

OFFSHORE MANUAL FOR BEGINNERS

Soporte Legal Offshore Inc.

**Legal Offshore Entities and Structures
(Panama)**

Operation, establishment, legislation of offshore entities and legal structures in Panama.

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Preface

This manual pursues the main objective of giving you information on the incorporation of an offshore legal entity (corporations, private interest foundations, trusts) or its name in English offshore corporation, whether freelancers, entrepreneurs, agents, lawyers or any person interested in the knowledge of offshore finances. We have intended to expose the matter in the simplest and easiest way, in order to introduce you to the known and very used change of head offices of businesses a jurisdiction with a favorable fiscal regime.

In this manual, it will be stated, mainly, the reasons for which a person proceeds to protect his/assets in a recognized and safe jurisdiction; we will expose which are the most recognized jurisdiction, and: we will teach our readers how to choose the jurisdiction that adapts more to their needs.

We will also show the main laws that rules the corporations and companies as well as the pros and cons of all the recognized jurisdictions, as well as their origins and relevant ratings in effect by Standards & Poor's.

Once the reading of this manual finishes, you may expect to have knowledge of this topic above average. We will also give simple examples and we will urge you to make consultations, in order to continue your preparation to organize your own offshore corporation or foundation.

In this book we will expose reasons to protect your assets and avoid the reckless judicial dispute and without base. We want to clarify that we are of the criterion of lifting up the commercial or civil impunity, that is why we base our criterion on the prosperity of the corporations, the contractual obligations must be meet. The stock market is a tangible example of success and growth of the economic blocks based on the honesty, transparency and consumer and investor protection. Notwithstanding, we do not share the idea of litigating in a reckless, irresponsible manner and with evident brutality, with the main purpose of leaving the defendants without a cent. It is true that there is a

direct relationship between the litigation and the Index of Human Development (IHD): the regions with greater IHD are the ones that have more potential of litigation. But for the sake of offering that legal safety, arise the reckless, groundless, shallow demands and even cruel.

Other characteristic that is very general in the most developed regions is the tax subject, detractors and followers are in agreement that it has not been found and maybe it will never be found a perfect formula that will give a balance to the interests between the governmental authorities and the persons under administration, are the frequent criticisms on State Paternalism and Keynesianism. On this matter, there is enough material that surpasses the bibliography of the Library of the Congress of the United States, but that is a matter of other manual.

What it is true and without the desire of getting involved in foreign policy, is that we do not consider acceptable the criterion of some industrialized countries in the fact of collecting excessive taxes to their taxpayers by inheritances or by dividends that produced precisely in a globalized world and that do not offer alternate mechanisms for the family planning.

Precisely, the persons that have arduously accumulated their assets throughout all their lives are more prone to the bad uses of unscrupulous demands and the irresponsible knowledge of their financial information is an incentive to promote this type of irresponsibilities.

Your financial information should remain anonymous. There is absolutely nothing immoral in the fact that it be a private information, this happens to avoid abuses and crimes.

Introduction on Offshore Corporations and Finances

The most probable is that you have already listened the term Offshore, and maybe you have no understanding of what it implies. The term Offshore literally means off the coast, and the owners of bank accounts abroad use it to refer to their foreign investments. At first, the offshore operations started in a formal manner in Switzerland, at the beginning of the 20th Century, taking advantage of its neutral nature. These operations were used in the colonies of the United Kingdom and England is considered as the birthplace of this type of activities that emerged practically with the birth of the Banking. We can go back to the colonial era if we analyze how different jurisdictions were used to exercise this type of activities, some legal, others no. In North America, it has been well-known some cases throughout its contemporary history. For example, the States had different laws on corporations that included the antimonopoly laws, many entrepreneurs had businesses that covered various States, placed or changed the head offices of their businesses to the State in which they had more facilities. The State of Delaware was one of the first states in which the businessmen visualized that it was easier to establish to their businesses, due to its strict rules on corporate anonymity.

A very notorious case was the one of the United Fruit Company, that in order to continue its expansion, it make use of corporations in the jurisdictions where it was, since the Government of the United States made impossible its growth in countries where the Economy was weaker, based on the antimonopoly law.

Other notorious case, using legal figures such as Trust in order to avoid the antimonopoly laws, one of the first in using them was the magnate John D. Rockefeller and his company, Standard Oil Company, at the beginning of the 20th Century, basically dividing his emporium in several trusts, as a mechanism to counteract the antimonopoly laws that prevent him from carrying out his operation from Oklahoma to New York. This operation was one of the first known that took advantage of other jurisdiction or from legal entities (Trusts) in order to expand the businesses. Afterwards, in the United States, in the depression of the decade of the 30's, numerous investors, fearful of what

could happen in the North American banks, moved their liquid assets to other jurisdictions among them, Switzerland, that was one of the most known of the era for its neutral nature.

The practice bore benefits and Switzerland emerged as an international power at a banking level. Decades later, but in a different manner, arise other jurisdictions, among them, Panama.

Throughout the years, the geographical position of Panama acquired a huge importance for the Spanish colony, in the 16th to 19th 20th Centuries when Panama became independent from Spain. Panama was the obligatory passage for passers-by, merchants, immigrants and diplomats. Said condition was ratified with the choice of this country for the construction of an Interoceanic Canal that would cross the Pacific Ocean to the Caribbean Sea, and later on, with the implementation of the Colon Free Zone. Due to this situation, Panama had to have an international banking center harmonious with its commercial activities, since there were great amount of North American citizens quartered in the former Canal Zone, which was a North American jurisdiction.

In 1927, the Law on Corporation was enacted and nearly without premeditation, and by addition, Panama becomes in a jurisdiction of offshore operations. It was later that for the captation of foreign investments, an attractive fiscal regime is defined for these operations.

It is necessary to annotate that other jurisdictions are eminently, dreadfully and intentionally established to be tax haven, many times classified as impunity sellers. With time, this activity is accepted under certain parameters, mainly, those of foreign investment.

GLOBALIZATION AND USE OF OTHER JURISDICTIONS

In the world we live, each day more globalized and in expansion, it is more evident when more and more people of different classes, different business criteria, regardless of whether they are entrepreneurs or not, decide to incorporate in the different jurisdictions of the world, offshore-type corporations.

Hereinafter, we will go into in this event, out of which the persons talk more every day. It ceases to be elitist and taboo topics for the persons who care for their goods.

At present, the more industrialized countries have become extremely litigious countries. This situation has brought, as consequence, a recovery in the offshore operations, in addition to the e-commerce, in which the net turns into a regulated jurisdiction under the criterion of low fiscal and extraterritorial taxation.

Later on, in the incipient years of the e-commerce, the different States agree to define jurisdictions according to the country where the company, owner of the company that traded by Internet, was incorporated. If it was not incorporated in any country, it was extra acquired through the place where the Website was hosted. That took the internet user traders to open corporations in tax haven countries. United States is the hosting country by excellence since the terminals and servers that offer the signal and service to the world, are placed in this country.

If you have certain amount of goods, the ideal is to protect them. There are many ways to protect your assets: Insurances, Alarms, Private Security, among others. There is a plurality of facts that can influence the decrease of your assets, among them, the demands. To protect yourself from vandalism, you have Private Security, Alarms, among other things, to protect yourself from fires, earthquakes and other natural catastrophes, you can have Insurances. But in order to protect yourself from Governmental abuses and irresponsible demands, you can have the services of assets protection, moving them to an offshore jurisdiction.

Our firm has the experience and the knowledge to help you protect your assets, depending on the specific case. Do not doubt to contact us to give you full advice on your needs. Once you are well-advised, you may proceed to make the move. First of all, we advice on the viability, then, we sell our services.

Through Corporations or International Business Corporations (IBCs) a commercial legal and anonymous structure to carry out its businesses and protect its assets.

Estate or Assets Protection

The term of estate protection is very important to know in depth, before going on. It is mainly one of the most known reasons and accepted for the incorporation of an offshore legal entity. Through this example we will see illustrative how the asset or estate protection works. This point in particular has the sole objective of helping focus your attention in something so important to consider, something that even has more impact in the well-being of your family that any other topic that can be thought of.

No. We are not talking about health, finances, politics or spiritual matters, although they are not truly vital and important for any of us to take care of.

We are talking to you about the protection of your capital and the planning of your protection and that of your goods. Because whether you like to think about it or not, if you ignore it, you or your children may suddenly be without a cent, in spite of having worked so hard all your life; house, cars or the savings of all the life lost.

You may be forced to start all over again, or if you are advanced of age, end in a Governmental asylum and your children and grandchildren forced to start their lives from below and deprived of what you may have given them.

Is it harsh, no? If you think that we are exaggerating, think about it again.

We are professionals in the industry of estate protection. This is what we do day after day. Believe us when we say we have seen a lot and sometimes it is nothing nice.

We have seen successful families of upper middle class losing everything for an unexpected suit that, literally, comes from nowhere, leaving everything in a state of stupefaction, emotionally destroyed and basically bankrupt.

We have seen small entrepreneurs disposed of everything all at once by labor or transit demand.

We have seen compromised physicians been suit for bad praxis and forced to bankruptcy, saving only their house and losing everything else.

We have seen a widow that has to give all her inheritance to lawyers, the Government and creditors, staying her in an old people's home.

Could these depressing cases be avoided? yes, easily.

The tragedy is in not making the required effort to preserve properly the assets by means of plans.

Plans that some times require a little more time than the one we use in the escape of two-week vacations.

Even many people tend to procrastinate until it is very late.

The good news is that our firm Soporte Legal Offshore Inc. is here to help you understand the figure of estate protection.

It is not difficult and it does not need to be tricky. This presentation was prepared as a step for understanding this objective.

We are going to introduce you to the hidden and frequently misunderstood world of the estate protection by means of Private Interest Foundations, Corporations or tax-exempt or tax-free businesses and tax-free estate protection.

We will show you how well-informed people safeguard their property and money saved from demands and legal actions from tax-collecting authorities.

We will explain why the estate protection always move with the privacy and not otherwise. We will discuss on stolen identity and we will explain why personal accounts, business and financial anonymity are so important related thereto.

Finally, we will show the many benefits of becoming a member of our clients, as the first step to reach your objectives of preserving your goods.

Before starting, you should know that the staff of analysts of our company are experienced investigators and educators in the field of asset preservation planning.

The information we provide in our manuals and in this report and in any other part, have informative purposes only.

Our primary service consists on assisting our clients to understand that it is prudent as well as feasible, the asset planning and protection.

Likewise, regarding the distinction between what is according to the laws, solutions that can be worked and the kind that we will not mention, some examples of some companies that work apart from the law on Internet, offering products or services that is not authorized to offer because it just doesn't have the relevant license.

We are lawyers and advisors, but we are not stock brokers, nor administrators of bank accounts and under no circumstance we offer such services. Our main objective is to assist the clients in obtaining the necessary education to take and provide them, in an efficient and responsible manner, the structuring for their own financial and legal protection.

The client that decides, based on our counseling, to shape his/its incorporation of offshore or onshore asset protection, is placed in direct contact with the providers of the services not offered by us, based on the highest standards that fit your needs.

These providers have a high rank of services, including estate planning, asset protection, statutory entities such as private interest foundations, limited liability companies, Nevada corporations and limited companies and several other services of anonymity, private mutual funds and FOREX advice and other type of investments.

We will start the presentation with some examples of people that could be your neighbors, we will call them the Gonzalez.

For the appearances, the Gonzalez Family is like many other middle class families. They have two children, live in a lovely house, drive in two wonderful cars and take vacations per year, go to church regularly and their children participate in sport events in the community.

Mr. Gonzalez is an active member of the community matters and Mrs. Gonzalez is the hostess of meetings with other ladies of the community.

Mr. Gonzalez works from an office located in his house and Mrs. Gonzalez is the housewife and raises her children. In context, they are the model family.

Let's make an introspective of the Gonzalez family.

Mr. Gonzalez made a transaction at the foreign exchange market on the Internet as the manager of the company Latinoamericana de Servicios Financieros LTD.

He transferred the brokerage account of his ownership, that is to say, that the investment was made to other company on his name that he earned as an intermediary. Before, he did not have a brokerage account of his ownership, nor did he want one. Incidentally, he learned how to transfer his goods through an educational service of our company, adjusted to his needs.

The family leased a beautiful house in a peaceful street. The owner was a private interest foundation. The lease of the house was paid to the foundation by the company of Mr. Gonzalez, that is to say, that a disbursement was made prior to the proceedings to pay the rent of the house to the foundation, which property was also of Mr. Gonzalez, nevertheless, in a manner completely anonymous.

In this manner, the company also acquired through leasing, the computers and the furniture for Mr. Gonzalez in order to be used at the office-house. Also the Internet, telephone, electric services, the car's fuel, cable and the garbage payment were made by the company.

Mr. Gonzalez also provided himself of a cellular phone to use it when he were out of the office, as well as the coverage of plane and hotel expenses when he was sent to conventions and exhibitions. The most recent was made to the Bahamas.

Latinoamerica de Servicios Financieros LTD placed its business expenses in the pro forma of the tax authorities, therefore they all were deductible, which left a modest earning in the distribution of dividends in his 1065 shares, one of the greatest shareholders is the private interest foundation of Panama, owned by Gonzalez.

Since the Gonzalez do not receive mail to their name more than the electricity, water bills, etc. and other bills that are received in the name of the company. They do not

have to worry as to the identity protection. Nothing that they do is made in their own name or under the social security number of some of their members.

To this date, they had never received a telemarketing call or a part not requested or any kind of spam. Since all his main assets in all the world had been transferred to a private interest foundation and to a corporation, the Gonzalez would never had a cent in estate tax in his country.

The Gonzalez's children had already been appointed as co-successors administrative directors of the foundation that owned the house, the mountain cabin and other property that the Gonzalez enjoy.

When the day come in which the parents be missing, the Gonzalez's children will be raise as managing directors and they will continue using and enjoying the properties. This is not testamentary legacy and it does not need lawyers nor judges to make it effective, avoiding the boring succession proceedings that in some cases take years.

In summary, the Gonzalez have built a lawsuit-proof wall for the protection of their lives. They have effectively neutralized the opportunist and the unscrupulous legal suits, as well as the abusive proceedings from tax authorities. The Gonzalez have protected, by anonymity, their businesses as well as their personal matters, starting from the private transfer of their assets to their children and now will only be left to enjoy all that is theirs.

As this case, there are many others depending on the needs of the clients, their personal patrimony as well as your corporate patrimony may protected with different formulas thereto, later on we will present other examples.

Functioning of the Operation.

The anonymity of these legal entities took place in the following manner:

1. **The Corporation is organized with nominee Directors:** Since the first directors appear in the Panamanian Public Registry, the nominee directors are provided by our company for advertising purposes that gives the assurance to the client that his/its name will not appear in any registry.
2. **A power of attorney is granted by the Board of Director to the Beneficiary:** This power of attorney will be granted to the person appointed by the client, it is only notarized and no protocol appears of its existence. This power of attorney is broad and it gives unlimited powers to the attorney in order to act in the place of the Board of Directors.
3. **The Nominee Directors resign:** Once the power of attorney is granted, the Nominee Director resign, nevertheless, for advertising purposes, they will continue appearing, the reason of this resignation in which powers are granted to the attorney of appointing the new Board of Directors is to give the client the assurance that the nominee directors have no power in the corporation to contract obligations by the Corporation, without the previous authorization of the Shareholders.
4. **Shares are issued by the Corporation:** Registered shares are issued, which will be acquired later by the corporation. We choose registered shares in stead of bearer shares since the latter, by analogy, is a blank check. This modality give the client 100% Assurance and 100% Anonymity.
5. **The Foundation is established with Nominee Directors.** The foundation is established with the Corporation as director, that is to say that the corporation will the one controlling the foundation.
6. **The Foundation acquires the shares of the Corporation.** By means of minutes of the Board of Directors, the Foundation acquires registered shares issued and they are registered in the Registry of Shares.
7. **The Foundation appoints a beneficiary:** by means of a private document that will subscribe the Board of Directors, the Foundation will appoint a beneficiary that at the end will be the owner of both legal entities and that will exercise the control by means of the power of attorney.

The Attorney, that is to say, the client, will control the Private Interest Foundation as well as the Corporation. The Private Interest Foundation guarantees the anonymity in the shares and for Advertising purposes, at the Public Registry, there will appear the directors provided by the firm.

I hope that this presentation be of your delight and that it also be clear for your purposes.

Main Advantages of the Offshore Operations.

We initially have to define what is an acceptable offshore jurisdiction in order to carry out this type of operations.

There are different criteria to determine how and where a jurisdiction is acceptable for the incorporation of a legal entity, they summarize basically in the following:

1. **Favorable Fiscal Regime:** An offshore jurisdiction should not have a repressive tax collecting authority and its main contributor to the income of the country should not be the collection of income tax or companies profits taxes.
2. **Strict Anonymity Policies:** It is considered that at an acceptable offshore jurisdiction the disclosure of the financial or corporate secret of the company that is incorporated, should be punished or fined.
3. **Stable Government Policies:** An offshore jurisdiction should not be threatened by a coup d'état. It should be completely democratic and its rules on corporations must be stable as well as the establishment of protectionist rules to the foreign investors, that can be observed by means of the evaluations of the different international firms that determine the investment risk in a country (Standard & Poor's, Moody's, etc.).
4. **Modern Communication Structure:** A country that pretends to attract offshore business or operations, should have an attractive internet, financial and

governmental communication structure, that is to say, that the person abroad should have full access to his operations.

5. **Easy to Incorporate:** The corporations or foundations at an offshore jurisdiction should conform in less than four business days.

For the foreigners, it seems attractive the Incorporation of Corporations in Panama or in other jurisdictions. In Panama, pursuant to the Law on Corporations, two or more people, even foreigners, may organize a local corporation known as Corporation for any legal purpose.

Let's see some characteristics:

- Full Confidentiality and Anonymity.
- In Panama there is no extra requirement for the persons that do not live in the country.
- To reveal the information of the owners or investors of the Corporation is not a requirement in order to register it at the Public Registry
- It is not required to submit accounting statements for companies that make business solely outside of Panama and it is not a requirement to keep the accounting books in Panama.
- Registered or bearer shares, with or without par value may be issued.
- It is not necessary to show or pay the initial capital.
- Annual meetings of the Board of Directors or of the Shareholders' Assembly are not necessary and in the event of holding it, it is not a requirement to be held in Panama.
- Directors and Shareholders may be citizens of any country of the world.
- The Corporations with foreign capital may own and purchase real estate in Panama and there is no restriction to carry out businesses in Panama such as other jurisdictions.
- The Directors are not required to be Shareholders, which gives a great advantage to the investor, who wants to do it anonymously.

- In order to exercise the international trade, it is not necessary to have a special license to exercise the local commerce.
- In Panama there is more opportunity to make business than in the offshore islands of a very tourist and of asset protection structure. In Panama exists countless items in which you can invest.

Panama has qualities that place it above its competitors as to investment is concerned. In other offshore jurisdictions, you are limited to invest in Bonds and Stocks. Notwithstanding, in Panama there is a range of possibilities for the agro industrial, tourist, real estate, e-commerce, re-export center, insurance, franchise, retail and wholesale trade, telecommunication investment, among others.

Unlike other countries, in Panama, it is intended that the foreigners come to invest and for that reason, it opens its wide-open doors. Our officials have been instructed to treat well the foreigner that comes to invest, since it is the intention to decrease the unemployment and the Government is convinced that in order to do that, it is necessary to have more foreign investment. For said purposes, we have the law of protection to the investor, visas for investors, work permits for persons worthy of trust, among others. People armed with only good ideas and a good disposition to invest, have done well in Panama.

In the last years, several foreign investments in different matters have taken place, that have brought positive results. Mexican engineering companies have been given the concession for the construction of immense expressways. On the other hand, they have been given in concession for the exploitation of tourist resources in Bocas del Toro and Chiriqui (two Panamanian provinces of many resources). The biggest mall in Central America recently built in our country is of North American and Colombian capital. The biggest Telecommunication company of the Dominican Republic recently opened its doors in Panama with excellent results. But not only big investments are attracted to Panama. There exists small and medium investors who are also given the opportunity in our system, particularly in the trade of products through internet, retail

trade and of services, such as printing works and photocopying, restaurants, internet cafes, plastic and scrap recycling, supermarkets; in short, there is no limit, after you open a corporation, you can carry out any type of business in Panama as a Panamanian.

Other of the advantages of organizing a corporation is that when you do it and move your goods to it, you have the legal protection thereof. No one can seize your goods if they are in the name of the corporation, for matters intrinsically personal. Nevertheless, it is necessary to annotate that if they can be the object of legal actions for acts of the corporation, but for this exists what is known as private interest foundations that are described below in detail.

MAIN PURPOSES FOR THE INCORPORATION OF A CORPORATION

The corporations have for their use different purposes. We will tell them in the order of importance, what they consist on:

1. **Domestic and International Business**: This is one of the fundamental uses of the corporations whether for nationals or for foreigners. Many companies incorporate Panamanian corporations to take advantage of its geographical position and its fiscal regime. The two free zones that Panama has, give great opportunities to the skillful investor. The foreign investor that exports, imports, and re-export his products, is widely convenient for him to place his operations in the free zone by means of representative companies. For that purpose, it is necessary to previously obtain an operation code at the Colon Free Zone and without need of having a physical space. The different operating companies offer their clients all the services from invoicing and cargo management, to forwarding, having the customs proceedings. The Free Zone has ISO 9000 Certification for management capacity and the speed of their services and Panama has BB+ rating at Standard & Poors as country for investing.

2. **Taking Advantage of the Fiscal Regime:** Panama is considered as a regime of low fiscal taxation. The following taxes are not subject to imposition in this fiscal jurisdiction.

- Income tax on foreign income source.
- Capital gains tax
- Withholding tax
- Invention Tax
- Tax on interest banking income
- Capital tax
- Estate tax (for foreign companies)
- Inventory tax

We will briefly explain on what consists each one of them. For more information, request, completely free, our offshore manual for beginners.

Income tax on foreign investment source.

The foreign income are the earnings received by a Panamanian corporation outside of Panama, that is to say, all the emoluments acquired from the rendering of a service or from the sale of a product sold by a Panamanian corporation as intermediary or in transit to other country.

Capital gains income

The tax on capital gains cannot be the object of tax. The capital gains refer basically to the difference between the acquisition value of an asset at a time, that is to say, how

much it cost and the sales price thereof at the time of selling it. An example of these assets is the real property, the shares, mutual fund units, currency, etc.

Withholding Tax

This tax is applicable to the interests earned from the liquid assets susceptible to generating an interest, for example, the money deposited in bank accounts that earn interests; or the payment of dividends of some shares that are outside the Panamanian territory. In Panama this tax is not applicable.

Invention Tax

It is the tax applicable to the benefits obtained directly from the invention patent. In Panama, this tax is not directly applicable, nevertheless, it is applied to the earnings of the company from the manufactured products, resulting from the purchase or exploitation of said rights.

Tax on banking interest income

The income received from the banking intermediation in the Republic of Panama, in the deposits on accounts that earn interests is not the object of fiscal taxation.

Capital tax

It is applicable to the capital of the company, generally, it is the two percent in Panama and in other countries. Notwithstanding, it is not applicable to the companies that only have operations in Panama without practicing the trade inside the country.

Estate tax for goods abroad.

The Panamanian corporation may have goods of any kind abroad and no tax is applicable to it.

Inventory Tax

No tax is applicable in Panama for the inventory that a company has in the national territory or abroad.

3. **Anonymity in its Operations and Protection of Unscrupulous Lawsuits:**

Many investors and entrepreneurs are exposed to the filing of reckless contentious proceedings by unscrupulous people. This, provoking situations and taking advantage of permissive and of high litigiousness judicial systems of broad criterion. Likewise, other people take advantage of the access to the finances of a person to commit atrocities such as kidnapping, extortions, briberies and other type of crimes. To avoid said situations, many people proceed to the protection of financial and corporate information of their businesses or their capital through an offshore corporation or foundation.

4. **E-Commerce:** The telecommunication platform of Panama, together with the favorable regime of taxes has placed the jurisdiction of Panama as the most attractive to establish virtual companies. The international banking center is the perfect complement to make electronic operations and transactions. The best is that there is the least governmental intervention due to the fact that there is not a requirement to submit fiscal statements to the Government.

There is no secret that many of the biggest companies in the world have doubled their earnings through sales by Internet. The true attraction of incorporating a store, a casino or an office is precisely that if you establish it in a jurisdiction with a favorable fiscal regime, you will save yourself a great amount of money.

Later on we will expose, in detail, the main aspects of the e-commerce with the offshore business.

5. **Re-export and Re invoicing:** Other of the main reasons whereby offshore companies are organized, particularly in Panama, are the re-exports in the duty-free zones that make up a country, which the offshore company would take twice the advantage of the fiscal regime as well as the minimization of taxes through the commercial triangulations in which the profit of the company is lowered in the country of incorporation and therefore, the taxes. Later on, we will explain, in detail, on what the re invoicing consist.

6. **Retirement Plans**

Other people decide to move offshore for the advantages that offer countries such as ours, for the foreigner that plans to retire in Panama, since it is very profitable to place his assets collected through many years of hard work in private interest foundations, planning, at the same time, the future of his loved ones, once he is missing.

Main Legal Offshore Structures

At this point, we will expose the most known or more widely used structures or legal entities in the offshore operations.

1. Corporations: The offshore corporations are the legal entities that are most widely sold in the world. They characterize mainly for guaranteeing the anonymity of the investors and they are only liable before their creditors for the investment provided. The patrimony thereof is completely separate from the personal patrimony of the investors. The acronyms to name it generally are S.A., Inc., Corp.; nevertheless, in some jurisdictions they are called LLC, Ltd.

2. Limited Liability Companies: The limited liability company has differences between the laws that regulate it in the different States where it exists. It is basically the company in which the investor risks only the part that he invests therein. The shareholders are generally known or are susceptible to publication.
3. Private Interest Foundations: A private interest foundation is an independent legal entity established and separated from its founders, beneficiaries or administrators. It is established by one or more persons who are known as founders. It is used as a diminished figure of the Trust, but without the excessive regulations that the latter entails.
4. Trusts: It is the legal act in which a person called trustor transfers goods to a person called trustee, in order to dispose of them in favor of a person called trust beneficiary or beneficiary, that can be the trustor himself. Exist the so-called private trusts in many jurisdictions. Next, we will see some jurisdictions.

Main Offshore Jurisdictions

There exist many jurisdictions that are deemed suitable to carry out offshore businesses, nevertheless, based on our criterion, we will just mention the ones we consider the most important and the most widely used.

Bahamas

Jersey

Belize

Liechtenstein

Bermuda

Luxembourg

Virgin Islands

Monaco

Grand Cayman Island

Panama

Cyprus

Seychelles

Gibraltar

Switzerland

Hong Kong

Turks & Caicos

Isle of Man

Panama Corporation

As well as in different jurisdictions and types of companies in the world environment, Panama has one of the most attractive systems to establish an offshore type business, company or corporation. Our rules on income tax, applicable with the Principle of Territoriality offer our tax jurisdiction, only the power to encumber based on the profits earned through the exercise of the trade within the national territory; that is to say, that those companies with affiliates, subsidiaries and with earnings obtained abroad due to exports, re-exports or similar activities, cannot be the object of any encumbrance due to the profits earned abroad.

The advantage of our corporations is in short, the facility and speed with which they are incorporated, and that is without obviating the low price. Compare the base price of making an offshore type business with respect to other jurisdictions in the world (see chart).

Our legislation on corporations is in effect as from the year 1927 and comes exactly from a model established in the State of Delaware, U.S. The law of our corporations

allows two or more persons and/or foreign legal entities to establish in our country and at the same time to have recourse to our rules of extraterritoriality, that is to say, that the collection of the income will be limited to the country where the income or profit will be earned, but not by the incorporation of a company, which gives a margin to the fact that if the country in which it earn establishes in its regulations that the income will receive it the country where the corporation is organized, we are in the presence of a tax that will not be collected.

Jurisdiction	Type of Company	Costs of Registry	Annual Legal Support	Government Collection	Base Price
PANAMA	Offshore	200	250	250	700
BVI	IBC	650	750	400	1400
Seychelles	IBC	600	850	125	1450
Gibraltar	Non-resident	650	750	75	1400
Cyprus	IBC	1600	600	4,25%	2200
Denmark	Holding	1950	1000	n/a	3950
Ireland	Private Limited	3000	900	12,5%	3900
Mauritius	IBC	600	750	100	1350
USA, Delaware	LLC	450	215	100	665
USA, New Jersey	LLC	775	215	100	990
USA, Wyoming	C Corp	450	450	95	900
USA, South Dakota	C Corp	450	270	95	720
Isle of Man	Exempt	1500	800	720	2300
Luxembourg	1929 Holding	n/a	n/a	0,2% of Capital	n/a
UK	PLC	550	800	45	1350
Montenegro	Offshore	1000	700	80 / 2,5%	1700
Bahamas	IBC	700	750	350	1450
Belize	IBC	750	900	100	1650

Hong Kong	Private Limited	900	1500	300	1800
Hungary	Offshore (Kft.)	4800	1800	3%	6600
Switzerland	GMBH	6800	300	n/a	9800

* The prices mentioned are in U.S. Dollars.

Registry Costs

It includes the payment of dues and fees that establishes the Government pursuant to its legal rules, as well as the notarial preparation of the By-laws of the Company, based on the standardized capital stock.

Information Required to Establish a Corporation.

The Certificate of Incorporation must contain the following information:

- Names and Domiciles of the subscribers (the subscribers will be those persons that will appear in person to the Notary Office to protocolize the Articles of Incorporation or the Certificate of Incorporation, they are usually persons that work for the law firm that carries out the proceeding.)
- Name and domicile of the Corporation which must include the words or diminutives of Corporation (S.A.), Legal Entity (Corp.), Incorporation (Inc.), Group or Ltd, or any allusion that determines that it is a group.
- General purposes of the Legal Entity. There is no limit to place any type of economic activity that in the future it intends to exploit and there is neither a limit in the event of not placing certain activity and perform it later on.
- Initial or Authorized Capital. The standard of ten thousand dollars (US\$10,000.00) is generally placed stating that the number of shares in which it will be divided.

- Name and Domicile of the Resident Agent, who will be the attorney or law firm in the Republic of Panama.
- Full name and address of at least three directors and officers, who can be of any nationality.

Registration Fees

- The Registration Fees established are of US\$50.00 when the authorized capital does not exceed of US\$10,000.00
- The Examination or Re-entering fees for the Articles of Incorporation are of US\$10.00, which must be paid with the registration fees and the additional times that the Articles of Incorporation must be corrected.
- Annual corporate tax of US\$250.00

Anonymity Service

It is necessary to make an introduction to what is known as Nominee Directors.

One of the requirements for incorporating a corporation in Panama is the establishment of a Board of Directors. This Board of Directors must be formed by at least three persons, who may be Panamanian and foreigners and it is not a requirement that they be shareholders.

The duty of this Board of Directors, as it is described by the law, is managing and directing the corporation, nevertheless, the disposition of the goods of the corporation is the sole power of the shareholders or of the owners of the corporation.

To guarantee the anonymity of the corporations, the figure of the Nominee Directors has been created, which is precisely what consist on the anonymity service. It consists in that our firm provides three people who act, for advertising purpose, in the Board of Directors.

Among the information that is kept open for the public in general in our Public Registry is precisely the one of the Board of Directors. If you want to keep yourself in the anonymity in your offshore corporation, that includes the Board of Directors, we suggest the anonymity service or “nominee directors, in order that there does not exist any reason whereby you can be related to the legal entity.

Now you will ask yourself how do I keep the control, the control or disposition of the assets will be in the sole power of Assembly of Shareholders, that will authorize the Board of Directors to carry out any transaction. The safest way to keep the anonymity is by means of a Private Interest Foundation that will be the owner of all the shares and it should be established. In the following paragraphs we will show you who it is the safest way to protect your assets in a Corporation.

Shares to the Bearer and Registered Shares

There are two classes of shares according to its owner, they may be to the bearer: that is to say, that its transfer is completed by the simple delivery; this is like to own paper money, it is very risky and sometimes it causes harmful consequences; on the other hand, there are the registered shares, that will be the ones that be written down in the book of shareholders in the name of a person, whether natural or legal entity, they are transferred by endorsement.

When we incorporate a corporation, we look for the anonymity in many occasions. It is impossible if we place registered shares in our name; nevertheless, if we issue shares to the bearer, we will be in a vulnerable situation that any person may take, steal, appropriate oneself unduly of our actions bringing as consequence, awkward criminal and civil proceedings tending to demonstrate that said transfer was not consented, which we also want to avoid.

For that purpose, it has been conceived the figure of registered shares in the name of a Private Interest Foundation. The reason for that is that in a private interest foundation it is not necessary to place the beneficiaries thereof; it is only necessary to show how they will be chosen. The management of the Foundation will be under the charge of the Council, formed by at least three persons. Therein, you can place people of all your trust or yourself if you wish.

Let's see what can be detected in a corporation by the methods of Public Disclosure:

- a) At the Public Registry, you can find out the following: Subscribers, Board of Directors, Officers, Resident Agent, Attorneys, if they are registered.
- b) At the Ministry of Commerce and Industry: you may find out in the event there is, the relevant Commercial License or Registry.

As we can see by the conventional methods of disclosure, it is impossible to detect who are the owners of a legal entity, but exist other methods that we will see below:

- a) By means of Criminal Judicial Investigation, that is to say, that a judge orders by means of judicial decision, that the book of shareholders be verified, which is an obligation to keep. In the book of shareholders should be written down all the share issuances in the event that they have been issued. If they have not been issued, it is understood that the subscribers are the owners of the shares. The criminal instructions can be ordered in the event that the activities of the legal entity can be linked to illegal drug trafficking and money laundering activities, under no concept by tax evasion in Panama, since in Panama that is not a crime duly classified. Nevertheless, by means of the INTERPOL and international organizations can be investigated from outside, with well-founded trial, it is necessary to state that in Panama, I don't remember a case in which a corporation has been intervened in such manner, except the company Marc Harris and at the end, it was for drug trafficking, and not for taxation.

b) By means of Civil Investigation: It can be ordered, upon request, an actio ad exhibendum, in which discloses some books any of the company, among them, the book of shareholders. This should be well based and the reasons whereby said information should be disclosed, must be expressed: these disclosures are generally limited, and in few occasions they proceed, precisely because no one places registered shares on his own behalf. The common practice tells us that the people place the shares either to the bearer or in the name of other person of trust, whether natural person or a legal entity.

When you place your shares issued in the name of a private interest foundation, previously established, you obtain 100% assurance and control and 100% anonymity.

Anonymity

The commercial corporations are not susceptible of detection of their owners, if your shares are to the bearer or if they are in the name of a private interest foundation. The control of the corporation is exercised by its shareholders and the management of the board of directors is exercised by representation (Power of Representation).

The bank accounts are managed by authorized signatures and online banking and the deposits go directly to a trust or to a private interest foundation, if said option is chosen. If not, the accounts are managed for the authorized signature of the account holder already mentioned.

The directors resign and the owners place a representative board of directors, nevertheless, for legal purposes of advertising, the directors, that is to say, the ones that appear registered, will be the ones that our firm may provide, however, they, legally, will have no control over the company, since they have resigned.

Private Interest Foundations

A Private Interest Foundation is an independent legal entity, established and separated from its founders, beneficiaries or administrators. It is established by one or more persons, who are known as founders.

The Private Interest Foundations may be the owners of goods of any kind, nature or description. There is no requirement of initial capital.

The private interest foundations may be shareholders of legal entities which makes easy the anonymity of the shares, with a great security than the shares to the bearer. Generally, the clients that look for anonymity, purchase the Foundation in order that it be the owner of the shares that the legal entity may issue and exercising, by means of powers, the control of the corporation.

The Foundations have different uses. One is the one explained in the paragraph above. Other, is the minimization of taxes. The following taxes are not applicable to foundations:

- Income tax
- Capital gains tax
- Withholding Tax
- Invention Tax
- Tax on interest income
- Sales tax
- Tax to the beneficiaries
- Transfer tax to the beneficiary
- Capital tax
- Estate tax (for Foreign foundations)
- Real Estate Transfer Tax
- Gift Tax

- Inheritance tax
- Stamp tax
- Succession tax
- Inventory tax

The Elements required in a Foundation are the following: organization, Goods, Private and Non-profit-making Interest.

The Foundation has a Founder, a Council, a Protector and Beneficiaries. Next, we will explain what role plays each one of them in the Foundation:

Organization

Founder: is the one who establishes the Foundation. Our law firm, any of our legal entities or the legal entity of our client is generally the Founder of each Foundation that we establish.

Council: The Foundation Council is the Organization that directs the Foundation and that establishes the Protector. A Panamanian legal entity can be appointed in order to be the Foundation Council. The members of the council are registered at the Public Registry with their names, addresses.

Protector: is the person or entity that controls the Foundation and all the assets kept therein. He is appointed by the Foundation Council when the Foundation is created. The Protector has the power to remove the Foundation Council. It is not necessary that the Protector be registered at the Public Registry.

Beneficiary or Beneficiaries: The Beneficiaries of the Foundation are appointed by the Protector and can be any person.

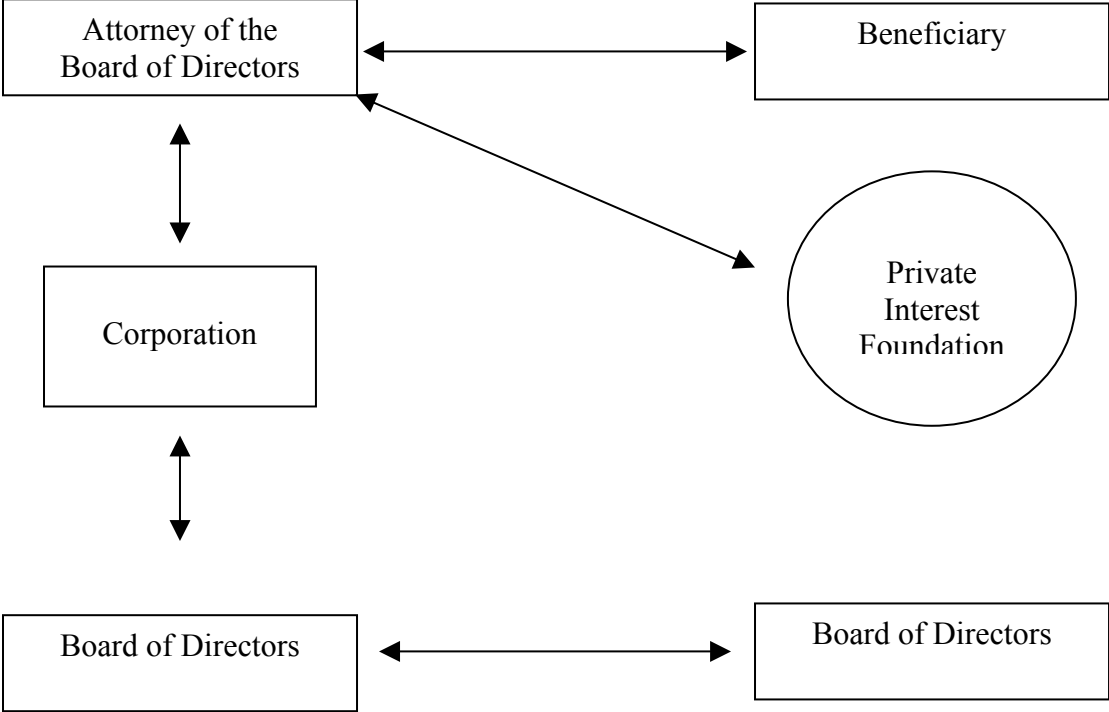
By means of the structure of foundations, the exercise of the control of the corporation by shares to the bearer can be avoided. The shares will be issued registered in the name of the foundation and the foundation will be controlled anonymously by client as the protector and beneficiary.

Facts of a Panamanian Foundation

- There is no requirement of Reports nor of Taxes
- There is no Infiltration in the Corporate Secret
- Anonymity
- There is no requirement of Capital
- The Meetings of the Directors or Beneficiaries may be held in any place in the world and they are not a requirement
- The Foundations will pay an annual franchise tax of US\$250.00
- It should have a resident agent and a Domicile.

Graph:

Legal Reality



Commercial Triangulations and Re invoicing.

In many offshore jurisdictions or tax havens, the income received abroad is not subject to taxation, which constitutes savings between 20 and 40% of the benefits. Added to the re invoicing or just to have recourse to a fiscal regime in which the foreign income is encumbered, the benefit is substantial.

The manner of producing said reduction is by means of commercial triangulations. Let's see an example:

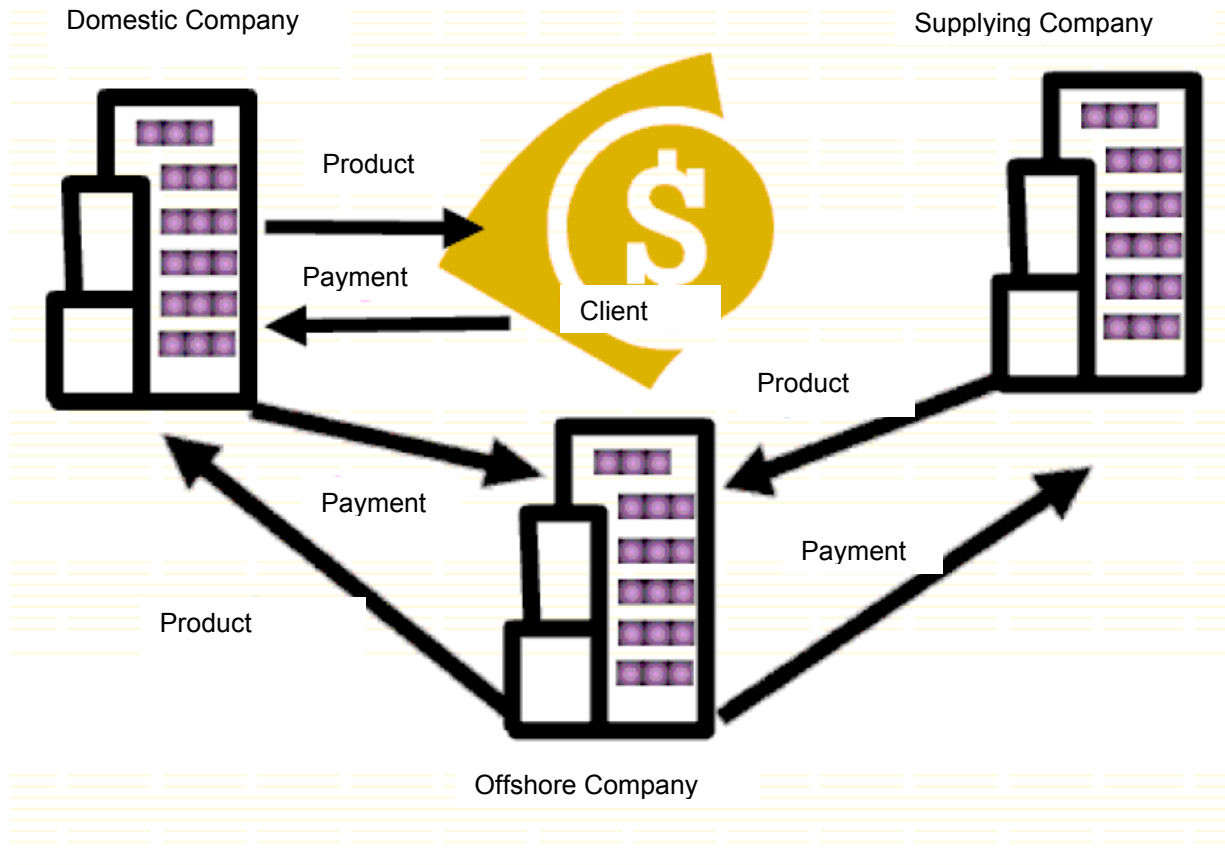
Commercial Triangulations

The Commercial Triangulations is one of the advantages of organizing a corporation in Panama. It can be defined as the performance of the commercial transactions by means of a corporation that has no relationship with the company of the country of origin, in order to diminish the earnings and increase the operation expenses of the company of origin with the purpose of decreasing thus, the taxes and have a broader profit margin, since the owners of both companies will be the same; nevertheless, this will not be shown in the certifications of owners of the company.

In order to make the triangulations, the following elements are necessary:

1. Company of Origin
2. Offshore Company
3. Supplier Company.

Let's take a look to the following graph in which it is better explained this situation



Graph No. 1

The company A, if it makes the purchase directly from company C, the declared earning will be, as a manner of example, five thousand dollars, therefore, the tax applicable will be based on said amount. Nevertheless, if the company B purchases the product to the company C and at the same time, it sells it to the company A, the earning thereof will be two thousand five hundred dollars or less, which minimizes significantly the base taxable to which the tax is applied. And at the same time, the company B, if established in Panama, would pay a Payment tax than what it would pay in other countries due to the fact that Panama is a tax haven.

Let's see a specific example of one of our clients:

A company in the United States paid 38% percent of its earnings in tax, that is to say, that from every US\$50,000 that it earned, it had to pay US\$19,000 on account of taxes. Said company decided to open an offshore intermediate company that sells it at the market price, with full confidentiality and anonymity of its true owners, which is legal. Said company showed a decrease of more than thirty thousand dollars in earnings, to be exact, US\$18,750 dollars would be the earning for which it would pay to the Treasury US\$4,687.50 and in Panama, it would not pay the income tax. This happens since they show the market price in which the offshore company sells the product or service to the company A, which increases the costs that are deductible from taxes.

Now, transpose said example with a greater earning; it is really considerable the savings obtained with an offshore company in Panama.

To be more explicit, the company A would receive the money and the savings account would be under the power of the owners by means of an authorization from the board of directors if the shares are to the bearer; or by means of the control of a trust or private interest foundation, if more control and privacy are required.

Other tangible example is that in the United States, the increase received that is registered in the sale of the shares by speculation is not the object of taxation if the owner thereof is a foreign company outside of the country. To that we can add that in Panama, the interests of bank accounts are higher than in the United States and of many countries of the hemisphere and they are not taxable either.

Panama as Offshore Jurisdiction and as a Nation to Invest

Generalities of Panama

Population: 3 Million (2004)

Income per capita: USD4,115 (2004)

Currency and Type of Exchange: 1PAB/USD

Type of Government: Constitutional Republic

Risk Qualification: BB+ Fitch &Duff &Phelps

Ba1 Moody's

BB Standard & Poor's

The economic activity is concentrated in the service sectors (80%), particularly, financial services, commerce and transport. The main commercial partners of Panama are the United States, Germany, Japan, Costa Rica, Mexico, Ecuador and Venezuela. Panama for having its parity with the dollar and for having a stable economy, it does not generate inflation (1.3%)

Estimate of Business Monitor International (BMI), Latin American Monitor;
Central America. Vol 21, No. 5 May 2004

In this document, the currencies are designated by the ISO code: PAB for the Panamanian Balboa and USD for the dollar of the United States of America. In Panama operates an exchange rate parity system between the balboa and the dollar.

Conclusion

There exist other uses not stated in this presentation such as the incorporation of private mutual funds and other investment mechanisms, the corporations and offshore incorporations, likewise, are the capture offshore insurance companies. In principle, we wanted to expose in the simplest way the offshore uses. If you are interested in information that is more detailed and the operation either of the re-exports, the accounting management and other aspects, do not hesitate to contact us. info@incorporatedoffshore.net. If you wish to continue your preparation, contact us or request the offshore operative manual in which it is shown in a graphic and explanatory manner, specific cases used by offshore users.

ANNEXES

Law No. 32
of February 26, 1927
Published in the Official Gazette 5.067 of March 16, 1927.

on Corporations

Primary Section
on the Organization of the Corporation

Article 1. Two or more people of legal age, of any nationality, even when they are not domiciled in the Republic, may organize a corporation for any lawful purpose, pursuant to the formalities prescribed in this law.

Article 2. The persons that wish to organize a corporation will subscribe the Articles of Incorporation which must contain:

1. The names and domiciles of each one of the subscribers of the articles of incorporation;
2. The name of the corporation, which will not be the same or similar to the other pre-existing corporation in such a way that may cause confusion.

The name will include a word, phrase or abbreviation that states that it is a corporation and that distinguishes from a natural person or from a company of 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 in which it is divided; and if the corporation will issue shares without par value, the statements mentioned in article 22 of this law.

The amount of the capital stock and the par value of the shares may be expressed in the common currency of the Republic or in legal gold currency of any country; or in both;

5. If there were shares of several classes, the number of each class and the designations, preferences, privileges and rights of vote and the restrictions or requirements of the shares of each class; or the provision that said designations, preferences, privileges and rights of vote or the restrictions or other requirements may be determined by resolution of the majority of the interested shareholders or by resolution of the majority of the directors;
6. The amount of shares that each subscriber of the articles of incorporation agrees to take;
7. The domicile of the corporation and the name and domicile of its agent in the Republic, that may be a legal entity;
8. The duration of the corporation;
9. The number of directors that will not be less than three, specifying their names and addresses;
10. Any other lawful clauses that the subscribers would have convened.

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

Article 4. The articles of incorporation may be stated by means of public deed, or in any other manner, provided that they are attested by a Notary Public or by any other official that is authorized to make attestations in the place they are granted.

Article 5. If the articles of incorporation were not contained in public deed, they must be protocolized at a Notary Office of the Republic.

If said document would have been granted outside of the Republic, it must be, for its protocolization, previously authorized by a Panamanian consul or in his stead, by the one of a friendly nation.

If it were in a language other than Spanish, it must be protocolized together with its authorized translation by an official or public interpreter of the Republic.

Article 6. The public deed or the protocolized document in which the articles of incorporation are stated, must be submitted for its registration in the Mercantile Section. The incorporation of the corporation will not take effect with respect to third parties until the relevant articles of incorporation have been registered.

Article 7. A corporation organized pursuant to what has been prescribed in this law may amend its articles of incorporation in any of its clauses, provided that the amendments are pursuant to the provisions of this law.

In consequence, the corporation may: vary the amount of its shares or of any class of shares subscribed at the time of the amendment; vary the par value of the shares subscribed of any class; change shares subscribed of a class that have par value for the same or different amount of shares of the same class, or of other class of share without par value; change shares subscribed of a class of shares without par value for the same or different amount of shares of the same class; or of other class of shares

with par value; increase the amount or the number of shares of its authorized capital; divide its authorized capital in classes; increase the number of classes of its authorized capital; vary the denominations of the shares, the rights, privileges, preferences, rights of vote and the restrictions or requirements, but it may not reduce the capital stock unless pursuant to the provisions of article 14 and following articles of this law.

Article 8. The amendments of the articles of incorporation will be made by the persons that will later on be determined and in the manner in which it is established in this law for the execution of the articles of incorporation.

Article 9. The amendments of the articles of incorporation agreed before issuing shares will be signed by all those who have subscribed said articles of incorporation and by all those who have agreed to take shares.

Article 10. In the event that shares have been issued, the amendments to the articles of incorporation will be subscribed:

- a. By the holders or its proxies of all the shares subscribed that have right to vote, provided that a certificate issued by the Secretary or by one of the Assistant Secretaries of the corporation be added to the document of amendment for the purpose that the persons that have subscribed said amendments, in their own name or by proxy, constitute the totality of the holders of the shares subscribed with right to vote;
- b. By the President or one of the Vice-Presidents and the Secretary or one of the Assistant Secretaries of the corporation, who will sign and add to the document of amendment, a certificate in which it is stated: that they have been authorized to grant said document by means of resolution adopted by the owners or by the proxies of the majority of said shares and that said resolution is adopted at a meeting of shareholders verified on the date fixed in the calling or in the waiver thereof.

Article 11. In the event that the amendments of the articles of incorporation alter the preferences of the shares subscribed of any class or authorize the issuance of preferred shares that somehow be more favorable than the shares subscribed of any class, in the certificate referred to in paragraph b) of the previous article, it will be stated that the officers of the corporation that subscribe them have been authorized to grant the document of amendment by means of resolution adopted by the owners or the proxies of the majority of shares of each class with right to vote; and that such resolution was adopted at a meeting of shareholders verified on the date fixed in the calling or in the waiver thereof.

Article 12. If the articles of incorporation provide that it is required that more than the majority of the shares subscribed or of any class of shares in order that they be amended, in the certificate referred to in paragraph b) of article 10 will be stated that the amendment referred to has been authorized in that manner.

Article 13. If the articles of incorporation or the amendments of said articles of incorporation do not provide otherwise, each shareholder will have a preferential right to subscribe, in the proportion of the shares that he owns, shares issued by virtue of an increase of the capital.

Article 14. The corporation may reduce its authorized capital by means of amendments of its articles of incorporation; but no distribution may be made of its asset by virtue of said reduction, if with that the value of said asset is not reduced to an amount that represents less than the total value of its liability, considering as part thereof, the reduced capital.

To the document that contains the relevant amendment, a certificate issued under oath by the President or Vice-President and the Treasurer or one of the Assistant Treasurers will be added, in which it is stated that with the distribution it is not violated what has been provided in the paragraph above.

The appreciation of the value of the asset and of the liability by the Board of Directors will be considered as correct, save in the case of fraud.

Article 15. Save provision to the contrary in the articles of incorporation, the corporation may acquire its own shares. If the acquisition is verified with funds or assets that are not part of the excess of the asset over the liability or of the net assets, the shares acquired will be cancelled by means of the reduction of the issued capital; but such shares may be sold again if the authorized capital is not reduced with the cancellation of said shares.

Article 16. The shares of a corporation that it acquires with funds coming from the excess of its asset over its liability or from the net income, may be withheld by the corporation or sold by it for the purposes of its foundation, and they may be cancelled and sent by agreement of the Board of Directors.

Article 17. The shares of a corporation that it acquires cannot, directly nor indirectly, be represented at the Assembly of Shareholders.

Article 18. No corporation may acquire its own shares with funds that are not coming from the excess of its asset over its liability or from the net income if for reason of such acquisition, the current value of its asset is reduced to an amount that represents less than the total value of its liability, considering as part thereof, the reduced capital.

The appreciation of the value of the asset and of the liability by the Board of Directors, will be deemed correct, save in the case of fraud.

Section Second

On the Powers of the Corporation

Article 19. Every corporation that is organized pursuant to this Law will have, in addition to the powers that the same law grants it, the following:

1. The one of suing and being sued at trial;

2. The one of adopting and use a corporate seal and change it when it deems it convenient;
3. The one of acquiring, purchasing, owning, using and transferring personal property and real estate of any kind and constituting and accepting pledges, mortgages, leasings, charges and encumbrances of all kind;
4. The one of appointing officers and agents;
5. The one of entering into contracts of all kinds;
6. The one of issuing, without contravening the laws in effect or the articles of incorporation, by-laws for the management, regulation and direction of its businesses and goods, for the transfer of its shares, for the calling of meetings of shareholders and of the directors for any other lawful object;
7. The one of carrying out its businesses and exercising its powers in foreign countries;
8. The one of agreeing its dissolution pursuant to the law, whether for its own will or for other cause;
9. The one of taking money on loan and contracting debts with respect to its businesses or for any other lawful purpose; the one of issuing bonds, promissory notes, bills of exchange and other documents of obligation (that may be turned into shares of the corporation or not) payable on a fixed date or dates, or payable upon occurring a specific event, whether with mortgage or pledge guarantee or without guarantee, for money loaned or in payment of goods acquired, or for any other legal cause;
10. The one of guaranteeing, acquiring, purchasing, owning, selling, assigning, transferring, mortgaging, pledging or otherwise, to dispose of or negotiating with shares, bonds or other obligations issued by other corporations or by any municipality, province, state or government;
11. The one of doing whatever may be necessary for the development of the objects enumerated in the articles of incorporation or in the amendments thereof, or whatever may be necessary or convenient for the protection and benefit of the corporation, and in general, the one of making any lawful business although it is

not similar to any of the objectives specified in the articles of incorporation or in their amendments.

Section Third

On the Shares and on the Capital

Article 20. The corporation will have the power to create and issue one or more classes of shares, with the designations, preferences, privileges, right to vote, restrictions or requirements and other rights that your articles of incorporation may determine and subject to the rights of redemption that the corporation may have reserved in the articles of incorporation.

The articles of incorporation may provide that the shares of a class be converted into shares of other class or classes.

Article 21. The shares may have a par value. Such shares may be issued as fully paid and non-assessable, as partially paid, or even if a payment has been made for them. Save provision to the contrary of the articles of incorporation, no shares of par value fully paid and non-assessable may be issued, nor bonds or shares converted into shares with par value fully paid and non-assessable, in exchange of services or goods that, in the judgment of the Board of Directors, have a lower value than the par value of such shares or of the shares in which said bonds or shares are converted into. It may not be stated in the share certificates partially paid that a greater amount, in the judgment of the Board of Directors, has been paid for such shares, than the value of what has been really paid. The payment may be in cash, in work, in services, or in goods of any class. The appreciations of the Board of Directors on values will be deemed as correct, except in the case of fraud.

Article 22. The corporations may create and issue shares without par value, provided that in the articles of incorporation, it is stated:

1. The total amount of shares that the corporation may issue.
2. The amount of shares with par value, if any, and the value of each;

3. The amount of shares without par value;
4. One or other of the following statements:
 - a) That the capital stock will be at least equal to the total amount represented by the shares with par value, plus an amount determined with respect to each share without par value that is issued, and the amounts that from time to time are added to the capital stock pursuant to a resolution or resolutions of the Board of Directors; or
 - b) That the capital stock will be at least equal to the total amount represented by the shares with par value, plus the value that the corporation receives for the issuance of the shares without par value, and the amounts that from time to time are added to the capital stock pursuant to the resolution or resolutions of the Board of Directors.

It may also be stated in the articles of incorporation, an additional declaration to the effect that the capital stock will not be less than the amount therein fixed.

Article 23. All the shares of the same class, whether with par value or without par value, will be the same to the shares of that same class, subject, notwithstanding, to the designations, preferences, privileges, rights to vote, restrictions or requirements granted or imposed with respect to any class of shares.

Article 24. The corporation may issue and sell the shares without par value that it is authorized to issue, for the amount that is established in the articles of incorporation; for the price that may be fair, in the judgment of the Board of Directors, for the price that may be determined from time to time by the Board of Directors, if the articles of incorporation authorize it or for the price that the holders of the majority of the shares with right to vote may determine.

Article 25. All the shares referred to in articles 22, 23, and 24 of this Law, will be considered as fully paid and non-assessable. The holders of such shares are not liable for said shares before the corporation or the creditors thereof.

Article 26. The price of the shares will be paid on the dates and manners that the Board of Directors may determine. In the event of delinquency in the payment, the Board of Directors may opt between proceeding against the holder that is delinquent in the payment to make effective the part of the capital that he would have stopped delivering and the prejudices that the corporation may have suffered or to rescind the contract as to the reluctant partner, with right in this last case to withhold for the corporation, the amounts that may correspond to said partner in the social mass.

In the event that it is chosen to rescind the contract as to the reluctant partner and to withhold for the corporation the amounts that may correspond to said partner, the Board of Directors must give notice thereof to said partner with at least sixty days in advance.

The shares that the corporation may acquire by virtue of what has been provided in this article, may be sent and offered again for their subscription.

Article 27. The title or share certificate must contain:

1. The registration of the corporation at the Mercantile Registry;
2. The capital stock
3. The amount of shares that may correspond to the holder;
4. The class of share, when there were different classes, as well as the special conditions, designations, preferences, privileges, awards, advantages and restrictions or requirements that any of the classes of shares may have over the other;
5. If the shares that the certificate represents are fully paid and non-assessable, this circumstance will be stated in said certificate; and if they have not been fully paid and non-assessable, it will also be set down in the certificate, the amount that has been paid.
6. If the share were registered, the name of the shareholder should be consigned.

Article 28. No shares to the bearer will be issued unless they have been fully paid and non-assessable.

Article 29. The registered shares shall be transferrable in the books of the company pursuant to what has been stated in the articles of incorporation or the by-laws. But under no circumstance, the transfer will bind the corporation but as from their registration in the Registry of Shares.

If the holder of the certificate owes any sum to the corporation, it may oppose to the transfer until the amount due is paid to it. In every case, the assignor and the assignee will be jointly bound to the payment of the amounts owed to the corporation by virtue of the shares that are transferred.

Article 30. The assignment of shares to the bearer will be verified by the sole delivery of the title.

Article 31. If the articles of incorporation so establish it, the holder of a share certificate issued to the bearer may obtain that said certificate be exchanged for other certificate in his name for the same number of shares, and the holder of registered shares may obtain that his certificate be exchanged for other certificate to the bearer for the same number of shares.

Article 32. It may be established in the articles of incorporation that the corporation or any of the shareholders will have preferential right to the purchase of the shares in the corporation that other shareholder wishes to transfer. Other restrictions may also be imposed for the transfer of the shares; but every restriction that absolutely prohibits the transfer of shares will be null.

Article 33. The corporation may issue new share certificates to replace the ones that have been destroyed, lost or stolen. In such case, the Board of Directors may demand that the owner of the certificate that is destroyed, lost or stolen, grants surety to respond to the corporation for any claim of prejudice.

Article 34. It may be established in the articles of incorporation that the holders of any specific class of shares will not have right to vote, or said right may be restricted or defined with respect to the different classes of shares.

These provisions in the articles of incorporation will prevail in all the votes that take place and in all the cases in which the law demands the voting or consent in writing of the holders of all the shares or from a part thereof.

It may also be established in the articles of incorporation that the vote of more than the majority of any class of shares will be required for specific purposes.

Article 35. One or more holders of shares may agree in writing to transfer his/their shares to one or more Trustees with the purpose of granting him/them the right to vote on behalf and in stead of the owner, for a specific period and pursuant to the conditions stated in the agreement. Other shareholders may transfer their shares to the same Trustee or Trustees, becoming, by virtue of said transfer, in parties of the agreement. The share certificates that are so transferred, will be delivered to the corporation and settled by it in exchange for the issuance in favor of the Trustee or Trustees of new certificates in which it will be stated that they are issued by virtue of said agreement and said circumstances will stated in the registry of shares of the corporation. It will be necessary, in order to be valid what has been established in this article, that an authenticated copy of said agreement by provided to the corporation.

Article 36. The corporation will be bound to have an office in the Republic or in any other place that the articles of incorporation or the by-laws may determine. A book that will be called "Registry of Shares", in which will be written down, except in the case of shares issued to the bearer, the names of all the persons that are shareholders of the company, in alphabetical order, stating the place of their domicile, the number of shares that correspond to each one of them, the date of acquisition and the amount paid for them or that the shares are fully paid and non-assessable.

In the case of shares issued to the bearer, the Registry of Shares will state the number of shares issued, the date of issuance and that the shares have been fully paid and non-assessable.

Article 37. It may be paid to the shareholders, dividends from the net profit of the company or from the excess of its assets over its liabilities, but not otherwise. The company may declare and pay dividends on the basis of the amount currently paid for shares that have been partially paid.

Article 38. When the Board of Directors may so determine it, dividends may be paid in shares of the company, provided that the shares issued for that purpose would have been duly authorized and provided that, if the shares had not been previously paid, would have been transferred from the surplus account to the capital of the company, an amount at least equal to the one corresponding to the shares that will be issued as dividends.

Article 39. The shareholders will only be liable with respect to the creditors of the company until the amount owed on account of their shares; but no lawsuit may be filed against any shareholder for debt of the company until judgment may have been issued against it, which total amount would not have been collected after the execution against the corporate goods.

Section Fourth

On the Assembly of Shareholders

Article 40. Provided always that pursuant to the provisions of this law it is necessary the approval or authorization from the shareholders, the calling for meeting of the Assembly of Shareholders will be made in writing and in the name of the President, Vice-President, Secretary or Assistant Secretary, or from any other person or persons authorized for that purpose by the articles of incorporation or the by-laws.

The calling will state the purpose or purposes for which the Assembly is convened and the place and time of its holding.

Article 41. The meetings of the Shareholders will be made in the Republic, unless that the articles of incorporation or the by-laws provide otherwise.

Article 42. The calling will be made in advance and in the manner provided by the articles of incorporation or the by-laws; but if they do not provide otherwise, the calling will be made by means of personal delivery or by mail to every registered shareholder and with right to vote, no less than ten nor more than sixty days before the date of the Assembly.

If the corporation has issued shares to the bearer, the calling will be published pursuant to what the articles of incorporation or the by-laws may determine.

Article 43. The shareholders or their legal representatives may waive in writing to the calling of any meeting, before or after it.

Article 44. The agreements reached at any Assembly in which all the shareholders are present, whether in person or by proxy, will be valid; and the agreements reached at a meeting in which there is quorum, having waived to the calling all those that are absent, will be valid for all the purposes enumerated in the waiver, although in any of the cases stated above, the calling had not been made in the manner provided by Law, by the articles of incorporation or by the by-laws.

Article 45. If the articles of incorporation do not provide otherwise, every shareholder has the right to one vote at the Assembly of Shareholders for each registered share in his name, whatever the class of said share, that is, with par value or without par value. It is understood, however, that unless the articles of incorporation provide otherwise, the Board of Directors may fix a period not greater than forty days before the date of every Assembly of Shareholders, in which no transfer of shares will be registered in the books

of the company nor a date may be fixed, that will not be more than forty days before the date of the meeting, in which it will be determined the shareholders (except the holders of shares to the bearer) that will have the right to be called and vote at said Assembly. In such case, only the shareholders registered on that date will have the right to be notified of the calling and to vote at said meeting.

Article 46. In the case of shares issued to the bearer, the bearer will have the right, at the Assembly of Shareholders, to a vote per each share with right to vote, for which purpose he will submit at said meeting, the relevant certificate or certificates, or the proof of his right, in the manner that the articles of incorporation or the by-laws may prescribe.

Article 47. At all the meetings of the shareholders, any shareholder may be represented by a proxy, who is not required to be a shareholder and who may be appointed by public or private document, with or without clause of substitution.

Article 48. The articles of incorporation may establish that at the election of members of the Board of Directors, the shareholders with right to vote for Directors, have a number of votes equal to the number of shares that may correspond to them, multiplied by the number of Directors to be chosen and they may give all their votes in favor of one candidate, or distribute them among the total number of directors to be chosen or among two or more of them, as they may deem it convenient.

Section Fifth

On the Board of Directors

Article 49. The businesses of the corporation will be managed and directed by a Board of Directors composed by at least three members, of legal age and without sex distinction.

Article 50. Subject to what has been established in this law and to what the articles of incorporation may provide, the Board of Directors will have absolute control and full management of the businesses of the corporation.

Article 51. The Board of Directors may exercise all the powers of the corporation, except those that the law, the articles of incorporation or the by-laws may grant or reserve to the shareholders.

Article 52. Subject to the provisions of this Law and what the articles of incorporation may establish, the number of directors will be fixed by the by-laws.

Article 53. The presence of the majority of the members of the Board of Directors will be necessary to establish a quorum in order to decide on the businesses of the corporation. Notwithstanding, the articles of incorporation may establish that a specific number of directors, whether more or less than the majority, is necessary to establish a quorum.

Article 54. The agreements of the majority of the directors present at a meeting in which there is the required quorum, will be considered as agreements of the Board of Directors.

Article 55. If the articles of incorporation do not provide otherwise, it will not be mandatory that the directors be shareholders.

Article 56. The directors may adopt, alter, amend and repeal the by-laws of the company, unless that the articles of incorporation or the by-laws adopted by the shareholders provide otherwise.

Article 57. The Directors of the company will be chosen in the manner, date and place that the articles of incorporation or the by-laws may determine.

Article 58. The vacancies that take place in the Board of Directors will be filled in the manner that the articles of incorporation or the by-laws may prescribe.

Article 59. Subject to what has been established in the two previous articles, the vacancies that take place in the Board of Directors, whether for the increase of the number of directors or for any other cause, will be filled by the votes of the majority of the members of the Board of Directors.

Article 60. If the directors were not chosen on the date established for that purpose, the current directors will continue performing their duties until their successors be chosen.

Article 61. If the articles of incorporation or the by-laws do not provide otherwise, the Board of Directors may appoint two or more members among them that will constitute a committee or committees, with all the powers that the Board of Directors, at the address of the businesses of the company, but subject to the restrictions that are stated in the articles of incorporation, in the by-laws, or in the resolutions in which they would have been appointed.

Article 62. If the articles of incorporation expressly authorize it, the directors may be represented and vote at the meetings of the Board of Directors, by proxies who are not required to be Directors and that must be appointed by public or private document, with or without power of substitution.

Article 63. The directors may be removed at any time by the votes, given for that purpose, by the holders of the majority of the shares subscribed with right to vote at the election of directors. The Officers, Agents and employees may be replaced at any time by resolution adopted by the majority of the directors, or in any other manner prescribed by the articles of incorporation or the by-laws.

Article 64. If any dividend or distribution of the assets is declared or paid from the asset, that would reduce the value of the goods of the company to less than the amount of its liabilities, including therein the capital stock; or if the amount of the capital stock is reduced; or if any declaration is given or a false report is issued at any substantial period, the directors that have given their consent for such purposes, with the knowledge that it the capital stock will be affected or that the statement or report are false, will be jointly or severally responsible before the creditors of the company for the damages that may result therein.

Section Sixth On the Officers

Article 65. The corporation will have a President, a Secretary and a Treasurer that will be chosen by the Board of Directors, and it may also have all the officers, agents and representatives that the Board of Directors, the by-laws or the articles of incorporation may determine, and they will be chosen in the manner therein established.

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

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

Section Seventh On the Sale of Goods and Rights

Article 68. Every corporation may, by virtue of an agreement of the Board of Directors, sell, lease, exchange or otherwise, transfer all or part of its goods, including its clientele and privileges, licenses and rights, pursuant to the terms and conditions that the Board of Directors may deem convenient, provided that for that purpose be authorized, by

resolution of the holders of the majority of shares with right to vote on the matter, adopted at a meeting convened for that purpose in the manner prescribed in articles 40 and 44 of this Law, or by the consent in writing of said shareholders.

Article 69. Notwithstanding what has been provided in the previous article, the articles of incorporation may establish that it is necessary the consent of any class of shareholders in order that the authorization referred to in said article may be granted.

Article 70. If the articles of incorporation do not provide otherwise, it will not be necessary the vote nor the consent of the shareholders for the transfer of the goods in trust or to encumber them with pledge or mortgage, as guarantee of the debts of the corporation.

Section Eighth

On the Merger with other Corporations

Article 71. Subject to the provisions of the articles of incorporation, two or more corporations organized pursuant to this law may consolidate to establish one corporation. The directors or the majority of them, of each one of the corporations that wish to merge, may enter into an agreement for that purpose, that will sign and in which it will be stated the terms and conditions of the merger, the manner of making it and any other facts and circumstances that may be necessary pursuant to the articles of incorporation or the provisions of this Law, as well as the manner of converting the shares of each one of the constituent corporations into shares of the new corporation and in addition, any other detail and lawful provisions that are deemed convenient.

Article 72. The agreement may establish the distribution of the cash, promissory notes or bonds, in whole or in part, instead of the distribution of shares, provided that, after that distribution, the obligations of the new corporation, including herein, the ones resulting from the constituent corporations, and the amount of the capital stock that is issued for the new corporation, do not exceed from the asset thereof.

Article 73. The merger agreement must be submitted to the shareholders of each one of the constituent corporations, at a meeting convened particularly for that purpose, pursuant to what has been established in articles 40 to 43 of this law. In that meeting, the agreement will be considered and it will be voted whether that agreement should be approved or not.

Article 74. Without prejudice to what may be established in the relevant articles of incorporation, if the votes of the holders of the majority of the shares with right to vote in each corporation would have been given in favor of the agreement of consolidation, this fact will be stated in a certificate of the Secretary or of the Assistant Secretary of each corporation, and the merger agreement so approved and certified, will be granted by the President or Vice-President and the Secretary or the Assistant Secretary of each constituent corporation pursuant to what has been established in article 2 of this law regarding the entering into the articles of incorporation.

Article 75. The merger agreement so held will be submitted to the Mercantile Registry for its registration, as it provided for the articles of incorporation and once registered, it will constitute the act of consolidation of the said corporations.

Article 76. Once entered into and registered at the Mercantile Registry, the merger agreement, pursuant to what has been established in the two previous articles, each one of the constituent corporations will cease to exist, and the consolidated corporation, so organized, will succeed the ones that are no longer existing in all their rights, privileges, powers, licenses to operate, as owner and holder thereof, subject to the restrictions, obligations and duties that corresponded to the relevant constituent corporations, understanding that the rights of all the creditors of the relevant constituent corporations and the encumbrances that affect their goods, will not be prejudiced by the merger, but such encumbrances will affect only the goods encumbered on the date of entering the merger agreement. The debts and obligations of the constituent corporations that are no longer existing, will correspond to the new consolidated

corporation and its fulfillment and payment may be demanded to 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 establish the conditions that must be complied with for the merger of the corporation with other.

Article 78. In the judicial or administrative proceedings in which the corporations no longer existing or any of them were parties, will continue to act as part of the new consolidated corporation.

Article 79. The responsibility of the corporations and of their shareholders, directors or officers, as well as the legal rights and resources of their creditors or of the persons that had businesses with corporations that merge, will not have in any manner or way, impaired by their merger.

Section Ninth On the Dissolution

Article 80. If the Board of Directors of any corporation subject to this law deems convenient that the corporation be dissolved, it will propose, by majority of votes of its members, a dissolution agreement and within the ten following days, it will convene or cause to convene, pursuant to what has been established in articles 40 to 43, an Assembly of shareholders that have right to vote in order to decide with respect to the agreement of the Board of Directors.

Article 81. If at the Assembly of Shareholders so convened, the holders of the majority of the shares with right to vote on the matter adopt a resolution approving the agreement of dissolution of the corporation, a copy of said agreement of the shareholders will be issued, accompanied by a list of the names and domiciles of the directors and officers of the corporation, certified by the President or a Vice-President

and the Secretary or Assistant Secretary and the Treasurer or an Assistant Treasurer and it will be protocolized and submitted said certified copy to the Mercantile Registry, in the manner established in article 2nd.

Article 82. Once said copy is submitted to the Registry, it will be published at least once in a newspaper of the place where the office of the corporation is established inside the Republic or if there is no newspaper in that place, in the Official Gazette of the Republic.

Article 83. If all the shareholders with right to vote on the matter state in writing their consent to the dissolution, it will not be necessary the meeting of the Board of Directors nor of the Assembly of Shareholders.

Article 84. The document in which the consent of the shareholders is stated, must be protocolized, registered at the Mercantile Registry and published in the manner expressed in article 82. Once all such formalities have been complied with, the corporation will be considered dissolved.

Article 85. Every corporation, which existence ends by maturity of the period fixed in the articles of incorporation or by dissolution, will continue; notwithstanding, for the period of three years as from that date, for the specific purposes of starting the special proceedings that are deemed convenient, defend its interests as defendant, to settle its matters, set over and transfer its goods and divide its capital stock; but under no circumstance it may continue the businesses for which it was organized.

Article 86. When the existence of a corporation ends by maturity of the period of its duration, or by dissolution, the directors will act as Trustees of the corporation with powers to settle its matters, collect its credits, sell and transfer its goods of all kinds, divide its goods among its shareholders, once the debts of the corporation have been paid; and in addition, they will have the power to start judicial proceedings in the name

of the corporation with respect to its credits and goods and to represent it in the proceedings that are initiated against it.

Article 87. In the case of the previous article, the Directors will be jointly and severally liable for the debts of the corporation, but only up to the amount of the goods and funds which holding and management they would have acquired.

Article 88. Said directors will be authorized to dedicate funds and goods of the corporation to the payment of a reasonable compensation for their services and they may fill any vacancy that takes place among them.

Article 89. The directors, when acting as Trustees, pursuant to what has been established in articles 86, 87 and 88, will adopt their decisions by majority of votes.

Section Tenth On Foreign Corporations

Article 90. A foreign corporation may have offices or agencies and make businesses inside the Republic, after submitting to the Mercantile Registry for their registration, the following documents:

1. Deed of protocolization of the articles of incorporation;
2. Copy of the last balance accompanied by a declaration from the part of the capital stock that is used or that is intended to be used in businesses in the Republic;
3. Certificate of being constituted and authorized pursuant to the laws of the relevant country, issued and authenticated by the Consul of the Republic in that country; and in his state, by the one of a friendly nation.

Article 91. The foreign corporations that act inside the Republic and that have not complied with the requirements of this law, cannot start judicial proceedings or of other kind before the courts or authorities of the Republic, but they may be sued in all kinds of

trials before the judicial or administrative authorities and in addition, they will have to pay a fine of up to Five Thousand Balboas that will be imposed by the Secretary's Office of Finance and Treasury.

By means of Judgment of November 19, 1965, the Full Session of the Supreme Court of Justice declares that this Article is Constitutional. It appears in the Constitutional Jurisprudence, Volume I, University of Panama, 1967, Page 520.

Article 92. Foreign corporations registered in the Mercantile Registry pursuant to this law should submit, for their registration at the Mercantile Registry, the amendments to their articles of incorporation and the instruments of consolidation and dissolution that affect them.

Section Eleventh Various Provisions

Article 93. National or foreign corporations that upon the validity of this Law are established in the Republic or have therein agencies or branch offices, will be ruled as to the corporate contract, by their deeds of incorporation, by their by-laws and by the laws in effect at the time of their organization or of their establishment in the Republic, as the case may be.

Article 94. National corporations organized before the validity of this law may, at any time, be ruled by the provisions thereof, for which purpose it will be necessary that it be stated this fact in the resolution adopted by the shareholders, that will be registered at the Public Registry.

The shareholders of national corporations currently dissolved, but not winded up, may, for the purposes of winding up, to have recourse to the provisions contained in this article, provided it is so resolved by a number of shareholders no less than the one demanded by their by-laws to agree to the dissolution of the corporation before the maturity of the term fixed by the existence thereof.

Article 95. All the provisions that are valid today regarding the corporations are abolished.

Article 96. This law will start to rule as from the 12th day of April of one thousand nine hundred twenty-seven.

Given in Panama, on the twenty-third day of the month of February of one thousand nine hundred twenty-seven.

LET IT BE COMMUNICATED AND PUBLISHED

Simple model of a Certificate of Incorporation or Articles of Incorporation

CERTIFICATE OF INCORPORATION

Subscribers: ----- identification card -----
----- identification card -----

FIRST: (Name) The name of the corporation is -----.

SECOND: (Purposes) The purposes of the corporation will be to carry out, inside or outside the Republic of Panama, all or any of the following activities:

- a) To carry out all kind of commercial, industrial, administrative, agricultural and financial operations, without any kind of limit, in any part of the world, without further exceptions than the ones established by the laws;
- b) To sell, purchase, exchange, mortgage, pledge and manage all kind of goods, credits and deposits and during the time in which it is in its power, to exercise all the rights and powers corresponding to the owner;
- c) To secure or guarantee the performance or execution of any kind of contracts, leasings or obligations of all kind, of any corporation, company or association;
- d) To acquire and undertake all or any part of the businesses, assets and liabilities, of any company, corporation or person that be the beneficiary for this company;
- e) To organize or cause to organize under the laws of the Republic of Panama, or of any other country, state, territory or colony, a company or companies, all or any of the purposes not prohibited to corporation, and to dissolve, wind up or merge any of such companies;
- f) To issue or purchase shares, bonds, obligations, shares attached to obligations, promissory notes of this company, in exchange for money, services rendered or for personal property, real estate or of any kind of assets.

- g) To take money on loan for any of the purposes of this company without limits, in respect of the amount and to issue promissory notes and other negotiable documents;
- h) To accept powers of persons, corporations, to represent them at any lawful business;
- i) In general, to carry out any lawful business or activity, temporary or continuous, inside or outside the Republic of Panama, as principal, agent, contractor, professional or other, jointly or severally.

It is expressly stated that the purposes enumerated in each paragraph of this clause will not be limited nor restricted by reference to, or inherence to the terms of any other paragraph or clause, except that it is otherwise stated in said paragraph or clause and said objectives may be exercised separately, collectively or in any combination that the corporation may so deem it convenient.

THIRD: (Capital) The authorized capital of the corporation will consist of **TEN THOUSAND BALBOAS (B/.10,000.00)**, legal tender of the Republic of Panama, divided into one hundred (100) shares with a par value of One Hundred Balboas (B/.100.00) each. The right to vote will correspond solely to the holders of such shares, in proportion to a vote per each share so held. The shares will be issued registered or to the bearer, prior authorization of the Board of Directors.

FOURTH: (Subscription of Shares) The number of shares that each Subscriber of these Articles of Incorporation agree to take is one (1) each.

FIFTH: (Liability) The liability of each shareholder will be limited to the sum, if any, that is owed on account of shares.

SIXTH: (Domicile) The Corporation will have its domicile in the City of Panama, Republic of Panama, but it may establish branch offices or offices in other places whether inside the Republic of Panama or abroad.

SEVENTH: (Resident Agent) The Resident Agent of the corporation in the Republic of Panama will be the law firm -----, with offices in the City of Panama, -----.

EIGHTH: (Duration) The duration of the corporation shall be perpetual.

NINTH: (Directors) The number of the first Directors is of three (3) and their names and addresses are the following: -----, -----, and -----, all domiciled in the City of Panama, ----- . They will hold their posts until they be replaced by the Board of Directors or the Assembly of Shareholders.

TENTH: (Officers) The first Officers of the Corporation are the following: **PRESIDENT:** ----- **SECRETARY:** ----- **TREASURER:** ----- . All domiciled in the City of Panama, -----.

ELEVENTH: (Legal Representation) The legal representative of the corporation shall be the President.

TWELFTH: (Meetings) The Board of Directors or the Assembly of Shareholders may meet in any place of the world.

THIRTEENTH: (Powers of the Board of Directors) The Board of Directors will be composed by no less than three and a maximum number that will be decided by means of previous resolution from the Board of Directors. A majority of the acting directors may choose directors to fill any vacancy that may be produced at the Board of Directors. Two directors or a greater number, as it may be specified from time to time by the shareholders, will constitute the quorum at any meeting of the Board of Directors. The Board of Directors may exercise all the powers of the corporation, except for those that the law or these articles of incorporation confer to or reserve for the shareholders. The Board of Directors may adopt by-laws. At any meeting of the Board of Directors, any director may be represented and vote by means of proxy or proxies (who are not required to be directors), appointed by written instrument, public or private, with or

without power of substitution. The Board of Directors may grant general powers for the full representation of the corporation without exceeding its own powers.

**MINUTES COUNTERSIGNED BY LICENTIATE -----, PRACTISING
LAWYER, WITH OFFICES LOCATED -----.**

IN WITNESS WHEREOF WE SIGN AND EXECUTE THESE ARTICLES OF
INCORPORATION IN THE CITY OF PANAMA ON THE ----- (----) DAYS OF THE
MONTH OF ----- OF TWO THOUSAND THREE (2003).

SUBSCRIBE THE FIRST TWO SHARES:

(ONE SHARE)

(ONE SHARE)

LIC. -----

Law No. 25

of the 12th of June, 1995

“Whereby the private interest foundations are regulated”

ARTICLE 1: A private interest foundation may be created pursuant to the formalities prescribed in this Law, one or more natural persons or legal entities, by themselves or by means of third parties. For that purpose, the establishment of a patrimony intended solely for the objectives or purposes expressly provided in the foundation charter, is required. The initial patrimony may be increased by the creator of the foundation, who will be called founder, or by any person.

ARTICLE 2: The private interest foundations will be regulated 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 precepts of Title II of Book 1 of the Civil Code will not be applied to these foundations.

ARTICLE 3: The private interest foundations cannot pursue profitable purposes. Notwithstanding, they may carry out mercantile activities in a non-regular manner, or exercise rights coming from titles representing the capital of mercantile corporations that compose the patrimony of the foundation, provided that the economic result or product of such activities be dedicated solely to the purposes of the foundation.

ARTICLE 4: The private interest foundations may be established in order that they may have their effect from the time of their creation or after the death of their founder, for any of the following methods:

- 1) By means of private document subscribed by the founder, whose signature must be authenticated by a Notary Public of the place.
- 2) Directly before a Notary Public of the place of establishment.

Whatever the method of establishment, the formalities that are established in this Law for the establishment of the foundations must be complied with.

In the event that the foundation be created, whether by a public or private document, in order to have effect after the death of the founder, will not require the formalities planned for the granting of the will.

ARTICLE 5: The foundation charter must contain:

- 1) The name of the foundation, expressed in any language with Latin alphabet characters, will not be the same or similar to other pre-existing foundation in the Republic of Panama for the purpose of avoiding confusion. The name must include the word foundation in order to distinguish it from other natural persons or legal entities of other nature.
- 2) The initial patrimony of the foundation, expressed in any legal tender, that will not be in any case lower to a sum equivalent to Ten Thousand Balboas (B/.10,000.00).
- 3) The appointment, in a full and clear manner, including the address of the member or of the members of the Foundation Council, to which the founder may belong.
- 4) The domicile of the foundation.
- 5) The name and domicile of the resident agent of the foundation in the Republic of Panama, that must be a lawyer, or a law firm, which must countersign the foundation charter before its registration at the Public Registry,
- 6) The purposes of the foundation.

- 7) The manner to appoint the beneficiaries of the foundation, among which may be included the founder.
- 8) The reserve of the right to amend the foundation charter when deemed convenient.
- 9) The duration of the foundation.
- 10) The destiny that will be given to the assets of the foundation and the manner of liquidation of its patrimony, in the event of dissolution.
- 11) Any other lawful clause that the founder deems convenient.

ARTICLE 6: The foundation charter, as well as any other amendment made to it, must be drafted in any language with Latin alphabet characters and comply with the rules of registration of acts and titles at the Public Registry, for which purpose it must be previously protocolized at a Notary Office of the Republic. If the foundation charter or its amendments were not drafted in the Spanish language, they must be protocolized together with their translation by an authorized public interpreter of the Republic of Panama.

ARTICLE 7: The amendments to the foundation charter, when permitted, must be made and signed pursuant to what is established therein. The relevant agreement, resolution or act of amendment must contain the date in which it was made, the name clearly identifiable of the person or persons that subscribe it, and the signatures, that must be authenticated by a notary public of the place where the document is signed.

ARTICLE 8: Every private interest foundation must pay a registration fee and an annual franchise tax equivalent to what is established for the corporations in articles 318 and 318A of the Fiscal Code.

The proceeding and manner of payment, the surcharge for delinquency in the payment, the consequences for the lack of payment and all other complementary provisions of the legal precepts stated above, will be applied to the private interest foundations.

ARTICLE 9: The registration of the foundation charter at the Public Registry will grant the foundation, legal status without need of any other legal or administrative authorization. The registration at the Public Registry constitutes, in addition, means of advertising before third parties. In consequence, the foundation may acquire and own goods of all kind, contract obligations and be a party in administrative and judicial proceedings of any kind, pursuant to what is established in the provisions that are applicable.

ARTICLE 10: Once the foundation has acquired legal personality, the founder or third parties that are bound to provide goods to the foundation, by themselves or at the request of any person having interests in the foundation, must formalize the transfer to the foundation of the goods bound to.

When the foundation is established to have effect as from the death of the founder, it will be considered that it has existed prior to his death, with respect to donations that he may have made to the foundation.

ARTICLE 11: For all legal purposes, the goods of the foundation will constitute a patrimony separated from the personal goods of the founder. Therefore, they may not be confiscated, seized, nor the object of a precautionary action or measure, except for obligations incurred or damages caused due to the execution of the purposes or objectives of the foundation, or by lawful rights of its beneficiaries. Under no circumstance they will answer to personal obligations of the founder or of the beneficiaries.

ARTICLE 12: The foundations are irrevocable, except in the following cases:

- 1) When the foundation charter has not been registered at the Public Registry.
- 2) When the contrary is expressly stated in the foundation charter.
- 3) For any of the causes of revocation of donations. The transfers made to the foundations will be irrevocable by whoever has made the transfer, except that the contrary is expressly stated in the act of transfer.

ARTICLE 13: In addition to what has been established in the previous article, when the foundation has been created in order to have effect after the death of the founder, he may have in an excluding and unlimited manner, the right to revoke it.

The heirs and heiresses of the founder will not have the right to revoke the creation or the transfers, even in the case when the foundation has not been registered at the Public Registry before the death of the founder.

ARTICLE 14: The existence of legal provisions on hereditary matters in the domicile of the founder or of the beneficiaries, will not be opposable to the foundation, affect its validity nor hinder the performance of its objectives in the manner established in the foundation charter or in its regulations.

ARTICLE 15: The creditors of the founder or of a third party will have the right to contest the contributions or the transfers of goods in favor of a foundation when the transfer constitutes an act to defraud the creditors. The rights and actions of said creditors will prescribe three (3) days counted as from the contribution or the transfer of goods to the foundation.

ARTICLE 16: The patrimony of the foundation may originate in any legal and lawful business and it may be constituted over the goods of any nature, present or future. Also, periodical sums of money or other goods may be incorporated to the patrimony by the founder or by third parties. The transfer of goods to the patrimony of the foundation

may be made by public or private document. Notwithstanding, when referring to real estate, the transfer will adjust to the rules on transfer of real estate.

ARTICLE 17: The foundation must have a Foundation Council, which powers or responsibilities will be established in the foundation charter or in its regulations. Except that it be a legal entity, the number of member of the Foundation Council will not be less than three (3).

ARTICLE 18: The Foundation Council will have under its charge the compliance of the purposes or objectives of the foundation. Except that other indication be expressed in the foundation charter or in its regulations, the Foundation Council will have the following general obligations and duties:

- 1) To manage the goods of the foundation pursuant to the foundation charter or its regulations.
- 2) To enter into legal acts, contracts or businesses that seems convenient or necessary to comply with the purpose of the foundation, and include in the contracts, agreements and other necessary and convenient instruments or obligations, clauses that adjust to the purposes of the foundation and that are not contrary to the law, morals, mores or to the public order.
- 3) To inform the beneficiaries of the foundation of the patrimonial situation thereof, as it may the foundation charter or its regulations.
- 4) To deliver to the beneficiaries of the foundation, the goods or resources that the foundation charter or its regulations may have established in their favor.
- 5) To carry out the acts or contracts that this Law and other legal or regulatory provisions that are applicable, allow to the foundation.

ARTICLE 19: The foundation charter or its regulations may dispose that the members of the Foundation Council may only exercise their powers with the previous authorization of a protector, committee or any other supervising body, appointed by the founder or by the majority of the founders. The members of the Foundation Council will not be liable for the loss or deterioration of the goods of the Foundation, nor for the damages or prejudices caused when said authorization has been obtained.

ARTICLE 20: Except that it is otherwise stated in the foundation charter or in its regulations, the Foundation Charter may give account of its management to the beneficiaries and in that other case, to the supervising body. If the foundation charter or in its regulations did not establish anything on the matter, the rendering of account must be made annually. If the account submitted is not objected within the term provided in the foundation charter or in its regulations, or in its stead, it will be considered approved, within ninety (90) days counted as from the day in which it was received, for which purpose evidence of such term will be stated for the record in the report of rendering accounts. Having passed said term or having been approved the account, the members of the Foundation Council will be exonerated before the beneficiaries or third parties that have interest in the foundation, for the damages caused by gross fault or fraud in the management of the foundation.

ARTICLE 21: In the foundation charter, the founder may reserve for himself 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 the regulations does not establish anything on the right and causes of removal of the members of the Foundation Council, they may be removed judicially, by means of the summary proceeding, for the following causes:

- 1) When their interests be incompatible with the interests of the beneficiaries or of the founder.

- 2) If the goods of the foundation are managed without the diligence of a good head of the family.
- 3) If they were condemned for a crime against the property or the legal authority. In that case, while the criminal proceeding is being handled, the temporary suspension of the processed member may be decreed.
- 4) For disability or incapacity to exercise the purposes of the foundation, since those causes are configured.
- 5) For insolvency, bankruptcy or meeting of creditors.

ARTICLE 23: The judicial removal of the members of the Foundation Council, founder and the beneficiary or the beneficiaries. If the beneficiaries were disabled or minors, they may be represented by whoever exercises over them the parental rights and duties or the custody, in that case.

The judgment of the court that decrees the removal must appoint new members in replacement of the formers, who must be persons with enough capacity, suitability and recognized good reputation to manage the goods of the foundation, pursuant to the purposes established by the founder.

ARTICLE 24: The foundation charter or its regulations may anticipate the establishment of supervising bodies that may be constituted by natural persons or legal entities such as auditors, protectors of the foundation or other similar persons.

The powers of the supervising bodies will be established in the foundation charter or in its regulations and they may include, among other things, the following:

- 1) To ensure that the purposes of the foundation be complied with by the Foundation Council and by the rights and interests of the beneficiaries.

- 2) To demand rendering of account of the Foundation Council.
- 3) To amend the purposes and objectives of the foundation, when they result impossible or expensive to perform.
- 4) To appoint new members of the Foundation Council by temporary, permanent absence or termination of the period of any of them.
- 5) To appoint new members of the Foundation Council, in the cases of temporary or accidental absence of any of them.
- 6) To increase the number of members of the Foundation Council.
- 7) To countersign the acts adopted by the Foundation Council stated in the foundation charter or its regulations.

ARTICLE 32: The foundations established pursuant to this law, as well as the goods that make up its patrimony, maybe transferred or subject to the laws and jurisdiction of other country, as the foundation charter or its regulations may provide.

ARTICLE 33: The registrations related to the private interest foundations will be made at the Public Registry in the special section that will be named “Section of Private Interest Foundations.” The Executive Branch, through the Ministry of Government and Justice, will issue the regulations applicable to this section.

ARTICLE 34: In order to avoid the improper use of the private interest foundations, all the legal provisions contained in the Executive Decree No. 468 of 1994 and any other rule in effect intended to fight the money laundering coming from drug trafficking, will be applied for their operation.

ARTICLE 35: The members of the Foundation Council and of the supervising bodies, if any, as well as the public or private servers that had knowledge of the activities, transactions or operations of the foundations, must keep under reserve and confidentiality in that respect at all time. The violations to this duty will be fined with prison for 6 months and a fine of Fifty Thousand Balboas (B/.50,000.00), without prejudice to the relevant civil liability.

What has been established in this article will be applied without prejudice to the information that must be revealed to the official authorities and of the inspections that they must carry out in the manner established by law.

ARTICLE 36: Every controversy that has not stated in this law a special proceeding, will be resolved by the proceeding of a summary hearing.

It may be established in the foundation charter or in the regulations of the foundation, that any controversy arising on the foundation, will be resolved by arbitrators as well as the proceeding that must be subject to them. In the event that such proceeding has not been established, the rules that the Judicial Code may contain in that respect, will be established.

ARTICLE 37: This Law will start to rule as from its enactment.

Bibliography

<http://www.incorporatedoffshores.net>

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