

Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

FLAG STATE INSPECTOR AGREEMENT

PART 1. INTRODUCTION

This Flag State Inspector Agreement ("the Agreement"), dated 12/05/2021, is held between The Palau International Ship Registry ("PISR") acting as the Palau Ship Registry Administrator, according to the provisions of Title 7 of the Republic of Palau National Code, and Claudio Santellanes holder of Colombian passport number D381813 ("the Inspector").

PISR wishes to retain the Inspector as an independent contractor to carry out the following services, for which the Inspector is deemed by PISR to be appropriately qualified, as directed:

- pre-registration inspections of vessels seeking to register under the Palau flag;
- initial, annual & occasional inspections of vessels registered under the Palau flag;
- to attend the closing of pending deficiencies of vessels registering or re-registering under the Palau flag;
- to conduct special inspections, including, but not limited to, follow-up inspections of vessels registered under the Palau flag and pre-registration inspections;
- to carry out safety, security and other occasional audits, including those for ISM, ISPS & MLC, if applicable
- to investigate incidents or casualties involving vessels registered under the Palau flag
- other inspection & consultancy services as may be required from time to time, (all collectively known as **Maritime Services**).

The Inspector desires to provide these Maritime Services to PISR.

PART 2. MARITIME SERVICES

The parties, therefore, agree as follows:

- a. The Inspector shall fulfill all the duties of a Palau Flag State Inspector (FSI) and personally provide the Maritime Services in accordance with the Palau Maritime Regulations and PISR's guidelines and instructions for Flag State inspectors and any and all other policy guidelines, including but not limited to; marine circulars, marine notices, marine safety advisories and marine guidelines issued by PISR.
- b. The Inspector is to follow any regulatory updates and act according to applicable International and National safety, security and pollution prevention requirements, rules and regulations and international conventions, as amended.



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

In addition, PISR is to provide further information for the Inspector's reference and assistance, along with Marine Notices, Circulars, Guidelines, and Memos, and any applicable procedures, checklists, and guidelines to be applied in inspections, surveys, reporting, certification, and investigation.

- c. The Inspector shall be responsible for conducting, completing and reporting of the Maritime Services at such locations as PISR determines within the geographical areas that the Inspector can operate:
- d. The Inspector shall extend its fullest co-operation to other Flag State Inspectors of PISR. The Inspector shall not do any acts, deeds or omit to do any acts, deeds that will directly or indirectly prejudice the rights and authority of the other Flag State Inspectors of PISR or the interest of PISR.
- e. The Inspector shall use its best endeavors and exercise due diligence to enhance and promote an efficient network and co-operation among the Flag State Inspectors of PISR so as to enable each Flag State Inspector of PISR to render the best possible services to the owners of Palau registered vessels.
- f. The Inspector shall arrange for and maintain adequate computer capability and internet access for the transfer of information to and from PISR.
- g. The Inspector shall use their best efforts to be able to fulfil the duties and provide the Maritime Services described in the Agreement and Appointment Letter during standard working hours on weekdays and during non-standard working hours and weekends upon the request of PISR.
- h. The Inspector shall conduct its activities in all respects in accordance with the highest professional and industry standards and in such a manner as to foster and maintain the high level of ship owner quality and responsibility stressed by PISR, always adhering to the PISR Code of Conduct and Anti-bribery standards.
- i. The Inspector should not commit to any client in any matter prior the consent and acceptance of PISR.
- j. The Inspector shall provide PISR with copy of training certificate as required during the review of the Inspector credentials and his revalidation accordingly. The inspector shall carry out on-line training as provided by PISR and continuously update PISR with additional training as taken.
- k. The Inspector shall contact PISR, if during the inspection, the Inspector is of the opinion that the vessel requires the below actions, in order to have direct directions from PISR
 - Immediate corrective actions
 - Immediate repairs
 - Invalidation of vessel's certificates



Palau International Ship Registry



Europe Head Office Piraeus, 18536, Greece 5, Sachtouri Street 6 th floor T: +30 210 4293500 F: +30 210 4293505 info@palaureg.com	USA Head Office The Woodlands, TX, 77380 9595 Six Pines Drive, Suite 8210, Office 277 T: +1 832 631 6061 F: +1 832 631 6001 www.palaureg.com
--	--

- I. If the vessel requires a Certification of the vessel's conditions to sail, the Inspector shall contact PISR in order to obtain further instructions before issuing any confirmation of the vessel's condition to sail.

PART 3. PISR'S CONTRACTUAL OBLIGATIONS

- a. PISR shall provide the Inspector with publications, checklist, information, materials and related items (**the PISR Materials**) or make them available from its website, necessary for the Inspector to perform the inspection obligations under the Agreement. Such PISR Materials are the sole property of PISR; the Inspector shall return all such PISR Materials to PISR upon the latter's request, unless they were reasonably utilized by the Inspector in the performance of the Maritime Services described in the Agreement.
- b. PISR shall provide the Inspector with the 'FSI Tag', i.e. an identity card bearing the Inspector's name, surname, photo, FSI number and expiration date, a PISR stamp and a letter of Appointment.
- c. PISR shall conduct an evaluation of the Inspector on a regular basis and provide him/her with feedback on his/her performance.
- d. PISR shall give the FSI access to means of training including physical and electronic learning courses.

PART 4. FLAG STATE ATTENDANCE FEES

SURVEY FEES

The Flag State Inspection Fees are settled by PISR to the attending FSI.

Type of Flag State Inspection	Survey Fees	
	Project Fee	Daily Fee
Pre-Registration Survey	\$ 400	-
Annual Safety Inspection (ASI)	\$ 500	-
Occasional Flag State Inspection	\$ 400	-
DPS / PSC Preparedness	-	\$ 200
ISM Audit	\$ 400	-
MLC Audit	\$ 350	-
Marine Casualty / Investigation	\$1200	

Table 1: Survey Fees



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

- Daily Fee is applicable per day on board the vessel.
- Project fee is applicable per job, where in most cases the job is completed on the first day on board.
- When DPS / PSC Preparedness is harmonized with another type of Flag State Inspection, the Inspector is entitled for the applicable Project Fee (for the first day on board) plus \$ 200 for any extra day on board.
- Project fee can be further evaluated in the case the vessel's location, size, and type anticipate a more detailed inspection.

TRAVEL EXPENSES

The travel expenses are settled by PISR directly to the attending FSI or with cash on board by the vessel's master, as agreed prior to the Inspector's attendance on board the vessel. The attendant shall provide a break down estimation of the applicable travel expenses prior commencement of the project and same shall be calculated on an actual cost basis. Travel expenses include transportation expenses, accommodation expenses, food allowance and other expenses directly related to the Marine Services provided. In the event that the estimated cost and the actual cost are not met, evidence of the additional charges should be submitted for further compensation.

TRANSPORTATION EXPENSES

The transportation expenses refer to the cost of the FSI's transportation from their base (as per the address stated in the Application for Flag State Inspector or as per the address advised if the latter has been changed) to the vessel and backwards and can be calculated as follows:

1. Transportation by own means (The FSI is using his/her own vehicle): In that case the calculation will be made based on the fuel consumption of the FSI with a 15% surcharge as an allowance for the usage of the attendant's own vehicle. Relevant receipts shall be available for submission upon request.
2. Vehicle rental: In cases that vehicle rental is required, the car rental and the actual fuel consumption will be reimbursed. Relevant receipts shall be available for submission upon request.
3. Transportation by other means (Including air tickets, bus tickets, taxi fees, ferry tickets) are calculated on an actual cost basis. Relevant receipts shall be available for submission upon request.

ACCOMODATION EXPENSES

In cases when the FSI is required to stay overnight, accommodation expenses based on an actual cost basis will be applicable. Relevant receipts shall be available for submission upon request.

FOOD ALLOWANCE

Food Allowance will be calculated on an actual cost basis for the meals of the attendant and same cannot exceed \$ 50 per day. Relevant receipts shall be available for submission upon request.



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

MISCELLANEOUS EXPENSES

Any miscellaneous expenses required during the attendance shall be calculated on an actual cost basis. Relevant receipts shall be available for submission upon request.

Travel expenses as stated above do not include:

- Transportation of the attendant from the port to the anchorage.
- Formalities required for the port permits.

PAYMENT POLICY

Settlement of the applicable fees will be completed by PISR to the attending surveyor upon completion of the assignment and within 30 days upon submission of the relevant invoice and provided that:

- All applicable receipts have been provided to PISR.
- The Inspector's travel expenses have been approved by PISR.
- Every document required by PISR for the completion of each type of attendance has been provided (i.e. report, photos, crew list etc.)

PART 5. CONFLICT OF INTEREST

- a. The Inspector shall refrain from requesting authorization to carry out an inspection to vessels certified by his/her own organization.
- b. Under no circumstance shall the same inspector who surveyed a vessel for issuance of statutory certificates; also conduct its Annual Safety Inspection (ASI), while those certificates are valid. Similarly, the inspector who carries out an ASI shall not carry out surveys for statutory certificates within the yearly validity of the inspection.
- c. The Inspector's duty to refrain from any situation involving a conflict of interest is also subject to PISR's Code of Conduct & Ethics, Anti-Bribery Agreement and Non-Disclosure Agreement, all of which constitute part of the Agreement. PISR shall provide the Inspector with all mentioned documents for his perusal, review, acknowledgement and signature.
- d. The inspector is and will remain in good standing under the laws of his home jurisdiction

PART 6. REPRESENTATION AND WARRANTIES

- a. In addition to its definition in the introductory clause, the term 'PISR' includes any duly authorized personnel, management and representatives of the Palau International Ship Registry.
- b. In addition to its definition in the introductory clause, the term 'Inspector' includes any inspectors, employees, contractors or other authorized personnel, if applicable, carrying out the responsibilities of the Inspector under the terms of the Agreement as specifically authorized by PISR.
- c. The Inspector warrants that he/she will not utilize any inspectors, employees, contractors, or other authorized personnel without first notifying PISR and receiving permission from PISR for their use.
- d. The Inspector represents and warrants that he/she shall hold a valid Inspector's identity card



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

issued by PISR.

- i. The Inspector shall, for security reasons ensure that he/she will present their identity card when so requested by port authorities and shipboard personnel to identify themselves as authorized representatives of PISR.
 - ii. The Inspector shall not deliberately damage or misuse said identity cards, and in the event of such loss, damage or misuse, the Inspector shall notify PISR as soon as possible.
- e. Unless otherwise expressly exempted by PISR in writing from the provisions of this subsection, the Inspector represents, warrants and covenants that, at the time of any inspection or investigation performed under the terms of the Agreement, the Inspector:
- i. Is not employed and will not be employed by any person, firm or entity that owns, manages or operates ships registered under the Palau flag;
 - ii. Does not provide and will not provide any other services to persons, firms or entities that own, manage or operate ships registered under the Palau flag that may prejudice the results of an assignment;
 - iii. Does not own and will not own an ownership interest in any firm or entity that owns, manages or operates ships registered under the Palau flag; and
 - iv. Does not perform a Flag State Inspection on any vessels where the Inspector can also act as a Surveyor for a Classification Society who is the Recognized Organization of PISR for that vessels, unless written Agreement has been given to board that vessel and perform specific tasks on behalf of the Administration.
- f. The Inspector warrants that during the course of the inspection, and any period after will not communicate with another Flag State Authority, MOU or Port State Control Enforcement Officer any findings or reach any agreement with the said parties unless instructed in writing by PISR.
- g. The Inspector warrants the appropriate use of PISR's stamp.

PART 7. INDEPENDENT CONTRACTOR

- a. The Inspector shall be for all purposes, including but not limited to, tax purposes, an independent contractor and shall be considered neither an employee of PISR nor an official of the Government of Palau. Nothing in this Agreement shall create a presumption of an employer-employee relationship between PISR and the Inspector.
- b. The duty of paying all taxes, including but not limited to, withholding taxes, related to compensation paid by PISR to the Inspector for the services provided, remains with the Inspector under this Agreement.

PART 8. INDEMNIFICATION & LIABILITY

- a. The Inspector shall indemnify, defend and hold PISR and its employees, officers and directors harmless from and against any liabilities, damages, lawsuits, claims or expenses incurred by them in connections with the Inspector's negligent performance or of negligent failure to perform any of



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

the Maritime Services pursuant to the Agreement. PISR holds no liability for any damages, losses, accidents encountered by the Inspector from the assignment up to the delivery of the project.

- b. Jurisdiction: This Agreement shall be construed in accordance with the substantial laws of the Republic of Cyprus. Notwithstanding the provisions of this Clause, PISR may in his discretion pursue any action whatsoever against the Inspector in whatever jurisdiction the PISR may deem appropriate.

PART 9. ASSIGNMENT

The Inspector may not assign the Inspectors duties, obligations or responsibilities under the Agreement without the prior express written approval of PISR.

PART 10. INTERPRETATION

- a. Unless specified otherwise, any reference in the Agreement to Conventions, Statutes, Regulations or guidelines means those Conventions, Statutes, Regulations or guidelines as amended or supplemented from time to time and any corresponding provisions of successor Statutes, Regulations and guidelines.
- b. The headings in this Agreement are provided for convenience only and do not affect its meaning.
- c. The words 'party' and 'parties' refer only to those in the Agreement.

PART 11. TERMINATION

- a. PISR may terminate the Agreement at any time and for any reason providing 30 days written notice of the termination to the inspector, or:
- b. The Inspector may terminate this Agreement at any given time and for any reason by providing 30 days written notice of the termination to PISR.
- c. In case the Inspector breaches the Agreement or any of his/her obligations as stated in PISR's Code of Conduct & Ethics, Non-Disclosure Agreement, Anti-Bribery Policy and GDPR Policy, PISR holds the right to automatically render the Agreement as void. PISR will also be entitled to recover any and all costs and expenses arising from such breach, if any, including but not limited to, lawyers' fees and arbitration costs.

PART 12. NOTICE

Any notice required to be given by either party under this Agreement shall be given by e-mail.



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

PART 13. ENTIRE AGREEMENT

This Agreement represents the entire Agreement between the parties and it supersedes any other written or oral agreements between parties. This Agreement is subject to PISR's Code of Conduct & Ethics, Anti-Bribery Agreement, Non-Disclosure Agreement and GDPR Policy.

PART 14. AMENDMENT TO AGREEMENT

This Agreement may only be amended or modified if both parties agree to the amendment in writing in the form of a letter agreement or amended contract.

PART 15. DURATION OF AGREEMENT

This Agreement shall be effective from the date listed in the introductory clause and shall continue in effect for a period of 5 years unless earlier terminated. The Agreement will be automatically renewed after its termination unless each party notifies the other party that they do not wish to renew the Agreement in writing within 30 days.

The parties are signing this Agreement on the date stated in the introductory clause.

Parties to the Agreement:

For PISR

<i>Mr. Panos Kirnidis</i>	<i>Marisabel Park</i>
Panos Kirnidis CEO	Witnessed By:

For the Inspector:

--	--



Palau International Ship Registry



Europe Head Office
Piraeus, 18536, Greece
5, Sachtouri Street
6th floor
T: +30 210 4293500
F: +30 210 4293505
info@palaureg.com

USA Head Office
The Woodlands, TX, 77380
9595 Six Pines Drive,
Suite 8210, Office 277
T: +1 832 631 6061
F: +1 832 631 6001
www.palaureg.com

Name:	Witnessed By:
-------	---------------

