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E-book
General Corporation Law
and other Panamanian laws by which
offshore companies are governed

Our services:
Offshore Company Incorporation
Panamanian Offshore Companies
Anonymous USA Companies
US Bank Account for non US Residents
Offshore Banking
Anonymous Prepaid VISA (Debit) Cards

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1 General Corporation Law

Law 32 of February 26, 1927

(Official Gazette No. 5067 of March 16, 1927)

The National Assembly of Panama
HEREBY DECREES:

Incorporation

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

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

1. The names and domiciles of each of the subscribers of the articles;
2. The name of the corporation which will not be the same as or similar to that of another, already existing corporation so as to cause confusion. The name shall include a word, phrase or abbreviation, indicating that it is a corporation, as distinguished from a person or an association of another type. The name of the corporation may be expressed in any language.
3. The general purpose or purposes of the corporation;
4. The amount of the capital stock and the number and par value of the shares of which it is to be divided; and, if the corporation is to issue shares without par value, the statements required by Article 22 of this law; The capital stock and par value of shares of any corporation may be expressed in terms of the legal currency of the Republic or of gold units of the legal currency of any other country, or in both;
5. If there are to be shares of different classes, the number of shares to be included in each class and the designations, preferences, privileges and voting rights or restrictions or other qualifications of the shares of each class; or a statement that such designations, preferences, privileges and voting powers or restrictions or other qualifications can be determined by resolution of the majority in interest of the Stockholders or of the majority of the Directors;
6. The number of shares of stock which each subscriber of the articles of incorporation agrees to take;

7. The domicile of the corporation and the name and domicile of its resident agent in the Republic, who may be a person or corporation;
8. Its duration;
9. The number, names and addresses of its Directors, of which shall not be less than three;
10. Any other lawful provisions which the subscribers of the articles of incorporation may desire to include.

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

§ 4. The articles of incorporation may be in the form of a public deed, or in any other form, provided that said articles be acknowledged by a Notary Public or by any other official authorized to make acknowledgements at the place of execution.

§ 5. If the articles of incorporation are not in the form of a public deed, they must be protocolized in the office of a Notary of the Republic. If said document should be executed outside of the Republic of Panama, it must be authenticated by a Panamanian Consul before it is protocolized, or if there should be no Panamanian Consul, by the Consul of a country friendly to Panama. If the Articles of Incorporation are drafted in a language other than Spanish they must be protocolized with an authorized translation executed by an official or public interpreter of the Republic of Panama.

§ 6. The public deed or the protocolized document containing the articles of incorporation must be presented for registration in the Mercantile Registry. The incorporation of the corporation shall not have effect as to third parties until articles of incorporation have been registered.

§ 7. Any corporation formed under this law may amend its articles of incorporation in any respect provided such amendments conform to the provisions of this law. Therefore, the corporation may, by such amendment: change the number of its shares of stock or of any class of its stock outstanding at the time of such amendment; change the par value of the outstanding shares of any class having such a value; change the outstanding shares of any class having par value into the same or different number of shares of the same or a different class without par value; change the outstanding shares of a class without par value into the same or different number of shares of the same or different class having par value; increase the amount of the number of shares of its authorized stock; divide its authorized capital into classes; increase the number

of classes of its authorized capital; or change the designations, rights, privileges, preferences, voting powers, restrictions or qualifications of stock. But the capital stock of a corporation shall not be reduced except in accordance with the provisions of articles 14 et seq. of this law.

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

§ 9. Amendments to the Articles of Incorporation which are made before stock has been issued, shall be signed by every subscriber of the articles of incorporation and by every subscriber to the stock of the corporation.

§ 10. In case stock has been issued, such amendments to the articles of incorporation shall be signed:

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

(b) By the President or a Vice-President and the Secretary or an Assistant Secretary of the corporation, who shall sign and annex thereto a certificate stating that they have been authorized to execute said amendments by resolution adopted by the owners or their proxy of a majority of such shares and that such resolution was adopted at a stockholders meeting held on the date specified in the notice or waiver of notice.

§ 11. In case that the amendments to the Articles of Incorporation alter the preferences of outstanding shares of any class or authorized shares having preferences which are in any respect superior to those of outstanding shares of any class, such certificate mentioned in Article 10 (b) shall state that the officers signing the same have also been authorized to execute such amendments to the Articles of Incorporation by resolution, adopted in person or by proxy of the holders of a majority of the outstanding shares of each class entitled to vote thereon, adopted at a stockholders' meeting held on a date specified upon notice or waiver of notice.

§ 12. If the articles of incorporation require more than a majority of the outstanding shares of any class or classes in order to effect any amendment of any provision of the articles of incorporation, the certificate referred to in paragraph (b) of article 10 shall state that such amendment has been authorized in that manner.

§ 13. Unless the articles of incorporation or any amendment thereof otherwise provide, in the event of an increase of stock, each stockholder shall have a pre-emptive right to subscribe, in proportion to the number of shares then held by him, the shares of stock issued pursuant to such increase.

§ 14. Any corporation may reduce its authorized capital stock by an amendment of its articles of incorporation; but no distribution of assets may be made pursuant to any such reduction, which will reduce the actual value of its remaining assets to an amount less than the total amount of its debts and liabilities plus the amount, as reduced, of its issued capital stock. There shall be annexed to the amendment to the articles of incorporation a certificate, issued under oath by the President or a Vice-President and of the Treasurer or an Assistant Treasurer, stating that no distribution of assets made or to be made pursuant thereto will violate the provisions contained in this article. In the absence of fraud, the judgment of the Directors as to the value of the assets, and their determination of debts and liabilities, shall be conclusive.

§ 15. Any corporation, unless its articles of incorporation otherwise provide, may acquire shares of its own stock by purchase or otherwise. If such acquisition or purchase is made out of funds or properties other than the surplus or the net profits of the corporation, the shares of stock so purchased or acquired shall be canceled and the amount of issued stock of the corporation shall be reduced accordingly; but such shares may be reissued if the authorized capital stock shall not have been reduced by such retirement.

§ 16. Shares of its own stock acquired by any corporation out of its surplus or net profits may be held by such corporation, or sold or otherwise disposed of from time to time for its corporate purposes and may be retired or reissued by the Board of Directors.

§ 17. No corporation shall directly or indirectly vote any shares of its own stock.

§ 18. No corporation shall purchase or otherwise acquire its own stock out of fund or property other than its surplus or net profits, if such purchase or acquisition will reduce the actual value of its assets to an amount less than the total amount of its debts and

liabilities plus the amount of its issued capital stock so purchased or acquired. In the absence of fraud, the judgment of the Directors as to the value of the assets, and their determination of the debts and liabilities, shall be conclusive.

Corporate Powers

§ 19. Every corporation organized in accordance with this law shall have in addition to other powers specified in this law the following powers:

1. To sue and be sued in any court;
2. To adopt and use a corporate seal and alter the same at its convenience;
3. To acquire, purchase, hold, use and convey real and personal property of all kinds and make and accept pledges, leases, mortgages, liens and encumbrances of all kinds;
4. To appoint officers and agents;
5. To make contracts of all kinds;
6. To make by-laws not inconsistent with any existing laws of the Republic or its articles of incorporation, for the management, regulation and government of its affairs and property, the transfer of its stock and the calling and holding of meetings of its stockholders and directors, and for all other lawful matters;
7. To carry on business and to exercise its powers in the Republic and foreign countries;
8. To dissolve itself or to be dissolved in accordance with the law;
9. To borrow money and contract debts in connection with its business or for any lawful purpose; to issue bonds, notes, bills of exchange, debentures and other obligations and evidences of indebtedness (which may or may not be convertible into stock of the corporation) payable at a specified time or times or payable upon the happening of a specified event or events whether secured by mortgage, pledge or otherwise or unsecured for money borrowed or in payment for property purchased or acquired or for any other lawful objects;
10. To guarantee, acquire, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of or deal in shares of the capital stock of, or bonds, securities or other evidences of indebtedness created by other corporations, or of any municipality, province, state or government.

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

Stock

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

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

§ 22. Shares of stock may be created and issued without par value provided the articles of incorporation include the following statements:

1. The total number of shares that may be issued by the corporation;
2. The number of shares, if any, with par value and the par value of each;
3. The number of shares without par value;
4. Either one of the following statements:
 - (a) The stated capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value plus a certain determined amount in respect to every issued share without par value plus

such amounts as from time to time by resolution of the Board of Directors may be transferred thereto; or

- (b) The stated capital of the corporation shall be at least equal to the sum of the aggregate par value of all issued shares having par value plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts as from time to time by resolution of the Board of Directors may be transferred thereto.

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

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

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

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

§ 26. The shares of a corporation shall be paid at such time and in such a manner as the Board of Directors may determine. In case of default in the payment, the Board of Directors may either proceed against the defaulting stockholder to enforce payment of the amounts due and unpaid and to collect such damages as the corporation may have suffered, or rescind the subscription contract in respect to the stockholder in default, having the right in this last alternative to retain for the corporation such amounts as the defaulting stockholder may be entitled to receive from the funds of the corporation. In the event that the corporation should proceed to rescind the subscription contract in respect to the stockholder in default and to retain for the corporation the amounts to which the stockholder may be entitled, the Board of Directors shall give at least sixty days advance notice to such stockholder. Shares acquired by the corporation by virtue of the provisions of this article may be reissued or re-offered for subscription.

§ 27. Every certificate of stock shall contain the following statements:

1. The reference to the registration of the corporation in the Mercantile Registry;
2. The amount of its capital stock;
3. The number of shares owned by the stockholder or bearer;
4. The class of share, if there is more than one class, and if the stock is classified, a summary statement of the special conditions, designations, preferences, privileges, voting powers, restrictions or qualifications that one of the classes of the shares has over the others.
5. If the shares which it represents are fully paid and non-assessable, the certificate of stock shall so state; and if such shares are not fully paid and non-assessable, the certificate shall state the amount or amounts which have been paid thereon;
6. If the shares are represented by certificate issued in the name of the owner, it should contain the name of said owner.

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

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

§ 30. Shares issued to bearer shall be transferable by delivery of the certificate or certificates representing title.

§ 31. If so provided in the articles of incorporation, any holder of a certificate for shares issued to bearer may exchange such certificate for a certificate or certificates for a like number of shares of the same class issued in his name; and the holder of a certificate for shares issued in the name of the owner may exchange it for a certificate for a like number of shares issued to bearer.

§ 32. The articles of incorporation may provide that in case a stockholder desires to sell, transfer or otherwise dispose of his shares of stock, the corporation or some stockholder or stockholders thereof shall have a preferential right to purchase such shares. Any other restrictions upon the transfer or transferability of the shares may also be imposed; but any restriction absolutely preventing a stockholder from selling, transferring or disposing of his shares of stock shall be invalid.

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

§ 34. The articles of incorporation may provide that the holders of any designated class or classes of stock shall not be given voting rights; or they may otherwise limit or define the respective voting powers of the several classes of stock. Such provisions of the articles of incorporation shall be controlling in all elections and in all proceedings in which the law requires the vote or the written consent of the holders of all of the shares or of a specified proportion of the shares of the corporation. The articles of incorporation may also provide that for specified purposes the vote of more than a majority of the holders of any class of stock shall be required.

§ 35. One or more stockholders by agreement in writing may transfer stock to a voting trustee or trustees for the purpose of conferring upon it or them the right to vote thereon in the name and in place of the owner for the period and upon the terms and conditions therein stated. Other stockholders may transfer their stock to the same trustee or trustees and thereupon shall be a party to such agreement. The certificates of stock so transferred shall be surrendered and canceled and new certificates therefor issued to such trustee or trustees, in which it shall appear that they are issued pursuant to such agreement, and in the entry of such ownership in the proper books of the corporation that fact shall also be noted. In order for the provisions contained in this article be carried into effect, it will be necessary that a certified copy of such agreement be filed with the corporation.

§ 36. Every corporation organized under this law shall keep at its office in the Republic, or at such other place or places as the articles of incorporation or the by-laws may provide, a book to be known as the Stock Register, containing (except in the case of shares issued to bearer) the names alphabetically arranged of all persons who are stockholders of the corporation, showing their places of domicile, the number of shares held by each one respectively, the date of acquisition thereof and the amount

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

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

§ 38. When the directors shall so determine, dividends may be paid in stock of the corporation; provided the stock issued for such purpose shall be duly authorized and provided, if such stock has not heretofore been issued, there shall be transferred from surplus to the capital of the corporation an amount at least equal to that for which such stock could be lawfully issued.

§ 39. Every stockholder shall be personally liable to the creditors of the corporation only to an amount equal to the amount not paid on his stock; but no action shall be brought against a stockholder for any debt of the corporation until judgment therefor has been rendered against the corporation and execution thereon has been returned unsatisfied in whole or in part.

Stockholders' Meetings

§ 40. Whenever under the provisions of this law the approval or authorization of the stockholders is required, the notice of such stockholders' meeting shall be in writing and in the name of the President, Vice-President, Secretary or an Assistant Secretary or of such other person or persons so authorized by the articles of incorporation or the by-laws. Such notice shall state the purpose or purposes for which the meeting is called and the time and place at which it is to be held.

§ 41. All meetings of stockholders shall be held within the Republic, unless otherwise provided in the articles of incorporation or by-laws.

§ 42. Such notice shall be given at such time prior to any such meeting and in such manner as the articles of incorporation or by-laws of the corporation provide; but unless they otherwise provide, such notice shall be given personally or by mail upon each stockholder of record entitled to vote at such meeting not less than ten no more than sixty days before such meeting. If the corporation has issued shares to the bearer, notice of stockholders' meetings shall be published in such manner, as the articles of incorporation or by-laws provide.

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

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

§ 45. Unless otherwise provided in the articles of incorporation, every stockholder of a corporation shall be entitled at each meeting of stockholders thereof to one vote for each share of stock registered in his name on the books of the corporation regardless of the class of said stock and whether it has a nominal or par value. It is hereby understood, however, that unless contrary provision should be made in the articles of incorporation, the directors may prescribe a period not exceeding forty (40) days prior to any meeting of the stockholders during which time no transfer of stock on the books of the corporation may be made, or may fix a day not more than forty (40) days prior to the holding of any such meeting as the day as of which all stockholders (other than the holders of shares issued to bearer) entitled to notice of and with the right to vote at such meeting shall be determined, in which case, only stockholders of record on such day shall be entitled to notice of or to vote at such meeting.

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

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

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

Board of Directors

§ 49. The business of every corporation shall be managed by a Board of Directors composed of not less than three directors, all of whom shall be male or female persons of legal age.

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

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

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

§ 53. A majority of the Board of Directors of a corporation at a meeting duly assembled shall be necessary to constitute a quorum for the transaction of business. However, the articles of incorporation may provide that a certain number of the directors, whether more or less than a majority, shall be sufficient to constitute a quorum.

§ 54. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

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

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

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

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

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

§ 60. If the directors are not elected by the specific day designated for that purpose, the directors then in office shall continue to hold their offices and discharge their duties until their respective successors shall have been elected.

§ 61. Unless otherwise provided in the articles of incorporation or in the by-laws, the Board of Directors may appoint two or more of their number to constitute a committee or committees, who shall have and exercise the powers of the Board of Directors in the management of the business affairs of the corporation to the extent and subject to the restrictions expressed in the articles of incorporation, the by-laws, or the resolutions appointing such committees.

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

§ 63. Directors may be removed at any time by the vote of holders of a majority of the outstanding shares entitled to vote for directors. Officers, agents and employees may be removed at any time by resolution adopted by a majority of the directors, or in such a manner as the articles of incorporation or by-laws provide.

§ 64. If any dividend or distribution of assets be declared or paid which reduces the value of the assets of the corporation remaining after the payment of such dividend or such distribution, as the case may be, to less than the aggregate amount of its debts and liabilities, including capital stock, or if a reduction of capital stock be made, except in accordance with the provisions of this law, or if any report or statements be made which shall be false in any material representation, the directors of the corporation who assent thereto with knowledge of the impairment of the capital stock or of such falsity, as the case may be, shall be jointly and severally liable to the creditors of the corporation for any loss or damage arising therefrom.

Officers

§ 65. Every corporation shall have a President, a Secretary and a Treasurer, who shall be chosen by the Board of Directors and may also have such other officers, agents and

representatives as the Board of Directors or the by-laws or the articles of incorporation may determine and who shall be chosen in the manner provided thereby.

§ 66. Any person may hold two or more offices, if so provided by the articles of incorporation or by the by-laws.

§ 67. No officer need be a director of the corporation unless the articles of incorporation or by-laws so require.

Sale of Assets and Franchises

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

§ 69. Notwithstanding the provisions contained in the preceding article, the articles of incorporation may require that the consent of the stockholders be expressed in a special manner in order to grant the authority referred to in said article.

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

Mergers

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

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

§ 73. Said agreement shall be submitted to the stockholders of each of the constituent corporations at a meeting thereof called separately for the purpose of considering the same, of which meeting notice shall be given in the manner required by articles 40 to 43 of this law. At said meeting said agreement shall be considered and a vote taken for the adoption or rejection of the same.

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

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

§ 76. When such agreement of consolidation is executed and filed as required by the two preceding articles, the separate existence of each constituent corporation shall cease and the merged corporations shall become a single corporation in accordance with said agreement possessing all the properties, rights, privileges, powers and franchises and subject to the restrictions, obligations and duties of each of the constituent corporations; provided that all rights of creditors and all liens upon the property of either of the constituent corporations shall be preserved unimpaired, but such liens shall be limited to the property affected thereby at the time of the merger. All debts, liabilities and duties of the constituent corporations shall appertain to the consolidated corporation and may be enforced against it to the same extent as if they had been incurred by it.

§ 77. The articles of incorporation of any corporation may provide and determine conditions, in addition to the requirements of this law, upon which such corporation may merge with any other corporation.

§ 78. Any action or proceeding pending by or against the extinguished corporations or any one of them, the consolidated corporation shall continue as a party to the action.

§ 79. The liability of corporations or the stockholders, directors or officers thereof, or the rights and remedies of the creditors thereof or of persons doing or transacting business with such corporations shall not in any way be lessened or impaired by the merger of two or more corporations under the provisions hereof.

Dissolution

§ 80. If the Board of Directors deems it advisable that any corporation organized under this law should be dissolved, the Board may, by a majority of the whole Board, approve an agreement of dissolution and, within the ten ensuing days, shall call or cause to be called, in the manner provided in articles 40 through 43 hereof, a meeting of the stockholders having voting power to take such action to approve or reject the resolution adopted by the Board of Directors.

§ 81. If, at such meeting of the holders of a majority of the shares entitled to vote such stockholders by resolution consent to the dissolution, copy of such resolution together with a list of the names and residences of the Directors and Officers, certified by the President or a Vice-President and the Secretary or an Assistant Secretary, and the Treasurer or an Assistant Treasurer, shall be made and executed and filed for recordation in the Mercantile Registry as required in Article 2.

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

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

§ 84. The document setting forth such consent of the stockholders shall be protocolized and filed for record in the Mercantile Registry and published in the manner provided in Article 82 hereof. Once these formalities have been complied with, such corporation shall be deemed to be dissolved.

§ 85. All corporations, whether they expire by their own limitation or are otherwise dissolved, shall nevertheless continue to exist for the term of three years from such expiration or dissolution for the purpose of prosecuting or defending suits by or against them or enabling them to settle their business and dispose of and convey their property and to divide their capital stock, but under no circumstance may it continue the business for which said corporation was established.

§ 86. When any corporation expires by its own limitation or is otherwise dissolved, the Directors shall act as trustees of such corporation with full power to settle the affairs, collect the outstanding debts, sell and convey the property of all kinds and divide the moneys and property among the stockholders, after paying the debts of the corporation, and they shall have authority, in the name of the corporation, to sue for the recovery of its debts and property and to defend it when sued for debts owing by such corporation.

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

§ 88. The Directors shall have the power to apply moneys and property of the corporation to the payment of a reasonable compensation for their services and to fill any vacancies which may occur in their number.

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

Foreign Corporations

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

1. Deed of protocolization of its Articles of Incorporation;
2. Copy of its last balance sheet accompanied by a declaration of the amount of its capital engaged or to be engaged in business in the Republic;
3. A certificate setting forth that it is incorporated and organized under the laws of the country of its domicile authenticated by a Consular Representative of the Republic in said country, or if there be none, then by that of a friendly nation.

§ 91. A foreign corporation maintaining an office or carrying on business in the Republic of Panama which has not complied with the requirements of this law may not sue in any court of the Republic, but may be sued therein. Any such corporation shall furthermore be liable to a fine of up to FIVE THOUSAND BALBOAS (B/.5,000.00) to be imposed by the Secretary of Finance and the Treasury.

§ 92. A foreign corporation carrying on business in the Republic which has recorded its articles of incorporation in the Mercantile Registry according to this law, shall be required to record in such Registry all amendments of such articles of incorporation and the instruments of consolidation or dissolution affecting it.

Sundry Provisions

§ 93. National or foreign corporations established or having agencies or branches in the Republic at the time that this law comes into effect shall be governed insofar as refers to the contracting parties by their articles of incorporation, their by-laws and the laws in force at the time of their organization or of their establishment in the Republic, as the case may be.

§ 94. National corporations organized before this law comes into effect may at any time be governed by the provisions of this law; this fact must be set forth in a resolution adopted by the stockholders, which must be recorded in the Registry Office. The stockholders of national corporations actually dissolved but not yet liquidated may, for the purpose of the liquidation, be governed by the provisions of this article, provided that it is so resolved by a number of stockholders not less than that required by the by-laws to provide for the dissolution of the corporation before the expiration of the term fixed for such corporation.

§ 95. All the provisions heretofore in force relative to corporations are hereby repealed.

§ 96. This law shall come into effect on the first day of April, 1927.

2 LAW No. 9 (of 2nd July 1946)

Whereby the effectiveness of several provisions of the Commercial Code is re-established.
(as amended by Cabinet Decree N^o 247 of 16th July, 1970)

THE NATIONAL ASSEMBLY OF PANAMA

DECREES:

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

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

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

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

*NOTE: In connection with art. 420 of the Commercial Code, article 40 of Cabinet Decree 247 of 16th July 1970 states: Judicial notice shall be given by means of a notice which shall be published for three consecutive days in two daily newspapers having a large circulation which are edited in the corporations domicile or in the City of Panama, and the share-holders meeting shall take place not less than ten nor more than twenty days after the date of the third publication of the notice.

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

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

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

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

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

ARTICLE 517. Companies will terminate:

1. In the cases provided for in their articles of incorporation;
2. By unanimous consent of the partners;
3. By the completion of the purpose for which they were constituted;

4. Because of the absence or loss of their corporate purpose or because it becomes impossible to accomplish same;
5. By merger with one or more companies;
6. By judicial decree.

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

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

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

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

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

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

3 DECREE 130 OF 1948 (of 3rd June)

Provisions regarding the Public Registry

ARTICLE 1. Any document to be registered at the Public Registry and of which, due to its having been executed outside the jurisdiction of the Republic or for any other cause, there exists no matrix or original protocol in a public office within the jurisdiction of the Republic, shall first be protocolized at one of the Notaries Offices of the Republic. The recording of such documents shall be made on the basis of the copy issued by the Notary before whom the protocolization is made. The copies the Notary Public issues shall have the same legal standing as the protocolized document.
(1)

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

1. The original, or a complete copy of the minutes, certified by the person who acted as the secretary of the meeting or presided over it.
2. A textual extract of the minutes, or a certificate of the adopted resolutions or agreements whose recording is desired. The extract or certification must contain at least the following data:
 - a. the date on which the meeting was held;
 - b. the names of the person who chaired the meeting and the person who served as secretary and, if they are not the President and Secretary of the company, respectively, a statement of justification as to why other persons acted as such;
 - c. in the case of a Shareholders Meeting, the number of shares represented thereat and its relation to the amount of issued shares or the fact that the total number of issued shares was represented;
 - d. in the case of a Board of Directors meeting, the names of all directors present, personally or by proxy;
 - e. the form in which notice was given or the reason why it was not given, whether due to waiver of notice by the persons who were entitled to receive notice, or because all the shareholders or directors were present and agreed to hold the meeting.

3. The documents referred to in this article must be certified by the person who acted as secretary of the meeting or who chaired it. They shall be protocolized preferably by the secretary of the company, be it the one registered as such, or his elected successor; in his absence, by the President, with an indication that this is being done; and in the absence of both, by the registered agent of the company or another officer authorized therefor in the respective meeting.

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

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

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

THE PRESIDENT OF THE REPUBLIC

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

D E C R E E S:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 83. The entries of the transactions made in the Journal shall be transferred to the Ledger in a chronological order, in accounts duly classified as assets,

liabilities, equity, income, expenses and memorandum accounts, with cross reference to the entries in the Journal.

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

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

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

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

The Share, Shareholder, Asset or Corporate Participation Register shall specify the names of the title holders if the shares are nominative, including the title, number, the amount in number or percentage that same represents, the amount paid and the nature of the security and title concerned.

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

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

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

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

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

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

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

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

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

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

ARTICLE 94. Any merchant or broker that does not keep the accounting books referred to in Title III of Book One of the Code of Commerce, feigningly records the transactions differently from the manner and original date on which same were made, distorts the true and real nature of same, or conceals or omits any of them shall incur a fine of one hundred balboas (B/.100.00) up to five thousand balboas (B/.5,000.00), being liable to successive and multiple fines if the infringement and breaches should give rise thereto.

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

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

ARTICLE 95. Every merchant is obliged to prepare and keep in its establishment, financial statements correctly and truthfully reflecting the results of its annual oper-

ations or operations of a fraction of a year for those that have not completed twelve months of operation. Such reports shall be prepared in accordance with the standards and principles of accounting generally accepted and applied in the Republic of Panama.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1 CHAPTER IV

On Clearing Houses and Securities Custody, Compensation and Liquidation Centers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 820: In the event of non-compliance and if no special form of disposal has been covenanted, the creditor or the depositor shall have the right to dispose of personal assets given in pledge upon prior notice in writing to the owner thereof at

least thirty (30) calendar days before the date on which the sale is to be made and upon an assessment as referred to in Article 821.

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

ARTICLE 821: In the cases envisaged in Articles 820 and 822, the parties shall agree in the pledge agreement on the method to be used to determine the value of the things given in pledge in order to ensure its fair value at the time they are applied to the debt. Lacking this, the pledge shall be assessed by two experts each appointed by either party, or by a third expert appointed by such experts in the event of dispute, or by the judicial authority lacking such experts.

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

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

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

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

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

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

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

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

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

ARTICLE 9. The trust instrument must contain:

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

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

ARTICLE 35.- Paragraph One: The foregoing exemptions shall not apply in cases where the assets, money, shares or securities mentioned in subsections 1, 2 and 3 above are used in operations that are not exempt from taxes, assessments, charges or encumbrances in the Republic of Panama, save if same are invested in housing, housing development projects, industrial or urban development parks in the Republic of Panama, in which case the profits of such investments shall be exempt from income tax.

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

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

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

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

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

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

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

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

LET IT BE COMMUNICATED AND PUBLISHED

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

ERNESTO PEREZ BALLADARES
President of the Republic

RAUL MONTENEGRO DIVIAZO

RICARDO ALBERTO ARIAS
Minister of Government and Justice

Minister of Foreign Affairs
MIGUEL HERAS CASTRO

PABLO ANTONIO THALASSINOS
Minister of Finance and Treasury

Minister of Education
LUIS E. BLANCO

AIDA LIBIA MORENO DE RIVERA
Minister of Public Works

Minister of Health
MITCHELL DOENS

RAUL ARANGO GASTEAZORO

Minister of Labor and Social Welfare

Minister of Commerce and Industry
OLMEDO DAVID MIRANDA JR.

CARLOS A. SOUSA-LENNOX
Minister of the Presidency and Secretary of the Cabinet Council

Minister of Agricultural and Cattle Raising Development
FRANCISCO SANCHEZ CARDENAS

GUILLERMO O. CHAPMAN JR.
The Minister of Housing

Minister of Planning and Economic Policies

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

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

THE PRESIDENT OF THE REPUBLIC
Exercising his constitutional and legal powers

W H E R E A S:

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

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

RESOLVES:

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

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

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

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

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

issued by the Public Registry.

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

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

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

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

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

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

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

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

ARTICLE 9. The mandate granted by a natural person or a body corporate in accordance with Article 580 A of the Code of Commerce shall have a definite date as from authentication of the grantors signature by a Notary or by anyone acting in his stead, or as from fulfillment of the formalities set down to such end in the Judicial

Code. Such mandate may be registered at the Public Registry at the option of the interested party.

ARTICLE 10. The preliminary registration of a general pledge of assets, the amendment or cancellation thereof, may be made through a Panamanian Consul or a Notary in the Republic of Panama by means of a form issued for such purposes by the Public Registry.

The preliminary registration of the general pledge of assets shall cause the fee set down in subsection 5, Article 318 of the Fiscal Code.

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

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

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

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

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

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

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

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

LET IT BE COMMUNICATED AND PUBLISHED.

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

ERNESTO PEREZ BALLADARES
President of the Republic

RAUL MONTENEGRO DIVIAZO
Minister of Government and Justice

6 RESOLUTION No. 99-8 (of 7th July 1999)

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

W H E R E A S:

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

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

RESOLVES:

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

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

1. CAPITAL

- a) The first B/.10,000.00 (ten thousand balboas): B/.50.00 (fifty balboas).
- b) From B/.10,000.01 (ten thousand balboas and one cent) to B/.100,000.00 (one hundred thousand balboas): B/.50.00 (fifty balboas) for the first B/.10,000.00 (ten thousand balboas) and B/.0.90 (ninety cents) for every additional B/.1,000.00 (one thousand balboas) or additional fraction thereof up to B/.100,000.00 (one hundred thousand balboas).
- c) From B/.100,000.01 (one hundred thousand balboas and one cent) to B/.1,000,000.00 (one million balboas): B/.131.00 (one hundred thirty-one balboas) for the first B/.100,000.00 (one hundred thousand balboas) and B/.0.60 (sixty cents) for every B/.1,000.00 (one thousand balboas) or additional fraction thereof in excess of 100,000.00 (one hundred thousand balboas) up to B/.1,000,000.00 (one million balboas).

- d) Over B/.1,000,000.00 (one million balboas): B/.671.00 (six hundred seventy-one balboas) for the first million balboas (B/.1,000,000.00) and B/.0.12 (twelve cents) for every B/.1,000.00 (one thousand balboas) or fraction thereof in excess of one million dollars (B/.1,000,000.00).
- e) Non par value shares will be given a value of B/.20.00 value (twenty balboas) as the basis for calculating the registration fee.
- f) If only part of the shares are non par value shares, the fee will be calculated according to the total amount resulting from adding the par value and the non par value shares.

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

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

- 2. B/.40.00 (forty balboas) for each company minutes, extracts, certification of proceedings, agreement and appointment made by the commercial company and Powers of Attorney issued through minutes.
- 3. B/.40.00 (forty balboas) for resolutions, subscribers proceedings and their amendments and revocations, foreign company mandates, merger agreements, the correction of registration records.
- 4. The registration fee for the preliminary registration of a general pledge of assets shall be B/.120.00 (one hundred twenty balboas).
- 5. The registration fee for financial statements shall be B/.125.00 (one hundred twenty-five balboas).

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

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

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

LET IT BE COMMUNICATED AND FULFILLED.

OLMEDO DAVID MIRANDA JR.
President

MARTHA E. DOMINGUEZ
Secretary

7 About Thetaworld Corporation

Thetaworld Corporation is global administrative and financial services provider based in Panama City, the Republic of Panama.

We will sit down with you to understand your needs and goals and we are dedicated to give you the most personal attention at every level. You and us. Think of it as the most skillful asset protection and offshore services provider.

7.1 Our Mission

Our mission is to provide only fast and quality offshore services including offshore company formation in confidential and secure jurisdiction and world wide while maintaining tight privacy rules and fast and discreet communication with our clients.

To serve our clients in as most confidential and anonymous way as possible.

We are here to offer you everything you need regarding offshore services. Our international team speaks many languages and is thus able to better serve you.

Our services are handled by professionals in their fields. We work with professional lawyers and resident agents and we have worldwide partners, administrators and staff.

Our main services are quality offshore services like company formation, re invoicing, new citizenships and secure communication, further quality Internet services worldwide, privacy and business tools, quality art and sales of art drawings and Venetian masks. If you are interested that we assist you in making any business,

For more informations please visit our website: <http://www.offshore-services.biz>