

PANAMA

1. GENERAL ASPECTS

1.1. Applicable Legislation:

The main legal provisions governing Panamanian Corporations are Law No. 32 of 1927 and Decree Law No. 5 of 1997..

1.2. Advantages of the Panamanian Corporation:

- The responsibilities of the shareholders/owners of the corporation are limited to the shareholders' contributions to the share capital.
- Flexibility in the corporate management.
- No delay in the procedures of organization (registration data may be obtained between 24 and 48 hours after filing the articles of incorporation in the Public Registry.)
- Existence as a different legal entity or person, very useful as estate protection.
- Duration in perpetuity if so desired.
- Anonymity / Confidentiality.
- Mortis causa transfer of shares of a Panamanian corporation does not cause any inheritance tax.
- A Panamanian corporation whose only income are dividends of other corporations or interest on Panamanian or foreign bank deposits is not subject to income tax and does not have to file any tax return.
- Communications in Panama are on the same technological level as that of the biggest cities of the industrialized world.
- Our lawyers are thoroughly familiar with the English language as well as Spanish.
- The United States dollar is the only paper currency recognized by constitutional provision. In addition, on the circulation of the dollar and its parity, there is a treaty with the United States that has been in force for more than a century.
- It is not necessary to be in Panama in person in order to organize a Panamanian corporation. Our firm's staff fulfills and carries out all of the formalities and procedures.
- Availability of shelf companies that have never operated or carried out any activity. Our shelf companies have never issued shares and, therefore, may be easily delivered as owned by you.
- Assets or properties or interests or rights registered as owned by a Panamanian corporation are not exposed to creditor's claims or litigations against the corporation's shareholders as individual persons or legal entities as shareholders.

1.3. Convenience of the Panamanian corporation

- A wide availability of corporate names.
- The constitutional documents may be written, entered in the public notary's protocol and recorded in the Public Registry in Spanish together with their original text or translation into any language,
- The procedures for the constitution of a corporation are simple and may take only a few days.
- We have shelf corporations available already constituted and existing.

2. INCORPORATION PROCEDURE

2.1. Name of the Corporation:

The name of the corporation may be in any language, provided that it does not include any morally sensitive or offensive or objectionable word, and that it is not identical or too similar to the name of an existing Panamanian corporation. However, the name must include either the acronym "S.A" or the words "Sociedad Anónima", the acronym "CORP." or the word "Corporation", or the acronym "INC." or the word "Incorporated" in order to indicate the type of Panamanian legal entity. It is possible to reserve a given name for thirty (30) days.

When the name of the new corporation has been found acceptable, the possibility of organizing a corporation with such name is maintained for thirty (30) calendar days, renewable for equal consecutive terms.

2.2. Possible Uses and Activities of a Panamanian corporation

- To own apartments, houses, buildings, vessels, aircraft and any other kind of real estate or chattel property.
- To conduct investment projects, to open and manage bank accounts, time deposits, as well as to hold any financial or commercial security and to open and maintain an account with a brokerage house.
- To hold shares of other corporations or legal entities.
- To manage or promote international commercial transactions.
- To enter into an international lease contract of airplanes, vessels, and other machines.
- To lend or receive loans of money and to pay or receive moneys as commissions or fees or from other sources of income.
- To manage or promote products and services.
- To engage in other commercial and/or financial activities.

2.3. Shares / Shareholders

A Panamanian corporation may issue registered or bearer shares. However, if issued to the bearer, the corresponding share certificates must be deposited with a Custodian which is properly authorized by the Republic of Panama. Quijano and Associates is in a position to act as custodian of bearer shares, if the service is required.

Shareholders can be of any nationality, and may even be corporate entities.

Shareholders' meetings may be held in any country, if the company's M&AA so permit, and also by telephone, fax or any other technological means, as long as the participants have been in direct communication.

Shareholders may be represented at meetings by a proxy, and shareholders' agreements may be agreed in written and without having to hold a meeting and they could even be signed at different places and dates.

Shareholders may grant general powers in favor of third parties, who do not need to be shareholders or directors, with broad powers of administration, so that the business of the company can be carried out by such third party for as long as the power does not expire or is revoked.

2.4. Directors / Officers

- The law requires a corporation to have at least three (3) directors. The appointed directors form the Board of Directors.
- In addition to the directors, every corporation must have at least one president, one secretary and one treasurer, who can also be directors and can be of any nationality.

- Directors and / or officers may be natural or legal persons.
- The names and addresses of the directors and officers must be registered in the Public Registry of Panama.
- There is no obligation for directors or officers to be shareholders.
- The shareholders, directors and officers may be of any nationality and reside in any country whatsoever.
- Board meetings can be held in any country, if the company's M&AA so permits, and also by telephone, fax or other technological means, as long as the participants have been in direct communication.
- Directors may be represented by proxy. In addition, directors' agreements may be adopted in written and without the need of holding a meeting. These agreements may be signed at different times and places.
- The Board of Directors may grant general powers to third parties, who do not need to be shareholders or directors, with broad powers of administration, so that the business of the company can be carried out by said third party for as long as the power does not expire or is revoked.

2.5. Statements of account

Any corporation, limited liability company, private interest foundation and any other legal entity for commercial purposes, constituted under the laws of the Republic of Panama; and engaging in activities and operations that take place or have effects outside of the national territory shall be required to conduct accounting records and keep supporting documentation evidencing such records.

It is understood that accounting records are the complete data describing clearly and precisely the commercial operations of the legal entity, its assets and liabilities, as well as its patrimony, and which enable to determine its financial situation and to prepare its financial statements.

The supporting documentation of said records includes whatever may be required as evidence of the transactions conducted by the legal entity, including contracts, invoices, receipts and other documents.

2.6. Annual Corporate Franchise Tax:

Panama corporations should pay an annual corporate franchise tax of US\$300.00 for corporations (referred to as the "tasa unica"), to remain in good standing.

The deadline for the tax payment depends on when the entity was formed. According to the Law, the corporate franchise tax payment deadlines are as follows;

Incorporation Date:	Tax Payment Deadline:
From 1st of January to June 30th:	30th June
From 1st of July to December 31st:	31st December

If the tax is not paid on or before the due date, the entity will be charged a late surcharge of US\$50.00. If the tax is not paid after a two (2) year consecutive period, a recurrent US\$300.00 fine will be applicable in addition to the late payment surcharge.

2.7. Confidentiality:

The real identity of the shareholders of a Panamanian corporation does not have to be recorded in the Public Registry. Such information may be private and confidential, and only appears in the Share Registry which is kept by the Directors/Officers of the corporation.

The names and addresses of the directors have to be registered in the Public Registry. However, our firm can provide nominee directors/officers for a fee. We have been providing nominee directors/officers for more than half a century.

2.8. Continuation of legal existence under a different jurisdiction

Corporations organized under foreign jurisdictions may continue to exist as a Panamanian corporation under the jurisdiction of the Republic of Panama, and Panamanian corporations may continue to exist as corporations/companies under a different jurisdiction.

2.9. Our Professional Fees:

A schedule of fees is available at this or any QUIJANO & ASSOCIATES offices upon request.