

LAW 32 OF 1927 (*)
(of 26th February)
ON CORPORATIONS

THE NATIONAL ASSEMBLY OF PANAMA
DECREES:

SECTION ONE

Formation of Corporations

Comments

Organization (1)

ARTICLE 1. Two or more persons, of any nationality, even though not domiciled in the Republic of Panama, may form a corporation for any lawful purpose pursuant to the formalities stipulated by this law.

What the Corporate
Charter must contain

ARTICLE 2. The persons desiring to form a corporation shall sign articles of incorporation which shall contain:

1. The name and domicile of each of the subscribers to the articles of incorporation;

2. The name of the corporation, which shall not be the same as or similar to that of a pre-existing corporation, such that it might cause confusion.

The name shall include a word, phrase or abbreviation which indicates it is a corporation and distinguishes it from any natural person or company of any other nature.

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

3. The general object or objects of the corporation;

4. The amount of the Corporate Capital and the number and par value of the shares into which it is divided; and, if the corporation is to issue shares without par value, the statements referred to in Article 22 of this Law.

The amount of the Corporate Capital and the par value of the shares may be expressed in the currency of the Republic, or there are to be shares of different classes, the number of shares in each class and the designations, preferences, privileges and voting rights and the restrictions or requirements of each class of shares; or the stipulation that the said designations, preferences, privileges and voting rights or the restrictions or other requisites may be determined by resolution of the majority of the interested shareholders or by resolution of the majority of the Directors;

5. The number of shares that each of the subscribers to the articles of incorporation agrees to take;

6. The domicile of the corporation and the name and domicile of its agent in the Republic, who may be a juridical person;

7. The duration of the corporation;

8. The number of Directors, which shall be not less than three, and their names and addresses;

9. Any other lawful clauses to which the subscribers may have agreed.

Language to be used **ARTICLE 3.** The articles of incorporation may be executed anywhere, within or outside the Republic, and in any language.

Form of the articles **ARTICLE 4.** The articles of incorporation may be established by means of a public instrument or in any other way, provided it is certified by a Notary Public or by any other public officer who is authorized to certify in the place of execution thereof.

Formalities **ARTICLE 5.** If the articles of incorporation is not contained in a public instrument it must be protocolized at a Notary's Office in the Republic.

If said document has been executed outside the Republic, in order to be protocolized, it must be previously authenticated by a Panamanian Consul or, lacking such Consul, by the consul of a friendly nation.

And if it has been executed in a language other than Spanish, it must be protocolized together with a translation thereof authorized by a public or official translator of the Republic.

Registration at the Public Registry **ARTICLE 6.** The public instrument or protocolized document containing the articles of incorporation must be filed for registration at the Mercantile Registry.

The incorporation of the company shall have no effect with respect to third parties until the respective articles of incorporation has been registered.

Amending the Corporate Charter **ARTICLE 7.** A corporation organized under the provisions of this Law may amend any of the clauses of its articles of incorporation provided that such amendments conform to the provisions of this Law.

Consequently, the corporation may change the number of its shares of stock or any class of its shares subscribed at the time of such amendments, change the par value of the subscribed shares of any class; exchange the subscribed shares of one class having a par value for an equal or different number of shares of the same class or of another class of shares without par value; exchange subscribed shares of one class of shares without par value for an equal or different number of shares of the same class or of another class of shares with par value; increase the amount or the number of the shares of its authorized capital; divide its authorized capital stock into different classes; increase the number of classes of its authorized capital; change the designations of the

shares of stock, the rights, privileges, preferences, voting rights and restrictions or qualifications.

But the capital stock shall not be reduced except in accordance with the provisions of Article 14 et seq. of this Law.

Amending the
Corporate Charter

ARTICLE 8. Amendments to the articles of incorporation shall be made by the persons hereinafter designated and in the manner prescribed in this Law for the execution of the articles of incorporation.

Amending the
Corporate Charter

ARTICLE 9. Amendments to the articles of incorporation prior to the issuance of shares shall be executed by all the signatories of the articles of incorporation and by all who have agreed to subscribe shares of stock.

Amending the
Corporate Charter

ARTICLE 10. In cases where shares have been issued, the amendments shall be executed:

a. By the holders, or their proxies, of all the subscriber shares having the right to vote provided that there be annexed to the instrument of amendment a certificate issued by the Secretary or by one of the Assistant Secretaries of the corporation to the effect that the persons who have signed said amendments, personally or by proxy, constitute all of the holders of the subscribed shares having the right to vote; or

b. By the President, or one of the Vice-Presidents, and the Secretary or one of the Assistant Secretaries of the corporation, who shall sign the instrument of amendment, which shall include a certificate stating that they have been authorized to execute said instrument by a resolution adopted by the owners of the majority of the said shares or their proxies and that said resolution was approved at a meeting of the stockholders held on the date stipulated in the notice or in the waiver thereof.

Amending the
Corporate Charter

ARTICLE 11. In the event the amendments to the articles of incorporation do alter the preferences of the subscribed shares of any class or authorize the issuance of shares with preferences which are in any respect more advantageous than those of the subscribed shares of any class, the certificate referred to in section b) of the preceeding article shall state that the officers of the corporation signing such amendments have been authorized to execute the instrument of amendment by means of a resolution approved by the owners of the majority of the shares of each class with voting rights or their proxies, and that such resolution was approved at a Shareholders' Meeting held on the date stipulated in the notice to the meeting or in the waiver thereof.

Amending the
Corporate Charter

ARTICLE 12. If the articles of incorporation provide that more than a majority of the subscribed shares or of any class of shares is required so it can be amended, the certificate referred to in section b) of Article 10 shall state that the amendment in question has been authorized in that manner.

Preventive Right to
Share Subscription

ARTICLE 13. If the articles of incorporation or any amendments thereto do not provide otherwise, each shareholder shall have a preemptive right to subscribe, in proportion to the shares held by him, shares of those issued pursuant to any increase of the capital.

Reduction of the
Authorized Capital

ARTICLE 14. The corporation may reduce its authorized capital by means of an amendment to its articles of incorporation, but no distribution of its assets may be made pursuant to any such reduction if by so doing the actual value of said assets is diminished to an amount representing less than the total value of its liabilities, considering the capital reduced as part of the latter.

To the instrument containing the respective amendment there shall be annexed a sworn certificate issued by the President or the Vice-President and the Treasurer or one of the Assistant Treasurers stating that by means of the distribution the provisions of the preceeding paragraph have not been violated.

The appraisal as to the value of the assets and liabilities by the Board of Directors shall be deemed correct, except in cases of fraud.

Acquisition of its shares
by a corporation

ARTICLE 15. If not prohibited in its articles of incorporation, a corporation may acquire its own shares. If the acquisition is made with funds or property other than the excess of assets over the liabilities or the net profits of the corporation, the shares acquired shall be paid up by means of the reduction of the issued capital, but such shares may be sold again if the authorized capital is not diminished by the payment of said shares.

Acquisition of its shares
by a corporation

ARTICLE 16. The shares of a corporation acquired by it with funds derived from the excess of its assets over its liabilities or from its net profits may be retained by the corporation or sold by it for corporate purposes and may be cancelled and reissued by a resolution of the Board of Directors.

Acquisition of its shares
by a corporation

ARTICLE 17. The shares of a corporation acquired by it cannot be represented, directly or indirectly, at Stockholders' meetings.

When the Corporation
cannot acquire its own
shares

ARTICLE 18. No corporation shall acquire its own shares with funds not derived from the excess of its assets over its liabilities or from the net profits if as a consequence of such acquisition the actual value of its assets is reduced to an amount representing less than the total value of its liabilities, considering the capital reduced as part of the latter.

The appraisal as to the value of the assets and liabilities by the Board of Directors shall be deemed correct, except in cases of fraud.

SECTION TWO

Powers of the Corporation

Corporate Powers

ARTICLE 19. Every corporation organized pursuant to this Law shall have the following powers in addition to the powers granted by this Law;

1. To sue and be sued in court;
2. To adopt and use a corporate seal and alter it at its convenience;
3. To acquire, purchase, hold, use, and transfer movable and immovable property of any kind and to make and accept pledges, mortgages, leases, liens and encumbrances of all kinds;
4. To appoint officers and agents;
5. To enter into all kinds of contracts;
6. To enact, without contravening existing laws or its articles of incorporation, by-laws for the management, regulation and administration of its affairs and property, for the transfer of its shares of stock, for the calling of shareholders' or directors' meetings and for any other lawful purpose;
7. To conduct its affairs and exercise its powers in foreign countries;
8. To agree upon its dissolution in accordance with the Law, voluntarily or for other reasons;
9. To borrow money and incur debts in connection with its affairs or for any lawful purposes; to issue bonds, promissory notes, bills of exchange and other documents of obligation (which may or may not be convertible into shares of the corporation) payable on a certain date or dates, or upon the happening of a specific event, whether secured by mortgage or pledge or unsecured, for money borrowed or in payment for acquired property, or for any other lawful consideration;
10. To guarantee, acquire, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of or trade in shares, bonds or other obligations issued by other corporations or by any municipality, province, state or government;
11. To do all things necessary in carrying out the purposes enumerated in its articles of incorporation or any amendment thereof, or whatever becomes necessary or expedient for the protection and benefit of the corporation and, in general, to perform any lawful business even though not similar to any of the purposes specified in the articles of incorporation or in the amendments thereof.

SECTION THREE

Shares and Capital

Kind of shares

ARTICLE 20. The corporation shall have the power to create and issue one or more classes of shares, with the designations, preferences, privileges, voting powers, restrictions or requirements and other rights as determined by its articles of incorporation, and subject to the rights of redemption which the corporation may have reserved for itself in the articles of incorporation.

The articles of incorporation may provide that the shares of one class are convertible into shares of another class or classes.

Par value shares

ARTICLE 21. Shares may have a nominal value. Such shares can be issued as fully paid and non-assessable, as partially paid, or even without any payment having been made therefor.

Unless otherwise provided by the articles of incorporation, no fully paid and non-assessable par value shares, nor bonds or shares convertible into fully paid and non-assessable par value shares may be issued in exchange for services or property which, in the judgment of the Board of Directors, have a lesser value than the par value of said shares or of shares into which such bonds or shares are convertible. Certificates issued for partially paid shares may not state that an amount has been paid on them which is larger than the amount which, in the judgment of the Board of Directors, was actually paid on account of such shares. Payment may be made in form of money, labour, services or property of any kind.

The appraisal of the Board of Directors in respect of values shall be deemed correct, except in cases of fraud.

No par value shares

ARTICLE 22. Corporations may create and issue shares without par value, provided that their articles of incorporation state:

1. The total amount of shares that the corporation can issue;
2. The number of shares with par value, if any, and the value of each one;
3. The number of shares without par value;
4. One or the other of the following statements:
 - a. That the corporate capital shall be at least equal to the total amount represented by the shares with par value, plus a stated amount with respect to each share without par value which is issued, and the sums that from time to time may be incorporated into the corporate capital by means of a resolution or resolutions of the Board of Directors; or
 - b. That the corporate capital shall be at least equal to the total amount represented by the shares with par value, plus the value received by the

corporation for the issuance of shares without par value, and the amounts that from time to time may be incorporated into the corporate capital by means of a resolution or resolutions of the Board of Directors.

The articles of incorporation may also contain an additional declaration to the effect that the corporate capital shall not be less than the amount specified therein.

Equality of rights of shares of the same class

ARTICLE 23. All the shares of one class, whether they be par value shares or shares without par value, shall be equal to the shares of the same class, subject, however, to the designations, preferences, privileges, voting rights, restrictions or requisites granted or imposed upon any class of shares.

Price of no par value shares

ARTICLE 24. The corporation may issue and sell shares without par value which it is authorized to issue, for the sum specified in its articles of incorporation, for a price which in the judgment of the Board of Directors is considered as fair, or for the price which from time to time may be determined by the Board of Directors, if authorized by the articles of incorporation, or for the price determined by the holders of the majority of the shares having the right to vote.

Liability of holders of no par value shares

ARTICLE 25. All the shares referred to in Articles 22, 23, and 24 of this Law shall be considered to be fully paid and non-assessable. The holders of such shares are liable for said shares neither to the corporation nor its creditors.

Payment of the price shares

ARTICLE 26. The price of the shares shall be paid on the dates and in the manner determined by the Board of Directors. In the event of default, the Board of Directors has the option to proceed against the shareholder in default to collect the portion of the capital that he has failed to deliver and the damages that the corporation may have suffered, or to rescind the contract with respect to the shareholder in default, having the right in the latter case to retain for the benefit of the corporation the sums belonging to said shareholder in the corporate assets.

In the event that it is decided to rescind the contract with respect to the shareholder in default and to retain for the corporation the amounts belonging to said shareholder, the Board of Directors shall notify the shareholder at least sixty days in advance.

Shares acquired by the corporation by virtue of the provisions of this article may be reissued and offered again for subscription.

ARTICLE 27. The title or share certificate shall state:

What a share certificate must contain

1. The recorded data of the corporation at the Mercantile Registry;
2. The corporate capital;
3. The number of shares belonging to the holder;

4. The class of share, if there are different classes, as well as the special conditions, designations, preferences, privileges, premiums, advantages and restrictions or requisites that some of the classes of shares may have over the others;

5. Whether the shares represented by the certificate are fully paid and non-assessable, shall be stated on said certificate; and if they are not fully paid and non-assessable, the sum that has in fact been paid shall also be stated on the certificate;

6. If the share is nominative, the name of the shareholder shall be stated.

Bearer shares

ARTICLE 28. Bearer shares shall not be issued until they have been fully paid and are non-assessable.

Transfer of
registered shares

ARTICLE 29. Nominative shares shall be transferable in the books of the corporation in the manner provided by its articles of incorporation or by-laws. Transfers shall be binding on the corporation only from the time of their recording in the Share Registry Book.

If the holder of the certificate is indebted in any amount to the corporation, the latter may oppose the transfer until the amount owed is paid. In any case, the transferor and the transferee shall be solidarily liable for the sums owed to the corporation for the shares so transferred.

Transfer of bearer
shares

ARTICLE 30. The assignment of bearer shares shall be effected by means of the mere delivery of the certificate.

Exchange of
bearer shares for
registered shares
and vice versa

ARTICLE 31. If provided for in the articles of incorporation, the holder of a certificate of shares issued to the bearer may obtain the exchange of said certificate for another certificate issued in his name for an equal number of shares; and the holder of nominative shares may obtain the exchange of his certificate for another one to the bearer for an equal number of shares.

Preferential share
purchase rights:
restrictions on share

ARTICLE 32. The articles of incorporation may provide that the corporation or any of the shareholders shall have a preemptive right to purchase those shares of the corporation that another shareholder desires to transfer.

Other restrictions on the transfer of the shares may also be imposed, but any restriction that in an absolute manner prohibits the transfer of the shares shall be null and void.

Issuance of new
share certificates

ARTICLE 33. The corporation may issue new share certificates to replace those which may have been destroyed, lost or stolen. In such a case, the Board of Directors may require that the owner of the certificate that was destroyed, lost or stolen, give security to protect the corporation against any claim or damage.

Voting rights	<p>ARTICLE 34. The articles of incorporation may provide that the holders of any particular class of shares shall have no voting rights, or such rights may be restricted or defined with respect to the various classes of shares.</p>
	<p>These provisions in the articles of incorporation shall prevail in all voting proceedings which may take place and in all cases in which the law requires the vote or written consent of the holders of all or of any portion of the shares.</p>
	<p>The articles of incorporation may also provide that the vote of more than the majority of any class of shares is necessary for specific purposes.</p>
Transfer of shares to trustees	<p>ARTICLE 35. One or more shareholders may agree in writing to transfer their shares to one or more trustees in order to grant them the right to vote in their name and stead for a specified term and according to the conditions indicated in the agreement. Other shareholders may transfer their shares to the same trustee or trustees and become, by virtue of said transfer, parties to the agreement. The certificates of shares so transferred shall be delivered to the corporation, cancelled by it and exchanged for new certificates in the name of the Trustee or Trustees, stating therein that they are issued by virtue of the aforementioned agreement, and those circumstances shall be recorded in the Stock Registry Book of the corporation. In order for the provisions of this article to take effect, it will be necessary that an authenticated copy of the said agreement be furnished to the corporation.</p>
The share registry book	<p>ARTICLE 36. The corporation is obliged to keep in its office in the Republic or at any other place determined by its articles of incorporation or by-laws, a book which shall be called the “Share Registry”, in which there shall be recorded, except in the case of bearer shares, the names of all persons who are shareholders of the corporation, in alphabetical order, with indication of the place of their domicile, the number of shares belonging to each one of them, the date of acquisition and the amount paid there for or that the shares are paid and non-assessable. In the case of shares issued to bearer, the Share Registry Book shall indicate the number of shares issued, the date of the issuance and that the shares are totally paid and non-assessable.</p>
Payment of dividends	<p>ARTICLE 37. Dividends may be paid to the shareholders from the net profits of the corporation or from the excess of its assets over its liabilities, but not otherwise. The corporation can declare and pay dividends upon the basis of the amount actually paid for shares that have only been partially paid.</p>
Payment of dividends in shares of the corporation	<p>ARTICLE 38. When the Board of Directors so determines, dividends may be paid in shares of the corporation provided that the shares issued for that purpose have been duly authorized and provided that, if the shares have not been previously issued, an amount at least equal to that corresponding to the shares to be issued as dividends has been transferred from the surplus account to the capital account of the corporation.</p>
Liability of shareholders	<p>ARTICLE 39. Shareholders are liable to the creditors of the corporation only up to the sum owed on account of their shares; but no suit can be filed against any shareholder</p>

for liabilities of the corporation until judgment has been rendered against it and only if the total amount of such judgment cannot be collected after the judicial sale of the corporate assets.

SECTION FOUR

Shareholders' Meetings

Calling a shareholder meeting

ARTICLE 40. Whenever the approval or authorization of the shareholders is required pursuant to the provisions of this Law, a notice of shareholders' meeting shall be given in writing on behalf of the President, Vice-President, Secretary or Assistant Secretary, or of any other person or persons authorized for this purpose by the articles of incorporation or the by-laws. The notice shall indicate the purpose or purposes for which the meeting is called and the time and place where it will be held.

Where shareholders meetings may be

ARTICLE 41. Shareholders' meetings shall be held within the Republic, unless the articles of incorporation or the by-laws provide otherwise.

How notice is to given

ARTICLE 42. Prior notice shall be given as provided for in the articles of incorporation or the by-Laws; but if these do not otherwise provide, it shall be made by delivery of the notice personally or by mail to every registered shareholder having a right to vote, not less than ten days nor more than sixty days prior to the date of the meeting. If the corporation has issued bearer shares, the notice shall be published in accordance with the provisions of its articles of incorporation or by-laws.

Waivers

ARTICLE 43. The shareholders or their legal representatives may waive notice of any meeting in writing before or after same.

Validity of shareholders resolution

ARTICLE 44. The resolutions adopted in any meeting in which all shareholders are present, whether personally or by proxy, shall be valid; and resolutions adopted in a meeting in which there is a quorum, all absentees having waived notice, shall be valid for all the purposes enumerated in the waiver, even though in any of the above-mentioned cases notice may not have been given in the manner provided by the law, by the articles of incorporation or by the by-laws.

Right to vote

ARTICLE 45. If the articles of incorporation do not otherwise provide, all stockholders have, at shareholders' meetings, the right to one vote for each share registered in his name, regard-less of the class of said share, whether it be with or without par value. The Board of Directors may, unless otherwise provided by the articles of incorporation, fix a period of not more than forty days prior to the date of each meeting of shareholders, during which no transfer of shares will be registered in the books of the corporation, or it may fix a date not more than forty days prior to the date of the meeting as the date on which those shareholders (except the holders of bearer shares) who have a right to be given notice and to vote in said meeting, will be determined. In such a case, only shareholders registered as of that date will have the right to be given notice and to vote in said meeting.

Right to vote of holder or bearer shares	ARTICLE 46. In the case of shares issued to bearer, the bearer will, at shareholders' meetings, be entitled to one vote for each voting share for which he shall exhibit at said meeting the corresponding certificate or certificates, or evidence or proof of his right, in the manner provided in the articles of incorporation or the by-laws.
Right of shareholders to be represented by proxy holders	ARTICLE 47. At all Meetings of Shareholders, any shareholder may be represented by a proxy holder, who need not be a shareholder, and who may be appointed by private or public instrument, with or without a substitution clause.
	ARTICLE 48. The articles of incorporation may provide that at the elections of members of the Board of Directors, each shareholder with a right to vote for directors shall have a number of votes equal to the number of shares that he owns multiplied by the number of directors to be elected, and that he may cast all his votes in favour of a single candidate, or distribute them among the total number of directors to be elected or between two or more of them, as he deems convenient.
	SECTION FIVE The Board of Directors
The Board Directors	ARTICLE 49. The business of the corporation shall be administered and conducted by a Board of Directors composed of at least three members of full age, without distinction of sex.
Control and management of corporate affairs	ARTICLE 50. Subject to the provisions of this Law and those of the articles of incorporation, the Board of Directors shall have absolute control and full management of the affairs of the corporation.
Powers of the of Directors	ARTICLE 51. The Board of Directors may exercise all the powers of the corporation except those that the law, its articles of incorporation or its by-laws confer on or reserve to the shareholders.
Number of Directors	ARTICLE 52. Subject to the provisions of this Law and those of the articles of incorporation, the number of directors shall be fixed by the bylaws.
Quorum	ARTICLE 53. The presence of the majority of the members of the Board of Directors will be necessary for the existence of a quorum to decide upon the business of the corporation. Nevertheless, the articles of incorporation may provide that a certain number of directors, whether it be more or less than a majority, is necessary to constitute a quorum.
Resolutions of Board of Directors	ARTICLE 54. The resolutions of the majority of the directors present at a meeting in which there is the required quorum, shall be considered resolutions of the Board of Directors.
Directors need shareholders	ARTICLE 55. If the articles of incorporation do not otherwise provide, it shall not be necessary that the Directors be shareholders.

Right of the Board of Directors to adopt, amend, revoke by	ARTICLE 56. The Directors may adopt, alter, amend or repeal the by-laws of the corporation, unless otherwise provided by the articles of incorporation or by-laws adopted by the shareholders.
Election of Directors	ARTICLE 57. The Directors of the corporation shall be elected in the manner, date and place determined by its articles of incorporation or bylaws.
Vacancies in the of Directors	ARTICLE 58. Vacancies which occur in the Board of Directors shall be filled in the manner provided in the articles of incorporation or the bylaws.
Vacancies in the of Directors	ARTICLE 59. Subject to the provisions of the two preceding articles, vacancies which occur in the Board of Directors, whether by virtue of an increase in the number of directors or owing to any other cause, shall be filled by the votes of the majority of the members of the Board of Directors.
Election of Directors	ARTICLE 60. If the Directors are not elected on the date set for that purpose, the Directors then in office will continue to serve until their successors are elected.
Appointment Board Committee	ARTICLE 61. If the articles of incorporation or the by-laws do not otherwise provide, the Board of Directors can appoint two or more of its members to constitute a committee or committees having all the powers of the Board of Directors in the management of the business of the corporation, but subject to the restrictions expressed in the articles of incorporation, in the by-laws or in the resolutions whereby they are appointed.
Directors' Proxies	ARTICLE 62. If the articles of incorporation expressly authorize it, the Directors may be represented and vote at meetings of the Board of Directors through proxy holders who need not be directors and who must be appointed by public or private instrument, with or without power of substitution.
Removal of Directors, Officers, Agents and Employees	ARTICLE 63. Directors may be removed at any time by the votes, cast to that effect by the holders of the majority of the subscribed shares with a voting right in the elections of directors. Officers, Agents, and employees may be replaced at any time by means of a resolution adopted by the majority of the Directors or in any other manner provided by the articles of incorporation or by-laws.
Liability of Directors	ARTICLE 64. If any dividend or distribution of assets is declared or paid that reduces the value of the corporate assets to less than the amount of its liabilities, the corporate capital being included in the latter; or if the amount of the corporate capital is reduced; or if any false declaration or report is rendered on any substantial point, the directors who have given their consent to such act, knowing that in doing so the corporate capital would be affected or that the declarations or the report are false, will be jointly and solidarily liable to the creditors of the corporation for the damages resulting therefrom.

SECTION SIX

Officers

Officers, Representatives
and Agents

ARTICLE 65. Corporation shall have a President, a Secretary and a Treasurer, who shall be elected by the Board of Directors, and it may also have all such officers, agents and representatives as determined by it Board of Directors, by-laws or articles of incorporation, same being elected in the manner established therein.

Accumulation of
officers

ARTICLE 66. The same person may hold two or more offices if the articles of incorporation or the by-laws so provide.

Officers are not required
to be Directors

ARTICLE 67. It is not necessary that a person be a member of the Board of Directors of a corporation in order to be an officer, unless it is so required by the articles of incorporation or the by-laws.

SECTION SEVEN

The Sale of Assets and Rights

Sale of assets and rights

ARTICLE 68. Any corporation may, by virtue of a resolution of the Board of Directors, sell, lease, exchange or in any other manner dispose of all or part of its assets, including its clientele and privileges, franchises and rights, in accordance with the terms and conditions that the Board of Directors may deem fit, provided it is authorized to do so by means of a resolution of the holders of the majority of the shares with voting rights in the matter, approved at a meeting convened for that purpose in the manner prescribed in Articles 40 and 43 of this Law, or by means of the written consent of saidshareholders.

Exception to the
preceding provision

ARTICLE 69. Notwithstanding the provisions of the preceding article, the articles of incorporation may require that the consent of any class of shareholders is necessary in order to grant the authorization referred to in said article.

Disposal of assets
trust

ARTICLE 70. If the articles of incorporation do not otherwise provide, neither the vote nor the consent of the shareholders will be needed for the transfer of assets in trust or to pledge or mortgage them as guarantee for the liabilities of the corporation.

SECTION EIGHT

Merger with other Corporations

Merger agreement

ARTICLE 71. Subject to the provisions of the articles of incorporation, two or more corporations organized under this law, may merge to form a single corporation. The directors, or the majority of the directors, of each one of the corporations desiring to merge, may enter into an agreement to that effect which they will sign, and in which they will state the terms and conditions of the merger, the manner of carrying it out, and any other facts and circumstances that may be necessary according to the articles of incorporation or to the provisions of this Law, as well as the manner of converting the shares of each of the merging corporations into shares of

the new corporation, and also any other details and lawful provisions as may be deemed necessary.

Contents of the
merger agreement

ARTICLE 72. The agreement may provide for the distribution of cash, promissory notes or bonds, in whole or in part, instead of the distribution of shares, provided that after this distribution, the liabilities of the new corporation, including those derived from the merging corporations, and the amount of the corporate capital issued by the new corporation, do not exceed its assets.

Approval of the
merger agreement

ARTICLE 73. The merger agreement must be submitted to the shareholders of each one of the merging corporations, in a meeting specially convened for this purpose, according to the provisions of Articles 40 to 43 of this law. At that meeting, the agreement shall be considered and its approval or rejection shall be voted upon.

Execution of
merger agreement

ARTICLE 74. Without prejudice to the provisions of the respective Articles of Incorporation, if the vote of the holders of the majority of shares with voting right in each corporation is favourable to the merger agreement, this fact shall be stated in a certificate of the Secretary or Assistant Secretary of each corporation, and the merger agreement so approved and certified, shall be executed by the President or Vice- President and the Secretary or Assistant Secretary of each merging corporation, pursuant to the provisions of Article 2° of this law with respect to the execution of the articles of incorporation.

Registration of the
merger agreement at
the mercantile registry

ARTICLE 75. The merger agreement so executed must be filed at the Mercantile Registry for registration as provided for in the legal provisions governing articles of incorporation, and once registered it shall constitute the act of merger of the respective corporations.

Rights and
obligations of
consolidated
corporation

ARTICLE 76. Once the merger agreement has been executed and registered at the Mercantile Registry pursuant to the provisions of the two preceding articles, each of the merging corporations will cease to exist, and the consolidated corporation so constituted will succeed the extinguished ones in all their rights, privileges, powers and franchises as owner and possessor of same, subject to the restrictions, obligations and duties that corresponded to the merging ones respectively; it being understood that the rights of all the creditors of the merging corporations respectively and the encumbrances that affect their property will not be prejudiced by the merger, but said encumbrances will affect only the property encumbered on the date of execution of the merger agreement. The debts and obligations of the extinguished merging corporations shall correspond to the newly consolidated corporation and compliance and payment thereof may be required from it as if they had been contracted by it.

Special conditions
for mergers

ARTICLE 77. In addition to the requirements established by this Law, the articles of incorporation of any corporation may determine and fix the conditions that must be complied with for the merging of the corporation with another.

Continuing suits or proceeding extinguished corporations

ARTICLE 78. In the judicial or administrative proceedings in which the extinguished corporations, or any of them, have been party to, the newly consolidated corporation will continue acting as a party.

Merger will not affect prior rights and duties

ARTICLE 79. The liability of the corporation and of their shareholders, directors or officers, as well as the rights and legal remedies of their creditors or of the persons having business with the merging corporations shall not be diminished in any manner or form by the merger.

SECTION NINE
Dissolution

Dissolution agreement

ARTICLE 80. If the Board of Directors of any corporation subject to this law deems it convenient that the corporation be dissolved, it shall propose, by a majority of votes of its members, a dissolution agreement and, within the following ten days, shall call, or cause to be called, pursuant to the provisions of Articles 40 to 43, a meeting of the shareholders with a right to vote, in order to decide upon the agreement of the Board of Directors.

Approval of the dissolution agreement and recording same at Mercantile

ARTICLE 81. If at the shareholders' meeting so called, the holders of the majority of the shares with a right to vote upon the matter do adopt a resolution approving the agreement of dissolution of the corporation, a copy of said shareholders' agreement shall be issued, together with a list of the names and addresses of the directors and officers of the corporation, certified by the President or a Vice-President and the Secretary or Assistant Secretary and the Treasurer or an Assistant Treasurer, and said certified copy shall be protocolized and filed at the Mercantile Registry in the manner provided in Article 2°.

Publication of the dissolution agreement

ARTICLE 82. Once filed at the Public Registry, said copy shall be published at least once in a local newspaper within the Republic where the office of the corporation is established and, if there is no newspaper in such place, in the Official Gazette of the Republic.

Dissolution by way of unanimous consent of shareholders

ARTICLE 83. If all the shareholders with right to vote in the matter state in writing their consent to the dissolution, neither the meeting of the Board of Directors nor that of the shareholders shall be necessary.

Protocolization, registration and publication of unanimous

ARTICLE 84. The document containing the consent of the shareholders must be protocolized, recorded at the Mercantile Registry, and published in the manner expressed in Article 82. Once such formalities have been complied with, the Corporation will be deemed dissolved.

Corporate acts after dissolution

ARTICLE 85. Every corporation whose existence ends by expiration of the term established in its articles of incorporation or by dissolution, will continue, nevertheless, for a period of three years as from that date for the specific purposes of initiating any special proceedings deemed necessary, defending its interests as defendant, settling its affairs, transferring and disposing of its assets, and dividing its

corporate capital; but in no case may it continue the business for which it was organized.

Powers of the Directors
after dissolution

ARTICLE 86. When the existence of a corporation ends by expiration of its term of duration or by dissolution, the directors shall act as trustees of the corporation with power to settle its affairs, collect its credits, sell and transfer its assets of all kinds, distribute its assets among its shareholders, once the debts of the corporation have been paid; and they shall also be empowered to initiate judicial proceedings in the name of the corporation with respect to its credits and assets, and to represent it in proceedings that may be brought against it.

Liability of Directors
after dissolution

ARTICLE 87. In the case of the preceding Article, the directors shall be jointly and individually liable for the debts of the corporation, but only up to the value of the assets and funds which they may have managed or held.

Remuneration of
Directors and filling
their vacancies

ARTICLE 88. Said directors are authorized to apply funds and assets of the corporation towards payment of a reasonable compensation for their services and they may fill any vacancy that occurs in their number.

Decisions of Directors
when they act as
trustees

ARTICLE 89. The directors, when acting as trustees according to the provisions of Articles 86, 87 and 88, shall adopt their decisions by majority vote.

SECTION TEN
Foreign Corporations

When a foreign
corporation may
operate in

ARTICLE 90. A foreign corporation may have offices or agencies and engage in business within the Republic, after having filed at the Mercantile Registry the following documents for registration:

1. Notarial instrument of protocolization of its Articles of Incorporation;
2. Copy of its last balance sheet together with a declaration of the portion of the corporate capital utilized or to be utilized for business in the Republic;
3. A certificate stating that it has been organized and authorized in accordance with the laws of the respective country, issued and legalized by the Consul of the Republic in that country or, lacking such Consul, by the consul of a friendly nation.

Foreign corporations that
operate in the country
without complying with
the requirements of the
law

ARTICLE 91. Foreign corporations that act within the Republic and have not complied with the requirements of this law, shall not be able to initiate judicial or any other kind of proceedings before the courts or authorities of the Republic, but may be sued in all kinds of proceedings before administrative or judicial

authorities, and shall also have to pay a fine of up to five thousand balboas which shall be imposed by the Ministry of Finance and Treasury.

Registration at the
Public Registry
office

ARTICLE 92. Foreign corporations registered at the Mercantile Registry in accordance with this law must file for registration at the Mercantile Registry, all amendments to their articles of incorporation and the instruments of consolidation and dissolution affecting them.

SECTION ELEVEN
Miscellaneous Provisions

Laws applicable to
corporations

ARTICLE 93. Those national or foreign corporations which, at the time this Law becomes effective, are established in the Republic or have agencies or branches there, shall be governed as to their corporate charter by their articles of incorporation, by their by-laws and by the laws which were in effect at the time of their organization or establishment in the Republic, as the case may be.

Corporations existing
prior to enactment of
this law

ARTICLE 94. National corporations organized before the effective date of this Law may at any time choose to govern themselves by the provisions of this Law, for which it will be necessary for them to state this fact in a resolution adopted by the shareholders which must be registered at the Public Registry Office.

The shareholders of national corporations which at this time have been dissolved but not liquidated, may, for the purposes of liquidation, submit themselves to the provisions contained in this article, provided that it be so agreed by a number of shareholders not less than that required by its bylaws to agree upon the dissolution of the corporation before the expiration of its term of existence.

All prior provisions
relating to corporations
are revoked

ARTICLE 95: All the provisions now in force relating to corporations are revoked.

Effective date of this
law

ARTICLE 96: This Law shall be effective from the 1st of April of the year one thousand nine hundred and twenty-seven.

Given in Panama on the 23rd day of February of the year one thousand nine hundred and twenty-seven.

LAW No. 9 (of 2nd July 1946)

Whereby the effectiveness of several provisions of the Commercial Code is re-established.

(as amended by Cabinet Decree N° 247 of 16th July, 1970)

THE NATIONAL ASSEMBLY OF PANAMA

DECREES:

ARTICLE 1. The effectiveness of articles 417, 418, 420, 425, 426, 427, 444, 517, 524, 531, 548 and 556 of the Commercial Code is reenacted, the text of said articles being the following:

The shareholders are
the supreme power (1)

ARTICLE 417. The General Shareholders Meeting constitutes the supreme power of the corporation, but in no case may it, by a vote of the majority, deprive shareholders of their acquired rights, nor impose upon them, except as provided in this Code, a resolution of any kind which would contravene the provisions of the by-laws.

A shareholder may
oppose corporate action
contrary to law

ARTICLE 418. Every shareholder shall have the right to protest against the resolutions of the General Shareholders Meeting adopted in violation of the Law, the articles of incorporation or the by-laws, and may within a term of thirty days, demand their annulment before a competent court which, if it considers it urgent, may suspend the execution of the resolution until the suit is adjudicated. In no case will said suspension be granted if the shareholder selects ordinary proceedings at the time of filing the suit.

Who may call a
shareholders' meeting

ARTICLE 420: The General Shareholders Meeting shall be convened by the Board of Directors or by the persons duly authorized to do so by law, the articles of incorporation or the by-laws, or by the corresponding Circuit Judge. The judicial notice shall only proceed when so requested by one or more shareholders whose shares represent at least one twentieth of the authorized capital, if by the articles of incorporation or the bylaws this right is not conferred to shareholders with lesser representation. The petition referred to in this article shall be resolved forthwith.

How judicial notice is to
be given

*(1) We have added these
marginal notes to ease and
expedite reference to the
provisions.*

*NOTE: In connection with art. 420 of the Commercial Code, article 40 of Cabinet Decree 247 of 16th July 1970 states:

“Judicial notice shall be given by means of a notice which shall be published for three consecutive days in two daily newspapers having a large circulation which are edited in the corporation’s domicile or in the City of Panama,

and the share-holders meeting shall take place not less than ten nor more than twenty days after the date of the third publication of the notice”.

Shareholders may
appoint auditors

ARTICLE 425. The General Meeting may appoint auditors to examine the balance sheet, the incorporation background, or the corporate activities. If the proposals made to that effect are rejected, the Judge may, without further proceedings, appoint such auditors upon request of those shareholders whose shares represent one-twentieth of the authorized capital. Said petition shall not be entertained without the prior deposit of the shares of the petitioners at the Court and of a bond for costs arising therefrom, in an amount to be fixed reasonably by the Judge.

Auditors must
inform the court

ARTICLE 426. In the situation contemplated by the preceding article, management shall permit the auditors to examine the books and documents of the corporation and the cash, merchandise or securities belonging to the corporation. The auditors will submit their report to the Judge, and the latter, if he deems it convenient, will convene a General Meeting to analyze it, and shall determine if the costs incurred must be paid by the corporation.

Consequences of
judicial rejection
auditors appointment

ARTICLE 427. If the Judge rejects the petition for the appointment of auditors, or if said petition is unjustified in the opinion of the auditors, the petitioning shareholders shall be sentenced with payment of the costs incurred and shall be jointly and solidarily liable to the corporation for the damages caused to it.

Liability of

ARTICLE 444. Directors shall not be personally liable for the liabilities of the corporation, but will be personally or solidarily liable, as the case may be, to it or to third parties, for the effectiveness of payments which appear to have been made by the shareholders; for the real existence of agreed dividends; for the proper management of the accounts and, in general, for the proper or improper execution or performance of the agency or for the violation of the laws, the articles of incorporation, the by-laws or resolutions of the General Meeting. Directors who were absent with cause or who protested in due time against the resolution of the majority shall be exempted from liability. The liability can only be demanded by means of a resolution of the General Shareholders Meeting.

NOTE: Arts. 517 et. seq. refer to companies of all types, i.e., partnerships, corporations, etc.

Grounds for the
dissolution of
corporations

- ARTICLE 517.** Companies will terminate:
1. In the cases provided for in their articles of incorporation;
 2. By unanimous consent of the partners;
 3. By the completion of the purpose for which they were constituted;
 4. Because of the absence or loss of their corporate purpose or because it becomes impossible to accomplish same;

5. By merger with one or more companies;

6. By judicial decree.

Judicial Dissolution

ARTICLE 524. A company may be dissolved by judicial decree whenever its purposes or its manner of operating are illicit or illegal, and also by suit brought against it by one or more partners based upon legitimate grounds. In the latter case, the court, in lieu of the dissolution of the company, may order the exclusion of certain partners, if so demanded by the remaining ones for just cause. Any provision denying a partner the exercise of this right shall be null and void.

Judicial Liquidation

ARTICLE 531. In the absence of agreement among the partners in a partnership or in a special limited partnership or among the General Shareholders Meeting in stock companies, the Judge, upon petition of any of the partners or of the shareholders, and upon proof of the existence of grounds for dissolution as established by Law, may declare the state of liquidation and appoint liquidators pursuant to the articles of incorporation, if the latter includes a provision covering the matter. Such article shall be applicable only if the corporation has been legally dissolved.

Disputes among
liquidating trustees

ARTICLE 548. Any differences which may arise among the liquidators due to the exercise of their functions must be resolved by the partners, and if they do not reach an agreement, the matter will be submitted to the respective competent court.

The latter will also solve the differences arising between the partners and the liquidators.

Disputes among
liquidating trustees

ARTICLE 556. If the partners refuse to approve the final accounts of the liquidators, the latter may apply to the Court, which will approve or reject it, as the case may be, after hearing the partners if it is a partnership or a special limited partnership, or the directors or shareholders who appear if it is a stock company.

Petitions based on this
law must be resolved by
summary proceedings

ARTICLE 2. Lawsuits or petitions which have as legal basis one of the preceding provisions, shall be adjudicated by summary proceedings unless said provisions indicate a different procedure.

Enacted in Panama on the 13th day of June of the year one thousand nine hundred and forty-six.

DECREE 130 OF 1948
(of 3rd June)

PROVISIONS REGARDING THE PUBLIC REGISTRY.

Documents executed
abroad (1)

ARTICLE 1. Any document to be registered at the Public Registry and of which, due to its having been executed outside the jurisdiction of the Republic or for any other cause, there exists no matrix or original protocol in a public office within the jurisdiction of the Republic, shall first be protocolized at one of the Notary's Offices of the Republic. The recording of such documents shall be made on the basis of the copy

issued by the Notary before whom the protocolization is made. The copies the Notary Public issues shall have the same legal standing as the protocolized document.

ARTICLE 2. Acts, resolutions, elections or appointments resolved by corporations or joint stock companies must be protocolized before they are filed for registration in one of the forms hereinafter expressed, except in those cases in which the Law specifically requires another procedure:

1. The original, or a complete copy of the minutes, certified by the person who acted as the secretary of the meeting or presided over it.
2. A textual extract of the minutes, or a certificate of the adopted resolutions or agreements whose recording is desired. The extract or certification must contain at least the following data:
 - a. the date on which the meeting was held;
 - b. the names of the person who chaired the meeting and the person who served as secretary and, if they are not the President and Secretary of the company, respectively, a statement of justification as to why other persons acted as such;
 - c. in the case of a Shareholders' Meeting, the number of shares represented thereat and its relation to the amount of issued shares or the fact that the total number of issued shares was represented;
 - d. in the case of a Board of Directors' meeting, the names of all directors present, personally or by proxy;
 - e. the form in which notice was given or the reason why it was not given, whether due to waiver of notice by the persons who were entitled to receive notice, or because all the shareholders or directors were present and agreed to hold the meeting.
3. The documents referred to in this article must be certified by the person who acted as secretary of the meeting or who chaired it. They shall be protocolized preferably by the secretary of the company, be it the one registered as such, or his elected successor; in his absence, by the President, with an indication that this is being done; and in the absence of both, by the registered agent of the company or another officer authorized therefor in the respective meeting.

(1) We have added these marginal notes to ease and expedite reference to the provisions.

NOTE: Articles 3, 4, and 5 refer to other aspects of Public Registry procedures not related to corporations.

DECREE LAW NO.5
(of 2nd July 1997)

“Whereby certain articles are amended and added to the Code of Commerce with the purpose of modernizing some of its institutions, Law 1 of 1984 on Trusts is amended and other provisions are decreed.”

THE PRESIDENT OF THE REPUBLIC

In the use of his constitutional powers and particularly those granted to him by subsection 4 of Law No.20 of 27th June 1997, having received the Cabinet Council's approval

D E C R E E S:

Article 1. Article 11B is added to the Code of Commerce as follows:

Article 11B. A company that is validly organized under a foreign law may opt to be governed by the laws of the Republic of Panama and to continue its existence under the laws thereof, as a Panamanian Corporation, notwithstanding the provisions in its law of origin, by filing the following documents at the Public Registry for their registration:

- 1) Evidence of its organization and valid existence in accordance with the laws of the pertinent country or jurisdiction, issued by a competent authority of (such country or jurisdiction or, lacking same, through a notarial certification).
- 2) Certificate or certified copy of the agreement or resolution of the competent body evidencing authorization to continue the existence of the corporation in accordance with the laws of the Republic of Panama.
- 3) Organization deed or articles of incorporation subscribed in accordance with the requirements prescribed by the corresponding laws of the Republic of Panama, indicating that same replaces the incorporation or formation document of the foreign corporation.

The documentation issued in foreign countries or jurisdictions must be apostilled or authenticated by a Consul of the Republic of the Panama or, lacking same, by that of a friendly nation in the country or jurisdiction where the documentation originates.

Article 2. Article 11C is added to the Code of Commerce as follows:

Article 11C. Once the corresponding documents have been registered at the Public Registry, the continuation of the corporation under the laws of the Republic of Panama shall have effect between the parties and vis-à-vis third parties as from the date of the initial organization of the company in the country or jurisdiction of origin.

The corporation shall continue with all its assets, rights, privileges, powers and franchises, as the owner and holder thereof, subject to all restrictions, obligations and duties corresponding to the corporation in its country or jurisdiction of origin, it being understood that the rights of the corporation's creditors and the encumbrances on its assets shall not be impaired by its continuation under the laws of the Republic of Panama.

Article 3. Article 11D is added to the Code of Commerce as follows:

Article 11D. A corporation validly organized and existing under a foreign law may conditionally register its continuation in the Republic of Panama at the Public Registry in accordance with the preceding provisions on condition that such continuation be made effective once the declaration to such effect that is issued by its representative or duly authorized attorney in fact is registered.

Once such formality has been complied with, the provisions in the foregoing article shall be applied.

Article 4. Article 11E is added to the Code of Commerce as follows:

Article 11E. A corporation organized in accordance with Panama Law may, as may be provided for in the incorporation deed or in its amendments, continue under the laws of another country or jurisdiction provided the laws of such country or jurisdiction so allows and the corporation is not in default as to its tax obligations in the Republic of Panama.

To such end, the corporation shall file a certification or a certified copy of the pertinent decision or resolution, as well as a certification evidencing due registration in the jurisdiction it is transferred to, for registration at the Public Registry of the Republic of Panama through the intermediary an attorney at law.

Once the registration has been made, the corporation shall continue with all its assets, rights, privileges, powers and franchises as the owner and holder thereof, subject to all restrictions, obligations and duties corresponding to the corporation, it being understood that the rights of the corporation's creditors and the encumbrances on its assets shall not be impaired by its continuation in the foreign country.

Non-registration of the corporation in the other country which has been duly verified shall not impair the effects of its registration in the jurisdiction of origin."

Article 5. Article 38A is added to the Code of Commerce as follows:

Article 38A. The name of a corporation may be reserved at the Public Registry for a term not exceeding thirty (30) calendar days through a written request that shall be decided outright by the Public Registry upon verification of the availability of the name. Once such term has expired, the reservation of the name shall terminate by full right without need for any annotation in this regard.

Article 6. Article 58A is added to the Code of Commerce as follows:

Article 58A. At the option of mercantile companies, their financial statements, approved by their Board of Directors or by such companies' members or shareholders, duly countersigned by a certified public accountant, may also be registered at the Public Registry.

Article 7. Article 71 of the Code of Commerce shall read as follows:

Article 71. Every merchant is obliged to keep accounting books that clearly and precisely indicate its commercial operations, assets, liabilities and property. The accounting must always reflect the amounts of the transactions and the nature thereof.

For the purposes of the provisions in this Title, a merchant may keep its accounting and make its entries by using either books, electronic media or other mechanisms that are authorized by the Law and which allow a clear determination of the commercial operations made, provided same can be printed.

Likewise, corporate entities may keep their Minute Books and Share Registers by using books, electronic media and other mechanisms as described in the foregoing paragraph.

Article 8. Article 72 of the Code of Commerce shall read as follows:

Article 72. The number and kind of accounting books , as well as the manner of keeping same, shall be at the merchant's option, provided same conform to the accounting standards generally accepted and applied in the Republic of Panama.

Article 9. Article 73 of the Code of Commerce shall read as follows:

Article 73. The accounting records that every merchant must keep are: a Journal and a Ledger. Commercial companies must also keep a Minute Book and a Share and Shareholder Book or, as may be required, a Parts or Shares of Asset or Corporate Participation Book.

Corporate entities that do not carry out operations that are perfected, consummated or have effect in the Republic of Panama are not obliged to keep the required accounting books referred to in this Article in the Republic of Panama unless they have their domicile and operate in the Republic of Panama.

Article 10. Article 77 of the Code of Commerce shall read as follows:

Article 77. Accounting books must be kept precisely and clearly, in a chronological order, including the dates on which the transactions are carried out or on which the periods are affected.

It is absolutely forbidden to enter or register transactions in a manner other than that in which same originated, including the dates they are perfected, leaving blank spaces, erasures or crossing out. The reversions, corrections of mistakes or omissions must also be clearly made and identified as such in the accounting books.

Article 11. Article 78 of the Code of Commerce shall read as follows:

Article 78. Every merchant that has a commercial establishment in the Republic of Panama, regardless of its location, shall be obliged to keep its accounting books in Spanish and in the legal or commercial currency of the Republic of Panama. The documentation evidencing the transactions and correspondence may be kept in the originating language and, should a translation be required by any competent authority, the merchant shall be obliged to provide the translation of same, within a reasonable term and at its cost.

Article 12. Article 81 of the Code of Commerce shall read as follows:

Article 81. All operations that the merchant carries out shall be entered in the book called the Journal, in a chronological order, the date, amount and nature of each of such transactions being clearly specified, and as well as the precise identification of the accounts affected being precisely specified in the book called the Ledger.

Article 13. Article 83 of the Code of Commerce shall read as follows:

Article 83. The entries of the transactions made in the Journal shall be transferred to the Ledger in a chronological order, in accounts duly classified as assets, liabilities, equity, income, expenses and memorandum accounts, with cross reference to the entries in the Journal.

Article 14. Article 85 of the Code of Commerce shall read as follows:

Article 85. Merchants may keep auxiliary accounting books that reflect, with further details, the information required to complement the entries made in the Journal and the Ledger, provided the facts, amounts and nature of the original transactions are not changed.

Article 15. Article 86 of the Code of Commerce shall read as follows:

Article 86. The resolutions adopted at the Board Meetings, whether of shareholders, interest holders, partners or directors, shall be entered in the Minute Book. The date of the prior notice or waiver thereof shall be included, as well as the place and date where same was held and other circumstances leading to an exact description of the resolution taken. The minutes must include the names of the persons who acted as chairman and as secretary, and these persons shall sign such minutes. Either of such persons may certify the minutes.

The Share, Shareholder, Asset or Corporate Participation Register shall specify the names of the title holders if the shares are nominative, including the title, number, the

amount in number or percentage that same represents, the amount paid and the nature of the security and title concerned.

Article 16. Article 87 of the Code of Commerce shall read as follows:

Article 87. The Accounting of every merchant shall be kept by an Accountant or Certified Public Accountant whose qualification has been approved by the Technical Board of Accounting of the Ministry of Commerce and Industry.

Every merchant is obliged to keep its accounting books up to date. It shall be understood that the accounting records are up to date when their entries are made every month, in the required books, within sixty (60) days of the pertinent month.

Defaulting merchants shall be penalized with a fine of one hundred Balboas (B/.100.00) to five hundred Balboas (B/.7,500.00) for every month that their accounting is behind. It shall fall on the Directorate General of Income of the Ministry of Finance and Treasury to make the review referred to in this article and to levy the pertinent penalties.

Article 17. Article 93 of the Code of Commerce shall read as follows:

Article 93. Every merchant or broker is obliged to keep its required accounting books throughout such period as its administration shall last and up to five (5) years after closing of its business.

The auxiliary books, vouchers and documentation evidencing the mercantile operations must be kept until prescription of every action that may derive therefrom.

The responsibility of keeping the required accounting books and submitting them when they are required by competent authorities shall fall on the merchant or its heirs or assignees. In the case of corporate entities, the person responsible shall be whoever is their legal representative or, in the absence of the latter, whether temporary or permanent, whoever legally substitutes such legal representative.

The required accounting books, auxiliary books and other documents evidencing the transactions of the business shall be kept in any of the forms authorized by the Law in the establishment so that they may be examined by the corresponding competent authority. It is forbidden to transfer same outside the country or to places that are not easily accessible. Infringement of this interdiction shall be penalized with a fine not exceeding five hundred Balboas (B/500.00) and successive fines may be applied for continuous infringement following repeated unanswered requests.

Article 18. Article 94 of the Code of Commerce shall read as follows:

Article 94. Any merchant or broker that does not keep the accounting books referred to in Title III of Book One of the Code of Commerce, feigningly records the transactions differently from the manner and original date on which same were made, distorts the true and real nature of same, or conceals or omits any of them shall incur a

fine of one hundred balboas (B/.100.00) up to five thousand balboas (B/.5,000.00), being liable to successive and multiple fines if the infringement and breaches should give rise thereto.

The fines referred to in Title III of Book One of the Code of Commerce shall be levied by the respective Regional Administration of Income of the Directorate General of Income of the Ministry of Finance and Treasury, with right to file a petition for reconsideration before the first instance official and a subordinated appeal before the Appeals Commission of such Directorate. The fines may be levied on the merchants or owners as well as on the brokers. In the case of corporate entities, same may be levied on the company or, otherwise, on its legal representative, its directors, managers and officers, in such order.

Article 19. Article 95 of the Code of Commerce shall read as follows:

Article 95. Every merchant is obliged to prepare and keep in its establishment, financial statements correctly and truthfully reflecting the results of its annual operations or operations of a fraction of a year for those that have not completed twelve months of operation. Such reports shall be prepared in accordance with the standards and principles of accounting generally accepted and applied in the Republic of Panama.

The required basic financial statements shall include a balance sheet, a profit and loss statement, an asset statement including the changes in retained earnings and a cash flow statement.

The financial statements referred to shall be countersigned by a Certified Public Accountant in the case of merchants engaged in activities of any nature whose capital exceeds one hundred thousand balboas (B/.100,000.00) or merchants having an annual sale volume exceeding fifty thousand balboas (B/.50,000.00). Same must be issued within one hundred and twenty (120) days following the closing date of the fiscal period and must be maintained at the disposal of the competent authorities, who may require original copies of same in order to document the inspection proceeding in the corresponding file.

Any merchant or broker that does not comply with the provisions of this article shall incur a fault penalized by the fines and penalties described in Article 94 of the Code of Commerce.

Any Certified Public Accountant who, in the exercise of his professional functions should countersign the financial statements, shall be subject, in the event of infringement of the provisions regulating the required accounting books, auxiliary books and pertinent documentation, to the penalties envisaged in the legal provisions regulating the exercise of his profession.

Transitory Paragraph: The obligation of preparing and keeping financial statements shall be effective as from the year 1997 and the fiscal periods that begin that same year.

Article 20. Article 142 of the Code of Commerce shall read as follows:

Article 142: Every kind of contract, transaction, negotiation and other acts proper to their course of business may be carried out in stock exchanges if they are not forbidden by the laws.

Article 21. Article 143 of the Code of Commerce shall read as follows:

Article 143: Stock exchange acts and contracts shall be governed by the applicable laws and, lacking same, by local customs and practices.

Article 22: Article 144 of the Code of Commerce shall read as follows:

Article 144: For the purpose of issuing and negotiating securities in the stock market, same may be represented through single or global titles or by any other document formally acknowledging them, through annotations in accounts or by any other form that is common in stock market practice.

For custody, compensation and liquidation purposes, securities may be endorsed to the treasury.

Article 23: Article 144A is added to the Code of Commerce as follows:

Article 144A: Books for the recording of shares and the holders of other securities negotiated in the stock market, books for recording the minutes of the corresponding issuers, transfers and other records and legal evidence in respect of securities may be kept through manual, mechanical, electronic, optic, magnetic or other kind of procedures guaranteeing their accuracy, availability and conservation.

Article 24: Article 146A be added to the Code of Commerce as follows:

Article 146A: Both public and private securities, whether domestic or foreign, that comply with the legal and contractual requirements applicable thereto and whose issue and negotiation have been previously approved by the issuers, as well as the National Securities Commission in the case of public offers, are the special subject of trading in stock exchanges.

Article 25: Article 147 of the Code of Commerce shall read as follows:

Article 147: The public offer of securities, whether domestic or foreign, made by any means, towards, from or within Panama, shall be subject to pertinent prior authorization from and registration with the National Securities Commission, which may require classification of the securities by an authorized risk classifier for their placement in the primary market and negotiation in the secondary market.

Article 26: Article 148 of the Code of Commerce shall read as follows:

Article 148: Intermediation in stock market acts may only be carried out by duly authorized holders of seats and stock brokers in accordance with and subject to the legal standards and special regulations governing the matter.

Article 27: Article 149A is added to the Code of Commerce as follows:

Article 149A: The ownership of fungible securities may be transferred for a set price, the party receiving same or reporter assuming the obligation to transfer the ownership of such securities or of other securities of the same or a similar issue to the party transferring same or receiver of reports, upon expiry of the established term, , in exchange for a greater price or the same price plus a premium, commission or interest.

Article 28: Article 149B is added to the Code of Commerce as follows:

Article 149B: Repurchase agreements are allowed in stock market matters for terms not exceeding three (3) years.

Article 29: The Title of Chapter IV of Title VI, Book One of the Code of Commerce shall read as follows:

CHAPTER IV
On Clearing Houses and
Securities Custody, Compensation and Liquidation Centers

Article 30: Article 193 of the Code of Commerce shall read as follows:

Article 193: Stock markets and other financial intermediaries may establish centers for the custody, compensation and liquidation of securities, subject to authorization, supervision and inspection by the National Securities Commission.

Article 31: Article 203 of the Code of Commerce shall read as follows:

Article 203: Acts or contracts entered into over the telephone or by telefax or by electronic communication media shall be considered to have been entered into between individuals who are present if the parties or their representatives or attorneys in fact have been directly in communication with each other.

Meetings of the Board of Directors or of the partners or shareholders assembly or of liquidators of companies of any kind where the participants have been directly in communication through any of the media indicated in the preceding paragraph shall likewise be considered to be meetings with the parties present. In such a case, a minute must be issued indicating the meeting that was held, the resolutions adopted and the manner in which the participants were in communication.

Resolutions of directors, partners, shareholders, administrators or liquidators of companies of any kind shall be valid even if the document is signed in different places and on different dates.

Article 32: Article 223A is added to the Code of Commerce as follows:

Article 223A: Any interest charged in operations perfected, consummated or having effects outside the Republic of Panama shall not be subject to the provisions of Law 5 of 1933 nor those of Law 4 of 1935.

Article 33: Article 249 of the Code of Commerce shall read as follows:

Article 249: Two or more natural persons or corporate entities may form a company of any kind and one or more of them may be shareholders, directors, officers, administrators, attorneys in fact or liquidators thereof.

Article 34: Article 275 of the Code of Commerce shall read as follows:

Article 275: The assets contributed to the corporate funds may not be reclaimed for payment of the personal debts of a partner or a shareholder save by virtue of a lien constituted in favor of a third party before such assets were contributed to the company.

The disposal or encumbrance of corporate assets shall be made by the subscribers, the partners, the shareholder or shareholders, administrators or directors, attorneys in fact or liquidators, as provided for in the articles of incorporation, and lacking such provisions in the article of incorporation, same shall be done in accordance with the Law.

Article 35: The following article 580A is added to the Code of Commerce:

Article 580A: Any mandate, whether general or special, that is granted through a public deed or by a private document with a definite date shall have effect with regard to third parties as from the date of its execution and may be registered at the Public Registry at the option of the interested party. However, the revocation of any mandate that was previously registered shall be recorded at the Public Registry save if otherwise provided for in the document itself or if a mandate with a set term or for the performance of a set act or event is concerned.

Article 36: Article 820 of the Code of Commerce shall read as follows:

Article 820: In the event of non-compliance and if no special form of disposal has been covenanted, the creditor or the depositor shall have the right to dispose of personal assets given in pledge upon prior notice in writing to the owner thereof at least thirty (30) calendar days before the date on which the sale is to be made and upon an assessment as referred to in Article 821.

Article 37: Article 821 of the Code of Commerce shall read as follows:

Article 821: In the cases envisaged in Articles 820 and 822, the parties shall agree in the pledge agreement on the method to be used to determine the value of the things given in pledge in order to ensure its fair value at the time they are applied to the debt. Lacking this, the pledge shall be assessed by two experts each appointed by either

party, or by a third expert appointed by such experts in the event of dispute, or by the judicial authority lacking such experts.

In any event, the creditor shall be liable for any damages caused in the application of the provisions of this article or the provisions of the foregoing article.

Article 38: Article 829A is added to the Code of Commerce as follows:

Article 829A: Any company may pledge its assets located outside the Republic of Panama in a general manner, without need to deliver same to the creditor, and without impairing the credits having preference over certain movable or immovable goods.

The general pledge of assets shall be set down on record by means of a public deed or a private document authenticated by a notary public in the place of execution. Such document may contain all such stipulations as the parties may deem expedient to include, but shall in any case include the name and address of the grantor company and those of the creditor or creditors and the set or maximum amount of the credit guaranteed.

If such document is executed outside the Republic of Panama, it must be apostilled or legalized by a Panamanian Consul in the place of issue or, lacking such Consul, by that of a friendly nation. The protocolized public or private document evidencing the general pledge of assets shall be registered at the Public Registry and, once registered, its effects shall be retroactive to the date of entry in the Journal of the Public Registry of the filing of such document for registration.

Once the formalities established herein have been complied with, the general pledge of assets shall have preference over credits with no special privileges that are evidenced in a public deed, executed judgment or private document with a definite date.

A general pledge of assets document may be preliminarily registered. The manner in which this is to be done and the effects thereof shall be regulated by an executive decree.

Article 39: Any companies organized before this law enters into effect may at any time choose to be governed by the provisions thereof, for which such fact must be evidenced in a resolution adopted by the partners or shareholders that must be registered at the Public Registry.

Article 40: The final paragraph of Article 9 of Law 1 of 5th January 1984 on trusts is amended as follows:

Article 9. The trust instrument must contain:

Where the trust is constituted through a private document, the signatures of the settlor and of the trustee or their attorneys in fact for the constitution must be authenticated by a Notary Public.

Article 41. Paragraph One of Article 35 of Law 1 of 1984 is amended as follows:

Article 35.- ...

Paragraph One: The foregoing exemptions shall not apply in cases where the assets, money, shares or securities mentioned in subsections 1, 2 and 3 above are used in operations that are not exempt from taxes, assessments, charges or encumbrances in the Republic of Panama, save if same are invested in housing, housing development projects, industrial or urban development parks in the Republic of Panama, in which case the profits of such investments shall be exempt from income tax.”

Article 42. Article 317-A is added to the Fiscal Code as follows:

Article 317-A. The reservation of a company name at the Public Registry shall be charged a twenty-five balboa (B/.25.00) fee.

Article 43. Paragraph one is amended and subsection 5 is added to Article 318 of the Fiscal Code as follows:

Article 318. The registration of public or authenticated documents or documents whereby a company is organized, made or continued in the Mercantile Section of the Public Registry, as the case may be, shall be subject to the following fees:

5. The registration fee for the general pledge of assets shall be one hundred balboas (B/.100.00).

Article 44. All the provisions in the Code or other laws referring to accounting books shall be understood to be referring to the records mentioned in the present Decree Law.

Article 45: The present Decree Law revokes subsection 7 of Article 57, Articles 74, 76, 79, 80 and 82 of the Code of Commerce, subsection 7 of Article 1776 of the Civil Code and point q) of Article of Law 2 of 16th January 1991; Articles 11B, 11C, 11D, 11E, 38A, 58A, 99A, 144A, 146A, 149A, 149B, 223A, 558A and 829A are added, and Articles 71, 72, 73, 77, 78, 81, 83, 85, 86, 87, 93, 94, 95, 142, 143, 144,147, 148, 193, 203, 249, 275, 820 and 821 of the Code of Commerce are amended; Article 317-A is added and Article 318 of the Fiscal Code is amended and added; and Articles 9 and 35 of Law 1 of 5th January 1984 are amended.

Article 46. This Decree Law shall enter into effect as from its promulgation.

LET IT BE COMMUNICATED AND PUBLISHED

Given in the City of Panama on the second day of the month of July nineteen hundred and ninety seven (1997).

ERNESTO PEREZ BALLADARES
President of the Republic

RAUL MONTENEGRO DIVIAZO
Minister of Government and Justice

RICARDOALBERTO ARIAS
Minister of Foreign Affairs

MIGUEL HERAS CASTRO PABLO
Minister of Finance and Treasury

ANTONIO THALASSINOS
Minister of Education

LUIS E. BLANCO
Minister of Public Works

AIDA LIBIA MORENO DE RIVERA
Minister of Health

MITCHELL DOENS
Minister of Labor and Social Welfare

RAUL ARANGO GASTEAZORO
Minister of Commerce and Industry

OLMEDO DAVID MIRANDA JR.
Minister of the Presidency and
Secretary of the Cabinet Council

CARLOS A. SOUSA-LENNOX
Minister of Agricultural and Cattle
Raising Development

FRANCISCO SANCHEZ CARDENAS
The Minister of Housing

GUILLERMO O. CHAPMAN JR.
Minister of Planning and Economic Policies

EXECUTIVE DECREE No.296
(Of 19th December 1997)

Whereby the registration of documents at the Public Registry in accordance with the provisions of Decree Law No.5 of 2nd July 1997 is regulated.

THE PRESIDENT OF THE REPUBLIC
Exercising his constitutional and legal powers

W H E R E A S:

Provisions were adopted through Decree Law No.5 of 2nd July 1997 on commercial registers, stock exchanges and commercial companies of all kinds.

The referenced Decree Law supersedes and complements legal provisions relating to the above-mentioned matters, making it necessary to regulate them in order to specify the procedure for registering documents at the Public Registry.

RESOLVES:

Article 1. The provisions in respect of companies that are contained in Decree Law No.5 of 2nd July 1997 are applicable to all kinds of commercial companies.

Article 2. A foreign company that continues its existence under Panama Law may keep its name as same appears in the original register, save if another company is registered at the Public Registry with the same name or with a similar name such as to lead to confusion.

Article 3. The conditional registration at the Public Registry referred to in Article 11 D of said Decree Law shall be maintained until such time as the document containing the statement required to make the continuation effective is filed.

Article 4. If a request for the continuation of a Panamanian company in a foreign jurisdiction as referred to in Article 11 E is filed without also filing of a certification of registration in the jurisdiction it is being transferred to, its provisional registration shall be made subject to the conditions of Article 1778 of the Civil Code.

Article 5. The reservation of name referred to in Article 5 of the said Decree Law shall be requested through the intermediary of an attorney at law and on a form issued by the Public Registry.

Such request must be filed for entry in the Journal following payment of the fee referred to in Article 317A of the Fiscal Code and then sent to the pertinent Section, and same shall be reviewed immediately. Once the availability of the name has been verified, the reservation shall be granted outright. Once this has been noted in the respective index, evidence of the reservation made shall be delivered, same being valid for thirty (30) calendar days as from the date it is approved. Upon expiry of this term, the reservation shall expire by full right.

Once the reservation has been noted in the respective index, evidence thereof shall be delivered to the interested party, same being valid for thirty (30) calendar days as from the date it is approved. . Upon expiry of this term, the reservation shall expire by full right.

Article 6. The registration of financial statements referred to in Article 6 of Decree Law No.5 shall cause the same fee set down in subsection 4,Article 318 of the Fiscal Code.

Article 7. Any two or more natural persons or bodies corporate may form a commercial company of any kind established by law.

Whenever a body corporate, whether domestic or foreign, participates in the organization of a company, it shall do so through the natural persons authorized to represent it, which fact shall be confirmed by a notarial statement in that sense, or by any other valid means of evidence.

Any one or more natural persons or bodies corporate may be shareholders, directors, officers, administrators, attorneys in fact or liquidators of another company, subject to the minimum number required by law for the kind of company in question.

In cases where a corporate body acts as an officer, its registration data and the corresponding jurisdiction must be accredited.

Article 8. The disposal or encumbering of assets or the granting of a guarantee by a company of any kind or by any company as may be created by law shall be made as provided for in the respective company's articles of incorporation. Should there be no provision in the articles of incorporation in this regard, the disposal or encumbrance shall be made with such authorization as may be required by the legal provisions relating to the kind of company in question.

Article 9. The mandate granted by a natural person or a body corporate in accordance with Article 580 A of the Code of Commerce shall have a definite date as from authentication of the grantor's signature by a Notary or by anyone acting in his stead, or as from fulfillment of the formalities set down to such end in the Judicial Code. Such mandate may be registered at the Public Registry at the option of the interested party.

Article 10. The preliminary registration of a general pledge of assets, the amendment or cancellation thereof, may be made through a Panamanian Consul or a Notary in the Republic of Panama by means of a form issued for such purposes by the Public Registry. The preliminary registration of the general pledge of assets shall cause the fee set down in subsection 5, Article 318 of the Fiscal Code.

Once the Public Registry has received the communication from the Consul or the form from the Notary, it shall enter same in the Journal, classify it and proceed with its registration in the corresponding company and advise the Consul thereof so that he may issue a preliminary registration certificate on a special form.

The said certificate shall cause the fee set down in Article 320 of the Fiscal Code.

The preliminary registration shall produce all its legal effects for a term of six months, during which the interested party shall file the document on the general pledge of assets for its definitive registration, mentioning that same was the basis for the preliminary registration. If this is not done, the preliminary registration shall expire and the Public Registry shall have such fact set down in the registry of the respective company.

In cases of preliminary registration of general pledges of assets outside of office hours, the procedure set out in Decree No.102 of 5th October 1983 shall be applied.

Article 11. The provisions of Decree Law No.5 of 2nd July 1997 shall be applicable to companies already organized as the date of its promulgation. However, in cases where it is necessary to amend the articles of incorporation in order to adapt it to the provisions of Articles 4 and 34 of the Decree Law, an amendment resolution approved by the partners or shareholders must be issued, which resolution must be registered at the Public Registry.

Article 12. Partners, shareholders, directors or liquidators resolutions must be adopted in writing signed by all those participating in the respective resolution, without need to hold a meeting. Resolutions so adopted may be signed in different places and on different dates as provided for in Article 31 of Decree Law No.5 of 2nd July 1997.

The President or Secretary of the company must certify that timely advice of the agreement or resolution proposal was given to all those having right to participate in the consideration of same, and that the persons subscribing it constitute the number of votes required for its approval.

Article 13. This Decree shall enter into effect as from its promulgation.

LET IT BE COMMUNICATED AND PUBLISHED.

Given in the city of Panama on the 19th day of the month of December nineteen hundred and ninety-seven (1997).

ERNESTO PEREZ BALLADARES
President of the Republic

RAUL MONTENEGRO DIVIAZO
Minister of Government and Justice

RESOLUTION No. 99-8

(of 7th July 1999)

**The Board of Directors of the Public Registry,
Exercising its legal powers,**

W H E R E A S:

It has become necessary to determine and fix the amount of the rates and fees of the services rendered by this Institution.

In accordance with the provisions of subsection 4 of Article 7 of Law No.3 of 6th January 1999, it falls on the Board of Directors to “structure, regulate, determine, fix and change the amount of the rates and fees of the services rendered by the Institution”.

RESOLVES:

FIRST: To approve the following fees for the services rendered by the Public Registry renders.

Article 7: The following fees shall apply for the registration of public or certified documents or those whereby a commercial company or private foundation is formed or its duration extended upon expiry thereof, as the case may be, namely:

1. CAPITAL

a) **The first B/.10,000.00 (ten thousand balboas):** B/.50.00 (fifty balboas).

b) **From B/.10,000.01 (ten thousand balboas and one cent) to B/.100,000.00 (one hundred thousand balboas):** B/.50.00 (fifty balboas) for the first B/.10,000.00 (ten thousand balboas) and B/.0.90 (ninety cents) for every additional B/.1,000.00 (one thousand balboas) or additional fraction thereof up to B/.100,000.00 (one hundred thousand balboas).

c) **From B/.100,000.01 (one hundred thousand balboas and one cent) to B/.1,000,000.00 (one million balboas):** B/.131.00 (one hundred thirty-one balboas) for the first B/.100,000.00 (one hundred thousand balboas) and B/.0.60 (sixty cents) for every B/.1,000.00 (one thousand balboas) or additional fraction thereof in excess of 100,000.00 (one hundred thousand balboas) up to B/.1,000,000.00 (one million balboas).

d) **Over B/.1,000,000.00 (one million balboas):** B/.671.00 (six hundred seventy-one balboas) for the first million balboas (B/.1,000,000.00) and B/.0.12 (twelve cents) for every B/.1,000.00 (one thousand balboas) or fraction thereof in excess of one million dollars (B/.1,000,000.00).

e) Non par value shares will be given a value of B/.20.00 value (twenty balboas) as the basis for calculating the registration fee.

f) If only part of the shares are non par value shares, the fee will be calculated according to the total amount resulting from adding the par value and the non par value shares.

In the cases mentioned in subsections e and f above, the registration fee will be fixed subject to the registration fee for non par value shares not exceeding a B/.1,200.00 limit (one thousand two hundred balboas).

The same fees mentioned in subsections a, b, c and d will apply for documents whereby the authorised capital is increased. In this case, only a fee for the capital increase will be payable. In the case of documents by virtue of which par value shares are replaced by non par value shares, or vice versa, non par value shares shall be considered to have a value of B/.20.00 (twenty balboas) each for the purpose of determining whether or not there has been an increase in the capital.

2. B/.40.00 (forty balboas) for each company minutes, extracts, certification of proceedings, agreement and appointment made by the commercial company and Powers of Attorney issued through minutes.

3. B/.40.00 (forty balboas) for resolutions, subscribers' proceedingss and their amendments and revocations, foreign company mandates, merger agreements, the correction of registration records.

4. The registration fee for the preliminary registration of a general pledge of assets shall be B/.120.00 (one hundred twenty balboas).

5. The registration fee for financial statements shall be B/.125.00 (one hundred twenty-five balboas).

SECOND: To order the publication of this Resolution in the Official Gazette.

Done in the city of Panama on the 7th (SEVENTH) day of the month of JULY 1999.

LEGAL GROUNDS: Law No.3 of 6th January 1999.

LET IT BE COMMUNICATED AND FULFILLED.

OLMEDO DAVID MIRANDA JR.
President

MARTHA E. DOMINGUEZ
Secretary