

Corporation Law of Panama



Law 32 of February 26, 1927 – not an official translation

CHAPTER I INCORPORATION

Article 1. Two or more persons of lawful age, of any nationality even though not domiciled in the Republic of Panama, may, in accordance with the formalities hereinafter provided, form a corporation for any lawful purpose or purposes.

Article 2. Such persons desiring to form such a corporation shall sign articles of incorporation which shall set forth:

- 1. The names and domiciles of each of the subscribers of the articles;**
- 2. The name of the proposed corporation which shall not be the same as, nor so similar as to cause confusion with, the name of any other existing corporation. The name shall include a word, phrase or abbreviation which indicates that it is a corporation to distinguish it from an individual or company of any other nature. The name of the corporation may be expressed in any language;**
- 3. The general purpose or purposes of the corporation;**
- 4. The amount of the capital stock and the number and par value of the shares of which it is to consist; and if the corporation is to issue shares without par value, the statements required by Article 22 of this law. The capital stock and par value of shares of any corporation may be expressed in terms of the legal currency of the Republic or of gold units of the legal currency of any other country, or of both;**
- 5. If the shares are to be classified, the number of shares to be included in each class and the designations, preferences, privileges and voting powers or restrictions or qualifications of the shares of each class; or that such designations, preferences, privileges and voting powers or restrictions or qualifications shall be determined by resolution of the majority in interest of the Stockholders or of the majority of the Directors;**
- 6. The number of shares of stock which each subscriber of the articles of incorporation agrees to take;**

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

8. Its duration;

9. The number, names and addresses of its Directors, not less than three;

10. Any other lawful provisions which the subscribers of the articles of incorporation may desire to include.

Article 3. The articles of incorporation may be executed in any place, within or outside the Republic, and in any language.

Article 4. The articles of incorporation shall be in the form of a public deed, or in any other form, provided that said articles be acknowledged before a Notary Public or before any other officer authorised to take acknowledgements at the place of the execution thereof.

Article 5. If the articles of incorporation are not in the form of a public deed, they must be protocolized in a Notary Office of the Republic. If the said document has been executed outside of the Republic, it must, before it is protocolized, be authenticated by a Panamanian Consul, or, if there should be no such Consul, by the Consul of a country friendly to Panama; and if it should be in a foreign language it must be protocolized together with an authenticated translation subscribed by an official or public interpreter of the Republic.

Article 6. The public deed or the protocolized document containing the articles of incorporation must be presented for registration in the Mercantile Registry. The incorporation of a corporation shall have no effect with respect to third parties until the articles of incorporation have been recorded.

Article 7. Any corporation incorporated under this law may from time to time amend its articles of incorporation in any respect; provided such articles of incorporation, when so amended, shall conform to the provisions of this law. Therefore, the corporation may by such amendment change the number of its shares or of any class of its outstanding shares at the time of such amendment, change the par value of the outstanding shares of any class, change the outstanding shares of any class having par value into the same or different number of shares of the same or a different class without par value, or the outstanding shares of a class without par value into the same or different number of shares of the same or different class having par value, or increase the amount or the number of shares of its authorised capital stock or divide its authorised capital stock into classes or increase the number of classes of its authorised capital stock, or change their designations, rights, privileges, preferences, voting powers, restrictions or qualifications. But the capital stock of a corporation shall not be reduced except in accordance with the provisions of articles 14 et seq of this law.

Article 8. The amendments shall be made by the persons hereinafter mentioned and in the manner provided in this law with respect to the execution of the articles of incorporation.

Article 9. In case no share has been issued, the articles of amendment shall be signed by every subscriber of the articles of incorporation and by every subscriber to the stock of the corporation.

Article 10. In case share has been issued, such articles of amendment shall be signed:

(a) In person or by proxy by the holders of all the outstanding shares of the corporation entitled to vote thereon and shall be accompanied by a certificate of the Secretary or an Assistant Secretary of the corporation that the persons who have executed the articles of amendment, in person or by proxy, constitute the holders of all the outstanding shares of the corporation entitled to vote thereon; or

(b) By the President or a Vice-President and the Secretary or Assistant Secretary of the corporation, who shall sign and annex thereto a certificate stating that they have been authorised to execute such articles of amendment by the votes, cast in person or by proxy, of the holders of a majority of such shares and that such votes were cast at a stockholders meeting held on the date specified in the notice or waiver of notice.

Article 11. In case that the articles of amendment alter the preferences of outstanding shares of any class or authorise the issuance of shares having preferences which are in any respect superior to those of the outstanding shares of any class, the certificate referred to in paragraph (b) of the preceding article shall state that the officers signing the same have been authorised to execute such articles of amendment by the vote cast in person or by proxy of the holders of a majority of the outstanding shares of each class entitled to vote thereon, cast at a stockholders' meeting held on a date specified upon notice or waiver of notice.

Article 12. If the articles of incorporation provide that the votes of the holders of more than a majority of the outstanding shares of any class or classes shall be required in order to effect any amendment of any provision of the articles of incorporation, the certificate referred to in paragraph (b) of article 10 shall state that such amendment has been authorised in that manner.

Article 13. Unless the articles of incorporation or any amendment thereof otherwise provide, in the event of an increase of stock, each stockholder shall be entitled to a preferential right to subscribe for shares of stock, issued pursuant to such increase, in proportion to the number of shares then held by him.

Article 14. Any corporation may reduce its authorised capital stock by an amendment of its articles of incorporation; but no distribution of assets may be made pursuant to any such reduction, which will reduce the actual value of its remaining assets to an amount less than the total amount of its debts and liabilities plus the amount as reduced of its issued capital stock. There shall be annexed to the articles of amendment a certificate issued under oath by

the President or a Vice-President and of the Treasurer or an Assistant Treasurer stating that no distribution of assets made or to be made pursuant thereto will violate the provision contained in this article. The judgement of the Directors as to the value of the assets and their determination of debts and liabilities shall be conclusive, except in the case of fraud.

Article 15. Any corporation, unless its articles of incorporation otherwise provide, may acquire shares of its own stock. If such acquisition is made out of funds or properties other than surplus or net profits, the shares of stock so acquired shall be cancelled by the reduction of the amount of issued stock: but such shares may be reissued if the authorised capital stock shall not have been reduced by such cancellation.

Article 16. Shares of its own stock acquired by a corporation with funds taken from surplus of its assets over its liabilities or from net earnings, may be held by such corporation or sold by it from time to time for its corporate purposes and may be cancelled or reissued from time to time by the Board of Directors.

Article 17. The shares of stock in the corporation held by the corporation shall not be voted upon, directly or indirectly, at any meeting of stockholders.

Article 18. No corporation shall purchase or otherwise acquire its own stock out of funds or property other than its surplus or net profits, if such purchase or acquisition will reduce the actual value of its assets to an amount less than the total amount of its debts and liabilities plus the amount as reduced of its issued capital stock. The judgement of the Directors as to the value of the assets, and their determination of the debts and liabilities shall be conclusive, except in the case of fraud.

CHAPTER II OF THE FACULTIES OF THE CORPORATION

Article 19. Every corporation organised under this law shall have the following powers, in addition to other powers specified in this law:

1. To sue and be sued in any court;
2. To adopt and use a corporate seal and alter the same at convenience;
3. To acquire, purchase, hold, use and convey real and personal property of all kinds and make and accept pledges, leases, mortgages, liens, and encumbrances of all kinds;
4. To appoint officers and agents;
5. To make contracts of all kinds;
6. To make bylaws not inconsistent with any existing laws of the Republic or its articles of incorporation, for the management, regulation and government of its affairs and property, the

transfer of its stock and the calling and holding of meetings of its stockholders and directors, and for all other lawful matters;

7. To carry on business and to exercise its powers in the Republic and in foreign countries;

8. To dissolve itself or to be dissolved in accordance with law, voluntarily or for other cause;

9. To borrow money and contract debts in connection with its business or for any lawful purpose; to issue bonds, notes, bills or exchange, debentures and other obligations and evidences of indebtedness (which may or may not be convertible into stock of the corporation) payable at a specified time or times payable upon the happening of a specified event or events whether secured by mortgage, pledge or otherwise, or unsecured, for money borrowed or in payment for property purchased or acquired or for any other lawful objects;

10. To guarantee, acquire, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of or deal in shares of the capital stock of, or bonds, securities or other evidences of indebtedness created by other corporations, or of any municipality, province, state or government;

11. To do all things necessary for the accomplishment of the objects enumerated in its articles of incorporation or any amendment thereof or necessary or incidental to the protection and benefit of the corporation, and in general to carry on any lawful business whether or not such business is similar in nature to the objects set forth in its articles of incorporation or any amendment thereof.

CHAPTER III STOCK

Article 20. Every corporation shall have power to create and issue one or more classes of shares of stock with such designations, preferences, privileges, voting powers or restrictions or qualifications thereof and other rights as its articles of incorporation provide and subject to such rights of redemption as shall have been reserved to the corporation in such articles of incorporation. The articles of incorporation may provide that shares of stock of any class shall be convertible into shares of one or more other classes.

Article 21. Shares of stock may have a nominal or par value. Such shares may be issued as fully paid and non-assessable or as partly paid or without any payment having been made thereon. Unless the articles of incorporation otherwise provide, full paid and non-assessable shares having a par value, or securities or shares convertible into such shares, shall not be issued for a consideration which, in the judgment of the Board of Directors, is less in value than the par value of such shares or of the shares into which such securities or shares are convertible, nor shall certificates for partly paid shares state that there has been paid thereon an amount greater than the value, in the judgement of the Board of Directors, of the consideration actually paid thereon. Such consideration may be money, labour, services or

property of any kind. The judgement of the Board of Directors as to the value of any such consideration shall be conclusive, except in case of fraud.

Article 22. Shares of stock may be created and issued without par value provided there be included in the articles of incorporation the following statements:

1. The total number of shares that may be issued by the corporation.
2. The number of shares, if any, which are to have a par value and the par value of each.
3. The number of shares which are to be without par value.
4. Either one of the following statements:

(a) The stated capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value plus a certain amount in respect to every issued share without par value plus such amounts as from time to time by resolution of the Board of Directors may be transferred thereto; or

(b) The stated capital of the corporation shall be at least equal to the whole of the aggregate par value of all issued shares having par value plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts as from time to time by resolution or resolutions of the Board of Directors may be transferred thereto. There may also be included in such articles of incorporation an additional statement that the stated capital shall not be less than the amount therein specified.

Article 23. Subject to the designations, preferences, privileges and voting powers or restrictions or qualifications granted or imposed in respect to any class of shares, each share with or without par value shall be equal to every other share of the same class.

Article 24. Any corporation may issue and may sell its authorised shares without par value for such consideration as may be prescribed in its articles of incorporation; or for such consideration which, in the judgment of the Board of Directors, shall be the fair value of such shares; or for such consideration as from time to time may be fixed by the Board of Directors pursuant to authority conferred in such articles of incorporation; or for such consideration as shall be determined by the holders of a majority of the shares entitled to vote.

Article 25. Any and all shares issued as permitted by Articles 22, 23 and 24 of this law shall be deemed fully paid and non-assessable. The holders of such shares shall not be liable to the corporation or to its creditors in respect thereto.

Article 26. The shares of a corporation shall be paid at such times and in such a manner as the Board of Directors may determine. If default shall be made in the payment, the Board of Directors may either proceed against the debtor to enforce payment of the amounts due and

unpaid and to collect such damages as the corporation may have suffered, or rescind the contract in respect to the shareholder in default, having the right in this last instance to retain for the corporation such amounts as the defaulting shareholder may be entitled to receive from the funds of the corporation. In the event that the corporation should proceed to rescind the contract in respect to the stockholder in default and to retain the amounts to which he may be entitled, the Board of Directors shall give at least six days advance notice to such shareholder. Shares acquired by the corporation by virtue of the provisions of this article may be reissued or re-offered for subscription.

Article 27. Every share certificate shall contain the following statements:

- 1. The reference to the inscription of the corporation in the Mercantile Registry.**
- 2. The amount of its capital stock.**
- 3. The number of shares owned by the holder thereof.**
- 4. The class of share, if there be more than one class, as well as the special conditions, designations, preferences, privileges, premiums, advantages and restrictions or qualifications which some classes of shares may have over the others.**
- 5. If the shares which it represents are fully paid and non-assessable, the share certificate shall so state; and if such shares are not fully paid and are assessable the certificate shall state the amount or amounts which have been paid thereon.**
- 6. If the shares are represented by a certificate issued in the name of the owner, it should contain the name of said owner.**

Article 28. Shares may be issued to bearer only if fully paid and non-assessable.

Article 29. Shares represented by a certificate issued in the name of the owner shall be transferable on the books of the corporation in such manner and under such regulations as may be provided in the articles of incorporation or in the bylaws. But in no case shall the transfer of stock be binding on the corporation unless it shall have been registered upon the corporation books. If the stockholder shall be indebted to the corporation it may refuse to permit the transfer of his stock until such indebtedness is paid. But in all cases the transferor and the transferee shall be jointly liable for the payment of the amounts owed to the corporation by virtue of the shares so transferred.

Article 30. The transfer of shares issued to bearer requires only delivery of the certificate.

Article 31. If so provided in the articles of incorporation, any holder of a certificate of shares issued to bearer may exchange such certificate for a certificate for a like number of shares

issued in his name; and the holder of a certificate of shares issued in the name of the owner may exchange it for a certificate for a like number of shares issued to bearer.

Article 32. The articles of incorporation may provide that in case a stockholder desires to dispose of his shares of stock, the corporation or any other stockholder thereof shall have a preferential right to purchase such shares. It may also impose other restrictions upon the transfer of the shares; but no restriction which shall absolutely prevent a stockholder from disposing of his shares of stock shall be valid.

Article 33. Every corporation may issue a new share certificate in the place of any certificate theretofore issued by it alleged to have been destroyed, lost or stolen. The Directors authorising such issue of a new certificate may require the owner of the destroyed lost or stolen certificate to give the corporation such security or indemnity as they may direct against any claim that may be made against the corporation.

Article 34. The articles of incorporation may provide that the holders of any designated class or classes of shares shall not be entitled to vote, or may otherwise limit or define the respective voting powers of the several classes of shares. The provisions of this article shall prevail in accordance with their terms in all elections and in all proceedings in which the law requires the vote or the written consent of the holders of all of the shares or of a specified proportion of the shares of the corporation. The articles of incorporation may also provide that for specified purposes the vote of more than a majority of the holders of any class of shares shall be required.

Article 35. One or more stockholders by agreement in writing may transfer their shares to a voting trustee or trustees for the purpose of conferring upon it or them the right to vote thereon for the period and upon the terms and conditions therein stated. Every other stockholder may transfer his shares to the same trustee or trustees and thereupon shall be a party to such agreement. The certificates of shares so transferred shall be surrendered and cancelled and new certificates therefore issued to such trustee or trustees, in which it shall appear that they are issued pursuant to such agreement, and in the stock register of the corporation that fact shall also be noted. In order that the provision contained in this article be carried into effect it will be necessary that a certified copy of such agreement be filed with the corporation.

Article 36. Every corporation organised under this law shall keep at its office in the Republic, or at such other place or places as the articles of incorporation or the bylaws provide, a book to be known as the stock register, containing (except in the case of shares issued to bearer) the names alphabetically arranged of all persons who are stockholders of the corporation, showing their places of residence, the number of shares held by them respectively, the time when they respectively became the owners thereof and the amount paid thereon or that they are fully paid and non-assessable. In the case of shares issued to bearer such stock register shall state the number of shares so issued, and the date of issue and that such shares are fully paid and non-assessable.

Article 37. Dividends may be paid to the stockholders from the net earnings or profits of a corporation or from the surplus of its assets over its liabilities, but not otherwise. The corporation may declare and may pay dividends upon the basis of the amount actually paid upon partly paid shares of stock.

Article 38. When the directors shall so determine, dividends may be paid in shares of the corporation; provided that the shares issued for such purpose shall be authorised and provided, if such shares have not hereto before been issued, there shall be transferred from surplus to the capital of the corporation an amount at least equal to that for which such shares could be lawfully issued.

Article 39. Every stockholder shall be personally liable to the creditors of the corporation only to an amount equal to the amount unpaid on his shares; but no action shall be brought against a stockholder for any debt of the corporation until judgment therefore has been recovered against the corporation and an execution against the assets thereon has been returned unsatisfied in whole or in part.

CHAPTER IV STOCKHOLDERS' MEETINGS

Article 40. Whenever under the provisions of this law the approval or authorisation of the stockholders is required, the notice of the meeting shall be in writing and in the name of the President or a Vice-President or the Secretary or an Assistant-Secretary or of such other person or persons as the bylaws or articles of incorporation may prescribe or permit. Such notice shall state the purpose or purposes for which the meeting is called and the time and place at which it is to be held.

Article 41. All meetings of stockholders shall be held within the Republic, unless otherwise provided in the articles of incorporation or bylaws.

Article 42. Such notice shall be given at such time prior to any such meeting and in such manner as the articles of incorporation or bylaws of the corporation provide; but unless they otherwise provide, such notice shall be given personally or by mail upon each stockholder of record entitled to vote at such meeting not less than ten or more than sixty days before such meeting. If the corporation has issued shares to bearer, notice of stockholders' meetings shall be published in such manner, as the articles of incorporation or bylaws provide.

Article 43. Any stockholder may waive notice of any meeting in writing signed by him or his representative either before or after the meeting.

Article 44. The resolutions taken in any meeting at which all stockholders are present in person or by proxy shall be valid for all purposes and the resolutions taken in any meeting at which a quorum is so present and notice of which shall have been so waived by all absent stockholders, shall be valid for all purposes stated in each waiver, notwithstanding that in

either case the notice required by this law or by the articles of incorporation or the bylaws shall not have been given.

Article 45. Unless otherwise provided in the articles of incorporation, every stockholder of a corporation shall be entitled at each meeting of stockholders thereof to one vote for each share of stock of any class and whether with or without par value standing in his name on the books of the corporation. It is hereby understood, however, that unless contrary provision should be made in the articles of incorporation, the directors may prescribe a period not exceeding forty days prior to any meeting of the stockholders during which no transfer of stock on the books of the corporation may be made, or may fix a day not more than forty days prior to the holding of any such meeting as the day as of which stockholders (other than the holders of shares issued to bearer) entitled to notice of and to vote at such meeting shall be determined, in which event, only stockholders of record on such day shall be entitled to notice or to vote at such meeting.

Article 46. In the case of shares issued to bearer, the bearer shall be entitled to one vote at any meeting of the stockholders for each share of stock entitled to vote, upon presentation at such meeting of such certificate or certificates, or upon presentation of such other evidence of ownership as may be prescribed by the articles of incorporation or bylaws.

Article 47. At any meeting of the stockholders of any corporation any stockholder may be represented and vote by proxy or proxies (who need not be stockholders) appointed by an instrument in writing public or private, with or without power of substitution.

Article 48. The articles of incorporation of any corporation may provide that at all elections of directors of such corporation each holder of stock possessing the right to vote for directors shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of directors to be elected, and that he may cast all of such votes for a single director or may distribute them among the number to be voted for or any two or more of them as he may see fit.

CHAPTER V DIRECTORS

Article 49. The business of every corporation shall be managed by a board of not less than three directors, all of whom shall be male or female persons of full age.

Article 50. Subject to the provisions of this law and of the articles of incorporation, the board of directors of every corporation shall have full control over the affairs of the corporation.

Article 51. The Board of Directors may exercise all of the powers of the corporation except those that the law or the articles of incorporation or the bylaws confer upon or reserve to the stockholders.

Article 52. Subject to the provisions of this law and of its articles of incorporation, the number of directors shall be fixed by the bylaws of the corporation.

Article 53. A majority of the board of directors of a corporation at a meeting duly assembled shall be necessary to constitute a quorum for the transaction of business provided, however, that the articles or incorporation may provide that a certain number of the directors, whether more or less, than a majority, shall be necessary to constitute a quorum.

Article 54. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Article 55. Unless otherwise provided in the articles of incorporation no director need be a stockholder.

Article 56. The directors may make, alter, amend and repeal the bylaws of the corporation, unless otherwise provided by the articles of incorporation, or in the bylaws adopted by the stockholders.

Article 57. The directors of every corporation shall be chosen at the time and place and in the manner provided for by the articles of incorporation or bylaws.

Article 58. Vacancies in the board of directors shall be filled in the manner prescribed by the articles of incorporation or bylaws.

Article 59. Subject to the provisions contained in the two foregoing articles, vacancies, whether resulting from an increase in the authorised number of directors or otherwise, may be filled by the vote of a majority of the directors then in office.

Article 60. If the directors shall not be elected on the day designated for the purpose, the directors then in office shall continue to hold their offices and discharge their duties until their respective successors shall have been elected.

Article 61. Unless otherwise provided in the articles of incorporation or in the bylaws, the board of directors may appoint two or more of their members to constitute a committee or committees, who shall have and exercise the powers of the board of directors in the management of the business and affairs of the corporation to the extent and subject to the restrictions expressed in the articles of incorporation, the bylaws, or the resolutions appointing such committee or committees.

Article 62. If the articles of incorporation so provide, at any meeting of the directors, any director may be represented and vote by proxy or proxies (who need not be directors), appointed by an instrument in writing, public or private, with or without power of substitution.

Article 63. Directors may be removed at any time by the vote of the holders of a majority of the outstanding shares entitled to vote for directors. Officers, agents and employees may be removed at any time by the vote of a majority of the directors, or in such other manner as the articles of incorporation or the bylaws.

Article 64. If any dividend or distribution of assets be declared or paid which shall reduce the value of the assets of the corporation to less than the aggregate amount of its debts and liabilities, including capital stock, or if a reduction of capital stock be made, or if any report or statement be made which shall be false in any material representation, the directors of the corporation who assent thereto with knowledge of the impairment of the capital stock, or falsity as the case may be, shall be jointly and severally liable to the creditors of the corporation for any loss or damage arising there from.

CHAPTER VI OFFICERS

Article 65. Every corporation shall have a President, a Secretary and a Treasurer, who shall be chosen by the Board of Directors, and may also have such other officers, agents and representatives as the Board of Directors or the bylaws or the articles of incorporation may determine and who shall be chosen in the manner provided thereby.

Article 66. Any person may hold two or more offices, if so provided by the articles of incorporation or the bylaws

Article 67. No officer need be a director of the corporation unless the articles of incorporation or bylaws so provide.

CHAPTER VII SALE OF ASSETS AND FRANCHISES

Article 68. Every corporation may, by action taken at any meeting of its Board of Directors, sell, lease, exchange or otherwise dispose of all or part of its assets, including its goodwill and its corporate franchise, upon such terms and conditions as its Board of Directors deem expedient, if authorised by the affirmative vote of stockholders holding a majority of the shares entitled to voting power and given at a stockholders' meeting called for that purpose in the manner provided in Articles 40 and 44 of this law or if authorised by the written consent of such stockholders.

Article 69. Notwithstanding the provisions contained in the preceding article, the articles of incorporation may require the consent of some particular class of stockholders in order to grant the authority referred to in said article.

Article 70. Unless the articles of incorporation provide otherwise no vote or consent of stockholders shall be necessary for a transfer of assets in trust, or a pledge or mortgage thereof to secure indebtedness of the corporation.

CHAPTER VIII CONSOLIDATION

Article 71. Subject to the provisions of their articles of incorporation, any two or more corporations organised under this law may consolidate into a single new corporation. The Directors, or a majority of them of each of such corporations desiring to consolidate may enter into an agreement signed by them describing the terms and conditions of consolidation, the mode of carrying the same into effect and stating such other facts as are necessary to be stated in articles of incorporation or in accordance with this law, as well as the manner of converting the shares of each of the old corporations into shares of the new corporation with such other details and provisions as are deemed necessary or desirable.

Article 72. The agreement may provide for the distribution of cash, notes or bonds in whole or in part, in lieu of stock, provided, however, that upon such distribution the liabilities of the new corporation including those derived by it from the constituent corporations and including the amount of capital to be issued by the consolidated corporation pursuant to the terms of the consolidation shall not exceed the value of the assets of the consolidated corporation.

Article 73. The agreement of dissolution shall be submitted to the stockholders of each constituent corporation at a meeting thereof called specially for the purpose of considering the same, in the manner required by Articles 40 to 43 of this law and at said meeting said agreement shall be considered and a vote taken for the adoption or rejection of the same.

Article 74. Unless the articles of incorporation otherwise provide, if the votes of stockholders of each corporation representing a majority of the shares entitled to vote thereon shall be for the adoption of said agreement, then that fact shall be certified on said agreement by the Secretary or Assistant Secretary of each corporation; and the agreements so adopted and certified shall be signed by the President or a Vice-President and Secretary or Assistant Secretary of each of said corporations in the manner and in accordance with the requirements specified in Article 2 of this law with reference to the execution of articles of incorporation.

Article 75. The agreement of consolidation so executed shall be filed for registration in the Mercantile Registry as required in the case of articles of incorporation and when so filed shall be the agreement and act of consolidation of said corporation.

Article 76. When such agreement of consolidation is executed and filed as required by the two preceding articles, the separate existence of the constituent corporations shall cease and the consolidating corporations shall become a single corporation in accordance with said agreement possessing all the properties, rights, privileges, powers and franchises and

subject to the restrictions, obligations and duties of each of the consolidated corporations; provided that all rights of creditors and all liens upon the property of either of the consolidating corporations shall be preserved unimpaired, but such liens shall be limited to the property affected thereby at the time of consolidation; and all debts, liabilities and duties of the consolidating corporations shall pertain to the consolidated corporation and may be enforced against it to the same extent as if they had been incurred by it.

Article 77. The articles of incorporation of any corporation may provide and determine the conditions, in addition to the requirements of this law upon which such corporation may consolidate with any other corporation. **Article 78.** In any judicial or administrative proceeding pending by or against the corporations that have ceased to exist, or any of them, the new corporation may be substituted in their place.

Article 79. The liability of corporations or the stockholders or officers thereof, or the rights or remedies of the creditors thereof or of persons doing or transacting business with each corporation shall not in any way be lessened or impaired by the consolidation of two or more corporations under the provisions hereof.

CHAPTER IX DISSOLUTION

Article 80. If the Board of Directors deem it advisable that any corporation organised under this law should be dissolved, the Board within ten days after the adoption of a resolution to that effect by a majority of the whole Board at any meeting called for that purpose, shall cause notice of the adoption of that resolution to be given in the manner provided in Articles 40 to 43 thereof, in a notice of a meeting of the stockholders having voting power to take action upon the resolution so adopted by the Board of Directors.

Article 81. If at any such meeting the holders of a majority of the shares entitled to vote shall by resolution consent that the dissolution shall take place, copy of such resolution together with a list of the names and residences of the Directors and Officers of the company, certified by the President or a Vice-President, and the Secretary or an Assistant Secretary, and the Treasurer or an Assistant Treasurer, shall be executed, protocolised and filed for record in the Mercantile Registry as required in Article 6.

Article 82. Upon such filing at the Registry Office a copy thereof shall be published in one issue of a newspaper published in the place where the office of the dissolved corporation was situated within the Republic, or if there be no such newspaper then in the Official Gazette of the Republic.

Article 83. Whenever all the stockholders having voting power shall consent in writing to a dissolution, no meeting of the Directors or Stockholders shall be necessary for that purpose.

Article 84. The document setting forth such consent should be protocolised, registered in the Mercantile Registry and published in the manner provided in Article 82 hereof. Once these formalities have been complied with, such corporation shall be deemed to be dissolved.

Article 85. All corporations whether they expire by their own limitation or are otherwise dissolved, shall nevertheless be continued for the term of three years from such expiration or dissolution for the purpose of prosecuting or defending suits by or against them or enabling them to settle their business and dispose of and convey their property and to divide their capital stock, but not for the purpose of continuing their business for which said corporation shall have been established.

Article 86. When any corporation shall expire by its own limitation or shall be otherwise dissolved, the Directors shall be trustees of such corporation with full power to settle the affairs, collect the outstanding debts, sell and convey the property of all kind, and divide the monies and property among the stockholders, after paying the debts of the corporation; and they shall have authority to sue for, in the name of the corporation, and recover debts and property and to represent it in proceedings that may be initiated against it.

Article 87. In the case of the foregoing article the Directors shall be jointly and severally responsible for the debts of the corporation, but only up to the amount of the monies and properties which shall come into their hands.

Article 88. The Directors shall have power to apply monies and property of the corporation to the payment of a reasonable compensation to themselves for their services, and to fill any vacancies in their number.

Article 89. The Directors when acting as trustees pursuant to Articles 86, 87 and 88, shall act by majority vote.

CHAPTER X FOREIGN CORPORATIONS

Article 90. A foreign corporation may maintain offices or agencies and carry on business in the Republic provided it files in the Mercantile Registry the following documents for registration:

- 1.** Deed of protocolization of its Articles of Incorporation;
- 2.** Copy of its last balance sheet accompanied by a declaration of the amount of its capital utilised or to be utilised in business in the Republic;
- 3.** A certificate setting forth that it is incorporated and organised under the laws of the country of its domicile certified by a Consular representative of the Republic in said country, or if there be no such representative then by that of a friendly nation.

Article 91. A foreign corporation (maintaining an office or carrying on business in the Republic) which has not complied with the requirements of this law may not bring judicial or any other proceedings before any court or authority in the Republic, but may be sued in any action before judicial or administrative authorities, and shall furthermore be liable to a fine not exceeding five thousand balboas to be imposed by the Secretary of the Treasury.

Article 92. A foreign corporation carrying on business in this Republic and which has registered its articles of incorporation in the Mercantile Registry as aforesaid, shall be required to register in such Registry all amendments of such articles of incorporation and the instruments of consolidation or dissolution.

CHAPTER XI SUNDRY PROVISIONS

Article 93. National or foreign corporations established in the Republic at the time that this law comes into effect shall be governed insofar as referred to the contracting parties, by their articles of incorporation, their bylaws and the laws in force at the time of their incorporation or of their establishment in the Republic, as the case may be.

Article 94. National corporations organised before this law comes into effect may at any time be governed by the provisions of this law, for which purpose it shall be necessary that this fact be set forth in a resolution adopted by the shareholders, which resolution must be registered in the Registry Office. The stockholders of local corporations actually dissolved but not yet liquidated may, for the purpose of the liquidation, be governed by the provisions of this article, provided that it is so resolved by a number of stockholders not less than that required by the document of its organisation to allow the dissolution of the corporation before the expiration of the term fixed for such corporation.

Article 95. All the provisions now in force relative to corporations are hereby repealed.

Article 96. This law shall come into effect on the 1st day of April, 1927.

PRIVATE INTEREST FOUNDATIONS

Law No. 25 of June 12, 1995

“Whereby Private Interest Foundations are regulated”

(Attention: This is not an official translation)

Article 1. One or more natural or juridical persons by themselves or through third parties, may create a private foundation in accordance with the provisions set forth in this law. For such purpose, the endowment of a patrimony exclusively dedicated to the objectives or purposes expressly stipulated in the foundation charter is required. The initial patrimony may

be increased by the creator of the foundation, hereinafter called the founder, or by any other person.

Article 2. Private foundations shall be governed by the foundation charter and its regulations, as well as by the provisions of this law and other legal or regulatory provisions that may be applicable. The provisions of Title II of Book I of the Civil Code shall not apply to these foundations.

Article 3. Private foundations shall not be profit oriented. They may nevertheless engage in commercial activities in a non-habitual manner or exercise the rights deriving from titles representing the capital of business companies held as part of a foundation's assets, provided that the economic results or proceeds from such activities are used exclusively towards the foundation's objectives.

Article 4. Private foundations may be constituted to become effective at the time of constitution or after the death of its founder, by any of the following methods:

1. By private document, executed by the founder, whose signature must be authenticated by a notary public at the place of constitution.
2. Directly before a notary public at the place of constitution. Whichever may be the method of constitution, it must comply with the formalities established in the present Law for the creation of foundations. In case of a foundation being created either by public or private document, to have effect after the death of the founder, the formalities required for the execution of wills shall not apply.

Article 5. The foundation charter shall contain:

1. The name of the foundation, expressed in any language with characters of the latin alphabet, which shall not be equal or similar to that of a foundation previously existing in the Republic of Panama, as to avoid confusion. The name must include the word "foundation" to distinguish it from other natural or juridical persons of a different nature.
2. The initial capital of the foundation, expressed in any currency of legal tender that in no case shall be less than an amount equivalent to ten thousand Balboas (B/10,000). [US\$10,000]
3. A complete and clear designation of the member or members of the Foundation Council, to which the founder may belong, including their addresses.
4. The domicile of the foundation.

5. The name and address of the Resident Agent of the foundation in the Republic of Panama, which shall be an attorney or a law firm, who must countersign the foundation charter prior to its registration at the Public Registry.

6. The purposes of the foundation.

7. The manner of appointing the beneficiaries of the foundation, among which the founder may be included.

8. The reservation of the right to amend the foundation charter whenever deemed convenient.

9. The duration of the foundation.

10. The destination to be given to the assets of the foundation and the method of liquidation of its patrimony in case of dissolution.

11. Any other lawful clause that the founder may deem convenient.

Article 6. The foundation charter, as well as any amendment thereto, must be written in any language with characters of the latin alphabet, and must comply with the regulations for the registration of acts and titles in the Public Registry, for which purpose it must be previously protocolized by a notary public of the Republic [of Panama]. If the foundation charter or its amendments are not written in Spanish, they must be protocolized together with their [Spanish] translation by a certified public translator of the Republic of Panama.

Article 7. Any amendment to the foundation charter, when permitted, shall be executed and signed in accordance with what is established therein. The relevant agreement, resolution or act of amendment shall contain the date on which it was carried out, and a clear indication of the name of the person or persons executing such amendments, whose signatures shall be authenticated by a notary public of the place where the document is executed.

Article 8. Every private foundation must pay a registration fee and an annual maintenance tax equivalent to those established for corporations in articles 318 and 318A of the Fiscal Code. The procedure and method of payment, the surcharge for late payment, the consequences of non-payment and all other complementary provisions of the aforementioned legal principles, shall also be applied to private foundations.

Article 9. The registration at the Public Registry of the foundation charter shall bestow upon the foundation juridical personality without the need for any other legal or administrative authorization. Registration at the Public Registry shall in addition constitute a means of publicity before third parties. Consequently, the foundation may acquire and own assets of all kinds, incur obligations and be a party to any type of administrative and judicial proceedings in accordance with applicable legal provisions.

Article 10. Once the foundation has obtained its juridical personality, the founder or any third party that have pledged to contribute assets to the foundation, on their own or at the request of any person with interest in the foundation, shall formalize the transfer to the foundation of the assets so pledged. When the foundation is constituted to be effective after the demise of its founder, it shall be deemed to have existed prior to such death, in respect to the donations that he may have made to the foundation.

Article 11. For all legal purposes, the assets of the foundation shall constitute a separate patrimony from the personal assets of the founder. Therefore they cannot be sequestered, embargoed or subject to any precautionary action or measure, except for obligations incurred, or for damages caused by virtue of actions taken fulfilling the purposes or objectives of the foundation, or on behalf of the legitimate rights of its beneficiaries. In no case shall such assets respond for personal obligations of the founder or of the beneficiaries.

Article 12. Foundations shall be irrevocable, except in the following cases:

1. When the foundation charter has not been registered at the Public Registry;
2. When the opposite is expressly established in the foundation charter.
3. For any of the causes of revocation of donations. The transfers [of assets] made to foundations shall be irrevocable by whoever has made the transfer, unless the opposite is expressly established in the act of transfer of such assets.

Article 13. In addition to the provisions of the previous article, when a foundation has been created to be effective after the demise of the founder, the latter shall have the exclusive and unlimited right to revoke it. The heirs of the founder shall not have the right to revoke the creation or the transfers to the foundation, even if the foundation has not been registered in the Public Registry prior to the demise of the founder.

Article 14. The existence of legal provisions in inheritance matters in the domicile of the founder or of its beneficiaries, shall not affect the foundation or its validity, or prevent the fulfillment of its objectives as provided for in the foundation charter or its regulations.

Article 15. The creditors of the founder or of a third party shall have the right to contest the contributions or transfer of assets to a foundation, when the transfer constitutes an act of fraud to the creditors. The rights and actions of such creditors shall prescribe three (3) years from the date of the contribution or transfer of the assets to the foundation.

Article 16. The patrimony of the foundation may originate from any lawful business and may consist of present or future assets of any nature. Periodic sums of money or other assets may also be incorporated to the patrimony by the founder or by third parties. The transfer of assets to the patrimony of the foundation may be effected by public or private document.

Nevertheless, in the case of real estate, the transfer must conform with the rules for the transfer of real estate.

Article 17. The foundation should have a Foundation Council, whose powers or responsibilities shall be established in the foundation charter or in its regulations. Unless it be a juridical person, the number of members of the Foundation Council shall not be less than three (3).

Article 18. The Foundation Council shall be responsible for carrying out the purposes or objectives of the foundation. Unless otherwise stated in the foundation charter or its regulations, the Foundation Council shall have the following general obligations and duties:

1. To administer the assets of the foundation in accordance with the foundation charter or its regulations.
2. To carry out acts, contracts or lawful businesses that may be suitable or necessary to fulfil the purposes of the foundation, and to include in such contracts, agreements and other instruments or obligations, such clauses and conditions as are necessary and convenient, which conform to the purposes of the foundation and are not contrary to the law, to morals, to bonus mores or to public order.
3. To inform the beneficiaries of the foundation of the economic situation of the latter, as established in the foundation charter or its regulations.
4. To deliver to the beneficiaries of the foundation the assets or resources set up in their favour by the foundation charter or its regulations.
5. To carry out all such acts or contracts which are permitted to the foundation by the present Law and other applicable legal or regulatory provisions.

Article 19. The foundation charter or its regulations may provide that the members of the Foundation Council may only exercise their powers by obtaining previous authorization of a protector, a committee or any other supervisory body, appointed by the founder or by the majority of the founders. The members of the Foundation Council shall not held liable for the loss or deterioration of the assets of the foundation, nor for any damages or prejudice caused by their decisions, provided that the above mentioned authorization has been duly obtained.

Article 20. Unless otherwise provided for in the foundation charter or its regulations, the Foundation Council must render an accounting of its activities to the beneficiaries and, when applicable, to the supervisory body. If the foundation charter or its regulations contains no provision in this regard, the rendering of accounts must be done annually. If the accounts so rendered are not objected within the term established in the foundation charter or its regulations, or, if the charter does not regulate the matter, it shall be deemed as having been approved within ninety (90) days from the day it was received, for which purpose, record of

this term shall be made in the report rendering the accounts. Such period having lapsed or the account approved, the members of the Foundation Council shall be exempted from liability for their administration, unless they had failed to act with the diligence of a bonus paterfamilias. Such approval does not exonerate them before the beneficiaries or third parties having an interest in the foundation, for damages caused due to gross negligence or fraud in the administration of the foundation.

Article 21. In the foundation charter the founder may reserve for himself/herself or for other persons, the right to remove the members of the foundation Council, as well as to appoint or add new members.

Article 22. When the foundation charter or its regulations contains no provision regarding the right to and the causes for removal of the members of the Foundation Council, these may be judicially removed, through summary proceedings, for the following causes:

1. When their interests are incompatible with the interests of the beneficiaries or the founder.
2. If they do not administer the assets of the foundation with the diligence of a bonus paterfamilias.
3. If they are convicted for a crime against private property or public faith. In this case, while the criminal proceedings are in progress, the temporary suspension of the member on trial may be decreed.
4. For incapacity or impossibility to carry out the objectives of the foundation, from the time such causes arise.
5. For insolvency or bankruptcy proceedings.

Article 23. The judicial removal of the members of the Foundation Council may be requested by the founder and the beneficiary or beneficiaries. Should the beneficiaries be disabled or minors, they may be represented by whoever exercise upon them the patria potestas or guardianship, as the case may be. The judgement of the court decreeing the removal, shall appoint new members in replacement of the previous ones, who shall be persons with sufficient capacity, competence and good moral standing to administer the assets of the foundation, in accordance with the purposes established by the founder.

Article 24. The foundation charter or its regulations may provide for the constitution of supervisory bodies, which may be constituted by natural or juridical persons, such as auditors, protectors of the foundation or others similar entities. The duties of the supervisory bodies shall be established in the foundation charter or its regulations and may include, among others, the following:

- 1. To ensure the fulfillment of the foundation's purposes by the Foundation Council and [to protect] the rights and interests of the beneficiaries.**
- 2. To demand from the Foundation Council, the rendering of accounts.**
- 3. To modify the purposes and objectives of the foundation, if and when they become too costly or impossible to fulfil.**
- 4. To appoint new members of the Foundation Council due to temporary or permanent absence, or for expiration of the period of any of them.**
- 5. To appoint new members of the Foundation Council by reason of temporary or accidental absence of any of them.**
- 6. To increase the number of members of the Foundation Council.**
- 7. To approve the acts adopted by the Foundation Council, as indicated in the foundation charter or its regulations.**
- 8. To guard the assets of the foundation and oversee their application to the uses or purposes stated in the foundation charter.**
- 9. To exclude beneficiaries of the foundation and to add others in accordance with the provisions of the foundation charter or its regulations.**

Article 25. The foundation shall be dissolved due to:

- 1. Reaching the day in which the foundation must terminate, in accordance with the foundation charter.**
- 2. The fulfillment of the purposes for which it was constituted or if their fulfillment becomes impossible.**
- 3. Being in a state of insolvency, cessation of payments or due to bankruptcy proceedings having been declared judicially.**
- 4. The loss or total extinction of the assets of the foundation.**
- 5. Its revocation.**
- 6. Any other cause established in the foundation charter or in the present Law.**

Article 26. Any beneficiary of the foundation may contest any acts of the foundation that may damage his rights, by denouncing such circumstance to the protector or to other supervisory

bodies, if any; or if there are none, by directly promoting the respective judicial claim, before a competent court of the domicile of the foundation.

Article 27. The acts of constitution, amendment or extinction of the foundation, as well as the acts of transfer, transmittal or encumbrance of the assets of the foundation and the income arising therefrom, or any other act in connection therewith, shall be exempt from all taxes, contributions, duties, liens or assessments of any kind, provided that such assets are:

1. Assets located abroad.

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

3. Shares or securities of any kind, issued by corporations which income is not derived from Panamanian sources or when such income is not taxable for any reason whatsoever, even when such shares or securities be deposited in the Republic of Panama. The acts of transfer of real estate, titles, certificates of deposit, securities, money or shares, carried out in fulfillment of the purposes or objectives, or for the extinction of the foundation, in favour of relatives within the first grade of consanguinity and of the spouse of the founder, shall also be exempted from all taxes.

Article 28. Foundations constituted in accordance with a foreign law may become subject to the provisions of this law.

Article 29. Foundations referred to in the previous article that opt to become subject to the provisions of this Law, shall present a Certificate of Continuation, issued by such bodies as their internal regime may call for, and which shall contain:

1. The name of the foundation and the date of its constitution.

2. Data about its registration or deposit [of the charter] at its country of origin.

3. An express declaration of its desire to continue its legal existence as a Panamanian foundation.

4. The requirements stipulated under Article 5 of this Law, for the constitution of private foundations.

Article 30. The certification containing the resolution of continuation and other requirements mentioned in the preceding paragraph must have the following documents attached there to:

1. Copy of the original act of constitution of the foundation expressing its desire to continue in Panama, along with any subsequent amendment.

2. A power of attorney granted to a Panamanian attorney to carry out the necessary procedures to make effective the continuation of the foundation in Panama. The certificate of continuation, as well as the documents attached thereto referred to in this article, shall be duly protocolized and registered at the Public Registry in order for the foundation to continue its legal existence as a private foundation in the Republic of Panama.

Article 31. In the cases foreseen in article 26, the responsibilities, duties and rights of the foundation acquired prior to the change of domicile or legislation, as well as the proceedings already initiated against it or those that the foundation may have promoted, shall continue in force, and such rights and obligations shall not be affected due to the change of jurisdiction authorised by the aforesaid legal provisions.

Article 32. The foundations constituted in accordance with this Law, as well as the assets comprising its patrimony, may be transferred or become subject to the laws and jurisdiction of another country, as may be provided by the foundation charter or its regulations.

Article 33. Registrations related to private foundations shall be made at the Public Registry in a special section to be named "Section of Private Foundations".

Article 34. To avoid the unlawful use of private foundation, all legal provisions contained in Executive Decree No. 468 of 1994 and any other rule in force aiming at fighting money laundering derived from drug-trafficking, shall apply for their operation.

Article 35. The members of the Foundation Council, of the supervisory bodies, if any, as well as the public or private employees who might have any knowledge of the activities, transactions or operations of the foundations shall at all times maintain secrecy and confidentiality in this respect. Breaches of this duty shall be sanctioned with a six months imprisonment and a B/.50,000.00 fine without prejudice of the corresponding civil liability. The provisions of this article shall apply without prejudice of the information which must be disclosed to the official authorities and of the inspections that they must carry out in the manner established by the law.

Article 36. Any controversy for which there is no special procedure in this Law, shall be resolved through summary proceedings. The foundation charter or the regulations of the foundation may establish that any controversy arising in connection with the foundation shall be resolved by arbiters or arbitrators, as well as establish the procedure they should abide by. In the event no such procedure has been established, the rules in respect to such matters, as contained in the Judicial Code, shall apply.

Article 37. This law shall be effective from the date of its publication.