to any of the purposes specified in the Articles of Incorporation or in its amendments.
SECTION III

On Shares and Capital

ARTICLE 20 — The corporation shall be empowered to create and issue one or more classes of stocks with such designations, preferences, privileges, voting rights, restrictions or requirements, and other rights as determined by its Articles of Incorporation, and subject to such redemption rights as are reserved for the corporation in its Articles of Incorporation.

The Articles of Incorporation may provide that shares of stock of one class be convertible into shares of another class or classes.

ARTICLE 21 — Shares of stock may have a face or par value. Such may be issued as fully-paid and non-assessable, as partially paid, or with no payment made thereon. Unless otherwise provided in the Articles of Incorporation, no fully-paid and non-assessable shares with par value, or bonds or shares convertible into fully-paid and non-assessable shares with par value may be issued in exchange for services or goods which the Board of Directors may deem to have a value below the par value of such shares or the shares into which such bonds or shares are convertible. No stock certificate for partially-paid shares may indicate that a payment has been made with respect to such shares in an amount greater, in the judgement of the Board of Directors, than the amount actually paid. Payments must be made in cash, in work, in services, or in goods of whatever kind.

Appraisals by the Board of Directors of such values shall be construed as correct except in case of fraud.

ARTICLE 22 — Corporations may create and issue stock without par value, provided that the Articles of Incorporation shall indicate:

1. Total number of shares which may be issued by the corporation;
2. Number of shares with par value, if any, and value of each one;
3. Number of shares without par value;
4. Either one of the following statements:
   a) That the capital stock shall be at least equal to the total amount represented by the shares with par value, plus an amount determined with respect to each share issued without
par value, and the amounts incorporated from time to time into the capital stock by resolution or resolutions of the Board of Directors;

b) The capital stock shall be at least equal to the total amount represented by the shares with par value, plus the amount which the corporation may receive for the issuance of shares without par value, and the amounts incorporated from time to time into the capital stock by resolution or resolutions of the Board of Directors;

The Articles of Incorporation may also include an additional statement indicating that the capital stock shall be no less than the amount stated therein.

ARTICLE 23 —Shares of one class, whether with or without par value, shall be equal to the shares of that same class, subject, however, to the designations, preferences, privileges, voting rights, restrictions or requirements conferred or imposed with respect to any class of shares.

ARTICLE 24 —The corporation may issue and sell any stock without par value which it may be authorized to issue, in the amount provided in the Articles of Incorporation; for such price as the Board of Directors may deem fair; or for such price as determined from time to time by the Board of Directors, if so authorized by the Articles of Incorporation; or for such price as determined by the holders of a majority of shares with voting rights.

ARTICLE 25 —Shares as referred to in Articles 22, 23 and 24 of the present Law shall be deemed fully-paid and non-assessable. Holders of such shares shall not be liable to the corporation or to its creditors with respect to such shares.

ARTICLE 26 —The purchase price for the shares shall be paid at such times and in such manner as may be determined by the Board of Directors. In the event of default, the Board of Directors may choose between proceeding against the holder in default to collect the part of the capital defaulted upon and the damages suffered by the corporation, or revoke the agreement concerning the stockholder in default, being entitled in this last case, to withhold for the corporation the share of corporate assets corresponding to such stockholder.

In the event of choosing to revoke the agreement concerning the stockholder in default and to withhold for the corporation the amount
corresponding to such stockholder, the Board of Directors shall notify such partner thereof at least sixty days in advance.

Shares acquired by the corporation by virtue of the provisions of the present Article may be reissued and offered for subscription once again.

ARTICLE 27 —Stock titles or certificates must contain:

1 Data regarding registration of the corporation in the Mercantile Registry;

2 Capital Stock;

3 Number of shares corresponding to such holder;

4 Class of shares, if more than one class, as well as special conditions thereof; designations, preferences, privileges, rewards, advantages and restrictions or requirements which any class of shares may have over the others;

5 Indication of whether or not the shares represented by such certificate are fully-paid and non-assessable; and if not fully-paid and non-assessable, the amount paid thereon;

6 In the case of registered or nominative shares, the name of the stockholder.

ARTICLE 28 —Bearer shares shall only be issued fully-paid non-assessable.

ARTICLE 29 —Nominative shares shall be transferable in the books of the company according to the provisions of the Articles of Incorporation and By-laws to that effect. However, in no case shall such transmission bind the corporation prior to the recording thereof in the Stock Ledger.

In the event of the holder of a certificate owing any amount to the corporation, the latter may oppose itself to such transfer until the amount due is paid. In any event, the transferor and the transferee shall be jointly responsible for the payment of amounts due to corporation by virtue of the shares transferred.

ARTICLE 30 —The transfer of bearer shares shall only require the surrendering of the respective certificate.
ARTICLE 31 — If so required by the Articles of Incorporation, the holder of a stock certificate issued to bearer may exchange such certificate for another certificate issued in his name for the same number of shares; and the holder of nominative shares may exchange his certificate for another issued to bearer for the same number of shares.

ARTICLE 32 — The Articles of Incorporation may provide that the corporation or any of its stockholders shall have a pre-emptive right to purchase such shares in the corporation as other stockholders may wish to transfer.

Such Articles of Incorporation may also impose other restrictions for the transfer of shares; but any restriction absolutely preventing the transfer of shares, shall be null.

ARTICLE 33 — The corporation may issue new stock certificates to replace mutilated, lost or stolen certificates. In such case, the Board of Directors may require the owner of a mutilated, lost or stolen certificate to issue a bond to cover the corporation against claims or damages.

ARTICLE 34 — The Articles of Incorporation may provide that the holders of any designated class or classes of stock shall not be entitled to vote, or may otherwise limit or define the respective voting powers of the several classes of stock.

The provisions of the Articles of Incorporation shall prevail at all votings which may take place and in any cases in which the law should require the vote or the written consent of the holders of all shares or a part thereof.

The Articles of Incorporation may also provide for the vote of more than a majority of any class of shares to be required for given purposes.

ARTICLE 35 — One or more stockholders may, by agreement in writing, convene to transfer their shares to one or more Trustees for the purpose of vesting upon them the right to vote thereon for a given period, and according to the terms and conditions indicated in the agreement. Other stockholders may transfer their shares to the same Trustee or Trustees, thus becoming parties to the agreement by virtue of such transfer. The stock certificates so transferred shall be surrendered to the corporation and cancelled thereby in exchange for the issuance of new certificates in favor of the Trustee or Trustees stating that the same are issued by virtue of the above-mentioned agreement, which facts shall be noted in the Stock Ledger of the corporation. An
ARTICLE 36 —The corporation shall be under the obligation to keep in its offices in the Republic, or elsewhere as determined by its Articles of Incorporation or By-laws, a book titled "Stock Ledger", listing, in alphabetical order, except in the case of shares issued to bearer, the names of all persons who are stockholders of the company, indicating place of domicile, number of shares corresponding to each one, date of acquisition and amount paid thereon or that they are fully-paid and non-assessable.

In the case of shares issued to bearer, the Stock Register shall indicate number of shares issued, date of issuance, and whether or not the shares are fully-paid and non-assessable.

ARTICLE 37 —Stockholders may only receive dividends on the net profits of the corporation or on the surplus of its assets over its liabilities. The company may declare and pay dividends on the basis of the amount actually paid on partially-paid shares.

ARTICLE 38 —When so determined by the Board of Directors, the corporation may pay dividends in stock, provided that the shares issued for such purpose have been duly authorized and provided that, if such shares have not been previously issued, an amount at least equal to that corresponding to the shares to be issued as dividends is transferred from surplus to capital account.

ARTICLE 39 —Stockholders shall only be personally liable to creditors of the corporation up to the amount due or unpaid on account of their shares. However, no action may be brought against any stockholder for the indebtedness of the corporation until judgment therefor is rendered against the corporation and the execution thereon is returned unsatisfied in all or in part.

SECTION IV

On Stockholders' Meetings

ARTICLE 40 —Whenever the Stockholders' approval or authorization is required pursuant to the provisions of the present law, notice of Stockholders' meetings shall be given, in writing, by the President, Vice-President, Secretary or Assistant Secretary or by any other person...
or persons authorized for such purpose by the Articles of Incorporation or By-laws.

Such Notice shall include the purpose or purposes for which the Board is convened, as well as the time and place of the meeting.

ARTICLE 41 —Stockholders' meetings shall take place in the Republic, unless otherwise provided by the Articles of Incorporation or By-laws.

ARTICLE 42 —Such notice shall be given at such time prior to the meeting and in such manner as provided in the Articles of Incorporation or By-laws. However, unless otherwise provided therein, such notice shall be served in person or by mail to each registered stockholder with voting rights, at least ten and no more than sixty days in advance of the date of such meeting.

ARTICLE 43 —The stockholders or their legal representatives may waive notice of any meeting in writing, before or after the same is held.

ARTICLE 44 —Resolutions taken at any meeting in which all of the stockholders are present, whether in person or by proxy, shall be valid; and agreements reached at any meeting at which there is a quorum, all persons absent therefrom having waived notice thereof, shall be valid for any of the purposes listed in such waiver, in spite of such notice not being served in the manner provided by Law, the Articles of Incorporation or by-laws in either one of the cases mentioned above.

ARTICLE 45 —At stockholders' meetings, unless otherwise provided in the Articles of Incorporation, each stockholder shall be entitled to one vote per share registered in his name, regardless of the class of shares, and for shares both with or without par value. It is understood, however, that unless otherwise provided in the Articles of Incorporation, the Board of Directors may fix a period no greater than forty days in advance of the date of each stockholders' meeting, within which no transfer of shares shall be recorded in the books of the corporation, or may fix a date, no greater than forty days in advance of the date of the meeting as the date for determining which stockholders (except for holders of bearer shares) shall be entitled to notice and to vote at such meeting. In such event, only stockholders registered at such time shall be entitled to notice of the meeting and to vote therein.
ARTICLE 46 —In the case of shares issued to bearer, the holder of such shares shall be entitled to one vote per share with voting rights at stockholders' meeting, for which purpose he shall submit, before such meeting, his corresponding certificate or certificates, or other evidence of ownership, in the manner provided in the Articles of Incorporation or by-laws.

ARTICLE 47 —At stockholders' meetings, any stockholder may be represented by proxy, who need not be a stockholder, appointed by public or private document, with or without power of substitution.

ARTICLE 48 —The Articles of Incorporation may provide that at elections of Members of the Board of Directors, stockholders entitled to vote for Directors shall have a number of votes equal to the number of shares corresponding thereto multiplied by the number of Directors to be elected, and that all of his votes may be casted in favor of a single candidate, or distributed among the total number of Directors to be elected or between two or more.

SECTION V

On the Board of Directors

ARTICLE 49 —The business of every corporation shall be managed and directed by the Board of Directors made up of no less than three members, male or female, of legal age.

ARTICLE 50 —Subject to the provisions of the present law and to the provisions of the Articles of Incorporation, the Board of Directors shall have absolute control over and complete management of the business and affairs of the corporation.

ARTICLE 51 —The Board of Directors may exercise all of the powers of the corporation, except for those conferred to or reserved for stockholders by Law, the Articles of Incorporation or by-laws.

ARTICLE 52 —Subject to the provisions of the present law and of the Articles of Incorporation, the number of Directors shall be fixed by the By-laws.

ARTICLE 53 —The attendance of a majority of the members of the Board of Directors shall be required to constitute a quorum
and resolve upon the affairs of the corporation. However, the Articles of Incorporation may provide that a given number of Directors, whether more or less than a majority, shall be required to constitute a quorum.

ARTICLE 54 —The resolutions adopted by a majority of directors present at a meeting at which there is the required quorum shall be considered the resolutions of the board of directors.

ARTICLE 55 —Unless otherwise provided in the Articles of Incorporation, Directors need not be Stockholders.

ARTICLE 56 —Directors may adopt, alter, amend and revoke the by-laws of the corporation, unless otherwise provided in the Articles of Incorporation or the by-laws adopted by the Stockholders.

ARTICLE 57 —The Directors of the company shall be elected in such manner, and at such time and place as determined in the Articles of Incorporation or by-laws.

ARTICLE 58 —Vacancies in the Board of Directors shall be filled in the manner provided for in the Articles of Incorporation or by-laws.

ARTICLE 59 —Subject to the provisions of the two foregoing Articles, vacancies in the Board of Directors, whether due to an increase in the number of Directors, or for any other reason, shall be filled by the votes of a majority of the members of the Board of Directors.

ARTICLE 60 —In the event of the Directors not being elected at the time specified for such purpose, the current Directors shall remain in office until their successors are elected.

ARTICLE 61 —Unless otherwise provided in the Articles of Incorporation or by-laws, the Board of Directors may appoint two or more of its members to make up a committee or committees, with all of the powers of the Board of Directors regarding the management of the business of the corporation, but subject to the restrictions stated in the Articles of Incorporation, the by-laws or in the resolutions whereby they are appointed.

ARTICLE 62 —If expressly authorized by the Articles of Incorporation, Directors may be represented and vote at meetings of the Board of Directors by proxies, who need not be Directors, to be appointed by public or private document, with or without power of substitution.
ARTICLE 63 —Directors may be removed from office at any time by the votes, casted for such purpose, by the holders of a majority of the outstanding shares entitled to vote for Directors. Officers, agents and employees may be replaced at any time by resolution adopted by a majority of the Directors, or in any other manner prescribed in the Articles of Incorporation or by-laws.

ARTICLE 64 —In the event of dividends or a distribution of assets being declared or paid, reducing the value of the assets of the company to less than the amount of its liabilities, including therein its capital stock; or reducing the amount of its capital stock; or if a statement is made or a fake report is rendered on any substantial issue, Directors giving their consent to such acts, knowing that the capital stock is affected thereby, or that such statements or report are false, shall be jointly and severally liable to creditors of the corporation for damages resulting therefrom.

SECTION VI

On Officers

ARTICLE 65 —Corporations shall have a President, a Secretary and a Treasurer to be elected by the Board of Directors; and may also have such other officers, agents and representatives as determined by the Board of Directors, the by-laws or the Articles of Incorporation, and to be elected in the manner established thereby.

ARTICLE 66 —The same person may hold two or more positions within the corporation, if so provided in the Articles of Incorporation or the by-laws.

ARTICLE 67 —A person need not be a member of the Board of Directors of the company, in order to act as Officer, unless so required by the Articles of Incorporation or by-laws.

SECTION VII

On the Sale of Properties and Rights

ARTICLE 68 —Any corporation may, by virtue of an agreement with the Board of Directors, sell, lease, exchange or otherwise dispose
of all or any part of its property, including its clients and privileges, franchises and rights, under such terms and conditions as the Board of Directors may deem convenient, if so authorized by resolution of the holders of a majority of the shares entitled to vote thereon, adopted at a meeting held for such purpose in the manner prescribed in Articles 40 to 44 of the present law, or by the written consent of such stockholders.

ARTICLE 69 —Notwithstanding the provisions of the foregoing Article, the Articles of Incorporation may provide that the consent of any particular class of Stockholders shall be required for granting the authorizations referred to in such Article.

ARTICLE 70 —Unless otherwise provided in the Articles of Incorporation, the vote or consent of the Stockholders shall not be required for the transfer of property in trust or for the encumbrance of same by pledge or mortgage, as security for any indebtedness of the corporation.

SECTION VIII

On Mergers with Other Corporations

ARTICLE 71 —Subject to the provisions of their Articles of Incorporation, two or more corporations organized under the present law may merge to form a single corporation. The Directors, or a majority thereof, of each one of the corporations being merged, may enter into an agreement for such purpose, to be signed thereby, containing the terms and conditions of the merger, the manner of carrying out the same, and any other facts and circumstances which may be necessary according to the Articles of Incorporation or to the provisions of the present Law, as well as the manner of converting shares of each one of the constituent corporations into shares of the resulting or surviving corporation, and such other details and provisions as may be deemed expedient.

ARTICLE 72 —Such agreement may provide for the distribution of cash, promissory notes or bonds, in all or in part, instead of the distribution of stock, provided that, following such distribution, the obligations of the surviving corporation, including those deriving from the constituent corporations, and the amount of capital stock issued by the surviving corporation, shall not exceed the value of the assets thereof.