



## MEMORANDUM ON PANAMANIAN CORPORATIONS

### 1. ARTICLES OF INCORPORATION

- 1.1 Two or more natural persons may organize a corporation by executing the corresponding Charter of Incorporation. The incorporators need not be citizens or residents of Panama.
- 1.2 According to Article 2 of the General Corporation Law, the Charter must, at least, contain the following information:

#### 1.2.1 **The name of the corporation.**

The name shall not be the same as, nor similar to the name of other existing corporation. The name must include a word, phrase or abbreviation to indicate that it is a corporation, in order to distinguish it from other type's of business organizations (usually the abbreviations: "S.A.", "Inc." or "CORP.").

#### 1.2.2 **The general purpose or purposes of the corporation.**

The enumeration of corporate purposes does not preclude the corporation from pursuing any other activities not so specified, since Panamanian law expressly allows a corporation to engage in any business, even though same is not mentioned in the Charter of Incorporation.

#### 1.2.3 **The amount of the authorized capital and the number and par value of the shares into which said capital is to be divided.**

The amount of the authorized capital, as well as the par value of the shares into which said capital shall be divided may be freely established by the parties. The law does not establish a minimum or maximum limit. The authorized capital and the par value of the shares may be expressed in currency of the Republic of Panama (our legal tender, the "Balboa", is and has always been in parity with the United States Dollar) or in any other country's currency.

#### 1.2.4 **Possibility of issuing non par value shares.**

The law permits the corporation to issue non par value



shares. If all the corporate shares are to have no par value, the Charter will indicate the amount of said shares that the corporation may issue, without stating the amount of the authorized capital. The value to be assigned to said shares when issued, may be determined in the Charter itself or, if said Charter so provides, by resolution approved from time to time by the Board of Directors or by the stockholders.

The Charter may provide that the corporation may issue both par value and non par value shares.

1.2.5 **Different classes of shares.**

If different classes of shares are to be issued, the Charter of Incorporation must state the number of shares of each class and all specifications, priorities, privileges and voting rights, restrictions or qualifications of each class of shares; or indicate that said specifications, priorities, privileges and voting rights, restrictions or qualifications of each class of shares shall be determined by resolution adopted by the majority of the stockholders or the majority of the Directors.

1.2.6 **Registered and bearer shares.**

The Articles of Incorporation must estates if the shares are to be issued in registered form (so that the name of the owners appears on the stock certificates and on the Stock Register of the corporation) or bearer form (so that the name of the owner appears neither in the Stock Certificate nor in the Stock Register). Further, the Articles of Incorporation may provide that both types of shares may be issued and that, once issued as registered, shares may be converted into bearer shares or vice versa. Bearer shares may only be issued if they are fully paid and non-assessable.

1.2.7 **The number of shares of stock which each incorporator agrees to subscribe.**

Some countries require that in the act of incorporation a certain percentage of the authorized capital be subscribed for and/or paid in. This is not so in Panama. According to Panamanian law, it is sufficient to state in the Articles of



Incorporation that the incorporators subscribe a minimum of one share each. Once the corporation has been recorded, the incorporators shall then assign their subscription rights to be real parties in interest.

1.2.8 **The domicile of the corporation.**

It is sufficient to state that the corporation will be domiciled, for instance, in the city of Panama.

1.2.9 **Resident Agent.**

Panamanian law requires all corporations to have a Resident Agent domiciled in the Republic of Panama, whose name and address must appear in the Charter of Incorporation.

1.2.10 **First Directors.**

Panamanian law requires that in the Charter of Incorporation be included the number, full names and addresses of the first directors of the corporation, who may not be less than three (3). The directors may be non-resident foreigners. Panamanian law further allows for the appointment of a variable number of directors, with a minimum of three (3). In this case, the exact number of directors shall be determined by the Board of Directors itself or by the Stockholders, as provided by the Articles of Incorporation.

1.2.11 **First Officers.**

The corporation must have a President, a Treasurer and Secretary. Furthermore, it may have any other officers that the Board of Directors or the Charter of Incorporation may determine, such as Vice Presidents, Assistant Treasurers, and Assistant Secretaries. It is Common, although not necessary, for the first officers to be appointed in the Charter of Incorporation. A person may hold more than one office as officer.

1.2.12 **Duration.**

Usually the Articles of Incorporation state that the existence of the corporation is perpetual, but that it may be



dissolved and liquidated at any time by the affirmative vote of the majority of the owners of the outstanding shares with voting rights (or by a qualified higher percentage of said shares, if so stipulated in the Articles of Incorporation).

#### 1.2.13 **Other Provisions.**

The Articles of Incorporation may contain any other provisions which the parties in interest may deem convenient to include therein, such as restrictions on the transfer of shares, pre-emptive rights in the event of the issuance of new shares, powers of the officers to bind the corporation, etc.

### 1.3 **Articles of Incorporation executed in a Foreign Country**

When the Articles are executed in a foreign country, they must be legalized by a Notary Public in the respective country and authenticated by the local Panamanian Consul. The Articles of Incorporation may also be executed directly before the local Consul of Panama, since, according to our law Panamanian Consuls may act as Notary Public.

In either of these cases, the Articles, when received in Panama, will have to be again with a local Notary Public before they may be filed for recordal with the Mercantile Section of the Public Registry Office.

### 1.4 **Articles of Incorporation executed in Panama**

When the Charter of Incorporation is executed in Panama, it must be translated into public deed or protocolized.

### 1.5 **Recordal with the Mercantile Registry**

The Articles of Incorporation must, in all cases, be recorded with the Mercantile Registry and the corporation is not deemed to exist regard to third parties until such date as it filed for registration.

### 1.6 **Translation**

The Articles of Incorporation may be executed in any language, but must be translated into Spanish by a Certified Public Translator. Further, the respective Public Deed may contain both texts, that is, the original version and its Spanish translation.



## 2.- **ORGANIZATION OF THE CORPORATION**

The real parties in interest need not come to Panama for the purpose of organizing the corporation. The usual procedure is to have two natural persons domiciled in Panama, execute before a Panamanian Notary Public the Articles of Incorporation in accordance with instructions received from said parties. As mentioned above, each incorporator subscribes to one share of the authorized capital.

Once the Articles of Incorporation have been recorded, the organizational subscribers will then assign their subscription rights to the real parties in interest, in order to turn over control of the corporation.

## 3.- **OTHER PERTINENT INFORMATION**

3.1 Unless the Articles of Information provide otherwise, neither the directors nor the officers have to be stockholders. The officers need not be directors. The shareholders, as well as the directors and officers, may be of any nationality (except in the case of corporations which intend to engage in certain specific business activities within the Republic of Panama that are reserved by law to Panamanian citizens).

3.2 The meeting of shareholders and of the Board of Directors may be held abroad, provided that it is so stated in the Articles of Incorporation or the By-Laws.

3.3 If so provided for in the Articles of Incorporation, the directors may be represented and vote at the meeting of the Board of Directors by way of proxies who need not be directors and who may be appointed by private or public document, with or without the power of substitution. Stockholders may do the same at stockholders meetings.

3.4 The Board of Directors is elected by the stockholders, but vacancies within the Board of Directors may be filled by the vote of majority of the directors then in office.

### 3.5 **Share certificates.**

Stock certificates or title of ownership of the shares must set forth:

3.5.1 The data of recordal of the corporation with the Mercantile Section of the Public Registry Office.



- 3.5.2 The amount of the authorized capital.
  - 3.5.3 The number of shares represented by each stock certificated or title of ownership.
  - 3.5.4 The class of shares, if there are more than one class, and a brief statement as to the specifications, preferences, privileges and voting rights and restrictions or qualifications of the shares.
  - 3.5.5 If the shares which it represents are fully paid and non-assessable, the certificate of stock shall so state. If such shares are not fully paid and non-assessable, the certificate shall state the amount paid thereon.
  - 3.5.6 If the shares are represented by a certificate issued in the name of the owner, it should contain the name of said owner. If the shares are to bearer, it shall so be evidenced in the corresponding certificate.
- 3.6 The length of time required for the corporation to be organized will be approximately one week from the date in which final instructions are received by us.