

PANAMA
PRIVATE FOUNDATIONS



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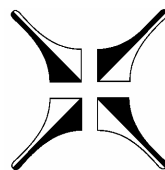
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A. INTRODUCTION

The concept of a “Foundation” has been well known in Latin Law countries for several centuries: It is a legal entity separate from its creators, constituted through one sole donation or several donations that form an independent and autonomous estate for a definite purpose. A Foundation is a legal entity that is different from any other entity known in Anglo-Saxon Law, as a Foundation is not the legal personification of any other person or persons but a body corporate that has no owners (shareholders, participants or partners), and which traditionally has charitable or philanthropic aims for the benefit of a generality of persons.

Historically, Foundations were born during the Middle Ages, at the end of the Roman Empire under the influence of Christianity. The Church itself was considered a divine foundation and its various organisations needed to be endowed with assets and legal capacity to manage such assets. It is thus that Canon Law of the Middle Ages developed the juridical theory of a Foundation, on which religious congregations and convents were built.

After centuries, that legal entity called a “Foundation”, created by the Church on an essentially “Roman-Germanic” basis, continues to exist. Indeed, most of the countries in the world acknowledge and promote the creation of “Public Foundations”, which are strictly non-profit organisations created by individuals for the benefit of society, generally subject to rigorous procedures in their creation and control. The so-called “Traditional Foundation” or “Public Interest Foundation” may not engage in private interest activities and may not carry out business transactions even on a non-habitual basis.

Book One of the Civil Code of Panama acknowledges the existence of these “public” foundations with non-profit aims and with charitable, scientific, humanitarian or religious objectives. Because of the special treatment given in Panama to this kind of corporate entities, these foundations must be acknowledged by the Ministry of Government and Justice before their registration at the Public Registry and are subject to strict control standards, as they are used solely within a national territory and not offshore, in contrast to Private Foundations which, as explained below, need not be acknowledged by any administrative authority aside from the Public Registry, are not subject to external legal governmental control provisions and are an ideal vehicle in the offshore industry.

As is widely known in the field of offshore services, the Principality of Liechtenstein took a major step with the enactment of its Law on Persons and Companies of 20th January 1926 (*Personen und Gesellschaft Recht – P.G.R.-*), which created “Family Foundations” (for the personal benefit of members of one or more families), “Mixed Foundations” (for the benefit not only of relatives but also of other persons or institutions). The “Family Foundation” also exists as a legal entity in Austria, but is not used worldwide as this country is not a fiscal haven. There are Luxembourg Foundations, which have features differing from those of Liechtenstein and are also little used on an international level. Additionally, Curacao Foundations were developed in recent years.

The Republic of Panama drew its inspiration from the Liechtenstein Law and adapted that European model to create a more flexible and modern “Private Foundation”, that has evident advantages for international asset planning and is qualified to conduct non-habitual “commercial transactions”. Because of the international renown of Liechtenstein family foundations, we shall outline the main differences between such foundations and those of the Republic of Panama in Section D.

An interesting feature of the Panama law on “Private Foundations” is that, despite its inspiration by Latin Law, it includes certain interesting aspects that are widely used in “Anglo-Saxon Law”, as for example the adoption of a “protector” or “supervisory body”.

The purpose of the present document is to provide Mossack Fonseca & Co.'s clients with general information on the attractive features of Panamanian Private Foundations and their operations.

B. DEFINITION

A Private Foundation (“Foundation”) is created when one or more natural persons or legal entities (“Founder(s)”) formalise a document known as a “Foundation Charter”, which is registered at the Public Registry of Panama, through which the parties undertake to make a donation (“Foundation Assets”) not less than the equivalent of US\$10,000 (which sum may be subsequently increased by other donations), to be managed by a “Foundation Council” under the supervision or not of “protectors”, for the benefit of one or more “beneficiaries”.

The obligation to contribute donations, whether in money or in kind, is not subject to a limited period of time and there is no legal requirement to publicly or officially advise its delivery.

Once registered at the Public Registry in the Republic of Panama, the Foundation Charter creates a new legal entity without need for any further legal or administrative endorsement.

A Private Foundation is the combination of a corporation and a trust. In general, a Foundation has similarities with a corporation in as far as it is registered at the Public Registry, the assets of this new legal entity are separate from those of its creators, it is constituted to maintain confidentiality on the ownership of assets and in order to obtain fiscal benefits, and it has similar administrative bodies. It differs from a corporation in that the Foundation has no owners, as it does not issue share certificates nor any other participation title, and a Foundation may be created as a testamentary instrument and may not have profit aims.

Likewise, a Foundation has similarities with a trust: It is a juridical institution that requires specific formalities; some of the Founder’s assets are transferred, contributed or “donated” to the Foundation; a Foundation may be revocable; it may be created *inter-vivos* or *mortis-causa* by means of testamentary provisions; it is usually created with the purpose of managing, preserving, administering or investing assets for the benefit of the donor’s close relatives, as well as to obtain confidentiality and fiscal benefits. It differs from a trust in as far as the Foundation is the owner of its own assets since it possesses its own legal personality and there is no “trustee” but rather the figure of a “Foundation Council” which combines the functions of the “Board of Directors” (of a corporation) and the functions of a “trustee” (of a trust); a Foundation is registered at the Public Registry and is subject to an annual fee that is identical to that of corporations in Panama (US\$250.00). It is important that these differences be clarified in order to better understand the features of a Panamanian Private Foundation, for which we shall describe this in more detail in Section F.

Law No. 25 of 12th June 1995, which governs Private Foundations, defines in detail how Foundations are established and how they operate. The provisions set forth in this law were regulated through Executive Decree No. 417 of 8th August 1995, which created the Private Foundation Section of the Public Registry and regulated the registration of the constitution, modifications and revocation of such Foundations.

A Private Foundation may, at the client’s option, issue Regulations that need not be registered at the Public Registry, and therefore absolute confidentiality is always maintained. These Regulations contain, among other features, the designation of beneficiaries and the manner in which the Foundation Assets are to be distributed.

C. MAIN FEATURES

Before explaining the elements and features of Private Foundations in more detail, the main advantages and uses of Panama Foundations are briefly summarised below:

ADVANTAGES

Foundations have certain legal advantages that make them attractive for offshore use:

- They are not subject to any form of taxation, assessment or levy in the Republic of Panama (except for a US\$250 Annual Franchise Tax). Consequently, they are exempted from income tax, estate tax, real estate tax, inheritance tax and sales tax.
- The Private Foundation Law mandates that members of the Foundation Council (who are also known as "Council Members"), Protectors, supervisory bodies or any persons or institutions who on account of their duties become aware of information relating to the activities, transactions or operations of a Private Foundation are required to maintain strict confidentiality, even after its termination. Failure to do so may result in imprisonment of up to six months and a fine of up to US\$50,000, not precluding the corresponding civil liability.
- Law does not require the names of the real Founders, Beneficiaries or Protectors to be revealed.
- Not required to file annual income returns or financial reports.
- Law does not require annual meeting of the Foundation Council, Founders, Protectors or supervisory bodies.
- Expeditious formation procedures.
- Easy administrative procedures.
- Reasonable incorporation and maintenance fees.
- No restrictions on maximum assets allowed.
- The contributions to the Foundation Assets do not need to be deposited as a requirement for the constitution of the Foundation, and there is no maximum period of time for the endowment to be made.
- There is no limitation whatsoever as to perpetuities, accrual of capital and other restrictions that are enforced in similar legal entities of other jurisdictions such as Anglo-Saxon type trusts.
- The Foundation may (non-habitually) carry out any kind of civil or commercial transactions, anywhere in the world and in any currency.
- Founders, members of the Foundation Council, Beneficiaries and Protectors or Superintendents may be natural persons or corporations of any nationality domiciled anywhere in the world.
- Founders need not be Foundation Council members.
- Founders, Protectors or Superintendents and members of the Foundation Council may be Beneficiaries of the Foundation.

- There are no limitations as to the maximum number of Founders, Council Members, Beneficiaries or Protectors allowed.
- Founders and Foundation Council Members may hold their meetings anywhere in the world and may be represented thereat by proxy.
- Foundation books and accounting books (if any) may be kept in Panama or abroad.
- Foundation Charter may be subscribed by the client or by an attorney in fact or trustee, without need to reveal the name of the principal or settlor.
- Foundations from other jurisdictions may change their domicile to Panama and continue existing as Panamanian Private Foundations, or vice versa, by following an easy continuation procedure.
- The U.S. Dollar circulates freely as legal tender in Panama and a rigorous bank secrecy law is in effect.
- Panama is currently considered a strong and stable democracy.

MOST COMMON USES FOR A PRIVATE FOUNDATION

Private Foundations are commonly used for the following:

- To protect the weak. One of the classic uses of a Private Foundation is to protect persons at a disadvantage due to minority, incapacity or incompetence to manage their assets or the risk of losing same.
- In cases where family businesses are passed to second and third generations, there is a possibility of such business becoming fragmented and outsiders gaining control. In these cases, a Private Foundation insures the conservation and continuity of the family businesses.
- To guarantee payment of individual sums of money or individual asset distribution to members of one or more families for their subsistence, education, clothing and other living expenses, or as a mechanism by which their children/grandchildren may partake in their parents'/grandparents' earnings. In Europe, private foundations for the aforementioned purposes are known as "Family Foundations."
- To carry out scientific, humanitarian, philanthropic, religious or charitable activities or to manage funds reserved for these activities.
- For a combination of all of the above, that is, for the benefit of family members and other persons and institutions. This type of multiple purpose private foundation is known in Europe as a "Mixed Foundation." Mossack Fonseca & Co.'s standard Foundation Charter creates this kind of Private Foundation.
- As a Panamanian Private Foundation need not be exclusively circumscribed to benefits for family members, it is typically used to distribute assets or earnings to other individuals (either friends or loved ones) designated as Beneficiaries of the Foundation, either upon its incorporation, subsequently at a specific time designated by the Founder, or in the event the Foundation is dissolved.
- To act as the administrator of employee profit distribution plans and employee pension plans.
- As a substitute for a will, thus avoiding complicated inheritance procedures, for which the Foundation Council would distribute the estate assets. With regard to the matter of successions, and as subsequently explained more fully in detail, it is noteworthy to mention that Panamanian Law sets forth that the provisions on forced heirs of the Founder's

domicile or of the Beneficiaries' domicile do not affect the validity of the Foundation created in Panama nor the transfers made to the Foundation, as same cannot be revealed or declared null by alleging inheritance rights.

- As a substitute for marriage articles or pre-nuptial agreements.
- To own shares, interests and stocks of private companies. In this case, the Private Foundation acts as a holding company. This is one of the basic and most common uses of Panamanian Foundations.
- As a vehicle for collecting royalties and other types of returns.
- As a vehicle for investing in time deposit accounts, stocks, bonds or other securities.
- As the owner of real estate or valuable movable property such as art work.
- To insure assets against different adverse situations, such as excessive taxes for those who reside where the assets are located, future claims by creditors, forced heirs or political or economic instability in the country where the client resides.
- To manage bank accounts, whether numbered or not, as this is a discreet and safe vehicle.
- For any specific asset protection plan. It is important to note that, if assets are transferred to a Panamanian Private Foundation with the purpose of evading creditors, such creditors shall have the right to object to such transfers, but they shall have only three (3) years in which to do so.

PERSONAL ELEMENTS OF PRIVATE FOUNDATIONS

It is simpler to make a thorough study of this wonderful figure by reviewing the persons or internal bodies it comprises. Put in words differing from the preceding definitions, a Private Foundation consists of the commitment of one or more "founders" to transmit assets (money, real estate, shares, bonds and others) that they have undertaken to contribute or donate (which never amount to less than the equivalent of US\$10,000) which, together with other assets contributed by "third parties," may be managed by a "Foundation Council", overseen or not by "protectors" (known in the law as "supervisory bodies") for the benefit of the "beneficiaries."

We shall review each participant in a Foundation below:

1. The Founder

One or more persons, whether natural persons or bodies corporate, Panamanian or foreign, may be Founders. Adopting what has become a common practice in Liechtenstein, Panama makes express reference to the Founders acting through persons designated solely to act as such ("nominees"), whether as trustees, agents, or attorneys in fact. The acts of such "third persons" do not change the fact that the principal ("settlor" or "granter of the power of attorney") is the true Founder whose name does not appear in the Foundation Charter because the client so wishes it in order to maintain absolute confidentiality.

There is no need whatsoever to refer in the Foundation Charter to the juridical relation existing between the true Founder and the nominee Founder, as this is a confidential matter of which evidence is kept only at **Mossack Fonseca & Co.'s** offices and is not available to the public. For registration publicity purposes, it shall be understood that the Founder is actually the "nominee," not the client.

It is important to note in this regard that Law No.25 of 1995 on "Private Foundations" imposes the obligation of maintaining full secrecy on the matters of a Foundation, not only on those who are involved in its creation, but also on every public

employee or private employee who handles confidential information. Infringement of such obligation is penalized with six (6) months of imprisonment and a fifty thousand dollar (US\$50,000) fine, not precluding the corresponding civil liability. The sole exception in respect of confidentiality is that of a competent Panamanian authority ordering the disclosure of information in penal investigations relating to laundered money arising from drug trafficking.

Founders have rights and obligations in respect of Foundations: where the Foundation Charter grants the Founder full powers (Revocable Foundation Charter), the latter shall have the right and power to adopt the Foundation Regulations, amend them, freely appoint and remove the Foundation Council, the Protector and the Beneficiaries, act as adviser, protector or beneficiary, revoke the creation of the Foundation or any transfer made to it, accept assets of any nature for the Foundation, receive and demand Statements of Account, request the judicial removal of members of the Foundation Council, redomicile the foundation and dissolve it.

Following registration of the Foundation at the Public Registry, the Founder shall officially acquire the obligation to formalize the contribution of assets he has undertaken (there is no deadline for doing this).

Since for legal purposes a Foundation's assets constitute an estate separate from the Founder's personal assets, the Foundation's assets may in no case be answerable for the Founder's personal obligations. By the same token, the Founder's assets shall not be answerable for the Foundation's obligations. In other words, a Private Foundation is a "limited liability" entity, that is, it covers its obligations only up to the whole of its foundation assets, the latter including promised donations (save for very special exceptions relating to the members of the Foundation Council).

2. The Foundation Council

The administration of a Foundation is entrusted to the Foundation Council, which is charged with the fulfillment of the Foundation's aims and objectives under the supervision or not of a "Protector."

Save if the Foundation Council should be a body corporate, the number of members comprising it shall not be less than three (3), all of legal age, of any gender or nationality.

As in the case of corporations, the laws on Private Foundations do not forbid the appointment of "nominees" as members of the Foundation Council. **Mossack Fonseca & Co.** offers the services of nominee members of the Foundation Council.

If the client so wishes, he may opt for appointing "officers" for the Foundation Council (although it is not required by law), in which case, **Mossack Fonseca & Co.** also offers the services of nominee officers for the Foundation Council.

The Foundation Council has rights and obligations in respect of the Foundation (See our Standard Foundation Charter and our Standard Foundation Regulations in Annexes 4 and 5): In general, the Foundation Council is granted full administrative powers (together with the required authorization from the "Protector", if designated), and has the right and power to adopt the Foundation Regulations, to amend same, to designate and remove its members, to freely appoint and remove the Beneficiaries, to contribute assets of any nature to the Foundation, to dispose of assets, to enter into any acts or contracts in the name and on behalf of the Foundation, to grant special or general powers of attorney, to redomicile the Foundation and to dissolve it.

The Foundation Council has various obligations: To act with the diligence of a good paterfamilias, to obtain authorization from the Protector (if there is one), to render account of its administration to the Founder, to the beneficiaries and to the Protector, and to deliver the corresponding earnings and assets to the beneficiaries.

Mossack Fonseca & Co.'s Standard Foundation Charters set down the ways the Foundation Council may be removed, this power generally falling on the Founder, the Protector or the beneficiaries (See our Standard Foundation Charters, Annexes 4 and 5). If the client should for any reason adopt a Foundation Charter that does not specify the way the members of the Foundation Council shall be removed, the Founder or the beneficiary may request their judicial removal for the causes set forth in the law.

In no case may the Foundation's assets be used to answer for the personal obligations of the Foundation Council members.

Likewise, the members of the Foundation Council shall not be answerable for the Foundation's obligations save in the following sole special exception: where damage, loss or wear has been caused by serious fault or fraud in the administration of the Foundation. It is important to note here that the Foundation Council members are not liable when they have obtained authorization from the Foundation's Protector.

3. The Protector

The legislation on Foundations refers to "supervisory bodies" that are made up of natural persons or bodies corporate that may be appointed in any way. In most cases, such bodies consist of one sole person that Mossack Fonseca & Co. calls the "Protector."

In practice, the Protector is usually the client himself or someone he trusts. His functions are specified in the Foundation Charter. His main functions are the supervision of the Foundation Council, demanding and receiving the Statement of Account, adding or removing beneficiaries and authorizing the acts of the Foundation Council.

The laws on Private Foundations make no reference whatsoever to the Protector's liability vis-à-vis third parties who have an interest in the Foundation.

4. The Beneficiary

The Foundation's aims and objectives consist, in the last instance, in benefiting the foundation's "Beneficiary" or "Beneficiaries." Such Beneficiaries have the right to receive the earnings or interest earned by the Foundation Assets, and to receive the Foundation Assets upon fulfillment of the conditions set down in the Foundation Charter.

The Beneficiaries may be natural persons or bodies corporate and are appointed in the Foundation Regulations.

The Beneficiaries may sue the Foundation in exercising their legitimate rights concerning the Foundation Assets, demand the judicial removal of the Foundation Council members, demand the rendering of accounts and object to any acts of the Foundation that impair their rights.

The Beneficiaries shall have rights concerning the Foundation Assets beyond any legal provision on hereditary matters cited by the Founders' heirs (save for exceptional cases of lawsuits initiated in jurisdictions whose inheritance laws are of public order and the Foundation's Assets are located in such jurisdictions).

The Beneficiaries are not the Foundation's owners or creditors, such that they may not claim rights from it aside from those granted in the Foundation Charter, the Regulations and/or the resolutions of the Foundation Council.

Mossack Fonseca & Co.'s Standard Foundation Regulations provides that no certificates or documents on the right to benefit shall be issued, and such right may not be given in guarantee of any kind. The client may opt to amend such provision.

In no case may the Foundation Assets be used to answer for the Beneficiaries' personal obligations. By the same token, the Beneficiaries shall not be answerable for the Foundation's obligations.

5. Third Parties

A Foundation's personal elements are those outlined above. However, in exceptional cases, there are "third parties" that because of specific acts are involved in a Foundation and acquire rights and obligations vis-à-vis the Foundation or the Founders.

"Third parties" are any parties not indicated previously, who that are not directly involved in the Foundation or whose rights and obligations are not developed, but whose participation in the Foundation have juridical effects.

Thus, a Foundation may be directly created by the Founder or through "third parties" that act as "trustees" or as "special

attorneys in fact.” In either case, these parties have the obligation to exercise the rights inherent to their status of “nominee Founders” pursuant to the instructions of the clients appointing them.

In certain cases, there are “third parties” that undertake to donate assets to the Foundation. These parties must formalize the transfer of assets as per their undertaking, as such commitment constitutes one of the Foundation’s assets.

BASIC CHARACTERISTICS OF THE PRIVATE FOUNDATION

The main characteristics of the Private Foundations are the following:

1. It is the creation of Assets made up of donations.

The promises of donation and the donations themselves may come from the Founders or from third parties. The Assets may arise from any lawful juridical act and include assets of any nature, whether present or future. They are usually shares, any documents indicating participation in mercantile companies, titles of any nature, bank accounts and real properties.

The minimum initial donation is US\$10,000, which may be expressed in any currency. This minimum donation acquires an obligatory nature once the Foundation has been registered at the Public Registry. However, where the Foundation has been created to take effect after the death of the Founder, any promises or transfers made to the Foundation by such Founder are obligatory even if the Foundation is not registered at the Public Registry before the death of the Founder. In other words, the Foundation Charter is a document of obligatory performance in respect of the Founder’s estate.

As the Foundation has no owners, the total of the Foundation Assets is not as relevant as the Authorized Capital of corporations, where the share certificates represent percentages of participation in the capital.

As the Foundation Assets are comprised of the initial donation of US\$10,000.00 plus all the contributions that are made from time to time, there will be no real need to amend the Foundation Charter unless the client should require it particularly in order to give registration publicity of the Foundation’s actual assets.

2. A Foundation’s assets constitute an independent estate.

The contributions made to the Foundation and its earnings may not be seized, attached or be the object of any precautionary action or measure, save for obligations incurred or for damages caused upon achievement of the Foundation’s aims and objectives, or for the beneficiaries’ legitimate rights.

The Foundation’s assets may not be used to answer for the Founders’ obligations nor for those of the Beneficiaries, nor for those of the Foundation Council members, nor for those of any person, whether or not involved with the Foundation.

3. A Foundation protects the Founder’s hereditary wishes.

The Founder’s heirs shall have no right to revoke the creation of or the transfers made to the Foundation, nor may they object to the Foundation on the grounds of provisions that originate in forced heirship laws of the Founder’s domicile or of the Beneficiaries’ domicile.

4. A Foundation is protected against the Founder’s creditors.

The Founder’s creditors may dispute the contributions or transfers made to the Foundation, but only where both of the following two (2) circumstances occur: (i) The contribution constitutes an act of fraud against creditors and this fact is proven in a lawsuit; (ii) Three (3) years have not elapsed since the contribution or transfer.

5. A Private Foundation is created as a body corporate.

The registration of its Foundation Charter at the Public Registry of Panama grants corporate existence to a Foundation without need for any other legal or administrative endorsement. The registration also constitutes a form of publicity vis-à-vis third parties. Consequently, a Foundation may acquire and own property of all kinds, incur obligations and be a party in administrative and judicial proceedings of all kinds.

6. A Private Foundation may not have profit making aims.

Although a Foundation may not by virtue of the law engage in business, it may carry out business activities in a non habitual manner, that is, it may carry out activities for which there is no need to set up a corporate structure and obtain a business or industrial license. Thus, a Foundation may derive earnings from the sporadic sale of real property, it may have cash deposits, it may lend money in a non habitual manner, and it may invest in titles such as bonds, participation and shares, provided the earnings arising from them are applied solely towards the Foundation's aims.

7. Foundations may be revocable.

The Founder may revoke the creation of a Foundation or the transfers made to a Foundation in any of the following circumstances: (1) Where the Foundation has been created to enter into effect after the Founder's death; (2) Where the Foundation Charter has not been registered at the Public Registry; (3) Where the Foundation Charter is revocable; and (4) Where there is just cause for the revocation of donations in accordance with the relevant provisions of the Civil Code of the Republic of Panama.

8. A Foundation is exempt from all taxes.

Provided that the contributions received by a Foundation and the income from such contributions originate outside the fiscal territory of the Republic of Panama, a Foundation shall pay no taxes, assessments, levies, rates or fees of any kind or denomination, save for a US\$250 Annual Tax.

In addition, any investment in titles and bank deposits, even if made within the Panamanian fiscal territory, shall not pay any taxes whatsoever.

9. Foundations may be redomiciled to and from Panama.

If the Foundation Charter does not forbid it, the Foundation's governing body may continue the existence of such foundation, created under the laws of another jurisdiction, in the jurisdiction of Panama. For this, it is only required that a "Certificate of Continuation" containing the following information be registered: (i) The name of the foundation and the date of constitution; (ii) the registration or filing data from the country of origin; (iii) an express declaration of the Foundation Council's wish to continue such foundation in Panama; (iv) the new Foundation Charter or a transcription of the original charter; (v) a Minutes of the Foundation Council granting power to **Mossack Fonseca & Co.** and resolving to redomicile to Panama shall be attached (**Mossack Fonseca & Co.** provides its clients with the respective models, upon request).

THE FOUNDATION CHARTER

The Foundation Charter shall contain: the name of the Foundation; the Foundation's Initial Assets; the appointment and addresses of the Foundation Council members; the Foundation's domicile; how Beneficiaries are to be designated; the rules for amending the Foundation Charter; the Foundation's duration; the assignment of the assets and how the Foundation is to be dissolved and liquidated; and any other lawful clause as the client may deem expedient.

It is recommended that the client use the model Foundation Charter that our firm has prepared (see Annex No.2).

Mossack Fonseca & Co. has two (2) models of Standard Foundation Charters:

1. Irrevocable Foundation Charter:

This is a charter where the Founder does not hold any powers of any kind and is limited only to creating the Foundation. This model is ideal for clients who do not wish to appear as the Founders and for expediting the creation of a Foundation (see Annex No.2). In this model, Mossack Fonseca & Co. provides a nominee Founder and proceeds immediately with the registration of the Foundation, without need for any consular legalization or legalization via apostille by the client.

In the model Irrevocable Foundation Charter, only the Foundation Council has full administrative powers and may remove or add Beneficiaries at its discretion, with the authorization of a Protector (if the client wishes to appoint one).

2. Revocable Foundation Charter:

This is a model where the Founder holds full decisory powers. This model is ideal for clients wishing to appoint themselves as the Founders. In such a case, the client must sign the Foundation Charter before a Notary Public of his country and send it to Panama duly legalized by apostille ("Convention of The Hague") or by consular authentication.

In the model Revocable Foundation Charter, both the Founder and the Foundation Council hold full decisory powers and may remove or add beneficiaries at their discretion.

The client may also prepare a Foundation Charter in accordance with his needs, for which Mossack Fonseca & Co.'s staff of professionals can advise him on the matter.

THE REGULATIONS

The Foundation Regulations contains: The assets making up the Foundation Assets; the powers of the Foundation Council; the form of administration; the Beneficiaries of the Foundation; the benefits corresponding to each Beneficiary; the rules on the distribution of the benefits; the rules on the rendering of accounts; how the Beneficiaries may be substituted, removed or added; the rules on remunerations; the appointment of the Protector and his powers; how the Foundation Assets may be liquidated; and other articles complementing the Regulations.

It is recommended that the client use the model Foundation Regulations prepared by our firm (see Annex No.3).

Mossack Fonseca & Co. has two (2) models of Standard Foundation Regulations:

1. Irrevocable Foundation Regulations:

Regulations wherein the Founder does not hold powers of any kind and is limited to only creating the Regulations. These Regulations may also be signed by the Foundation Council.

In the model Irrevocable Foundation Regulations, only the Foundation Council has full administrative powers and may remove or add Beneficiaries at its discretion, with the authorization of a Protector (if the client wishes to designate one).

2. Revocable Foundation Regulations:

Regulations wherein the Founder holds full decisory powers.

The Founder and the Foundation Council may remove or add Beneficiaries at their discretion.

The client may also prepare Foundation Regulations in accordance with his needs, for which Mossack Fonseca & Co.'s staff of professionals can advise him on the matter.

D. MAIN DIFFERENCES BETWEEN LIECHTENSTEIN FOUNDATIONS AND PANAMA FOUNDATIONS

It is evident that the jurisdiction of Panama has taken an important step in its development by introducing the legal figure of a Private Foundation, adopting Liechtenstein's initial idea to create a new model that includes the basic requirements of international asset planning.

Thus, the Panama law has added a considerable number of innovations, among which the following are the most relevant:

- In certain circumstances upon the death of the Founder, Liechtenstein Foundations are open to objections by heirs and creditors, which is limited in Panama because of the rules on the irrevocability of Foundations in matters of inheritance and the three-year prescription of revocatory action in matters of creditor fraud.
- A basic distinction between the two laws is that Panama Law does not differentiate between a "Family Foundation" (for the benefit of a family) and what is known as a "Mixed Foundation" (for the joint benefit of a family and other persons or institutions), as is done in Liechtenstein. In Panama, the Foundation is called one of "private interest", a concept that comprises any kind of Beneficiaries, whether members or not of a family, including natural persons and legal entities of any nature.
- Another important difference is that in Liechtenstein, the Constitution Deed and By-laws of a Family or Mixed Foundation need only be **deposited** at the Public Registry. In Panama, the Foundation Charter must be **registered** at the Public Registry (but not the Foundation Regulations, whose registration is optional) and obtains, consequently, a distinguishing registration number.
- In contrast to Liechtenstein, an official, printed certification evidencing the existence of a Private Foundation which includes all and any information requested by the client (if available at the Public Registry) may be requested at the Public Registry of Panama.
- Welfare Foundations in Liechtenstein may not be called Family Foundations, as they infringe the regulation on "truth of name". There is full freedom of designation in Panama.
- Liechtenstein Law requires the members of the Board of Foundation to fulfill certain requisites on nationality, residency and professional activities. There are no such requirements in Panama.
- Foundations in Panama are governed by an independent law plus applicable analogous provisions, while in Liechtenstein same are governed by a law that also envisages other figures (Title V of the Law on Persons and Companies).
- In the matter of successions, Liechtenstein applies its Private International Law regulations in disputes where there is conflict of laws as to choice of governing law, the heir's or principal's law of residence or domicile being applicable in most cases. In the event of conflict of laws in Panama, Panama Law will always be applied.
- Panamanian Foundations are subject to one sole Annual Franchise Tax of US\$250.00 regardless of the total of their assets. In Liechtenstein, Foundations are subject to fees in proportion to their assets.
- In general, Liechtenstein Foundations are subject to a flat SF1,000.00 (around US\$650.00) tax per year. In Panama, the Annual Franchise Tax is US\$250.00.
- Panama Law has introduced a new figure of a supervisory body or Protector, which has been taken from Anglo-Saxon Law on Trusts.

- Panamanian Law does not require that the minimum endowment required for creating a Private Foundation be contributed in advance.

E. MAIN DIFFERENCES BETWEEN PRIVATE FOUNDATIONS AND CORPORATIONS

Mossack Fonseca & Co. renders continuous and nearby support to our clients in the creation and maintenance of offshore International Business Companies and related services. And this is because these companies have always been the cornerstone of fiscal havens.

The new Private Foundations do not seek to replace offshore companies but to complement them, hence Foundations are used primarily for charitable purposes, to serve as the owners of companies (in which capacity the Foundation is generally called a "holding company" or a "parent company") and for family and/or inheritance purposes.

To avoid any confusion or misunderstanding for our clients, we list below the main differences between Panamanian Private Foundations and corporations:

- A corporation issues shares that represent the participation of the owner in such institution. The shares issued by a company (securities) are transferred by endorsement in the case of nominative shares and by simple delivery in the case of bearer shares. Therefore, the ownership of a corporation is transmitted by the transfer of the title to the corporation's shares.
- In contrast, the Foundation does not issue titles that represent participation in its ownership. Once the Founder creates the Foundation, the name of such Founder is registered at the Public Registry of Panama and may not be replaced. The Founder is perpetually the same person and has all such powers as may be indicated in the Foundation Charter.
- Although in practice the Founder is considered to be the owner of the Foundation, he may not dispose of the Foundation itself by using the same transfer mechanisms as in a company limited by shares, as there is no "Registry Book" envisaged by the law that accredits the ownership of a Foundation. However, we must bear in mind that whoever has the capacity to appoint and remove the members of the Foundation Council, which is the body entrusted with the attainment of the Foundation's aims, shall in practice hold the ownership of the Foundation.
- Consequently, the idea of making use of a corporation as a vehicle to be the owner of any movable or immovable good in order to indirectly transfer such assets through the transfer of such company applies also to Foundations, upon transmission of the authority or control over the Foundation Council. In this regard, there are several simple mechanisms that may be used for the transfer of a Foundation, namely: The Foundation may be created by a person who acts as a trustee, that is, who assigns assets that are in his power to the Foundation but subject to a Trust Agreement generally known as a "Declaration of Trust". Such trustee (the registered Founder) rigorously complies with the stipulations set forth in the Declaration of Trust and the instructions by the true owner of the assets, that is, the Settlor. In this case, the change of the settlor in the Declaration of Trust transmits the Foundation's ownership. Mossack Fonseca & Co. offers trustee services for the purposes of creating a Private Foundation in Panama and subsequently transmitting same.
- In cases where the registered Founder is not a trustee, the transfer of the Foundation is also feasible as follows: If the Foundation Charter does not grant power to the Founder, that is, such Founder does not have the power to designate Beneficiaries, Protectors, auditors or members of the Foundation Council, nor power to amend the Foundation Charter, and such powers are vested in the Foundation Council, then the person who maintains a contractual relationship with the Foundation Council shall in practice be the owner of the Foundation. Mossack Fonseca & Co. offers the services of nominee Foundation Council Members.

- If the client wishes another arrangement, a special clause may be added to the Foundation Charter or the Regulations in order that it be a “Protector” (supervisory body) who has the power to remove and appoint the members of the Foundation Council. Such “Protector” would, upon removing and appointing new members of the Foundation Council, be indirectly transferring the Foundation’s ownership. Mossack Fonseca & Co. offers the services of nominee “Protectors”.
- If the Foundation Charter grants powers to the registered Founder to designate Beneficiaries, Protectors, auditors or members of the Foundation Council, as well as to amend the Foundation Charter, the Foundation Charter would first need to be amended in order that such powers be exclusively vested in the Foundation Council or the supervisory bodies. Subsequently, the person who maintains a contractual relationship with the Foundation Council or with the supervisory bodies shall in practice be the owner of the Foundation, in which case what has been set forth in the above point would apply.
- Corporations are formed with the signatures of two subscribers whose names are generally provided by the Panamanian registered agent. In contrast, a Foundation is created with the signature of the Founder (who may be a trustee). The person who acts as the Founder is provided by the registered agent only if a trust agreement is formalised before the creation of the Foundation.
- The figure of the Protector is established in the Foundation law in order to supervise and safeguard the assets that are at the disposal of the Foundation Council. In the corporations law, no supervisory figure is envisaged.
- The control and administrative body of a corporation is called the Board of Directors. In Foundations, such body is called the Foundation Council.
- There is no legal obligation for corporations to render account annually to the shareholders. Such annual obligation does exist for Foundations.
- The corporations law does not set forth any provisions with regard to successions. In the event of a shareholder’s death, whoever is the legitimate heir as provided for by the inheritance laws of the shareholder’s domicile shall inherit such shareholder’s shares in the company. In the case of Foundations, there is a specific rule that protects the Founder’s wishes, as inheritance provisions of the Founder’s domicile are not opposable to the creation of the Foundation, nor to transfers made to the Foundation. That is to say, legal heirs may not revoke the creation of a Foundation nor its transfers to the prejudice of the Foundation’s beneficiaries.
- A Foundation is an instrument that replaces a will, unlike the case of corporations.
- The corporations law has no specific rule obliging registered agents and public authorities to keep confidentiality regarding their documents. The general rules on professional secrecy are applicable to Registered Agents. In the case of Foundations, it is patently established that there is an obligation on the part of whoever acquires any knowledge of a Foundation’s activities to maintain reserve and confidentiality under penalty of fine and/or arrest.
- There may not be fewer than three members of the Board of Directors in a corporation. To the contrary, only one member is required for the Foundation Council if such member is a body corporate.
- The objects of a corporation may be any purposes of a business nature. In contrast, a Foundation’s range of action is limited to all activities for which no Commercial License, Industrial License or Professional Qualification is required to carry them out, that is, being the owner of securities, real estate and bank accounts, as well as entering into contracts of any nature that does not imply the habitual practice of commercial business.
- Corporations do not have any rules on the protection of assets vis-à-vis future claims by creditors. The Foundation law has very clear rules restricting the claims that may be made against the Founder.

- Paulian or revocatory action objecting the contributions or transfers of assets in favor of a corporation does not have any specific prescription date. In contrast, as per the Foundations law such action prescribes three years after the transfers have been made.
- Corporations are generally used to carry out commercial transactions, the most common of these being: the purchase of immovable property, the opening of bank accounts and the signature of international contracts to facilitate exchanges and avoid taxes. Foundations, on the other hand, although a discreet mechanism for opening bank accounts or purchasing immovable property, are basically created for inheritance purposes, for managing the distribution of family money and properties, for acting as charitable or church institutions, and for becoming holding companies that act as the owners of corporations.
- The core idea of the Private Foundation Law is to create a legal instrument that acts as the owner of liquid or fixed assets and that it be such legal entity who transmits such assets following the strict wishes of the Founder, either during his lifetime or after his death.

F. MAIN DIFFERENCES BETWEEN PRIVATE FOUNDATIONS AND TRUSTS

As we have seen in the preceding pages, there is a certain similarity between Private Foundations and Trusts, as the Foundation Council holds great powers of decision and control over the Foundation's assets since the latter has no owner. This fact requires much trust between the client and the Foundation Council, which is a basic requirement in the trust a client must have in his trustee company. Aside from the similarities, we would like to point out certain differences between Panamanian Private Foundations and Trusts:

- A Trust is a juridical act by virtue of which a person known as the Settlor transfers assets to a person called the Trustee in order for the latter to manage or dispose of same in favour of a beneficiary who may be the Settlor himself. The Trustee is generally a company that holds a trustee license and engages professionally and habitually in the business of managing properties, investing liquid assets and disposing of assets that are juridically under the legitimate ownership of such trustee but subject to the provisions of a trust instrument. Trusts are not registered at the Public Registry of Panama unless they concern real estate located in Panama and do not create a new legal entity.
- In contrast, the registration of the Foundation Charter at the Public Registry vests the Foundation with juridical personality and the Foundation may therefore acquire and own assets of any kind and incur obligations. The Foundation, unlike a Trust, is the owner of its own assets, which are managed by the Foundation Council, the latter having the function of complying with the aims and objectives of the Foundation.
- The idea of making use of a Foundation as a vehicle to be the owner of any movable or immovable good in order to indirectly transfer such assets by means of the transmission of ownership of such Foundation is not also applicable to Trusts, as Trusts do not in themselves constitute legal entities separate from the Trustees. To transmit the authority or control that the Settlor has over the Trustee and, consequently, over the assets that are managed by the latter, another juridical act must be formalised following the same formalities as those required upon the transfer of assets to the Trustee by the Settlor.
- A Trust that is to produce effects after the death of the Settlor must be constituted following the formalities of a will save in cases where the Trustee holds a license for practising the business of Trusts.
- In cases where a Foundation is created, whether through a public or private document, to take effect after the Founder's death, the formalities envisaged for making a will are not required.
- Trust agreements may have a name, but this is solely for reference purposes, as a Trust is not in itself a legal entity.

- In the case of a Foundation, same must have a name expressed in any language which includes the word "Foundation".
- Trust agreements shall have effect in respect of third parties as from the authentication of the signatures of the Settlor and of the Trustee or of their attorneys in fact by a Notary Public or a Panamanian Consul.
- A Private Foundation shall have effect in respect of third parties as from the registration of the Foundation Charter at the Public Registry save for the exceptions envisaged by the law on inheritance matters.
- Trust agreements are created by the signatures of the Settlor and the Trustee or Trustees. In contrast, a Foundation is constituted solely with the signature of the Founder (who may be a Trustee).
- The Foundation law provides for the figure of a Protector for supervising and safeguarding the assets at the disposal of the Foundation Council. The Trust law in no way forbids the appointment of "Protectors" or any supervisory body, but it does not specifically create such a figure.
- The control and administration of the assets given in trust falls on the Trustee. This corresponds to the Foundation Council in Foundations.
- The law governing Trusts includes no provisions regarding the applicability of foreign laws in the matter of successions. In the case of Foundations, there are specific regulations protecting the Founder's wishes, as inheritance provisions of the Founder's domicile are not opposable to the creation of a Foundation, nor to the transfers made to a Foundation. That is, legal heirs do not have right to revoke the creation of a Foundation nor its transfers to the prejudice of the Foundation's beneficiaries.
- In a Trust, the Trustee may appoint one or more trustees with no limitations as to minimum or maximum numbers. On the other hand, the Foundation Council requires a minimum of three members if same is constituted by natural persons.
- A Trust's aims are any objects of a business nature. In contrast, a Foundation's range of action is limited to activities for which a Business License, Industrial License or Professional Qualification is not required to carry them out, that is, being the owner of securities, real estate and bank accounts, as well as entering into contracts of any kind that do not imply the practice of a commercial sale business. The law governing Private Foundations provides that, despite the fact Foundations that same may not have profit objectives, they may carry out mercantile activities in a non habitual manner or exercise the rights deriving from the titles representing the capital of mercantile companies that make up the Foundation's assets, provided that the financial result or product of such activities is assigned exclusively to the Foundation's aims.
- A Trust has no asset protection regulations vis-à-vis future claims by creditors. The Foundation law has very clear regulations restricting claims against the Founder.
- No reserve Trusts are sold. In the case of Foundations, it is juridically and commercially feasible to do so, and is in fact a regular legal practice.
- A Paulian or revocatory action opposing the contribution or transfer of assets in favour of the Trustee by virtue of a Trust Agreement entered into has no specific prescription date. In contrast, such actions in the Foundation law prescribe three years after the transfers have been made.
- The transfers of assets to a Trustee are generally made in order to replace a will and to carry out commercial transactions, the most common of which are: the purchase of immovable property, the opening of bank accounts, the accrual of capital in mutual funds and the signing of international contracts in order to facilitate exchanges and avoid taxes. Foundations, on the other hand, although a discreet mechanism for opening bank accounts, or purchasing immovable property are basically constituted for inheritance purposes, and are created to manage the distribution of

family money and properties, to act as charitable or church institutions, and to convert them into holding companies that act as the owners of corporations.

- A Trust is terminated where the office of sole beneficiary and that of sole trustee fall on one person. A Foundation is not terminated where the office of sole beneficiary and that of sole member of the Foundation Council fall on one person.

G. BASIC INFORMATION REQUIRED BY MOSSACK FONSECA & CO. TO CONSTITUTE A PRIVATE FOUNDATION

Mossack Fonseca & Co. requires certain minimum data from the client in order to proceed with the formation of a Private Foundation (See annex No. 3), that is to say:

Name of the Foundation: As explained in the preceding pages, the name may be in any language and must include the word "Foundation" (also in any language). There are certain words that may not be used, such as: "Insurance", "Assurance", "Seguros", "Bank", "Banco", "Trust", "Trustee", "Fideicomiso", "Fiduciario"; and "Bolsa de Valores, or any other word with a similar meaning.

Purpose of the Foundation: The standard Foundation Charter and Regulations the firm uses contain wide objectives that basically benefit one or more members of one or more families and institutions of any nature. We suggest using our standard formats, although the client may insert a special clause in the standard objectives or modify them, or amend any terms of the standard Foundation Charter or change any clause in the standard Regulations.

Initial Foundation Assets: The standard Foundation Charter stipulates the minimum allowed by law, that is, US\$10,000. If a client requires greater Foundation Assets, Mossack Fonseca & Co. must be so informed.

Full Names: Of the Founders and the members of the Foundation Council, and their addresses. There may be one (1) or more Founders. Our firm offers the services of nominee Founders.

Unless it is a corporate entity, the Foundation Council must comprise three (3) members of legal age, of any gender or nationality. We can provide nominee Foundation Council members, whether natural persons or corporate entities.

Although it is not envisaged by the law, the client has the option of appointing officers to the Foundation Council (President, Secretary or any other office). Mossack Fonseca & Co. also offers the services of nominee officers.

Additional Services: It would be preferable for the client to request any complementary services he may require along with his request for a Private Foundation, such as: P.O. Box services, answering and fax services, issuance of general or special power of attorney, issuance of the Foundation Regulations, Foundation seal and/or additional copies of the constitutional documents.

H. APPENDICES

1. Law No. 25 of 12th June 1995 on Private Foundations.
2. Executive Decree No. 417 of 8th August 1995 whereby the Private Foundation section is created at the Directorate General of the Public Registry and the registration of the constitution, modification and termination of such Foundations are regulated.
3. Model of the organization Chart of a Private Foundation and comparison with a Corporation and a Trust.
4. Standard Irrevocable Foundation Charter
5. Standard Irrevocable Foundation Regulations
6. Foundation Request form



APPENDIX #1 AND #2

REPUBLIC OF PANAMA

LAW No. 25
of 12th June, 1995
ON PRIVATE FOUNDATIONS

AND

EXECUTIVE DECREE No. 417
(of 8 August, 1995)

"Whereby the Private Foundations Section is created within the General Directorate of the Public Registry, and regulations are established for the registration of the constitution, modification and extinction of said foundations."

MOSSACK FONSECA & CO.

LAW No. 25 OF 12th JUNE, 1995 ON PRIVATE FOUNDATIONS.

ARTICLE 1. A Private Foundation may be created in accordance with the formalities prescribed in this law by one or more natural or juridical persons, either personally or through third parties. For this purpose an endowment shall be established, to be used exclusively towards the objectives or purposes expressly provided for in the Foundation Charter. The initial endowment may be increased by the creator of the foundation, who shall hereinafter be known as the founder, or by any other person.

ARTICLE 2. Private Foundations shall be governed by their Foundation Charter and its Regulations as well as by the provisions of this law and any other applicable legal or regulatory provisions. The provisions of Title II, Book I of the Civil Code shall not apply to these foundations.

ARTICLE 3. Private Foundations shall not be profit oriented. They may nevertheless engage in commercial activities on a non-habitual basis or exercise rights deriving from titles representing the capital of business companies held as part of a foundation's assets, provided that the economic result or proceeds from such activities are used exclusively towards the foundation's objectives.

ARTICLE 4. Private Foundations may be constituted to become effective from the time of their creation or upon the death of their founder, following either of the following methods:

1. By means of a private document signed by the founder, whose signature shall be authenticated by a Notary Public at the place of constitution.
2. Directly before a Notary Public at the place of constitution.

Whichever may be the constitution method, the formalities prescribed in this law for the creation of foundations shall be complied with.

In the event a foundation is created, be this by public or private document, in order to take effect after the death of the founder, the formalities prescribed for making a will shall not be required therefore.

ARTICLE 5. A Foundation Charter shall contain:

1. The name of the foundation, in any language using the Latin alphabet, which name shall not be the same or similar to that of a pre-existing foundation of the Republic of Panama so as not to lend itself to confusion. The name shall include the word "foundation" in order to distinguish it from natural persons or from different types of juridical persons.
2. The foundation's initial patrimony, expressed in any currency being legal tender, which in no case shall be less than a sum equivalent to \$10,000.00.
3. A complete and clear designation of the member or members of the Foundation Council, to which the founder may belong, including their addresses.
4. The foundation's domicile.
5. The name and address of the foundation's resident agent in the Republic of Panama, who shall be a lawyer or a law firm, who shall countersign the Foundation Charter prior to its registration at the Public Registry.
6. The purposes of the foundation;

7. The manner in which the beneficiaries of the foundation, who may include the founder, are designated.
8. The reservation of the right to modify the Foundation Charter where considered expedient.
9. The duration of the foundation.
10. The use to be made of the foundation's assets and the manner in which its estate is to be liquidated in the event of dissolution.
11. Any other lawful clauses deemed expedient by the founder.

ARTICLE 6. The Foundation Charter, as well as any amendment thereto, shall be written in any language that uses the Latin alphabet and shall comply with the regulations relating to the registration of acts and titles at the Public Registry, for which purpose it must first be protocolised at a Notary Public's office in the Republic of Panama. If a Foundation Charter or its amendments are not written in Spanish, same shall be protocolised together with its Spanish translation made by a certified public translator of the Republic of Panama.

ARTICLE 7. Any amendments to the Foundation Charter, where they are permitted, shall be made and signed in accordance with its provisions. The respective amendment agreement, resolution or modification document shall include the date on which it was made and the clearly identifiable name(s) of the person(s) signing it and his/her (their) signature(s) which shall be authenticated by a Notary Public of the place of signature.

ARTICLE 8. Every Private Foundation shall pay a registration fee and a single annual registration tax equivalent to those established for corporations in Articles 318 and 318A of the Fiscal Code.

The procedure and form of payment, surcharge for late payment, consequences of non-payment and all other provisions complementary to the aforementioned legal provisions shall apply to Private Foundations.

ARTICLE 9. The registration of the Foundation Charter of a Private Foundation at the Public Registry shall confer upon it juridical personality without the need for any other legal or administrative authorization. Registration at the Public Registry shall in addition constitute a means of publicity with regard to third parties.

Consequently, a foundation may acquire and own assets of all kinds, incur obligations and be a party to administrative and judicial processes of all kinds, in accordance with any applicable provisions.

ARTICLE 10. Once a foundation has acquired juridical personality, the founder or third parties who have undertaken to contribute assets to the foundation, of their own accord or at the request of any person having an interest in the foundation, shall formalize the transfer of the assets they pledged. When the foundation has been constituted to take effect upon the death of the founder, it shall be deemed to have existed prior to the founder's death with respect to the donations which he may have made to the foundation.

ARTICLE 11. For all legal purposes, the assets of a foundation shall constitute an estate separate from the founder's personal assets. Therefore, they may not be seized, attached, or be subject to any lawsuits or precautionary seizures, save for obligations incurred or damages caused by virtue of the fulfillment of the purposes and objectives of the foundation or on the basis of legitimate rights of the foundation's beneficiaries. In no case shall such assets be used to respond for the personal obligations of the founder or of the beneficiaries.

ARTICLE 12. Foundations shall be irrevocable save in the following cases:

- a) where the Foundation Charter has not been registered at the Public Registry;
- b) where the Foundation Charter expressly provides otherwise;
- c) For any of the causes of revocation of donations.

Transfers made to foundations shall be irrevocable on the part of the transferor, except if expressly otherwise provided in the transfer deed.

ARTICLE 13. In addition to the provisions of the foregoing article, whenever a foundation has been created so as to take effect upon the founder's death, he shall have the exclusive and unlimited right to revoke it.

The founder's heirs shall have no right to revoke the creation of or transfers to a foundation, even in the event that such foundation has not been registered at the Public Registry prior to the founder's death.

ARTICLE 14. The existence of any legal provisions concerning inheritance matters at the founder's or the beneficiaries' domicile shall not be opposable to the foundation, nor shall such provisions affect the validity of the foundation or prevent the attainment of its purposes in the manner provided in the Foundation Charter or its regulations.

ARTICLE 15. The creditors of the founder or of a third party shall have the right to contest the contribution or transfer of assets to a foundation where such transfer constitutes an act to defraud creditors. The rights and right to sue of said creditors shall lapse three (3) years from the date of the contribution or transfer of assets to the foundation.

ARTICLE 16. The assets of a foundation may originate from any lawful business and may consist of property of any nature, present or future. Other sums of money or property may also be periodically incorporated into the assets by the founder or by third parties. The transfer of property to the foundation's assets may be effected by public or private document. Nevertheless, in the case of immovable property, the transfer shall comply with the rules relating thereto.

ARTICLE 17. The foundation shall have a Foundation Council whose powers or responsibilities shall be established in the Foundation Charter or its regulations. Unless the Council is a juridical person, the number of members in the Foundation Council shall be not less than three (3).

ARTICLE 18. The Foundation Council shall be entrusted with the fulfillment the Foundation's aims or purposes. Unless otherwise provided in the Foundation Charter or its regulations, the Foundation Council shall have the following general obligations and duties:

1. To manage the assets of the Foundation in accordance with the Foundation Charter or its regulations.
2. To carry out those acts, contracts or business as may be expedient or necessary to fulfill the purpose of the foundation and to include in such contracts, agreements and other instruments or obligations, such clauses and conditions as are necessary and expedient, being consistent with the foundation's purposes and not contrary to law, morality, good manners or public order.
3. To inform the beneficiaries of the foundation about its economic situation as provided by the Foundation Charter or its regulations.
4. To hand over to the beneficiaries of the foundation the assets or resources settled in their favor in the Foundation Charter or its regulations.
5. To carry out those acts or contracts which the foundation, according to this law and other applicable legal or regulatory provisions, may be permitted to carry out.

ARTICLE 19. The Foundation Charter or its regulations may provide that the members of the Foundation Council may only exercise their powers after obtaining prior authorization from a Protector, a committee or any other supervisory body appointed by the founder or by the majority of the founders. The members of the Foundation Council shall not be held liable for any loss or deterioration of the foundation's assets, nor for any damages caused where the aforesaid authorization had been duly obtained.

ARTICLE 20. Unless otherwise provided in the Foundation Charter or its regulations, the Foundation Council shall render

accounts of its administration to the beneficiaries and, where applicable, to the supervisory body. If the Foundation Charter or its regulations contain no provision in this regard, the rendering of accounts must be done annually. If no objections to the account rendered are raised within the term established in the Foundation Charter or its regulations, or if such term were not specified, the accounts rendered shall be deemed to have been approved ninety (90) days from the date these were received, for which purpose a record of this term shall be entered in the accounts. Upon either the end of said term or approval of the accounts, the members of the Foundation Council shall be exempt from liability for their administration, unless they had failed to act with the diligence of a *bonus paterfamilias*. Such approval shall not exempt them *vis-à-vis* the beneficiaries or third parties having an interest in the foundation with regard to any damages caused by gross negligence or fraud in the administration of the foundation.

ARTICLE 21. The founder may reserve in the Foundation Charter, for himself or for other persons, the right to remove the members of the Foundation Council as well as to appoint or add new members.

ARTICLE 22. Where the Foundation Charter and the regulations do not contain provisions regarding the right to remove and the causes for removal of the members of the Foundation Council, said members may be judicially removed, by means of summary proceedings, for the following causes:

1. Whenever their interests are incompatible with the interests of the beneficiaries or of the founder.
2. If they managed the foundation's assets without the due diligence of a *bonus paterfamilias*.
3. If they were convicted of any offense against private property or public faith. In such a case, whilst criminal proceedings are taking place, the prosecuted member may be temporarily suspended from office.
4. Due to the inability or impossibility of fulfilling the objectives of the foundation, from the time such causes arise.
5. Due to insolvency, bankruptcy or creditors meeting proceedings.

ARTICLE 23. The judicial removal of the members of the Foundation Council may be requested by the founder and the beneficiary or beneficiaries. If the beneficiaries were disabled or minors, they may be represented by whoever exercises *patria potestas* or legal guardianship over them, as the case may be.

The judgment decreeing the removal shall appoint new members in replacement of the former members who shall be persons with sufficient capability, qualifications and sound moral standing to manage the foundation's assets in accordance with the purposes established by the founder.

ARTICLE 24. The Foundation Charter or its regulations may provide for the creation of supervisory bodies that may be constituted by natural or juridical persons, such as auditors, Foundation Protectors or the like.

The roles of such supervisory bodies shall be established in the Foundation Charter or its Regulations and may include, *inter alia*, the following:

1. To ensure fulfillment of the foundation's purposes by the Foundation Council and to protect the rights and interest of the beneficiaries.
2. To demand the rendering of account by the Foundation Council.
3. To modify the purposes and objectives of the foundation where their fulfillment becomes impossible or burdensome.
4. To appoint new members to the Foundation Council because of a temporary or permanent absence or the expiration of the period for which they were appointed.
5. To appoint new members to the Foundation Council in the event of the temporary or accidental absence of any of them.

6. To increase the number of members of the Foundation Council.
7. To endorse actions taken by the Foundation Council pursuant to the Foundation Charter or its regulations.
8. To safeguard the foundation's assets and to ensure that said assets are used for the objectives or purposes stated in the Foundation Charter.
9. To exclude beneficiaries from the foundation and to add other beneficiaries in accordance with the provisions of the Foundation Charter or its Regulations.

ARTICLE 25. A foundation shall be dissolved upon:

1. The advent of the date on which such foundation should terminate in accordance with its Foundation Charter.
2. The achievement of the purposes for which it was created or because their fulfillment becomes impossible.
3. Its insolvency, cessation of payments or upon adjudication of bankruptcy.
4. The loss or total extinction of the foundation's assets.
5. Its revocation.
6. Any other cause established in the Foundation Charter or in this law.

ARTICLE 26. Any beneficiary of a foundation may object to those acts of the foundation that violate the rights conferred upon him or her by the foundation, denouncing said circumstance to the Protector or to other supervisory bodies, if any, or, lacking same, by directly instituting the corresponding judicial action before the appropriate court in the foundation's domicile.

ARTICLE 27. The acts of creation, modification and extinction of a foundation shall, as well as acts of transfer, transmittal or encumbrance of a foundation's assets and the income arising there from or any other act in connection therewith, shall be exempt from all taxes, contributions, rates, liens or imposts of any kind or description, provided that said assets consist of:

1. Assets located abroad;
2. Money deposited by natural or juridical persons whose income does not arise from a source in Panama or is not taxable in Panama for any reason;
3. Shares or securities of any kind, issued by companies whose income does not arise from a source in Panama, or where their income is not taxable for any reason even though such shares or securities be deposited in the Republic of Panama.

The transfer of immovable property, titles, certificates of deposit, securities, monies or shares made in pursuit of the objectives or purposes of a foundation or due to the extinction of a foundation, in favor of the founder's relatives within the first degree of consanguinity or to the founder's spouse, shall also be free from any taxes.

ARTICLE 28. Foundations constituted in accordance with a foreign law may submit to the provisions of this law.

ARTICLE 29. The foundations referred to in the preceding article that elect to become subject to the provisions of this law shall submit a Certificate of Continuation issued by the pertinent body according to their internal organization which shall contain:

1. The name of the foundation and the date of its constitution.
2. The data relating to its recording or deposit at the registry of its country of origin.
3. The express declaration of its wish to continue its legal existence as a Panamanian foundation.
4. The requirements set forth in Article 5 of this law for the constitution of Private Foundations.

ARTICLE 30. The certification containing the Resolution of Continuation and the other requirements mentioned in the preceding article shall have the following documents attached to it:

1. A copy of the original Act of Constitution of the foundation desiring to continue in Panama, together with any subsequent amendments;
2. Power of attorney in favor of a Panamanian lawyer to carry out the formalities required to carry out the continuation of the foundation in Panama.

The Certificate of Continuation, together with the attached documents referred to in this law, shall be duly protocolised and registered at the Public Registry in order for the foundation to continue its legal existence as a Private Foundation of the Republic of Panama.

ARTICLE 31. In the cases envisaged in Article 28, the responsibilities, duties and rights of the foundation acquired prior to the change of domicile or governing law shall continue in effect, as will any lawsuits that may have been brought against or by the foundation, without prejudice to such rights and obligations due to the change authorized by the aforementioned legal provisions.

ARTICLE 32. Foundations constituted in accordance with this law as well as the assets that constitute their patrimony, may be transferred or become subject to the laws and jurisdiction of another country as may be provided in the Foundation Charter or its Regulations.

ARTICLE 33. Registrations relating to Private Foundations shall be made at the Public Registry in a special section to be known as the "Private Foundations Section." The Executive Branch, acting through the Ministry of Government and Justice, shall issue the regulations applicable to said section.

ARTICLE 34. To avoid the undue use of Private Foundations, all the provisions of Executive Decree No. 468 of 1994 and any other legal provisions in force aimed at combating money laundering arising from drug trafficking shall be applied to their operation.

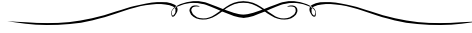
ARTICLE 35. Members of the Foundation Council and of the supervisory bodies, if any, as well as public servants or private sector employees who have knowledge of the activities, transactions or operations of foundations shall maintain secrecy and confidentiality regarding these at all times. Breach of this obligation shall be punishable by six (6) months imprisonment and a B/.50,000.00 fine, without prejudice to the corresponding civil liability.

The provisions of this Article are applicable without prejudice to the information that must be disclosed to official authorities and the inspections the latter must carry out in the manner established by the law.

ARTICLE 36. Any dispute for which no special process is specified in this law shall be resolved by means of a summary process.

The Foundation Charter or its regulations may establish that any dispute arising with regard to the foundation shall be resolved by arbiters or arbitrators, as well as the procedure to be followed. If no such procedure has been established, the rules of the Judicial Code on this matter shall apply.

ARTICLE 37. This Act shall enter into effect upon its publication.



MINISTRY OF GOVERNMENT AND JUSTICE
EXECUTIVE DECREE N° 417
(Of 8 August 1995)

“Whereby the Private Foundations Section is created within the General Directorate of the Public Registry, and regulations are established for the registration of the constitution, modification and extinction of said foundations.”

THE PRESIDENT OF THE REPUBLIC

In the exercise of his constitutional and legal powers,

WHEREAS

The Public Registry has among its purposes to certify the authenticity of all matters pertaining to the constitution, modification or extinction of juridical persons.

By virtue of the foregoing, Article 33 of Law No. 25 of 12 June 1995, whereby Private Foundations are regulated, sets forth that in the Public Registry there shall be registered all matters relating to this new juridical institution.

The said Law expressly provides for the creation of a new Private Foundations Section within the organizational structure of the Public Registry, which shall be responsible for the registration of all matters relating to the constitution, modification and extinction of said foundations.

DECREES

CHAPTER I
ON THE PRIVATE FOUNDATIONS SECTION

ARTICLE 1: The Private Foundations Section is hereby created, which shall be in charge of the evaluation and registration of the documents concerning the constitution, modification and extinction of Private Foundations regulated by Law No. 25 of 12 June 1995.

The appointment of the staff assigned to the Private Foundations Section of the Public Registry shall fall on the Director General of the institution.

The staff of the Private Foundations Section shall have the same duties and responsibilities currently ascribed to officials of the Public Registry.

CHAPTER II
ON THE REQUIREMENTS SUBJECT TO EVALUATION

ARTICLE 2: All documents containing the constitution of or any modification to a Private Foundation shall be protocolized at a Notary Public's office in the Republic of Panama prior to being submitted to the Public Registry for registration.

ARTICLE 3: The instrument of constitution shall include a Foundation Charter containing at least the following:

1. The name of the foundation, in any language using the Latin alphabet, which name shall not be the same or similar to that of a pre-existing foundation of the Republic of Panama so as not to lend itself to confusion. The name shall include the word "foundation," in order to distinguish it from natural persons or from different types of juridical persons.
2. The foundation's initial patrimony, expressed in any currency being legal tender, which in no case shall be less than a sum equivalent to \$10,000.00.

3. A complete and clear designation of the member or members of the Foundation Council, to which the founder may belong, including their addresses.
4. The foundation's domicile.
5. The name and address of the foundation's resident agent in the Republic of Panama, who shall be a lawyer or a law firm, who shall countersign the Foundation Charter prior to its registration at the Public Registry.
6. The purposes of the foundation.
7. The manner in which the beneficiaries of the foundation, who may include the founder, are designated.
8. The reservation of the right to modify the Foundation Charter where considered expedient.
9. The duration of the foundation.
10. The use to be made of the foundation's assets, and the manner in which its estate is to be liquidated in the event of dissolution.
11. Any other lawful clauses deemed expedient by the founder.

ARTICLE 4: The agreements, resolutions, or acts to modify the Foundation Charter shall be executed and signed in the manner set forth therein. In any event, the modification shall contain the date on which it was made, the clearly identifiable name of the person or persons who sign it and their signatures, which shall be authenticated by a notary public of the place where the agreement, resolution or act to amend is signed.

ARTICLE 5: Except as otherwise provided for by the Foundation Charter, all the acts or resolutions agreed to by the Private Foundation which need to be registered at the Public Registry shall be protocolized in one of the following forms:

- A. When the act or resolution has been done or adopted at a meeting of the Foundation Council, the following shall be protocolized:
 - a. The original or a true and full copy of the minutes or resolution, certified by the person who acted as Secretary or as Chairman of the meeting; or
 - b. A literal extract of the minutes, or certification of the resolutions or agreements adopted, whose registration is desired.

The original minutes or a copy thereof, as well as the extract referred to in this article, shall contain at least the following:

- (i) Date on which the meeting was held or on which the resolution was adopted;
- (ii) Name of the person who acted as Chairman and of the person who acted as Secretary of the meeting; if they are not members of the Foundation Council, a statement that justifies their acting as such;
- (iii) The names of all the members of the Foundation Council present at the meeting, which shall constitute a quorum for the purpose of holding meetings and reaching agreements, as provided in the Foundation Charter;
- (iv) The way in which notice of the meeting was given, or justification for not giving notice, either because notice was waived by those entitled to receive it, or because all Council members

were present and had agreed to hold the meeting, or had decided to issue the respective resolution.

- B. When the act or resolution has been adopted in writing without a meeting of the Foundation Council, or same has been adopted by the founder, there shall be submitted the original or a true and full copy of the act or resolution, or, failing this, a literal extract of that part of the act, resolution or agreement adopted whose registration is required, signed by the person(s) who were involved, and, in addition, shall contain the following:
- a. The date on which the act, resolution or agreement was adopted;
 - b. The name of the person or persons who were involved in the adoption of same.

The documents referred to in this article shall be protocolized and submitted for registration by the founder, by a member of the Foundation Council, by the registered Resident Agent or by any other person duly authorized to do so at the respective meeting or in the resolution.

- C. In cases of acts, resolutions or agreements of the Foundation Council, when the latter is made up of a single juridical person, as provided by Article 17 of the Law, the respective resolution shall be accompanied by a certification or satisfactory evidence accrediting the signer's right to represent the juridical person.

If the mentioned documentation were protocolized and submitted for registration by the Foundation's registered Resident Agent, it shall be sufficient for the latter to state for the record that the signer is legally authorized to sign the document on behalf of the company.

All of the acts described in this regulation shall be countersigned by a lawyer who is licensed to practice in the Republic of Panama prior to their protocolization.

ARTICLE 6: The foundations constituted in accordance with a foreign Law that wish to continue their legal existence as a Private Foundation under the jurisdiction of the Republic of Panama shall submit the following documentation for protocolization and registration at the Public Registry, to wit:

- A. Certificate of Continuation issued by the body that, according to its internal organization, should do so, which certificate shall contain:
- a. The name of the Foundation and the date of constitution;
 - b. The data regarding its registration or official recording at the Registry of the country of origin;
 - c. The express declaration of its wish to continue its legal existence as a Private Foundation under Panamanian law;
 - d. The other requirements stated in Article 5 of Law No. 25 of 12 June 1995 for the constitution of Private Foundations.

Together with the certification containing the resolution of continuation and the other requirements mentioned in the preceding paragraph, the following documents shall also be protocolized and registered:

- 1. Copy of the original Foundation Charter of the Foundation that wishes to continue in Panama, together with any subsequent amendments thereto.
- 2. Power of attorney granted to a Panamanian lawyer for the purpose of fulfilling the necessary formalities required to effect the continuation of the foreign Foundation in Panama.

If the certificate of continuation, or any of the other documents or requirements which must accompany same, are not

written in the Spanish language, they shall be protocolized together with the translation of same done by a licensed public translator of the Republic of Panama.

ARTICLE 7: The registration of the documents wherein the legal existence of a foreign Foundation is continued, pursuant to Article 28 et seq. of Law No. 25 of 12 June 1995, shall be subject to the same registration fees established in this Decree as are caused by the registration of the constitution of a Private Foundation.

CHAPTER III ON REGISTRATION PROCEDURES

ARTICLE 8: The registration of the documents containing the Foundation Charter, as well as the modifications thereto, and the extinction of Private Foundations shall take place in the respective Section of the Public Registry. Said registration shall be done through the system of direct microfilming of the documents, or by any other registration system adopted by the Public Registry in the future. In any case, there shall be applied the same procedure contemplated in Decree No. 93 of 22 June 1976, relating to the use of the microfilm system in the Mercantile Section of the Public Registry.

ARTICLE 9: Once the document has been evaluated in accordance with the legal provisions in force and with the provisions of this Decree, the Head of the Private Foundations Section shall order the registration of said document by means of a seal, duly signed, and shall send the document to the Microfilming Section for same to be microfilmed.

ARTICLE 10: For the registration of documents effecting the transfer of or establishing a lien over immovable property belonging to Private Foundations that is situated in the national territory, there shall be followed the same procedure contemplated in Decree No. 62 of 10 June 1980, relating to the registration of documents in the Property Section, as well as the procedure stated in Decree No. 93 of 22 July 1976, regarding the registration of documents in the Mortgages Section of the Public Registry.

CHAPTER IV ON REGISTRATION FEES

ARTICLE 11: The registration of the documents whereby a Private Foundation is constituted shall be subject to the same registration fees as the registration of the constitution of a mercantile company in the Public Registry, in accordance with Article 318 of the Fiscal Code, to wit:

	CAPITAL	FEES
a)	The first US\$10,000.00	US\$50.00
b)	From US\$10,001 to US\$100,000.00	US\$50.00 for the first US\$10,000.00, and US\$0.75 for each additional US\$1,000.00 or fraction thereof up to US\$100,000.00.
c)	From US\$100,001 to US\$1,000,000.00	US\$117.50 for the first US\$100,000.00, and US\$0.50 for each additional US\$1,000.00 or fraction thereof additional to US\$100,000.00.
d)	More than US\$1,000,000.00	US\$567.50 for the first million, and US\$0.10 for each US\$1,000.00 or fraction thereof additional to the first million.

The same fees mentioned in paragraphs a), b) and c) shall be caused by the documents by means of which the endowment (Capital) of the Foundation is increased. In this case, fees shall only be paid in respect of the increase.

The documents by means of which the Private Foundation is modified or dissolved shall cause registration fees in the amount of US\$40.00.

ARTICLE 12: As set forth in Article 314 of the Fiscal Code, the registration of the documents effecting the transfer of immovable property situated within the national territory that belongs to or benefits Private Foundations shall cause the following registration fees:

- a) US\$0.40 for each US\$100.00 or fraction thereof of the value of the acts or contracts whereby ownership of immovable property is constituted or conveyed, provided that said value does not exceed US\$1,000.00. Those that exceed US\$1,000.00 shall cause, for the first thousand, US\$4.00 in fees and, in addition, US\$2.00 for each additional US\$1,000.00 or fraction thereof.
- b) The rates mentioned in this subsection shall be applied to the immovable property's assessed value, if the value expressed in the document is less than the assessed value. To this end, the document shall be submitted to the Public Registry, accompanied by a certificate issued by the competent official declaring the assessed value of the immovable property. If said value is not recorded in the Land Valuation Department, it shall be caused to be assessed and recorded therein, so that it may be possible to comply with the provisions of this subsection.
- c) US\$0.10 for each US\$100.00 or fraction thereof of the value of lease contracts over immovable property, said fees being calculated over the rent expressed in the document for the term of the contract, and if not so expressed, over one year's rent;
- d) US\$1.00 for each parcel of land subject to an easement;
- e) US\$2.00 for the acts or contracts wherein the antichresis is constituted, modified or extinguished, if it be accessory to the act or contract of mortgage;
- f) When the act or contract of antichresis is not accessory to the mortgage contract, the registration fees shall be the same as those stated in the preceding article;
- g) US\$2.00 for the aggregation of parcels of land and for each one of the new parcels resulting from the division of one already registered;
- h) US\$3.00 for those containing promises to buy or sell immovable property;
- i) US\$5.00 for each claim in the property titles to mines.
- j) US\$5.00 for the acts or contracts constituting, modifying or extinguishing rights of usufruct, use, tenancy and any other real rights different to mortgage, easement and antichresis.
- k) US\$4.00 for any other registration not mentioned in this article.

ARTICLE 13: In accordance with Article 315 of the Fiscal Code, the registration of documents that establish a lien over movable and immovable property situated within the national territory, which property belongs to or benefits Private Foundations, shall be registered in the corresponding section of the Public Registry and shall be subject to the following fees:

- a) US\$0.20 for each US\$100.00 or fraction thereof of the value of the acts or contracts for which pledges or mortgages are constituted.
- b) The documents by means of which the amount of a mortgage or pledge credit is increased shall pay the same fees stated in this article, but only in respect of the increase.
- c) For the registration of documents in which mortgages or antichresis are extended there shall be paid a fee of US\$0.50, except in cases in which fees of less than US\$10.00 were paid for the original registration; in these cases, a fee equal to half the amount paid for the original registration shall be paid for the extension.

ARTICLE 14: The registration of the documents containing the cancellation of mortgages, constituted over immovable property that belongs to Private Foundations and is situated within the national territory, shall cause a fee of US\$2.00.

ARTICLE 15: In accordance with Article 319 of the Fiscal Code, the registration of documents canceling all writs of seizure, attachment or lawsuits dealing with immovable property situated within the national territory or with real rights belonging to Private Foundations, shall cause a fee of US\$4.00.

ARTICLE 16: The registration of the documents containing mortgage contracts over movable property situated within the national territory which belongs to Private Foundations shall cause a fee of US\$15.00.

The registration of the cancellation of said contracts shall cause the same fees assigned to the cancellation of mortgages over immovable property.

ARTICLE 17: Any other registration not expressly mentioned in the preceding articles shall cause a fee of US\$4.00.

PARAGRAPH: In accordance with Law No. 44 of 5 August 1976, the registration of all of the above-mentioned acts shall be subject to payment of an additional tax on registration service for an amount equivalent to twenty per cent (20%) of the fees that have to be paid for the registration of said documents.

ARTICLE 18: In accordance with Article 320 of the Fiscal Code, the certifications issued by the Public Registry relating to the constitution and good standing of Private Foundations shall cause the following fees:

- a) US\$10.00 for the first page, fully or partially written, of any registration or notation, and US\$5.00 for each additional page or part thereof.
- b) US\$5.00 for each seal on a copy of the registration of the Foundation, or of the modifications thereto;
- c) US\$1.00 for each copy of a microfilm frame pertaining to the registration of foundations, or to the modifications thereto.

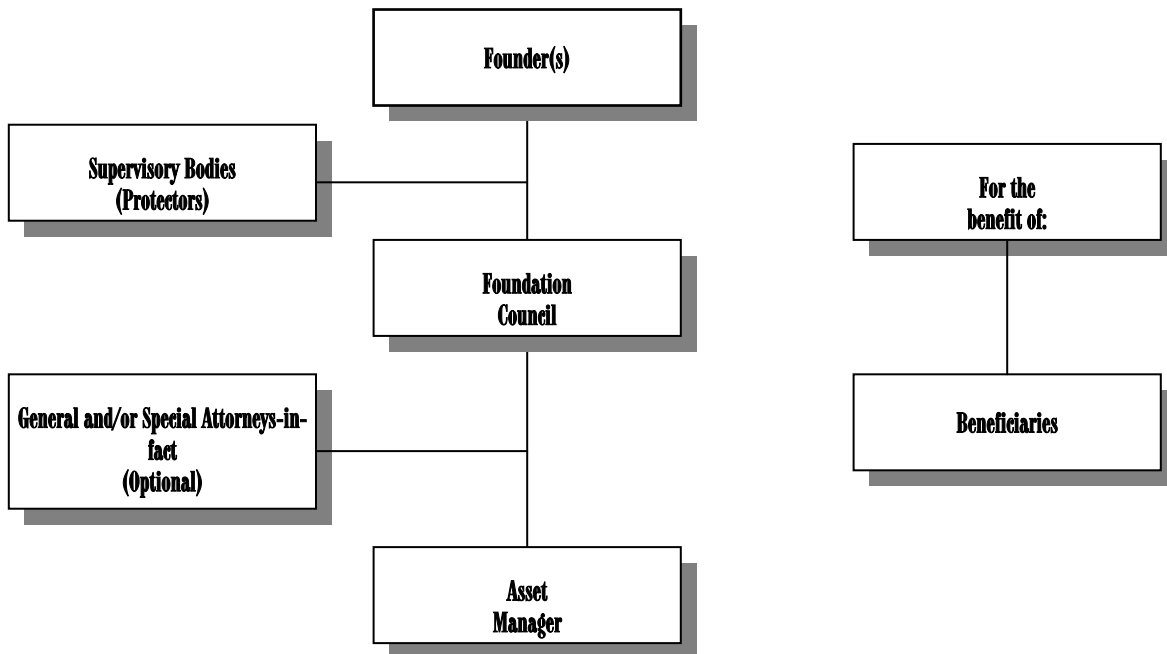
ARTICLE 19: This decree shall come into force upon its promulgation.

LET IT BE KNOWN AND PUBLISHED.

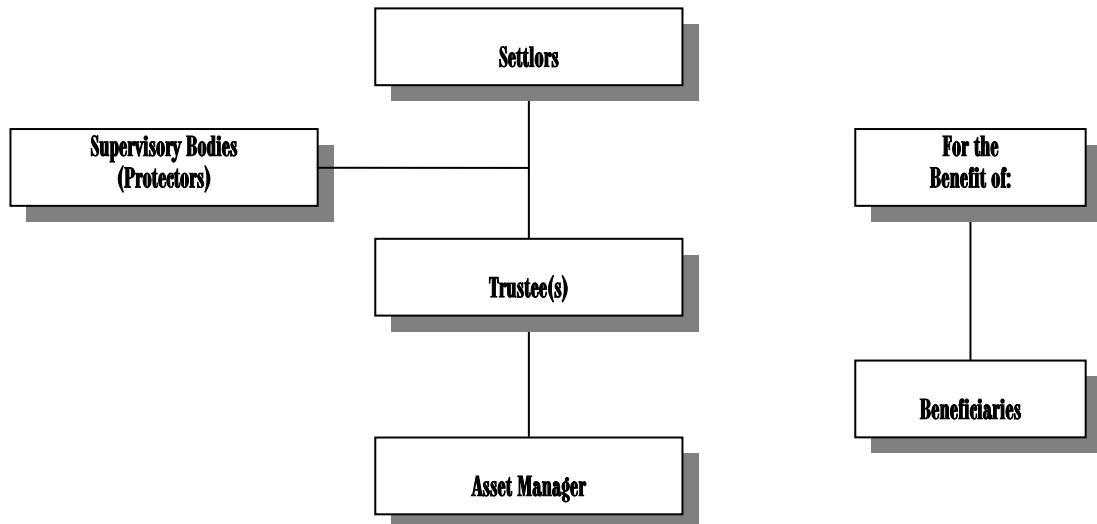
Given in the City of Panama, Republic of Panama, on the 8th day of August, nineteen hundred and ninety-five (1995).

APPENDIX #3

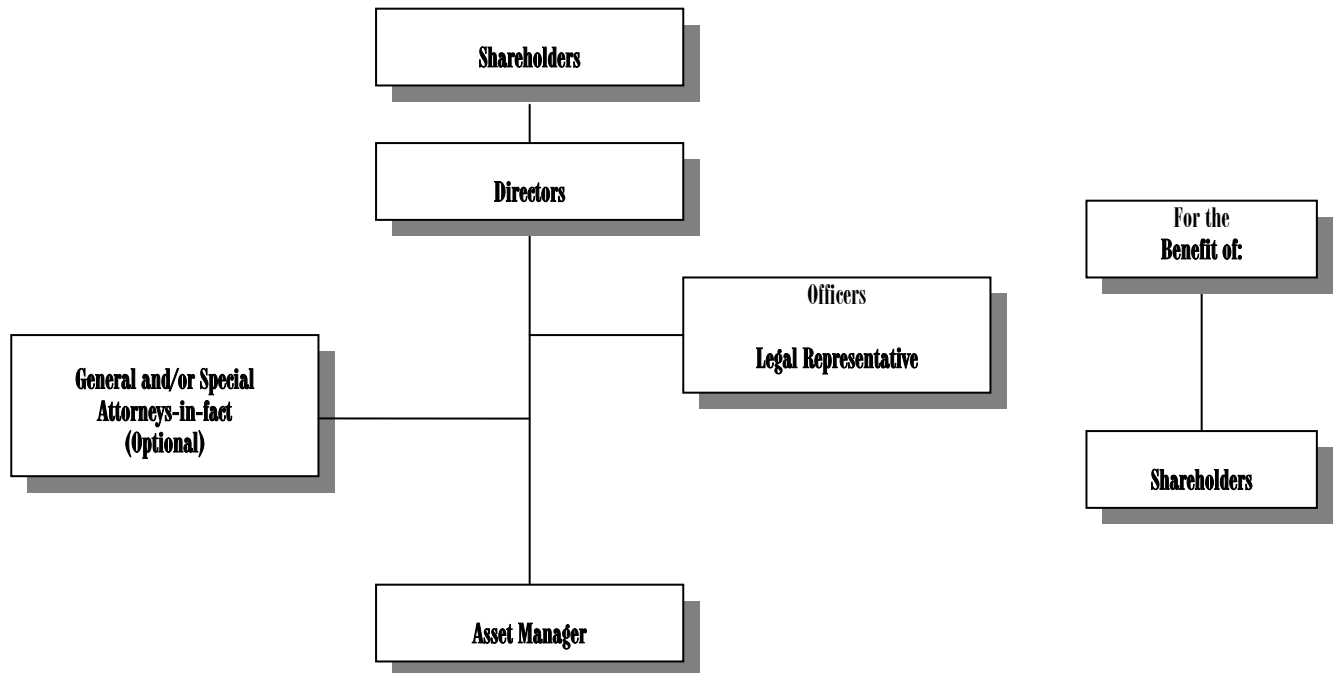
PRIVATE FOUNDATION



TRUST



CORPORATION



APPENDIX #4

FOUNDATION CHARTER
OF THE
PRIVATE FOUNDATION
NAMED

The undersigned, _____, with domicile at _____, acting as Founder(s) in accordance with the provisions of _____ hereby establish(es) a Private Foundation, a juridical person governed by the laws of _____, having the following characteristics:

FIRST: NAME

The name of the **FOUNDATION** is _____.

SECOND: INITIAL PATRIMONY

The initial endowment of the Foundation shall be **TEN THOUSAND DOLLARS (US\$10,000.00)**, legal currency of the United States of America. Sums of money or other assets may be added to the Foundation's assets from time to time by the Founder(s), the Foundation Council or third parties. Transfers of assets to the Foundation's assets may be effected by way of a public or private document. The Foundation's assets are exclusively reserved for the purposes mentioned in the present Foundation Charter, and the Foundation Council may therefore not dispose of such assets in any manner differing from or contrary to that established in the present Foundation Charter or the Regulations thereof.

The Foundation shall be irrevocable for its Founder(s).

THIRD: THE FOUNDATION COUNCIL

- a) The Foundation Council is the governing body of the Foundation.
- b) The Foundation Council may consist of natural and/or juridical persons.
- c) The Foundation Council's tenure of office is not limited to a set period of time, and members of the Foundation Council shall hold office until they are replaced through election by the remaining members of the Council, or by the Protector, if any.
- d) The members of the Foundation Council shall initially be appointed by the Founder(s). In the event of resignation, incapacity or the demise of any member of the Foundation Council, whether a titleholder or an alternate, a simple majority of the remaining members may elect a substitute. If there are no further members in the Foundation Council, or if the remaining members are incapable of acting, the right to appoint new Council members shall vest in the Protector, if any. Should the latter be absolutely lacking, such right shall vest in the Principal Beneficiary(ies) reflected in the Regulations or the Foundation's Resident Agent.

- e) The Foundation Council is responsible for the management, administration and representation of the Foundation, and may bind same without restrictions and with power of disposition, *vis-à-vis* third parties, including national or foreign judicial or governmental authorities.

In the exercise of its administrative powers, the Foundation Council may invest in securities, open bank accounts, borrow and grant loans, receive and make payments, keep accounting records, keep the custody of assets, establish and control subsidiary companies, engage agents, seek consultancy and advisory services and, not being limited to the generality of the foregoing, it may carry out all such acts as may be necessary for the administration of the Foundation in accordance with the provisions of this Foundation Charter and the Regulations.

- f) The Foundation Council may delegate its authority to issue the Regulations as well as the administration and representation of the Foundation for specific or general acts, to one or several of its members or to a third party, providing, when so doing, for the right to sign and bind the Foundation.
- g) The Foundation Council shall meet at the Foundation's domicile or at such other place as may be designated by the Foundation Council.
- h) If the Foundation Council is made up of several persons, whether natural or juridical, its resolutions shall be valid if all the members are present, whether personally or by proxy; and all resolutions approved in a meeting where there is a quorum, all absent members having waived the notice of meeting, shall be valid. The Foundation Council's resolutions shall be approved by a simple majority of the members of the Foundation Council and shall be recorded in minutes that shall be signed by any of the members of the Foundation Council.
- i) The resolutions of the Foundation Council may also be approved by means of a circular letter, but in such cases the signature of the majority of the members shall be required on the respective minutes.
- j) If the Foundation Council is made up of a juridical person, its decisions may be set down in minutes, which shall be signed by the President or Secretary of said juridical person, as sole member of the Foundation Council.
- k) The Foundation Council shall be made up by:

NAME	ADDRESS
_____	_____
_____	_____
_____	_____

FOURTH: DOMICILE

The Foundation's domicile is: _____. The Foundation's domicile may by means of a resolution of the Foundation Council be at any time transferred to another place, either in: _____ or abroad. All legal relationships arising from the constitution and existence of the Foundation shall be subject to the law in force in the Foundation's place of domicile. The Foundation's competent courts shall be the courts of its domicile. In the event the Foundation's domicile is transferred, the Foundation shall remain subject to the provisions of the Private Foundations Law of _____ insofar as compelling provisions at the Foundation's new domicile do not demand otherwise.

FIFTH: RESIDENT AGENT

The Foundation's Resident Agent is: _____, with offices at _____.

SIXTH: AIMS

The Foundation's aim is to defray the costs for the education, upbringing, training and assistance, as well as the general maintenance or other similar aims of one or more members of one or several families as established in the Regulations. In addition to the members of one or several families, the Foundation may benefit other natural or juridical persons or institutions of any nature and make all necessary provisions for the orderly succession to its assets. To achieve its objectives, the Foundation shall preserve, manage and invest its assets in an appropriate manner. The Foundation may not be profit oriented; however, it may carry on commercial activities in a non habitual manner or exercise the rights deriving from the titles representing the capital of business companies that are held as part of the Foundation's assets, provided the economic result or proceeds of these activities are used exclusively towards this Foundation's objectives. It may also engage in any other lawful activity allowed to this kind of institutions as the Foundation Council may determine.

SEVENTH: BENEFICIARIES

- (A) The Founder(s), upon creation of the Foundation, or the Foundation Council, subsequently thereto, may create a private document known as the "Regulations" whereby they designate and set down all that relates to the Beneficiaries. The Foundation Council shall assign the Foundation's assets, in full or in part, to one of the Beneficiaries or to several of them, in accordance with the provisions of the Regulations.
- (B) The distributions to one or several of the Beneficiaries so designated as well as the dates and amounts of such distributions shall be subject to the provisions of the Regulations.
- (C) It is expressly stipulated that the Beneficiaries are neither the owners nor creditors of the Foundation, and thus may not validly claim *vis-à-vis* the Foundation any rights other than those envisaged in the Foundation Charter, the Regulations and/or the resolutions passed by the Foundation Council.

EIGHTH: AMENDMENTS TO THE FOUNDATION CHARTER

The Foundation Council is authorised to amend this Foundation Charter. The Foundation Council may amend, remove or declare any one or more provisions of the present Foundation Charter to be inapplicable, change or remove any or all of the Beneficiaries, name or add new Beneficiaries, increase, decrease or in any other way alter the benefits of all or any of the Beneficiaries, add new assets to the Foundation's assets, or in any other way amend the Foundation Charter, subject to countersignature by the Protector, if any.

NINTH: DURATION

This Foundation shall have a perpetual duration and may only be dissolved by a decision of the Foundation Council, subject to countersignature by the Protector, if any, without prejudice to the provisions of the Fifteenth Clause of the present Foundation Charter.

TENTH: DISTRIBUTION OF THE BENEFITS.

The Foundation Council may distribute this Foundation's capital or interest in accordance with this Foundation's Regulations, which Regulations may be amended at any time by the Foundation Council, subject to countersignature by the Protector, if any.

ELEVENTH: ANNUAL ACCOUNT

The Foundation Council shall render account of its administration with such periodicity as the Protector, if any, and the Beneficiary(ies) may require.

If no objections to the report rendered are raised within a term of (90) days as from the day on which it is received, same shall be considered to have been approved. Once such term has elapsed or the report has been approved, the members of the Foundation Council shall be exempt from any liability for their administration, but such approval shall not also exempt them *vis-à-vis* the Beneficiaries or third parties having an interest in the Foundation with regard to any damages caused by gross negligence or fraud in the administration of the Foundation.

TWELFTH: REMOVAL OF THE FOUNDATION COUNCIL

The members of the Foundation Council may be removed by the Protector, if any. Likewise, the Protector may designate or add new members to the Foundation Council, without prejudice to the provisions of the Third Clause of this Foundation Charter.

THIRTEENTH: OBLIGATIONS AND DUTIES OF THE FOUNDATION COUNCIL

The Foundation Council shall have the following obligations and duties:

- a) To manage the assets of the Foundation in accordance with the present Foundation Charter and its Regulations.
- b) To carry out such acts, contracts or business as may be expedient or necessary to fulfil the Foundation's objectives and to include in such contracts, agreements and other instruments or obligations, all such clauses and conditions as may be necessary or expedient, being consistent with the Foundation's aims and not contrary to law, morality, good mores or public order.
- c) To inform the Foundation's Beneficiaries or the Protector, if any, of the Foundation Assets as provided for by the Foundation Charter or the Regulations.
- d) To hand over to the Beneficiaries of the Foundation the assets or benefits settled in their favour in the Foundation Charter or the Regulations.
- e) To fully comply with all requirements and countersignatures required by the supervisory entity, if any.
- f) To carry out all such acts or contracts as the Foundation may be permitted to carry out by Law No.25 of 12th June 1995 and other applicable legal or regulatory provisions.

FOURTEENTH: PROTECTOR - PROFESSIONAL ADVISOR - AUDITORS

The Founder(s), upon creation of the Foundation, or the Foundation Council, subsequently thereto, may appoint, in the Regulations, a supervisory entity which may be comprised of natural or juridical persons and which may be called the Protector, Professional Advisor, Auditor or any similar name, and which may have any of the following powers:

- a) To ensure compliance with the aims of the Foundation on the part of the Foundation Council and to safeguard the rights and interests of the Beneficiaries;
- b) To demand a rendering of account by the Foundation Council;
- c) To modify the aims or objectives of the Foundation where their attainment becomes impossible or burdensome;
- d) To appoint new members for the Foundation Council to replace the existing members in the event of a temporary or definite absence; and to increase or reduce the number of members of the Foundation Council;
- e) To endorse actions taken by the Foundation Council pursuant to the Foundation Charter or its Regulations;
- f) To safeguard the Foundation's assets and to ensure that such assets are used for the objectives or purposes stated in the Foundation Charter; and
- g) To exclude Beneficiaries from the Foundation and to add other Beneficiaries in accordance with the provisions of the Foundation Charter or its Regulations.

FIFTEENTH: DISSOLUTION AND LIQUIDATION.

- (A) The Foundation Council has the authority to dissolve the Foundation and to appoint one or more liquidators if it deems it necessary, subject to countersignature by the Protector, if any. If there are no members of the Foundation Council, or if same are incapacitated, the Foundation may be dissolved by the Protector, if any.

Should the latter be absolutely lacking, such right shall vest in the Foundation's Resident Agent or in the Principal Beneficiary(ies) reflected in the Regulations.

- (B) In the event the Foundation is dissolved, and after payment of all its debts or obligations, the liquidation shall proceed in accordance with the provisions established in the Regulations with regard to Beneficiaries. Should there be no beneficiaries, the Foundation Council shall decide the ultimate use to be made of the Foundation's assets. The Foundation Council's resolution to dissolve the Foundation shall be duly registered at the Public Registry of the Republic of Panama.

The Foundation may also be dissolved for the following reasons, upon request by the interested party:

- a) Achievement of the aims for which it was created or because their fulfilment becomes impossible.
- b) Its insolvency, cessation of payments, or upon adjudication of bankruptcy.
- c) Loss or total extinction of the Foundation's assets.

SIXTEENTH: REGULATIONS

The Founder(s) or the Foundation Council shall, upon creation of the Foundation, have the authority to issue the Foundation's Regulations. Subsequently, only the Foundation Council may amend the Foundation's Regulations, or issue same if they were not determined upon creation of the Foundation, subject to countersignature by the Protector, if any. Such Regulations shall include:

1. The assets making up the Foundation Assets.
2. The Foundation Council's powers in accordance with the provisions of the Thirteenth Clause of the present Foundation Charter.
3. The manner in which the Foundation's assets shall be managed.
4. The Beneficiaries of the Foundation.
5. The benefits corresponding to the Beneficiaries.
6. The rules on distribution of the benefits of the Foundation.
7. How the Foundation Council shall render account.
8. How the Beneficiaries may be substituted, removed or added.
9. Rules on remunerations.
10. The appointment of the Protector or of any supervisory entities, as well as their powers, in accordance with the provisions of the Fourteenth Clause of this Foundation Charter.
11. The manner in which the Foundation's assets shall be liquidated in the event the Foundation is dissolved.
12. Any lawful articles not contrary to the Law or the Foundation Charter.

SEVENTEENTH: NOTICES

Notices to meetings of the Foundation Council shall be made by personal delivery thereof or by mail, or by publication in a daily having a circulation throughout the Republic of Panama.

EIGHTEENTH: CHANGE OF JURISDICTION

Where the Foundation Council or the Protector, if any, should deem it necessary, they may at their entire and absolute discretion transfer the Foundation to the jurisdiction of another country.

NINETEENTH: SEAL

The Foundation may, if the Foundation Council should deem it expedient, adopt its own foundation seal.

The present document has been executed by the Founder(s) in the City of _____ on the _____ day of the month of _____ nineteen hundred and ninety _____ (20____).

Founder

Founder

Countersigned by the Resident Agent:

APPENDIX #5

REGULATIONS
OF
THE
PRIVATE FOUNDATION
NAMED

The Founder(s) or the Foundation Council has(have), on the basis of the Private Foundation Charter of the Private Foundation named _____, protocolised by means of Public Deed Number _____ of the _____ day of _____ 20____ of the Office of the _____ Notary Public and registered at the Private Foundations Section of the Public Registry of Panama at Microjacket F.I.P. _____, Reel _____ and Frame _____ as from _____ 20____, adopted the present Regulations in accordance with the following articles:

FIRST: FOUNDATION ASSETS

The Foundation's Initial Assets consist of TEN THOUSAND DOLLARS (US\$10,000.00), plus all such funds and/or securities, movable or immovable goods, shares, bonds, bank deposits and any negotiable documents that are validly transferred to the Foundation by the Founder(s), the Foundation Council or third parties. At the time the present Regulations are issued, the Foundation Assets consist of:

- A. Funds deposited at the _____ Bank.
- B. Share Certificate No. _____ for _____ shares of a nominal value of US\$ _____ each, of the company _____, organized under the laws of _____.
- C. _____.

SECOND: REVOCABILITY

The Founder(s), or whoever their legitimate principals or settlors may be, is(are) obliged to validly transfer sums of money or other goods for not less than US\$10,000. The constitution of the Foundation as well as the transfers made to same shall be irrevocable for the Founder(s), who shall hold no decisory powers in the Foundation.

THIRD: LIABILITY

The Foundation Council undertakes to dispose of the Foundation Assets in accordance with the provisions and conditions of the Foundation Charter and the present Regulations, with the diligence of a good paterfamilias. For his(their) part, the Foundation's Principal Beneficiary(ies) and the Protector shall jointly and severally hold the Foundation Council harmless from any damages it may suffer as a consequence of the exercise of the functions established in the Foundation Charter and in the Regulations, and undertakes to indemnify the Foundation Council for any expenses it may incur, including legal costs and fees, authorizing it in advance to reimburse itself for such costs out of the Foundation Assets.

FOURTH: POWERS OF THE FOUNDATION COUNCIL

The Foundation Council shall take such measures as it may in its sole judgment deem expedient for the custody of the Foundation Assets and for the investment of same, and is empowered to mainly invest in time deposits and/or certificates of deposit negotiated in capital markets, the purchase of bonds or shares and, finally, any other kind of investment that, in the opinion of the Foundation Council, implies an acceptable risk, acting always with the judgment of a good paterfamilias and following such instructions as may given to it by the Protector, if any.

The Foundation Council shall have the following powers and duties, without prejudice to the generality of the foregoing:

- A. To manage the Foundation Assets in accordance with the present Foundation Charter and the Regulations.
- B. To enter into such acts, contracts or juridical business as may prove to be expedient or necessary in order to comply with the Foundation's objects and to include in such contracts, agreements and other instruments or obligations, all such clauses and conditions as may be necessary or expedient, being consistent with the Foundation's aims and not contrary to the law, morality, good mores or public order.
- C. To inform the Foundation's Beneficiary(ies) and the Protector, if any, regarding its assets as provided for by the Foundation Charter or the Regulations.
- D. To hand over to the Principal, Substitute or Final Beneficiary(ies) of the Foundation, the assets and income arising from the Foundation Assets that have been settled in his(their) favor in the Foundation Charter or its Regulations.
- E. To carry out all such acts or contracts as the Foundation may be permitted to carry out as per Law No.25 of 12th June 1995, Executive Decree No.417 of 8th August 1995 and other applicable legal or regulatory provisions, as well as in accordance with the Foundation Charter.

The Foundation Council shall in the exercise of these obligations and duties have the following powers, without prejudice to the generality of the foregoing:

1. Investment in Securities: To preserve, acquire, invest, sell or dispose of securities and other movable or immovable property or property of any nature, whether tangible or intangible, including life insurance policies.
2. Cash Deposits: To place money in time deposits for any terms and in any currency, with banking or financial institutions or brokerage firms, in any country in the world.
3. To Borrow and to Grant Loans: To borrow and to grant loans, with or without surety and with or without interest, under any terms and from or to any person, including any Principal, Substitute or Final Beneficiary, or any company whose shares are held as part of the Foundation Assets, and to constitute guarantee and pledge the Foundation Assets to guarantee the performance of obligations incurred by the Foundation, or obligations incurred by any of the Beneficiaries.
4. Payments to Minors and Incapacitated Persons: To apply the capital or interest in favor of any Beneficiary as may be established in the present Regulations. Payments to any person who is a minor or who has any impairment may be made to any of that person's parents, legal representatives or guardians, and the Foundation Council shall not be responsible for overseeing the way the money is used unless it is expressly set forth in the Regulations.
5. Income and Disbursements: To decide whether any income or disbursement constitutes capital or interest, to capitalize and dispose of same in favor of the Beneficiary(ies) as established in the present Regulations.
6. Custody of Assets: To preserve the Foundation Assets or deposit same in any institution, with no liability for any losses which may result therefrom, as provided for in these Regulations.

7. Payment of Taxes: To pay, with funds from the Foundation Assets, any taxes, if any, assessments and other expenses, even where same are not in favor of any Beneficiary.
8. Using Companies: To establish, acquire, operate, represent the Foundation in shareholders assemblies, or control one or more companies in any country and provide or engage the required managerial services, and to transfer assets from the Foundation Assets to such companies.
9. Engaging Agents: To engage managers, advisers (including investment advisers) and agents under the usual terms and conditions, charging same against the Foundation Assets, even where same are not affiliated with the Foundation Council.
10. Legal Advice: To seek financial and legal advice with regard to the Foundation, charging same against its Assets, but not being obliged to act in accordance with any opinion or advice received.
11. Operations with Related Persons: The Foundation Council may do any juridical acts in favor of the Foundation or of any Beneficiary, for which it may engage any company affiliated with the Foundation or the Principal, Substitute or Final Beneficiary or any member of the Foundation Council, provided such acts comply with the aims of the Foundation.

FIFTH: BENEFICIARIES

A. PRINCIPAL BENEFICIARY(IES)

The Founder(s) declare(s) that the following person(s) is(are) designated as the Principal Beneficiary(s) of the Foundation by means of the present Regulations:

Mr./Mrs./Minor _____, born on _____, with domicile at _____.

or/Corporation named _____, organised in accordance with the laws of _____, Registered under _____ as from _____.

The absolute lack of a Principal Beneficiary shall accrue to the other Principal Beneficiaries.

For the designation of other Beneficiaries, the Foundation Council shall, subject to countersignature by the Protector, if any, abide by the following rules:

B. SUBSTITUTE BENEFICIARY(IES).

In the event the Principal Beneficiary(ies) should pass away or lose legal capacity, his (their) rights regarding the Foundation Assets existing on that date shall pass to the Substitute Beneficiary(ies), namely:

Mr./Mrs./Minor _____, born on _____, with domicile at _____.

or/Corporation named _____, organised in accordance with the laws of _____, Registered under _____ as from _____.

C. FINAL BENEFICIARY(IES).

In the event the Substitute Beneficiary(ies) should pass away or lose legal capacity, the funds of the Foundation Assets shall pass to the Final Beneficiary(ies) in equal proportions, namely:

Mr./Mrs./Minor _____, born on _____, with domicile at _____.

or/Corporation named _____, organised in accordance with the laws of _____, Registered under _____ as from _____.

Lacking designated Final Beneficiary(ies), the Substitute Beneficiary(ies) shall be deemed to be the Final Beneficiary(ies).

SIXTH: DISTRIBUTION OF THE BENEFITS AND DISBURSEMENTS.

Once the Private Foundation, which is irrevocable for the undersigned, enters into effect, the Foundation Council shall dispose of the Foundation Assets in the following manner:

A. DISTRIBUTION OF INTEREST AND PROFITS

The Foundation Council shall pay the Principal Beneficiary(ies), during his(their) lifetime, all interest, dividends and any other benefit arising from the funds of the Foundation Assets. The Principal Beneficiary(ies) may request that all or part of the benefits accrue to the capital of the Foundation Assets.

In the event the Principal Beneficiary(ies) should pass away or lose legal capacity, his(their) benefits shall be distributed to(among) the Substitute Beneficiary(ies). The Substitute Beneficiary(ies) may request that all or part of the benefits accrue to the capital of the Foundation Assets.

The Foundation Council shall use such distribution mechanism as it may deem expedient.

B. EMERGENCY EXPENSES

In addition, emergency expenses payable to the Principal Beneficiary(ies) or to the Substitute or Final Beneficiary(ies) replacing them in their absolute absence shall also be paid. It shall be to the Foundation Council's discretion to define which are emergency expenses. In general, emergency expenses shall include such sums as may be considered necessary for the maintenance, care (medical expenses and others) and education of the Principal, Substitute or Final Beneficiary(ies), as well as such sums as may be required for the annual maintenance of the juridical persons who are Beneficiaries, consisting of taxes, rates and administrative and juridical services.

The disbursement of emergency expenses may be made at the discretion of the Foundation Council or as requested by the Principal Beneficiary(ies), or by his(their) curator (in the event of temporary or permanent incapacity), parent(s), legal representative(s) or guardian(s); or by the (Substitute)(Final) Beneficiary(ies), or by his(their) parent(s), legal representative(s) or guardian(s); or by the Protector, if any.

C. GENERAL PRINCIPLES OF THE BENEFITS

The Foundation's benefits shall be subject to the following rules:

- (1) The Beneficiaries of each class shall receive their benefits in equal proportions.
- (2) No certificates or documents on the right to benefit from the Foundation shall be issued.

- (3) Neither the benefits nor the capital or any distribution of the Assets or of the proceeds of the Foundation's income may be the object of any kind of precautionary measure, attachment or garnishment, unless same is in regard to the Foundation's debts.
- (4) Any transfer of the right to receive benefits from the Foundation, whether present or future, shall be null and void. Any Beneficiary who attempts to transfer his benefits shall lose them.
- (5) Neither may the right to the Foundation's benefits (capital and interest) be given as surety of any kind, whether pledge, mortgage or of whatever other nature.

SEVENTH: RENDERING OF ACCOUNTS

In addition, and without prejudice to the obligation to render annual accounts as established in the Eleventh Clause of the Foundation Charter, once the present Regulations enter into effect, the Foundation Council shall advise the Principal Beneficiary(ies), or whoever replaces them in their absolute absence (the Substitute or Final Beneficiary(ies)) every time a Beneficiary or the Protector, if any, requests it, regarding the financial status of the Foundation Assets, specifying the total funds and assets, kinds of investment, interest or profits earned and collected, donations or contributions received and disbursed.

So long as the Beneficiary(ies) have not attained legal age, the parent(s), legal representative(s) or guardian(s) shall be informed.

EIGHTH: ABSOLUTE LACK OF THE PRINCIPAL AND SUBSTITUTE BENEFICIARY(IES)

If, on the date of the death or loss of legal capacity of the Principal Beneficiary(ies) the Substitute Beneficiary(ies) no longer exist(s) or do(does) not have legal capacity, the Foundation Council shall be governed by the following additional rules :

A. DISTRIBUTION TO(AMONG) THE FINAL BENEFICIARY(IES)

The Foundation Assets existing at such date shall be immediately divided, in equal proportions, among the Final Beneficiaries, but the Foundation Assets shall not be distributed.

B. RIGHT TO ACCRUE

In the event that, on such date one of the Final Beneficiaries has passed away without leaving any heirs, the whole of the Foundation Assets shall pass to the survivor(s) (among them), accruing to his(their) assets.

C. BENEFITS

In the case of subsection A of the present Article, once the division has been made, the Foundation Council shall pay the Final Beneficiary(ies) (or his(their) parents, legal representatives or guardians, until he (they) attain(s) legal age), all the interest, dividends and any other benefit arising from the funds and assets of the Final Beneficiary(ies) in the Foundation Assets, as well as emergency expenses.

The parents, legal representatives or guardians of the Final Beneficiary(ies) shall identify themselves as such.

The Final Beneficiary(ies) may ask for the whole or part of the benefits to accrue to the capital of the Foundation Assets.

D. ABSOLUTE LACK OF BENEFICIARIES

Should there be none of the Beneficiaries mentioned in the preceding Articles, upon verification, the benefits or interest arising from the existing Foundation Assets shall be permanently assigned to the following charitable institutions, namely:

_____ % to _____
 _____ % to _____
 _____ % to _____

In the event any or all of these institutions should not exist, the Foundation Council shall designate other institutions having the same or similar objectives. These institutions shall not have the right to information on the source of the donations.

NINTH: DISTRIBUTION OF THE CAPITAL OF THE FOUNDATION'S ASSETS TO THE FINAL BENEFICIARY(IES)

At the time (each of) the Final Beneficiary(ies) attains the age of twenty-five (25), the Foundation Council shall turn over fifty percent (50%) of (his respective share of) the capital of the Foundation Assets existing on that date to him. As soon as he(they) attain(s) the age of thirty (30), the remaining balance (50%) of his(their) share of the capital of the Foundation Assets shall be turned over to him(them).

The distribution of the capital of the Foundation Assets shall be subject to the following rules:

- A. In the event the (any of the) Final Beneficiary(ies) should pass away before attaining the age of thirty (30), his(their) rights shall pass to his(their) legitimate heirs. Should he(they) not have heirs, his(their) share of the capital of the Foundation's Assets shall accrue to the other Final Beneficiaries. Subsequently, the Foundation Council shall turn over to the surviving Final Beneficiary(ies), upon his(their) attaining the age of twenty-five (25), his(their) respective share of the capital of the Foundation Assets existing at such date. As soon as he(they) attain(s) the age of thirty (30), the final balance of the capital of the Foundation Assets existing at that date shall be turned over to him(them).
- B. In the event the Final Beneficiary(ies) should pass away or lose his(their) legal capacity before complying with all that is stipulated in the present Article and should he(they) leave any descendants or assigns, the capital of the Foundation Assets shall be passed, in equal proportions, to the legitimate heirs or successors (or their legal representatives), that have been legally designated by competent authorities.
- C. The Final Beneficiary(ies) may choose to waive the distribution and to have the Foundation remain effective.
- D. The distribution of the whole of the capital of the Foundation Assets shall be grounds for the dissolution of the Foundation.

TENTH: REMUNERATIONS

Once the Foundation enters into effect, the Foundation Council may receive, for its management work, regular payments corresponding to a percentage of the net value of the Foundation Assets, or set regular payments agreed to from time to time, as well as additional payments for specific works requested. These payments are separate from the Resident Agent's fees mentioned in the Fifth Clause of the Foundation Charter and the Thirteenth Article of the present Regulations, as well as from the fees for the preparation and registration of the Foundation Charter and for drawing up the present Regulations.

The Foundation Council is expressly authorized to pay the expenses and/or fees established in the preceding paragraph of this Article against the funds of the Foundation Assets.

ELEVENTH: RESIGNATION OF THE FOUNDATION COUNCIL

The Foundation Council may resign from its office, giving at least a sixty (60) day prior notice, without need to give any explanation in this regard. The Foundation Council's replacement shall be made as provided for in the Foundation Charter.

TWELFTH: PROTECTOR

_____, with domicile at _____, is hereby appointed the Protector. His functions shall be detailed in the Fourteenth Clause of the Foundation Charter.

The Protector shall act in the interest of the Foundation's Beneficiaries and with the diligence of a good paterfamilias.

THIRTEENTH: RESIDENT AGENT

The law firm of MOSSACK FONSECA & CO., presently with offices at the Edificio Arango-Orillac, Segundo Piso, Calle 50 y 54 Este, Panama City, Republic of Panama is ratified as the Foundation's Resident Agent.

The Foundation Council is expressly authorized to designate any other law firm as the resident agent if, in its sole judgment, this should be necessary.

FOURTEENTH: THE FOUNDATION'S DOMICILE

The location of the Foundation's domicile is ratified at Edificio Arango-Orillac, Segundo Piso, Calle 50 y 54 Este, Panama City, Republic of Panama.

FIFTEENTH: AMENDMENTS TO THE REGULATIONS

Only the Foundation Council may amend the present Regulations and, consequently, it may delete or add Beneficiaries, subject to authorization from and countersignature by the Protector, if any, as provided for in the Sixteenth Clause of the Foundation Charter.

If a Protector has been designated and same should pass away or no longer have legal capacity, the present Regulations may not be amended save as set forth at the end of the present article.

Should the Protector express his wish to change the articles of the Regulations or dissolve the Foundation, same must be made known to the Foundation Council in writing.

Upon an absolute lack of the Protector and if the Principal and Substitute Beneficiary(ies) should not be alive or exist, the Final Beneficiary(ies) may express his(their) wish to the Foundation Council to change the articles of the Regulations in order to maintain the Foundation in effect indefinitely. Such wish must be made known to the Foundation Council in writing.

SIXTEENTH: DISSOLUTION AND LIQUIDATION

The Foundation has, in principle, a perpetual duration. However, same may be terminated as per the following paragraphs.

The Foundation's aims are those specified in the Sixth Clause of the Foundation Charter, as is the disposal of the Foundation Assets in accordance with the instructions, terms and conditions of the present Regulations and in accordance with such instructions as may be given by the Protector, if any, by which it is understood that the Foundation shall be terminated once the Foundation Council has fully complied with the aims of the Foundation and once the Final Beneficiary(ies) has(have) received the capital of the Foundation Assets, save if he (they) should express his (their) wish to have the Foundation remain in effect.

The Protector, if any, may request the dissolution of the Foundation before achievement of its aims, expressing same in writing, in which case the Foundation Assets shall be returned to the Founder(s) or his(their) legitimate principals or settlors.

Upon dissolution of the Foundation, the Foundation Council may take charge of the liquidation or may appoint one or more liquidators with the purpose of settling its business, collecting its credits, paying its debts and dividing or distributing the capital and the interest of the Foundation Assets to (among) the Beneficiary(ies).

For the termination of the Foundation, performance of the provisions in the Fifteenth Clause of the Foundation Charter shall be required.

SEVENTEENTH: LEGAL SUBMISSION

Juridical relations deriving from the application of the present Regulations are subject to the Law in force in the Republic of Panama, specifically, Law No.25 of 12th June 1995 and Executive Decree No. 417 of 8th August 1995, as well as the provisions of the Foundation Charter.

The present Regulations have been executed by the Founder(s) in the City of _____ on the _____ day of the month of _____ nineteen hundred and ninety _____ (20____).

Founder

Founder

or/ Foundation Council (represented by _____).

Countersigned by the Resident Agent:

MOSSACK FONSECA & CO.

I. CONSTITUTION
(Mossack Fonseca & Co. creates only Panamanian Private Foundations)

Proposed names (in order of preference):

- 1.
- 2.
- 3.
- 4.

No Preference - MOSSFON office to choose name of Private Foundation.

The name of the foundation may be expressed in any language and must include the word "Foundation" (also in any language). Just as for Panama Corporations, there are certain words that may not be used, such as "Insurance", "Assurance", "Seguros", "Bank", "Banco", "Trust", "Fideicomiso", "Fiduciario" and "Stock Exchange", or any other word that has a similar meaning.

II. PURCHASE OF A SHELF PRIVATE FOUNDATION

Name.....

III. FOUNDATION DOCUMENTS:

A. FOUNDATION CHARTER OF THE PRIVATE FOUNDATION

STANDARD IRREVOCABLE
(founder holds no powers)

STANDARD REVOCABLE
(founder holds full powers)

SPECIAL

SPECIFY SPECIAL CLAUSES REQUIRED, IF ANY

B. REGULATIONS OF THE PRIVATE FOUNDATION

YES

NO

STANDARD IRREVOCABLE
(founder holds no powers)

STANDARD REVOCABLE
(founder holds no powers)

SPECIAL

SPECIFY ANY SPECIAL ARTICLES REQUIRED:

.....
.....
.....
.....

C. INITIAL ASSETS

STANDARD

The initial endowment of the private foundation is TEN THOUSAND DOLLARS (US\$10,000.00), legal currency of the United States of America.

SPECIAL

If you require a particular amount for the initial assets, please specify: US\$

IV. FOUNDER(S)

Mossfon can provide nominee founder(s). For nominee founder(s) fees, please see our fee schedule.

Do you wish us to provide the founder(s)?

YES

NO

If not, please specify who the founder(s) will be:

Tipos de acciones que seran emitidas:

FULL NAME

ADDRESS

REGISTRATION DATA

(Natural or Juridical Person)

(only for juridical persons)

.....
.....
.....
.....

V. MEMBERS OF THE FOUNDATION COUNCIL / OFFICER(S)

Mossfon can provide Foundation Council member(s) and officer(s). For Foundation Council member(s) and officer(s) fees, please see our fee schedule.

Do you wish us to provide the Foundation Council member(s) / officer(s)?

YES NO

If not, please specify who the Foundation Council member(s) and officer(s) will be:

Title/Office	Full Name (Natural or Juridical person)	Address
Member		
Member		
Member		
President (optional).....		
Treasury (optional).....		
Secretary (optional).....		

Unless the Foundation Council is a juridical person, it may not have less than three (3) members. The law does not require the appointment of officer(s), so it is the client option to have officer(s) or not.

VI. ADDITIONAL REQUESTS

Foundation Seal (not mandatory under Panamanian Law)

MOSSFON to order:

YES NO

Registered Agent to be provided by MOSSFON.

SPECIAL BILLING INSTRUCTIONS

.....
.....
.....

Dispatch instructions:

- Regular Air Mail
- Courier
- Regular Mail
- Weekly courier through Moosfo branch office.

Other instructions relating to the Private Foundation be Created/Purchased

.....
.....
.....

Purpose of foundation creation / purchase (for our internal files only)

.....
.....

Clients Full name
Address.....
Phone number..... Fax
E-mail
Contact Person
Client's signature
Date

