

(English Translation)

**LAW 32 OF February 26th, 1927
GENERAL CORPORATION LAW
REPUBLIC OF PANAMA**

**CHAPTER I
INCORPORATION**

ARTICLE 1 - Two or more persons of legal age, who need not be citizens or residents of the Republic of Panama may, in accordance with the formalities hereinafter provided, form a corporation for any lawful purpose or purposes.

ARTICLE 2 - The 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 corporation which shall not be the same as, nor so similar as to cause confusion with the name of any other existing corporation.

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

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

3. The purpose or general 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 be divided; or, 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 legal currency of any other country, or of both.

5. If there are to be shares of different types, the number of shares to be included in each type and the designations, preferences, privileges and voting powers or restrictions or qualifications of the shares of each type; or a statement that such designations, preferences, privileges and voting powers or restrictions or other qualifications shall be determined by resolution of the majority of the Stockholders at interest 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, which may be a corporation; (only attorneys are qualified to act as Resident Agents - Decree 147 of May 4th, 1966).
8. Its duration.
9. The number, names and addresses of its Directors, which shall not be 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 this 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 official authorised to take acknowledgements at the place of their execution.

ARTICLE 5 - If the articles of incorporation are not in the form of a public deed, they must be protocolized in a Notary's office of the Republic.

If said document should have been executed outside of the Republic of Panama, it must, before it is protocolized, be authenticated by a Panamanian Consul, or if there should be none, by the Consul of a country friendly to Panama.

Articles of incorporation drafted in a language other than Spanish must be protocolized with an authorised translation by an official or public interpreter of the Republic of Panama.

ARTICLE 6 - The public deed or the protocolized document containing the articles of incorporation must be presented for registration in the Mercantile Registry.

The execution of the articles of incorporation shall not affect the right of third parties but from the moment that the respective articles of incorporation have been registered.

ARTICLE 7 - Any corporation formed under this law may amend its articles of incorporation in any respect provided such amendments conform to the provisions of this law.

Therefore, the corporation may: change the number of its shares of stock or of any type of its stock outstanding at the time of such amendments; change the par value of the outstanding shares at the time of such amendments; change the par value of the outstanding shares of any type; change outstanding shares of a type having par value for the same or different number of shares of the same type or of another type of shares without par value; change the outstanding shares of a type without par value into the same or different number of shares of the same or different type having par value; increase the amount or number of shares of its authorised stock; divide its authorised stock into types; increase the number of types of authorised stock; change the denominations of the shares, their rights, privileges, preferences, voting powers, restrictions or qualifications.

However, the capital stock of a corporation shall not be reduced except in accordance with the provisions of article 14 et seq. of this law.

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

ARTICLE 9 - The amendments of the articles of incorporation that may be agreed upon before shares have been issued shall be signed by every subscriber of the articles of incorporation and all who may have agreed to take shares.

ARTICLE 10 - In the event stocks have been issued, such amendments of the articles of incorporation shall be signed:

- (a) by the holders or proxies of all the outstanding shares of the corporation entitled to vote, provided that the articles of amendment be accompanied by a certificate issued by the Secretary or an Assistant Secretary of the corporation to the effect that the persons who have executed the articles of amendment, in person or by proxy, constitute the totality of the holders of all shares of the corporation entitled 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 and attach to the articles of amendment a certificate stating that they have been authorised to execute such document by resolution approved by the owners of the majority of such shares or by their proxies, and that such resolution was adopted at a stockholders' meeting held on the date specified in the notice or waiver of notice.

ARTICLE 11 - In the event that the articles of amendment alter the preferences of outstanding shares of any type or authorised shares having preferences which are in any respect superior to those outstanding shares of any type, the certificate referred to in section (b) of the preceding article shall state that the officers signing the same have been authorised to execute such articles of amendment by resolution approved by the owners or by proxies of a majority of the shares of each type entitled to vote and that such resolution was approved 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 holder of more than a majority of the outstanding shares of any type or types shall be required in order to effect any amendment, 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 provide otherwise, in the event of an increase of stock, each stockholder shall have a preferential right to subscribe in proportion to the number of shares then held by him, the shares of stock issued pursuant to such increase.

ARTICLE 14 - Any corporation may reduce its authorised capital by an amendment to its articles of incorporation; but no distribution of assets may be made pursuant to any such reduction if such distribution will reduce the value of its assets to an amount less than the total amount of its liabilities construing as part of it the capital so reduced.

There shall be attached to the respective articles of amendment a certificate, issued under oath by the President or the Vice-President and of the Treasurer or one of the Assistant Treasurers, stating that the distribution will not violate the provision contained in this article.

In the absence of fraud, the judgement of the Directors as to the value of the assets and liabilities shall be construed as correct.

ARTICLE 15 - Any corporation, unless its articles of incorporation otherwise provide, may acquire shares of its own stock. If such acquisition or purchase is made out of funds or properties other than the surplus or the net profits of the corporation, the shares of stock acquired shall be cancelled by the reduction of issued capital stock; but such shares may be sold again if the authorised capital stock shall not be reduced by such retirement.

ARTICLE 16 - Shares of its own stock acquired by any corporation with funds derived from the surplus of its assets over its liabilities or net profits may be held by such corporation and sold by it for its corporate purposes and may be retired or reissued by resolution of the Board of Directors.

ARTICLE 17 - The shares of a corporation purchased by it may not, directly or indirectly, be represented in shareholders' meetings.

ARTICLE 18 - No corporation may acquire its own stock out of funds that do not arise from the excess of its assets to liabilities or net profits, if by such acquisition the actual value of its assets would be reduced to an amount that represents less than the total value of its liabilities, considering as part of such the reduced capital. In the absence of fraud, the judgement of the Directors as to the value of the assets and liabilities shall be construed as correct.

CHAPTER II CORPORATE POWERS

ARTICLE 19 - Every corporation organised in accordance with this law shall have, in addition to other powers specified in this law, the following powers:

1. To sue and be sued in court.
2. To adopt and use a corporate seal and alter the same at its convenience.
3. To acquire, purchase, hold, use and convey movables and immovables of all kinds and make and accept pledges, mortgages, leases, liens and encumbrances of all kinds.
4. To appoint officers and agents.
5. To execute contracts of all kinds.
6. To enact by-laws not inconsistent with any existing laws or articles of incorporation for the management, regulation and government of its affairs and property, for the transfer of its stock and for the calling of meetings of its stockholders and directors, and for any other lawful matter.
7. To carry on business and to exercise its powers in foreign countries.
8. To approve its dissolution in accordance with the law, be it voluntarily or for another cause.
9. To borrow money and incur debts in connection with its business or for any lawful purpose; to issue bonds, notes, bills of exchange, other evidences of indebtedness (which may or may not be convertible into stock of the corporation) payable at a specified date or dates or payable upon the happening of a specified event whether secured by mortgage, pledge or unsecured, for money borrowed or in payment for property 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, bonds, securities or other evidences of indebtedness issued by other corporation, or 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

advisable for 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.

CHAPTER III STOCK

ARTICLE 20 - The corporation shall have the power to create and issue one or more types of shares with such designations, preferences, privileges, voting powers or restrictions or qualifications and other rights as its articles of incorporation provide and subject to such rights of redemption as may have been reserved to the corporation in the articles of incorporation.

The articles of incorporation may provide that shares of any type shall be convertible into shares of another type or types.

ARTICLE 21 - Shares may have a nominal 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 provide otherwise, fully paid and non-assessable shares having a par value, or securities or shares convertible into shares of nominal value fully paid and non-assessable shall not be issued for consideration of goods or services which, in the judgement 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. In the certificates for partly paid shares it may not be stated that there has been paid thereon an amount greater, in the judgement of the Board of Directors, than the consideration actually paid thereon. Such consideration may be money, labour, services or property of any kind.

In the absence of fraud, the judgement of the Board of Directors as to the value of any such consideration shall be deemed correct.

ARTICLE 22 - Corporations may authorise and issue shares without par value provided the articles of incorporation include 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 nominal value and the value of each.

3. The number of shares without par value.
4. Either one of the following statements.
 - a) That 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) That 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 which, by resolution of the Board of Directors, may be transferred thereto from time to time.

There may also be included in such articles of incorporation an additional statement to the effect that the stated capital shall not be less than the amount therein specified.

ARTICLE 23 - All shares of one type, whether with or without nominal value, shall be equal to the shares of the same class, subject however, to the designations, preferences, privileges and voting powers or restrictions or qualifications granted or imposed in respect to any type of shares.

ARTICLE 24 - A corporation may issue and sell its authorised shares without par value for such amount as may be prescribed in its articles of incorporation; or for such consideration which, in the judgement of the Board of Directors, shall be the fair value; 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 the price as shall be determined by the holders of the majority of the shares entitled to vote.

ARTICLE 25 - Any and all shares referred to 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 for such shares either to the corporation or its creditors.

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. In case of default, the Board of

Directors may either proceed against the default debtor to enforce payment of the amounts due 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 case to retain for the corporation such amounts as the defaulting shareholders 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 such shareholder may be entitled, the Board of Directors shall give at least sixty 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 - The title or certificate of stock shall contain:

1. The registration data of the corporation in the Mercantile Registry.
2. The capital stock.
3. The number of shares owned by the holder.
4. The type of shares, if there is more than one type, as well as the special conditions, designations, preferences, privileges, premiums, advantages, restrictions or qualifications which some types of shares may have over others.
5. Whether the shares it represents are fully paid and non-assessable; and if not fully paid and non-assessable, the certificate shall state the amount which has been paid.
6. If the shares are nominative, it should contain the name of said owner.

ARTICLE 28 - Shares may not be issued to the bearer unless they are fully paid and non-assessable.

ARTICLE 29 - Nominative shares shall be transferable on the books of the corporation in such manner as may be provided in the articles of incorporation or in the

by-laws. In no case shall the transfer of stock be binding on the corporation unless it shall have been registered in the Stock Registry Book.

If the stockholder shall be indebted to the corporation in any amount, it may oppose the transfer until such indebtedness is paid. In any event, 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 - Shares issued to the bearer shall be transferable by delivery of the certificate.

ARTICLE 31 - If so provided by the articles of incorporation, the holder of a certificate for shares issued to the bearer may exchange such certificate for a certificate for a like number of shares of the same type issued in his name; and the holder of a nominative certificate may have his certificate exchanged for a like number of shares issued to the bearer.

ARTICLE 32 - The articles of incorporation may provide that the corporation or any of the stockholders will have a preemptive right to buy shares of the corporation that another shareholder wishes to transfer.

It may also impose any other restrictions upon the transfer of the shares; but no restrictions which shall absolutely prevent a stockholder from transferring his shares shall be valid.

ARTICLE 33 - A corporation may issue a new certificate of stock in the place of any certificate previously issued that has been destroyed, lost or stolen. The Board of Directors may, in such cases, require the owner of the destroyed, lost or stolen certificate to give security against any claim that may be made against the corporation or damage suffered by it.

ARTICLE 34 - The articles of incorporation may provide that the holders of any designated type of stock shall not be entitled to vote; or may otherwise restrict or define the respective voting powers of the several types of stock.

Such provisions of the articles of incorporation shall be controlling in all elections and in all proceedings in which the law requires the vote or the written consent of the holder of all the shares or of a specified proportion thereof.

The articles of incorporation may also provide that for specific purposes the vote of more than a majority of the holders of any type of stock shall be required.

ARTICLE 35 - One or more shareholders may agree in writing to transfer their stock to one or more trustees for the purpose of conferring upon them the right to vote in the name and in lieu of the owner for the period and upon the terms stated in the agreement. Other stockholders may transfer their stock to the same trustee or trustees and thereupon shall be a party to such agreement. The certificates of stock so transferred shall be surrendered and cancelled and new certificates therefor issued to such trustee or trustees, in which it shall state that they are issued pursuant to such agreement, and an entry to this effect shall be made in the corporation's Stock Register. For the provision contained in this article to be effective, 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 by-laws may 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 date of purchase and the amount paid thereon or that they are fully paid and non-assessable.

In the case of shares issued to the bearer, such Stock Register shall state the number of shares so issued, and the date of issuance and that such shares are fully paid and non-assessable.

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

ARTICLE 38 - Whenever the Board of Directors shall so determine, dividends may be paid in shares of the corporation, provided the shares issued for such purpose shall have been duly authorised and provided that, if the shares have not been previously issued, an amount at least equal to the value of the shares to be issued is transferred from the surplus account to the corporation's capital.

ARTICLE 39 - The shareholders shall only be liable with respect to the creditors of the corporation up to the amount they owe for their shares; but no action shall be brought

against a shareholder for any debt of the corporation until judgement against it has been entered, the total amount of which had not been satisfied after execution against the corporate assets.

CHAPTER IV STOCKHOLDERS' MEETINGS

ARTICLE 40 - Always and when, under the provisions of this law, the approval or authorisation of the stockholders is required, the notice of such shareholders' meeting shall be in writing and in the name of the President, Vice-President, Secretary or an Assistant Secretary or of such other person or persons so authorised by the articles of incorporation or by by-laws.

Such notice shall state the purpose or purposes for which the meeting is called and the place and time of assembly.

ARTICLE 41 - Unless otherwise provided for in the articles of incorporation or the by-laws, all meetings of stockholders shall be held within this Republic

ARTICLE 42 - Notice of the meetings shall be given with such precedence and in such manner as provided for in the articles of incorporation or the by-laws of the corporation; but, unless provided otherwise, such notice shall be personally delivered or mailed to each stockholder of record who is entitled to vote not less than ten nor more than sixty days before the date of the meeting.

If the corporation has issued shares to bearer, the notice of the meeting shall be published in such manner as provided for in the articles of incorporation or the by-laws.

ARTICLE 43 - Shareholders or their legal representatives may waive notice of any meeting in writing, before or after the meeting.

ARTICLE 44 - The resolutions approved in any meeting in which all stockholders are present, either in person or by proxy, shall be valid; and the resolutions approved in any meeting at which a quorum is present, notice of which had been waived by all absent shareholders, shall be valid for all purposes stated in such waiver even though, in either of the above mentioned cases, the notice required by law or by the articles of incorporation or the by-laws had not been given.

ARTICLE 45 - Unless otherwise provided for in the articles of incorporation, every stockholder of a corporation shall be entitled to cast one vote for each share of stock registered in his name at meetings of stockholders, regardless of the type of said stock and whether it has a nominal or par value. It is hereby understood, however, that unless it is otherwise provided for in the articles of incorporation, the Board of Directors may prescribe a period not exceeding forty (40) days prior to any meeting of the stockholders during which no transfer of stock in the books of the corporation may be made, or may fix a date not more than forty (40) days prior to the holding of any such meeting as the day as of which stockholders (other than the holders of shares issued to the bearer) shall be entitled to receive notice and to vote at such meetings. In such case, only stockholders on record on such day shall be entitled to receive notice or to vote at such meeting.

ARTICLE 46 - In the case of shares issued to the 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 provided for by the articles of incorporation or the by-laws.

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

ARTICLE 48 - The articles of incorporation may provide that, at elections of members of the Board of Directors, shareholders having the right to vote for Directors shall have a number of votes equal to the number of their shares of stock multiplied by the number of Directors to be elected, and that they may cast all of such votes in favour of a single candidate or may distribute them among the number of Directors to be elected or between two or more of them, as they may deem convenient.

CHAPTER V BOARD OF DIRECTORS

ARTICLE 49 - The business of the corporation shall be carried out and managed by a Board of Directors consisting of not less than three members, of full age and without distinction as to sex.

ARTICLE 50 - Subject to the provisions of this law and of the articles of incorporation, the Board of Directors shall have absolute control and full direction of the affairs of the corporation.

ARTICLE 51 - The Board of Directors may exercise all the powers of the corporation except those which by law, the articles of incorporation or the by-laws are conferred upon or reserved to the stockholders.

ARTICLE 52 - Subject to the provisions of this law and the articles of incorporation, the number of Directors shall be determined by the by-laws of the corporation.

ARTICLE 53 - A majority of members of the Board of Directors shall be required to constitute quorum and decide on the affairs of the corporation. Notwithstanding, the articles of incorporation may provide that a certain number of directors, whether more or less than a majority, shall be necessary to constitute quorum.

ARTICLE 54 - The agreements of a majority of the directors present at a meeting at which a quorum is present shall be considered agreements of the Board of Directors.

ARTICLE 55 - Unless otherwise provided for in the articles of incorporation, Directors are not required to be stockholders.

ARTICLE 56 - The directors may adopt, alter, amend and abolish the by-laws of the corporation, unless otherwise provided for by the articles of incorporation or the by-laws adopted by the stockholders.

ARTICLE 57 - The directors of the corporation shall be elected in the manner, date and place determined by the articles of incorporation or the by-laws.

ARTICLE 58 - Vacancies in the Board of Directors shall be filled in the manner prescribed by the articles of incorporation or the by-laws.

ARTICLE 59 - Subject to the provisions contained in the two previous articles, vacancies occurring in the Board of Directors, whether resulting from an increase in the number of directors or any other cause, shall be filled by the vote of a majority of the members of the Board of Directors.

ARTICLE 60 - If the directors shall not be elected on the day designated for this purpose, the directors then in office shall continue in their posts until their successors are elected.

ARTICLE 61 - Unless otherwise provided for in the articles of incorporation or in the by-laws, the Board of Directors may appoint two or more of its members to constitute a committee or committees, with all the powers of the Board of Directors, to manage the affairs of the corporation subject to the restrictions expressed in the articles of incorporation, the by-laws, or the resolutions in which they have been designated.

ARTICLE 62 - If the articles of incorporation so expressly provide, directors may be represented at meetings of the Board of Directors and vote by proxy who need not be director, appointed by public or private document, with or without power of substitution.

ARTICLE 63 - Directors may be removed at any time by the vote of the holders of the majority of the subscribed shares entitled to vote in the election of directors. Officers, agents and employees may be replaced at any time by the vote of a majority of the directors, or in such other manner as the articles of incorporation or the by-laws may provide.

ARTICLE 64 - If any dividend or distribution is declared or paid from the assets, thereby reducing the value of the assets of the corporation to less than the amount of its liabilities, including in the latter the corporate capital, or if the amount of the capital is reduced, or if a statement or a false report is given in any material representation, the directors having given their consent to such acts, knowing that with such act the corporate capital is affected, or that the statement or representation is false, shall be jointly and severally liable to the creditors of the corporation for any damage resulting therefrom.

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 by-laws 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 by the by-laws.

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

CHAPTER VII SALE OF ASSETS AND FRANCHISES

ARTICLE 68 - Every corporation may, by agreement reached at any meeting of its Board of Directors, sell, lease, exchange or in any other manner dispose of all or part of its property, including its goodwill and its privileges, franchises, and rights upon such terms and conditions as its Board of Directors deems convenient, provided it is authorised by resolution of the majority of the stockholders entitled to vote thereon, the said resolution approved at a stockholders' meeting called for that purpose in the manner provided in Articles 40 and 44 of this law or authorised in writing by such stockholders.

ARTICLE 69 - Notwithstanding the provisions contained in the proceeding article, the articles of incorporation may require the consent of a specific type of stockholders in order to grant the authority referred to in said article.

ARTICLE 70 - Unless the articles of incorporation provide otherwise, the vote or consent of stockholders shall not be necessary for the transfer of assets in trust, or to encumber them by pledge or mortgage to secure the indebtedness of the corporation.

CHAPTER VIII MERGERS

ARTICLE 71 - Subject to the provisions of the articles of incorporation, two or more corporations organised under this law may merge into a single corporation. The directors, or a majority of them, of each of such corporations desiring to merge may enter into an agreement signed by them, describing the terms and conditions of the

merger, the manner of carrying the same into effect and stating such other facts and circumstances as are necessary pursuant to the articles of incorporation and in accordance with this law, as well as the manner of converting the shares of each of the corporations into shares of the new corporation, and any additional details and provisions as are deemed 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 merging corporations and the amount of capital to be issued by the new corporation shall not exceed the value of its assets.

ARTICLE 73 - The merger agreement shall be submitted to the stockholders of each of the merging corporations at a meeting called for such purpose, in the manner required by Articles 40 to 44 of this law. At said meeting, the agreement shall be considered and a vote taken for its adoption or rejection.

ARTICLE 74 - Unless the respective articles of incorporation otherwise provide for, if the holders of the majority of stock with a right to vote in each corporation shall be in favour of the adoption of the merger agreement, that fact shall be evidenced in a certificate of the Secretary or Assistant Secretary of each corporation; and the merger agreement so adopted and certified shall be signed by the President or a Vice-President and Secretary or Assistant Secretary of each merging corporation in the manner specified in Article 2 of this law with reference to the execution of the articles of incorporation.

ARTICLE 75 - The merger agreement so executed shall be filed for registration in the Mercantile Registry as required in the case of articles of incorporation and, once registered, shall constitute the act of merger of said corporations.

ARTICLE 76 - Once the merger agreement is executed and registered as required by the two preceding articles, each of the merged corporations shall cease to exist and the merged corporation so organised shall be the successor of the former corporations in all their rights, privileges, powers and franchises as owner and possessor of them, subject to the respective restrictions, obligations and duties of the merging corporations, provided that the rights of all the creditors of the respective merging corporations and the liens on their assets shall not be prejudiced by the merger, but such liens shall only affect the assets burdened on the date of the execution of the merger agreement. The debts and liabilities of the merged corporations so extinguished shall belong to the new

merged corporation and their compliance and payment can be demanded of it as if they had been contracted by it.

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

ARTICLE 78 - The new merged corporation shall continue to act as a party in any judicial or administrative proceedings in which the extinguished corporations, or any one of them, have been a party.

ARTICLE 79 - The responsibility of the corporations and their shareholders, directors or officers, as well as the rights and legal remedies of its creditors or of the persons that had transactions with the merged corporations, will not be impaired in any manner or form.

CHAPTER IX DISSOLUTION

ARTICLE 80 - If the Board of Directors of any corporation subject to this law deems it advisable that the corporation be dissolved, it will propose by a majority vote of its members an agreement of dissolution and within the following ten days it shall convene or cause to be convened, in accordance with the provisions of Articles 40 and 44, a meeting of shareholders with a right to vote, to decide on the resolution of the Board of Directors.

ARTICLE 81 - If in the meeting of Shareholders so convened the holders of a majority of shares with a right to vote in that respect adopt a resolution approving the agreement of dissolution of the corporation, a copy of such agreement of shareholders shall be executed, accompanied by 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 an Assistant Secretary and the Treasurer or an Assistant Treasurer, and it shall be protocolized and the said certified copy shall be tendered to the Mercantile Registry in the manner provided for in Article 6.

ARTICLE 82 - Once tendered to the Registry, a copy thereof shall be published at least once in a newspaper in the place where the office of the corporation is located in

this Republic, or if there is no newspaper in such place, in the Republic's Official Gazette.

ARTICLE 83 - If all the stockholders with a right to vote on that matter state in writing their consent to a dissolution, no meeting of the Directors or Stockholders shall be necessary.

ARTICLE 84 - The document containing the stockholders' consent shall be protocolized, registered in the Mercantile Registry and published in the manner provided for in Article 82. Once these formalities have been complied with, such corporation shall be deemed to be dissolved.

ARTICLE 85 - Any corporation, the existence of which terminates by expiration of the period stated in the articles of incorporation or by dissolution, shall nevertheless continue in existence for a period of three years from that date for the specific purposes of initiating the special proceedings deemed advisable, defend its interests as defendant, settle its businesses, transfer and dispose of its assets and divide its corporate capital; but under no circumstances may it continue to conduct the business for which it was organised.

ARTICLE 86 - When a corporation expires by termination of its duration period or by dissolution, the Directors shall act as trustees of the corporation with powers to settle its affairs, collect its credits, sell and convey its assets of all kinds, divide the assets among the stockholders after paying the debts of the corporation; and, in addition, they shall have authority, in the name of the corporation, to initiate judicial proceedings with respect to credits and assets and to represent it in proceedings that may be brought 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 assets and funds which they may have received and managed.

ARTICLE 88 - The said Directors are authorised to apply funds and assets of the corporation in payment of a reasonable compensation for their services and to fill any vacancy which may occur in their posts.

ARTICLE 89 - The Directors, acting as trustees pursuant to the provisions of Articles 86, 87, and 88 shall act by a majority vote.

CHAPTER X FOREIGN CORPORATIONS

ARTICLE 90 - A foreign corporation may maintain offices or agencies and carry on businesses in the Republic after having tendered to the Mercantile Registry the following documents for recording:

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 corporate capital engaged or to be engaged in businesses 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 in its absence, then by that of a friendly nation.

ARTICLE 91 - Foreign corporations that engage in businesses within the Republic and that have not complied with the requirements of this law may not initiate judicial proceedings or of any other kind before the tribunals or authorities of the Republic, but may be sued in all kinds of proceedings before judicial or administrative authorities and, in addition, will pay a fine of up to five thousand Balboas that will be imposed by the Secretariat of Finance and Treasury.

ARTICLE 92 - Foreign corporations carrying on businesses in this Republic and which have recorded their articles of incorporation in the Mercantile Registry as provided in this law, are required to record in such Registry amendments to their articles of incorporation and the instruments of merger or dissolution affecting them.

CHAPTER XI
SUNDRY PROVISIONS

ARTICLE 93 - National or foreign corporations, established or having agencies or branches in the Republic at the time that this law comes into effect, shall be governed insofar as refers to the corporate agreements by their articles of incorporation, their by-laws or by the laws which were in effect 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 and recorded at the Public Registry.

The stockholders of 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 be so resolved by a number of stockholders not less than that required by the by-laws to provide for the dissolution of the corporation before the expiration of the term fixed for such corporation.

ARTICLE 95 - All the provisions now in force pertaining to corporations are hereby abolished.

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

EXECUTIVE DECREE NO. 130
(OF JUNE 3, 1948)

“ARTICLE 2 - The acts, resolutions, elections or appointments agreed by corporations or joint stock companies, must be protocolized before they are filed for registration in either of the forms hereinafter mentioned, except for those cases where the law specifically provides otherwise.

1. The original or complete copy of the minutes, certified by the person who acted as Secretary of the meeting or presided the same.
2. A literal extract of that section of the act, or certification of the resolutions or decisions adopted, the registration of which is desired. The extract or certification must contain at least the following information:
 - a) Date when the meeting was held.
 - b) Name of the person who chaired the meeting and who acted as Secretary; if not the President and Secretary, respectively, of the company, a statement explaining the reason why others acted as such.
 - c) When dealing with a meeting of shareholders, the number of shares represented and their proportion with reference to the outstanding and issued shares, or the total number of the latter which were represented.
 - d) When dealing with a meeting of directors, the names of all the directors who were present or represented.
 - e) How notice was given or the reason for not having done so, whether due to waiver by those who had a right 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 or as Chairman of the meeting. They must be protocolized, preferably by the Secretary of the company, whether by the one registered as such or his elected successor; in his absence, by the President, naming him; and in the absence of both, by the registered agent of the company, or other officer authorised for such purpose at the respective meeting.

LAW NUMBER 32
(OF JUNE 30, 1978)

Whereby an article of the Code of Commerce is amended

THE NATIONAL COUNCIL OF LEGISLATION

DECREES:

ARTICLE 1 - The Commercial Code is amended by adding thereto the following article:

ARTICLE 11A: One or more corporations, organised according to the laws of the Republic of Panama, may merge with one or more foreign corporations to constitute a single corporation provided, however, that the following requirements are complied with:

- a) That the foreign corporations are duly registered in the Section of Mercantile Persons of the Public Registry, as provided for in Article 90 and subsequent articles of Law 32 of 1927.
- b) That if the corporation surviving as a result of the merger is to be the corporation of foreign nationality into which the Panamanian corporation has merged, said surviving corporation must remain registered in the Section of Mercantile Persons of the Public Registry for a period of no less than five (5) years from the date of the merger. During said period, the corporation surviving as a result of the merger must maintain an attorney-in-fact in the Republic of Panama, duly empowered to receive notices on behalf of the corporation. If for any reason the corporation should lack, at a given moment, said attorney-in-fact, then notices of any suit against it may be served on its Resident Agent.

ARTICLE 2 - This law shall come into effect upon its enactment.

BE IT NOTIFIED AND PUBLISHED

Enacted at Panama City, on the thirtieth day of June, One thousand nine hundred seventy-eight.

EXTRACTS OF DECREE-LAW NO. 5, DATED JULY 2ND, 1997
Whereby Articles of the Commercial Code and the Fiscal Code are amended

ARTICLE 1. - Article 11B is added to the Commercial Code as follows:

ARTICLE 11B - A company validly incorporated under a foreign law may choose to subject itself to the laws of the Republic of Panama and to continue its existence under said legislation as a Panamanian corporation, notwithstanding what may be provided under the laws of its incorporation, by submitting to the Public Registry for its registration the following documents:

- (1) Proof of having been incorporated and in goodstanding pursuant to the laws of the corresponding country or jurisdiction issued by a competent authority of the said country or jurisdiction or, in lieu thereof, by means of a notarial certification.
- (2) Certification or certified copy of the agreement or resolution issued by the competent corporate branch stating the authorization to continue the company's existence pursuant to the laws of the Republic of Panama.
- (3) Incorporation deed or Articles of Incorporation subscribed in accordance with the requirements established by the pertinent laws of the Republic of Panama with a statement that it replaces the incorporation or constitutional document of the foreign corporation.

The documentation issued in foreign countries or jurisdictions must be authenticated by means of the Apostille or by a Consul of the Republic of Panama or, in his absence, by a Consul of a friendly nation in the country or jurisdiction where the documentation is issued.

ARTICLE 2 - Article 11C is added to the Commercial Code as follows:

ARTICLE 11C - Once the relevant documents have been registered at the Public Registry, the continuation of the corporation under the laws of the Republic of Panama will be effective among the parties thereto and in respect of third parties as of the initial date of incorporation of the company in its country or jurisdiction of origin.

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

ARTICLE 3 - Article 11D is added to the Commercial Code as follows:

ARTICLE 11D - A company validly incorporated and in goodstanding under a foreign law may register its continuation conditionally at the Public Registry of the Republic of Panama pursuant to the aforementioned provisions subject to the condition that such continuation is made effective by registering a statement to this effect issued by its duly authorised representative or attorney-in-fact.

Once the aforementioned formality is complied with, the provisions of the foregoing article will be applied.

ARTICLE 4 - Article 11E is added to the Commercial Code as follows:

ARTICLE 11E - A company incorporated under Panamanian law may, as may be established in its Articles or amendments, continue under the laws of another country or jurisdiction provided only that the laws of said country or jurisdiction so allow it and that the company is up to date in its fiscal obligations in the Republic of Panama.

To this effect, the company must submit certification or certified copy of the relevant decision or agreement as well as a certificate attesting to the fact that it has been duly registered under the jurisdiction to which it is being transferred,

duly protocolized for its registration at the Public Registry by an attorney in the Republic of Panama.

Once the registration is effected, the corporation will continue with all its assets, rights, privileges, powers and franchises, as owner and holder thereof, subject to the restrictions, obligations and duties applicable to the corporation, it being understood that the rights of the creditors of the corporation and the encumbrances on its assets will not be affected by its continuation in the foreign country.

The non-registration of the corporation in the other country, duly attested, will not invalidate the effect of its registration in its jurisdiction of origin.

ARTICLE 5 - Article 38A is added to the Commercial Code as follows:

ARTICLE 38A - The name of the corporation may be reserved at the Public Registry for a period not exceeding thirty (30) calendar days, pursuant to written application which will be resolved immediately by the Public Registry upon verification of its availability. After such period, the reservation of the name will be rendered legally ineffective without the need for any special annotation to this effect.

ARTICLE 6 - Article 58A is added to the Commercial Code as follows:

ARTICLE 58A - Mercantile companies may also register at the Public Registry, at their discretion, their financial statements as may be approved by the Board of Directors or Shareholders of the company, duly certified by a licensed accountant.

ARTICLE 7 - Article 71 of the Commercial Code will remain as follows:

ARTICLE 71¹ - Every merchant must keep accounting records which clearly and precisely describe his commercial operations, assets, liabilities and patrimony. The accounting must always reflect the amount and nature of the transactions. For the purposes of what is provided for in this title, every merchant may keep his accounting and records utilizing books, electronic or other mechanical means authorized by law and which allow a clear determination of the commercial operations undertaken, provided the same can be printed.

Similarly, corporate bodies may keep minutes and stock records utilizing books, electronic or other mechanical means as is described in the foregoing paragraph.

ARTICLE 31 - Article 203 of the Commercial Code shall remain as follows:

ARTICLE 203 - The acts or contracts performed by telephone or telefax or electronic communication means will be considered as having been performed in person if the parties or their representative or attorneys-in-fact have been directly in contact.

Meetings of the Board of Directors or of the Shareholders' Assembly or of the Liquidators of companies of any kind in which the parties thereto have been in direct contact by any of the means described in the foregoing paragraph will also be considered as having been personally held. In such case, a minutes document should be issued with details of the meeting so held, the agreements approved and the form in which the parties thereto have been in contact.

The agreements of directors, shareholders, members, managers of liquidators of companies of any kind shall be valid even if they may have signed the documents on different days and in different places.

ARTICLE 33 - Article 249 of the Commercial Code shall remain as follows:

¹ Corporations which do not operate in the Republic of Panama are not required to keep accounting records in this country.

ARTICLE 249 - Two or more natural persons or corporate bodies may form a company of any type where one or more of the aforementioned may be shareholders, directors, officers, managers, attorneys or liquidators thereof.

ARTICLE 35 - Article 580A is added to the Commercial Code as follows:

ARTICLE 580A - The Power of Attorney, general or special, granted by Public Deed or by private document with a legally certain date will be effective in respect of third parties as of the date of its execution and may be registered at the Public Registry at the discretion of the interested party. However, the cancellation of a previously registered Power of Attorney which must also be registered, unless otherwise provided in the relevant Power of Attorney or in the case of a Power of Attorney valid for a specific period or executed for the performance of a specific act or event.

ARTICLE 38 - Article 829A is added to the Commercial Code as follows:

ARTICLE 829A - Any company may give in pledge those assets located outside of the Republic of Panama in a general form and without the requirement of physical delivery to the creditor and without affecting those credits which have preference over specific movable properties or real estate.

The general pledge of assets will be granted by Public Deed or private document authenticated by the Notary of the place of its execution. The said document may include all those stipulations which the parties may deem convenient, but, in any case, it may specify the name and address of the pledgor company and of the creditor or creditors as well as the fixed or maximum amount of the guaranteed credit.

If the document were to have been executed outside the Republic of Panama, it must be apostilled or legalised by a Consulate of Panama in the place of execution or, in his absence, by that of a friendly nation. The public document or the private protocolized document containing the general pledge of assets must be registered at the Public Registry, and, when so registered, it will be effective retroactively as of the date of the initial annotation in the Journal of the Public Registry of the presentation of the document for its registration.

Once the formalities herein mentioned have been complied with, the general pledge of assets will be granted preference over those credits which, without special privilege, may be contained in a public document, firm judgement, or private document with legally certain date.

The general pledge of assets may be preliminarily registered. The procedure to so register it and its effects will be regulated by executive decree.

ARTICLE 39 - Companies incorporated prior to the enactment of this Decree-Law may at any time resolve to abide by the provisions of this law for which purpose it will be necessary to state this fact in a resolution adopted by the members or shareholders and which must be registered at the Public Registry.

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

ARTICLE 317A - The reservation of the name of a company at the Public Registry will pay a fee of US Dollars twenty five (US\$25.00).

ARTICLE 43 - The first paragraph of Article 318 of the Fiscal Code is amended and section 5 is added to this provision as follows:

ARTICLE 318 - The registration in the Mercantile Section of the Public Registry of public or authentic documents, or those pursuant to which a company is incorporated, extended or continued will pay the following fees:

5. The registration fee of the general pledge of assets will be US Dollars one hundred (US\$100.00).

DECREE LAW NUMBER 5
(OF JULY 2, 1997)

The main aspects which you will find reflected in this recent legislation enacted for the purpose of enhancing the provisions of our General Corporation Law are the following:

1. **Continuation or Redomiciliation** - Any company incorporated under the laws of jurisdictions other than Panama can choose to continue or redomicile itself in Panama, notwithstanding the provisions of the laws of its respective jurisdiction. Once so redomiciled, the company will be deemed as in existence under the laws of Panama retroactively as of the date of its initial registration in its place of origin. Similarly, Panamanian corporations may resolve to continue to be redomiciled in any other jurisdiction.
2. **Reservation of Name** - It is now possible to reserve corporate names for a maximum initial period of thirty (30) days upon payment of a fixed sum of US\$25.00 per name. Although the law does not expressly contemplate the possibility of an extension, it is assumed that a fresh reservation of the same name can be made once it has expired.
3. **Registration of Financial Statements** - This new feature allows companies, should they deem it appropriate, to register their financial statements which have been duly approved by the Board of Directors or Shareholders and countersigned by a Certified Public Accountant, at the Public Registry.
4. **Minutes Book and Stock Register** - Companies are no longer required to carry the traditional legalised minutes book and stock register, which you normally receive with an incorporation package. Panamanian companies are now empowered by law to keep these records utilising electronic or other such mechanical means.
5. **Corporate Meetings by Electronic Means and Written Resolutions** - The new legislation now considers valid those acts or contracts effected among the parties thereto by telephone, telefax or other electronic means of communications. The law now also considers valid those resolutions approved by distributing the relevant documentation among the parties thereto, even if the document is signed by the various parties in different places and separate dates.

6. **Corporate Subscribers, Directors and Officers** - Decree Law No.5 now allows for corporate bodies to act as subscribers in the incorporation of new companies, as well as directors and officers thereof. Furthermore, it is now expressly stated that corporate bodies can also act as shareholders, liquidators, attorneys (general or special) and managers of Panamanian corporations.
7. **Powers of Attorney** - The law now expressly recognises the validity of a non-registered power of attorney and it is left to the interested party to decide on the convenience of having it registered at the Public Registry. However, in order to register the cancellation of any such power of attorney it is first necessary to register the power of attorney which is being revoked, unless the original power of attorney is for a specific term, a specific act or states otherwise.
8. **General Pledge of Assets** - Panamanian Law now recognises the general pledge executed by corporations against assets located outside the Republic of Panama. If executed abroad, the pledge must be authenticated by way of the Apostille or by Panamanian Consul and will not affect those existing credits which have preference over specific assets. The pledge must be registered at the Public Registry and the law contemplates the possibility of its preliminary registration, once this procedure has been regulated by Executive Decree.
9. **Optional Enforceability of this New Legislation against Companies Incorporated Prior to its Enactment** - Since Decree Law No.5 applies only to those companies incorporated or registered subsequent to its enforceability, this new legislation also provides that companies incorporated prior to its enactment can benefit from those provisions by approving and arranging registration at the Public Registry of relevant shareholders' resolutions. Consequently, companies in existence before the enactment of this new legislation should, if they so prefer, arrange execution and registration of shareholders' resolutions whereby the company agrees to abide by and benefit from the provisions of the aforementioned legislation.