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THE TRUST IN THE PANAMANIAN LEGISLATION

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The Trust is introduced in the Panamanian legislation in the year of 1925, by means of the Law called "About Institution of Trust", which defined this instrument as an irrevocable agency wherewith determined goods were transmitted to a trustee and this person disposed of the goods following instructions by who transmitted it, in favor of a third called beneficiary.

Lately, in the year of 1941, a Law of Trust was promulgated and it was derogated by the Law of the year 1984 -actually in use- in which the Trust was regulated in Panama, successively it was regulated in an Executive Decree of the same year. It is important to say, that this Law authorizes to the Trusts constituted before their effect, which are adjusted by an, in use Law, at the time of constitution to accept to the Law of 1984. The fiduciary transaction in Panama is supervised by the Panama Bank Superintendence which has to take care of its competent functioning.

Actually, the Trust consists in an juridical action in which a natural or juridical person, denominated "the Trustor o grantor" transfers to the Trust's patrimony goods of any nature, present or future, in order to the other part called "the Trustee" disposes and/or administrates them in favor of a third part denominated "the Beneficiary" following the Trustor's instructions for this purpose. A person who transfers a good to the Trust's patrimony is considered a Trustor; it does not matter if he is the principal, secondary, adherent or any other denomination in order to distinguish him of others in the same instrument. In a Trust can also exist more than one Beneficiary and he can be principal, secondary, substitute or any other definition in order to distinguish the proportion that correspond the benefit.

Actually, the Trust is a tool used by persons and institutions with the objective to insure a better execution on their business, contracts, transactions and administration of their patrimony...

On the other hand, the Trustor can names more than a Trustee and/or one or more substitutes, and they have to be authorize to practice the fiduciary transaction in the Republic of Panama and who(m) according to the case, will dispose of the patrimony following the Trustor's instructions in favor of the beneficiary(ies), who(m) should present and justify accounts of his(their) administration at least one time in the year and at the end of the Trust.

The Trust is not an artificial person, however, it acts through the Trustee who represent in every act, contract or transaction before third persons, and he can practice rights and assume obligations in order to fulfill all the objectives to which he was constituted and also he has to execute.

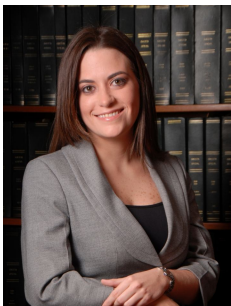
Due to the Panamanian Law permits that a Trust is constituted to the purposes and objectives which the Trustor determines only if them do not be against the Law, to the moral or to the public order; there are different types of Trusts, including without limitation to Guaranty Trust, Investment, Administration, Pension, Testamentary, among others, where the patrimony can be conform by personal or real property, cash money, bank accounts, fixed time deposit, bonds, stocks, insurance policies and/or goods of any nature, present or future which can be transfer from time to time; the patrimony can be increased or reduced in order to accomplish its objectives, prior acceptance by the Trustee of the transfer. These goods are transferred to the name of the Trust -represented by the Trustee- forming all time a patrimony separated of the Trustor, the Trustee and the beneficiary and these are registered on

separated accounting in relation to Trustee's personal assets, wherefore the taxes, rates or obligations that the goods produced, they are applied to the Trust. These goods are not payable to the Trustor's creditors, Trustee and beneficiary, except by the obligations acquired due to Trust's execution.

Trusts are private agreements which main formalities consist in that the parties declare their disposition to constitute them in a written document and later their signatures are authenticated before a Public Notary where the Trust is granted, with the exception in the Trusts constituted on real estate situated in the Republic of Panama, them should be recorded in a certified document and their transfer inscribe at the Public Registry. It is important to mention that the Trust only produces effect before third person when the Trustor's and Trustee's signatures where authenticated by a Panamanian Public Notary. Once it is constituted an original of the document is protected by the Trustee; he, his representatives and employees have to maintain in all circumstances as confidential its contents, parties and all document related to the constitution, except if the information is requested by authorities or by entities authorized by the Law.

Trusts can be revocable or irrevocable according to the Trustor's will, and it should be recorded in a formation instrument. The Panamanian Legislation does not establish a maximum obligation term for Trusts, due to, said term is agreed with the parties; however, it will finish in advance by mutual consent between the parties, due to its objective performance, impossibility of execution or any other reason established by the Trust or by the Law.

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The Trust will rule according to the Panamanian Laws; however, the parties can agree that the execution will be in agreement to the Laws of a foreign country, only if it is expressly demonstrated in the document. In addition to the before mentioned, when the instrument of Trust authorizes, a Trust constituted with a foreign legislation, it can make use of the Panamanian Legislation, if the Trustor and the Trustee or only the Trustee does a declaration for this purpose.

Actually, the Trust is a tool used by persons and institutions with the objective to insure a better execution on their business, contracts, transactions and administration of their patrimony; due to constant use, it has increased considerably in the last ten years.



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