



ARIAS B. & ASSOCIATES

Law 55

Of 6 August 2008

Of Maritime Commerce

The National Assembly Decrees:

Title 1

Vessels

Chapter I

General Provisions

Article 1: Merchant vessels, even though bona mobilia by nature, constitute a particular kind regulated by the provisions of common law insofar as they are not amended by the provisions of the present title.

Article 2: For the effects of the present law the following terms shall be understood as follows:

1. *Owner:* person who holds the in-rem ownership right of the vessel and therefore may transfer it, use it, enjoy it as well as possess it in a peaceful and uninterrupted manner.
2. *Operator:* natural person or corporate body who by virtue of a contract assumes the administration of the vessel in the name of the owner, has responsibility for the technical safety of the vessel and his duties include that of placing the vessel in seaworthy conditions providing for it adequately and supervising the technical standards including maintaining the vessel in an optimum mechanical state and who has the obligation of contracting the Maritime Insurances which may be necessary.

In some situations, he will also be in charge of manning the vessel.

Article 3: Each vessel is considered as an entity with limited liability insofar as constitutes its patrimony. The insurance indemnity is part of the patrimony of the vessel.

Article 4: Vessels will be subject to payment of the debts of their owner, be they common or privileged, and creditors will have the right to pursue them even if in the possession of third parties while its liability is in effect.

Article 5: Every vessel may be placed for navigation provided that the competent authority declares it in a good state and in seaworthy conditions. The same formality will be mandatory when the vessel has suffered repairs or noteworthy modifications.

Article 6: The vessel will preserve its identity even when the parts that make up the vessel are successively changed. The owner may credit before competent authority those changes effected in order that the necessary steps be taken.

Article 7: The ownership of the vessel or part of the ownership thereof will be transferred in the manner provided for in this law. The requirement of the delivery or completion of ownership transfer may be complied with if the parties expressed in the contract that the ownership is transferred immediately to the buyer. The seller will have the obligation of delivering to the buyer in the contract signing a certification of the registration of the vessel at the Public Registry until the date of its sale. Property titles of vessels and their encumbrances subject to registration may only be submitted for registration at the Panama Public Registry in accordance with the provisions established in this law.

Article 8: Merchant Marine Consulates are in power to receive and transmit applications for preliminary registration of property titles of vessels of the National Merchant Marine, in the form provided in the following articles.

Article 9: The preliminary registration of property title of national vessels shall be processed in the following manner:

1. The interested party will request the preliminary registration by means of an application form to be provided to Merchant Marine Consulates by the Public Registry and where at least the names and domicile of the seller and buyer will be indicated and if dealing with newbuildings, the name and domicile of the builder of the vessel, the current and former names of the vessel, the number of its navigation patente, its tonnages, principal dimensions and the price of sale as well. These particulars will be obtained from the title submitted to the Consulate by the interested party.
2. Once the particulars in the application form have been compared with the information contained in the title and once payment of the registration taxes have been confirmed, the Consulate will transmit the text of the applications of the interested party to the Public Registry in the city of Panama confirming the fact that payment was effected as well as the number of the relevant receipt.
3. Once the Consulate's communication is received the Public Registry will annotate the Log by order of its arrival and in lieu of any legal impediment, will proceed with its preliminary registration and will confirm to the consul the authorization to issue the certificate of preliminary registration indicating the date and time of entry of the communication in the Log and the registration data.

If the vessel were to be mortgaged, it will be necessary to provide proof of discharge of said mortgage or the mortgagee's consent in order to process the preliminary registration. In this event, the particulars of the mortgage mentioned in paragraph 1 of Article 254 or confirmation of consent of the mortgagee if such is the case will be confirmed in the application for preliminary registration in order to submit evidence to the Public Registry thereof and in the certificate of preliminary registration which may be issued.

The communications referred to in this article must be paid in advance at the Consulate by the interested party.

In cases where there is a reason which prevents the preliminary registration of any documents the registrar shall proceed immediately to inform the Consulate of the existence and nature of any such circumstance in order that the clarifications, amendments or corrections which may be required are effected. If any such impediment is not resolved in the term of ten business days thereafter, the annotation made in the Log shall be rendered ineffective.

4. Once the Public Registry's authorisation is received the Consulate shall issue and deliver to the interested party a Certificate of Preliminary Registration in a form to be provided to the Consulate by the Public Registry.

The Consulate will keep one original or one authenticated copy of the property title signed by the parties and will deliver another counterpart to the interested party equally signed by the parties and stating that it is a true copy of the document which served as basis for the application for preliminary registration.

The preliminary registration referred to in this article may be requested to the Public Registry in the city of Panama by a lawyer qualified to practice in the Republic of Panama on the basis of a document duly legalised and certified with the relevant extract by a Notary Public who must keep a copy of the original copy.

The extract duly certified by the Notary shall be submitted to the Public Registry which will then enter it into the Log of the registry and in lieu of any legal impediment will proceed with its preliminary registration and will issue to the interested party a Certificate of Preliminary Registration with an indication of the date and time of entry of the document and the registration data or will authorize a Consulate indicated by the interested party to issue the said Certificate.

In cases where there exists a reason which prevents the preliminary registration the registrar will proceed immediately to communicate the existence and nature of any such circumstance to the interested party in order that the clarification, amendments or corrections, which may be necessary, can be effected.

If any such impediment is not resolved within a term of 10 business days, the annotation made in the Log shall be rendered ineffective.

Article 10: The preliminary registration mentioned in the previous article shall have the same legal effect as the permanent registration thereby allowing the owner to exercise all rights derived from the ownership of the vessel for a period of six months as of the date and time of the entry of the Log in the Public Registry within which time the interested party must arrange for the protocolisation of the title and its presentation for permanent registration to the Public Registry by a lawyer qualified to practice in the Republic of Panama.

Once this term has expired without the document having been submitted for its permanent registration, the preliminary registration will be rendered ineffective by legal mandate and the Public Registry shall proceed on its own to undertake the necessary annotations.

In order to effect the permanent registration of the title of a vessel, the property title must be translated and protolised in a Public Deed. The said deed must be submitted to the Public Registry for its registration and for the subsequent issuance of a certificate of permanent registration of property title by the said institution. The certificate may be issued, in addition to the Spanish language, in English, subject to translation by an authorized public translator of the certificate issued by the Public Registry for these purposes. Once the permanent registration has been processed, it

will be rendered effective retroactively as of the date and time of the annotation in the Log of the application for preliminary registration.

Article 11: If when proceeding with the permanent registration a deficiency which can be resolved were to arise the same may be corrected within the term of six months as of the date of personal notice to the interested party or publication by edict of the registration suspension resolution subject to the fact that during such additional term the preliminary registration will continue in full force and effect. If the personal notice referred to in the forewarning paragraph cannot be effected within the term of five business days as of the date of the suspension resolution, notice will be made by means of an edict affixed for fifteen business days in a visible and easily accessible place at the Public Registry.

Article 12: In the sale of a vessel and subject to an agreement to the contrary, the boats, appurtenances, accessories and other objects contained in the inventory of the vessel, shall be deemed included even if not so expressed.

Article 13: The possession of a vessel without the purchase title shall not convey the ownership to the possessor except when such a possession is held in good faith and maintained for ten consecutive years. The captain may not acquire the ownership of the vessel by statute of limitations.

Article 14: If the transfer of the vessel is undertaken while in voyage, the charterhire collected as of the date in which the last cargo was received will correspond totally to the buyer and the same shall also be liable for payment to the crew during the same voyage. If the transfer is undertaken after the vessel arrives at its destination port, the charterhire shall belong to the seller and the same will be liable for payments to the crew subject to an agreement to the contrary in one case or the other.

Article 15: The ownership of the vessel in the event of voluntary sale shall be transferred to the buyer subject to all its charges and liens with all those rights and privileges specified in the relevant title remaining in effect. The seller shall have the obligation to deliver to the buyer a note of those credits to which the vessel may be subject. Said note will be inserted in the deed of sale.

Article 16: The contract for the transfer of a vessel, executed within or outside of the Republic, may be done in any language and must be issued in writing, by public deed or private document. If effected by private document, the signature of the parties thereto must be authenticated by a Notary Public or Consul of the Republic of Panama in the exercise of Notarial functions. The transfer contract may, in addition, be executed in accordance with the formalities required in the place of its execution. In any event, the transfer will only be effective against third parties as of its presentation to the Public Registry. In order to effect such presentation, the document must have been previously legalised by a Consulate of the Republic of Panama or Apostilled.

Article 17: The judicial sales of the vessels shall be effected in accordance with the formalities prescribed by Maritime Procedural Law. In judicial sales, the liability of the vessel shall be extinguished as of the day of the auction. The privilege insofar as

concerns the price will be exercised in accordance with what is provided for in the chapter concerning creditors and priority.

Chapter 2

Owners of the vessel

Article 18: Subject to agreement to the contrary if two or more persons were to be co-owners in the property of a vessel, the legal relationships among them shall be governed by the agreement of the majority. The relative majority of the co-owners will constitute majority. If only two, the disagreement shall be decided, in its case, by the vote of the majority co-owner. If dealing with equal parts, the judge shall decide. The representation of the minority part in the ownership shall have the right to one vote and proportionately the remaining co-owners as many votes as parts equal to the minority one.

Article 19: Subject to an agreement to the contrary, if legal relationships among the co-owners were to be the object of a contract, there unanimous vote shall be necessary for any agreement which may modify it. Also, the unanimous vote will be required for the appointment of the operator or manager when the same shall be a person other than the co-owners.

Article 20: The liability of the owners of the vessel for acts of the captain and for the debts and obligations contracted by him to repair the vessel, condition it and supply it, will be limited to the vessel and the charterhire in accordance with the principle stated in Article 4, save in the case where the captain would have proceeded by virtue of a special mandate. Furthermore, the liability shall be limited to the vessel and the charterhire if the claim is based on default or incomplete or deficient execution of a contract signed by the owners or the manager of the vessel provided the execution of said contract corresponds directly to the captain or other member of the crew as a proper function of his post. If the owner or co-owner were to be the captain or a crewmember in charge of ensuring compliance with the contract, the same shall also be personally liable.

Article 21: Subject to an agreement to the contrary, each co-owner must contribute in the expenses for navigation equipment and supply of the vessel in proportion to their participation. If any co-owner were to incur in debt in order to pay his part and the others were to have made payment, the aforementioned co-owner will be liable to payment of interest at the current commercial rate as of the date of payment by the other co-owners and the said co-owners will have the right to have their share payment guaranteed with the part ownership of the vessel of the indebted co-owner which will also absorb the expenses for any such guarantee.

Article 22: If a vessel were to be in need of repair and the majority were to agree to undertake it, the minority must consent or waive their part ownership in favour of the other co-owners who must then accept it pursuant to an expert appraisal or require the judicial sale of the vessel. The appraisal shall be effected prior to initiating the repair. If the minority were to agree that a repair of the vessel is necessary and the majority were to oppose it, the minority shall then have the right to demand a judicial

acknowledgement. Once it is decided that the repair is necessary, all co-owners are obligated to contribute to it.

Article 23: The distribution of earning and losses shall be made in proportion to the respective participations in the ownership of the vessel.

Article 24: Co-owners have pre-emptive rights pertaining to the sale of the vessel which any of them may intend to effect regarding his part ownership. For this purpose the seller will notify them in writing of his intention to transfer his right and they may exercise this right within three days following notice. After this term, they will lose their pre-emptive rights.

Article 25: Once the majority has decided to sell the vessel the minority may then demand that the sale be effected by public auction.

Article 26: Co-owners shall have the priority right for the charter as opposed to any third party in equal circumstances. If this right is claimed by two or more co-owners for the same voyage, he who holds a majority interest in the vessel shall be preferred and in the event of equal interest in the ownership, it will then be left to chance. The aforementioned preference will not grant the right to request that the destination be changed and which by decision of the majority may have been determined for the voyage.

Article 27: Whomsoever, for the purposes of maritime traffic and on his own account should employ a vessel owned by another whether it be managed by himself or by another will be considered in his relationship with third parties as the owner. The true owner may not object to third parties enforcing any acquired rights as creditors of the vessels and as a consequence of its use unless the legitimacy thereof and bad faith of the creditor is proven.

Chapter III

The Crew

Article 28: The rights and obligations of the members of the crew shall be subject to the applicable labor laws, treaties, and agreements ratified by the Republic of Panama and the regulations adopted by the Panama Maritime Authority on the subject. The crew shall be comprised of the captain of the vessel, the officers, the marines and other workers listed in the crew roll.

Section 1^a

The Captain

Article 29: The captain, appointed by the owner or operator, is the person who in possession of the corresponding title takes command of the vessel, in accordance with the provisions of the pertinent law, and who as its representative is accountable for the rights and obligations in all technical, administrative, mercantile, disciplinary and legal

matters contained in the current laws and regulations with respect to the vessel, its cargo and the result of its maritime voyage.

The entire crew must follow all orders relating to service.

The captain is the delegate of public authority who must see to the conservation of order within the vessel and to the safety of all passengers, seamen and cargo.

The entries in the Captain's Log that refer to the captain acting as the delegate of public authority are enforceable as a public document. The value as evidence of the sea protest and other entries in the Captain's Log and engine will be subject to the judge's evaluation.

Article 30: The captain shall be the representative of the owner or operator of the vessel and cargohands in everything relating to the interest of vessel, its cargo and the result of its maritime voyage.

Article 31: In addition to what is established in the laws, the obligations of the captain are as follows:

1. Provide partial receipts of the merchandise onboard, issuing in due course, the Bill of Lading and respective documents.
2. Provide the corresponding details on the receipts and Bill of lading, with respect to the damages or impairments observed in the cargo or that may be produced due to their conditioning.
3. Maintain constant communication with the owner or operator, for the purpose of keeping them informed of the events occurring during the maritime voyage or to receive instructions in the cases in which it may be necessary.
4. To give immediate notice to the owner or operator of any embargos or detainments that may affect the vessel, to take the necessary measures for the maintenance of the vessel and its cargo and to lend the appropriate attention to any passengers, if that is the case.
5. To execute charter contracts or contracts of merchandise transport relating to transportation of merchandise with the authorisation of the owner or operator or shipping agent.
6. Comply with any other acts or contracts pertinent to the ordinary management of the vessel and the normal development of the voyage.

Article 32: Other than those established in the law, the captains duties shall be:

1. To determine the necessary rules for the governing and direction of the vessel.
2. To impose those corrective penalties established by law or regulation, to those persons who disturb the order on the vessel by committing disciplinary faults or refusing to or not performing their corresponding duties.
3. To arrest those presumed of committing a crime, to procure the details of said occurrence and deliver them to the proper authorities.

Article 33: The captain shall be responsible for carefully complying with the duties of a good sailor and shall represent the owner or operator or whomever acts as such, in all dealings with third parties.

Article 34: The captain shall have on board, in addition to what is established by law, the following documentation:

1. Copy of the charter contract, if that is the case
2. Cargo manifest.
3. Bill of Lading and other documents relating to the marine voyage.
4. Customs documents and those documents required by the administrative authorities.
5. Crew roll.
6. Navigation patent and radio license.
7. Captain's Log.

Article 35: Captains shall have the obligation of recording in the Captain's Log the following:

1. The daily weather and wind conditions.
2. The daily progress and delay of the vessel.
3. The day-to-day longitude and latitude coordinates of the vessel.
4. The sanitary conditions of the passengers and crew.
5. The births, matrimones, deaths and testaments as established by provisions in the Civil Code and the Family Code.
6. The extraordinary duties performed by the crew.
7. The corrective penalties, which may have been imposed, and the details of the cause thereof.
8. The damages to the vessel or cargo, and their cause.
9. The condition, when possible, of anything lost by accident, thrown out or abandoned.
10. The course followed and any deviations, be they voluntary or by force.
11. Any dismissals of officers or crewmembers and their causes.

This Log shall be updated on a daily basis, with dates, and every entry shall be signed by the captain and his second in command if time and circumstances so allow. The first two records mentioned above shall be signed only by the captain.

Article 36: The captain shall be required to hire the merchant marine officials or other necessary hires, to fulfill all positions the regulations may require, and he shall be responsible for the damages that may be caused by the lack of personnel.

Article 37: When a vessel is involved in an incident at sea and the lives and goods onboard are in danger, the captain, together with the members of the crew, and other persons onboard under his command, shall give their best efforts towards a rescue. When sinking and total loss of the vessel are inevitable, the captain may choose to abandon ship. However, such abandonment must be communicated to the owner or operator of the vessel for their approval, except in case of an emergency. Once it has been decided to abandon the vessel, the captain will take all the steps necessary in order to evacuate, first passengers in an orderly fashion, taking all necessary security steps. Thereafter, arrangements will be made for members of the crew to evacuate whereas the captain should be the last to abandon the vessel.

Before abandoning the vessel, the captain will order the members of the crew to do their best in order to rescue the captain's log, Nautical charts, documents and papers used during the voyage as well as objects of value and cash.

Article 38: The captain shall be prohibited from deviating from the previously established route. If the captain should find himself obligated to do so by force majeure, he should return to the previously established route at the earliest possibility.

Article 39: All Sea protests with a view to proving jettison damages or other losses must be ratified under oath by the captain before the proper authority of the first port of arrival and within 24 business hours. Said authority, being a dependent of the Republic of Panama must interrogate the captain, officers, members of the crew and passengers regarding the veracity of the facts, bearing in mind the captain's log in the event it has been saved. Proof to the contrary is reserved to any interested parties.

Article 40: Be where it may where the captain verifies his sea protest he shall be under the obligation to have his captain's log certified by the proper authority before whom it is submitted and to exhibit at any time the captain's log to the interested parties who may arrange copies or extracts thereof.

Article 41: The captain has the right to be reimbursed by the owners for the expenses he may have incurred on behalf of the vessel, be it by personal or borrowed funds, as long as he laboured in accordance with his instructions or as part of his inherent duties in his capacity as captain.

Article 42: The captain may not retain onboard the effects of the cargo for the security of the charterhire but may have the right to demand from the owners or beneficiaries of the cargo in the act of delivery of the said cargo, that they deposit or post bond for the amount of the charterhire, gross damages and his disbursements and, in lieu of repayment, deposit or posting of bond, he may require attachment for the charterhire, damages and disbursement by reason of the cargo while it is in the possession of the owners or the beneficiaries, whether they be deposited in public storage or outside of the same and may require its immediate sale if the merchandise could be easily deteriorated or where of difficult or expensive conservation. The action for attachment will become time-barred as of thirty days beginning on the last day of the discharge of the cargo.

Article 43: All obligations whereby the captain, as co-owner of the vessel, should become liable to the for association, has priority over the portion and earnings which the captain has in the vessel and charterhire.

Section 2^a

Other Officers of the Vessel

Article 44: The Engine Chief shall have the following obligations:

1. To maintain the engines and boilers clean and in good condition, to ensure they are always ready to function with regularity and is responsible for all accidents and damages caused to the engine, vessel or cargo as a result of his negligence or inexperience

without prejudice to the criminal liability which may proceed in the event it is proven that a crime or fault has been committed.

2. To not undertake any modifications on the engine or proceed to repair any damages on the same or modify his normal routine without the previous authorisation by the captain. If the captain is opposed to the verification of any of the aforementioned cases, the chief's observations shall be expressed in the presence of the other officers and engineers of the vessel and if the captain is still opposed the Engine Chief shall record the sea protest in the Engine Room Log and continue to obey the captain, who shall be the only person responsible for the consequences.
3. To report to the captain any damages that may occur to the engine, to warn the captain when the engines must be turned off for a period of time or if any accidents occur in his department. The chief shall also frequently keep the captain informed as to the consumption of fuel and lubricants.

Article 45: The operators shall have the obligation of recording in the Engine Room Log the following:

1. The data relevant to the functioning of the engines.
2. The consumption of fuel and lubricants.
3. The damages and deterioration that may occur in the engines and boilers and their causes.
4. The means employed to repair the damages.
5. The force and direction of the wind, the gear and the functioning of the vessel.

Title II

Contracts

Chapter I

Contract for Transportation of Merchandise through Waterways

Section 1

General Provisions

Article 46: The Contract for Transportation of Merchandise through Waterways is that which the carrier enters into with the loader, in exchange for the payment of the charterhire, to transport the merchandise from one port to another.

Article 47: For the purposes of this chapter we shall assume the following:

1. Carrier: Is the person who, by his own accord or through another person acting on his behalf, enters into a Contract for Transportation of Merchandise through Waterways with a loader.
2. Effective carrier: Is the person who the carrier puts in charge of the actual transportation of the merchandise, or a part thereof, through the waterways and who successfully delivers.
3. Loader: Is the person in whose name or who on behalf of or who by his own accord enters into a Contract for Transportation of Merchandise through Waterways with a carrier, or the person in whose name or who on behalf of or who by his own accord delivers the merchandise to the carrier.

4. Consignee: Is the person who has the right to receive the merchandise.
5. Merchandise: Includes live animals and containers, grids, wooden palettes, or similar transportation materials supplied by the loader to consolidate merchandise.

Article 48: The Contract for Transportation of Merchandise through Waterways shall always be in writing. In the case of coastal traffic, one written document will suffice.

Article 49: Any clause in a Contract for Transportation of Merchandise through Waterways or a Bill of Lading or other similar document that references the contract, that is proof of the contract which is contrary to the provisions in this chapter, shall be null and void. However, such nullification and voiding does not affect the validity of other clauses in the contract or the Bill of Lading or other similar document. Any clause by which the insurance benefits over the merchandise are transferred or assigned in favour of the carrier, or any similar clause, shall also be void.

Article 50: The provisions of the previous article will not prevent an increase in the carrier's duties, aside from those already detailed in this chapter.

Article 51: If by absence of the consignee or in his unwillingness to accept the cargo or if he is not the legitimate holder of the Bill of Lading, the captain shall ignore to whom he is supposed to legally deliver the cargo and shall leave it to the discretion of the Port Authorities of the destination to see to the storage, conservation and security of the cargo.

Article 52: The captain who delivers the cargo before receiving the charterhire, damages and expenses, without having put into practice the provisions in the previous article or those which may be established by the laws of the place of discharge will not have action to demand payment from the loader if he were to prove that he did not load on his account but as an intermediary or on behalf of a third party.

Section 2

Duties of the Carrier

Article 53: The carrier shall be liable for the merchandise transported in containers while they are under his responsibility, with effect from the moment in which he receives them until they are delivered. He shall also be liable for merchandise not in containers, while under his responsibility, with effect from the moment in which they are loaded onto the ship until they are unloaded. While the merchandise is under the carrier's responsibility, he shall be liable for its loss or damage, with the exception of anything stated to the contrary in this Section.

The provisions of the previous paragraph do not prevent the carrier from entering into any contract pertaining to his liability with respect to merchandise not in containers, before it is loaded and after it is unloaded from the ship.

Article 54: The carrier must, before and at the start of the voyage, exercise reasonable efforts to:

1. Place the vessel in seaworthy conditions

2. Provide it with an adequate crew and provisions
3. To prepare and ensure the good state of the storage hold, the cold chambers and freezers as well as other areas in the vessel in which merchandise is transported so that they are in form satisfactory and secure for their safe conservation, transport and delivery.

Article 55: The carrier nor the vessel shall be responsible for the losses or damages that may occur or result from a lack of seaworthiness of the vessel, unless it is attributable to the lack of a reasonable effort on the carrier's behalf in preparing the vessel for navigation or in preparing the crew, equipment and convenient provisions, or in preparing the storage holds, refrigerators and freezers and other areas in the vessel in which merchandise is transported in a suitable and secure manner for its transport, conservation and delivery. Any time there are losses or damages due to non-seaworthiness, the burden of proof pertaining to the exercise of the reasonable efforts shall fall on the carrier or on any other person who should claim exoneration according to this article.

Article 56: The carrier shall proceed in an appropriate and careful manner in the loading, manipulating, stowing, transporting, custody, care and unloading of the merchandise being transported.

Article 57: The *carrier shall transport the merchandise to the port where the merchandise will be unloaded in the manner agreed upon and by the usual or most geographically direct route.

Any deviation with the purpose of saving lives or goods in the waterways or any other reasonable motive, shall not be considered an act of deviation with respect to what is established in the previous paragraph.

Article 58: A delay in delivery occurs when the merchandise does not arrive at the designated port where it should be unloaded or does not arrive within a reasonable period of time, except when the parties agree on a specific time frame.

The carrier shall be responsible for the loss or damage of merchandise caused by a delay in the delivery of said merchandise due to fault or negligence of the carrier, unless they are a result of causes which do not fall under the carrier's responsibilities with respect to what is stipulated in this chapter.

Article 59: The carrier shall not be responsible for loss or damages suffered by the merchandise during the period of time in which they are under his responsibility if the damages are a result of any of the following causes:

1. By fault of the captain, members of the crew, or pilot or an employee of the carrier during navigation or administration of the vessel, not relating to the obligations mentioned in Article 54.
2. Fire, unless the fire was caused by the carrier's fault or negligence.
3. War or armed conflict.
4. Acts of governments or competent authorities, quarantine restrictions or apprehension by reason of a legal process.
5. Strikes, detentions or labour restrictions.
6. Saving or trying to save lives or goods at sea.

7. Acts of the loader, owner of the merchandise or their agents.
8. Inherent defects of the merchandise itself.
9. Improper packaging, or insufficient or illegible brands.
10. Latent defects of the vessel not discoverable with due diligence.
11. Any other cause which may arise without fault or negligence by the carrier, its agent, or employee.
12. Fortuitous case or force majeure, dangers, accidents at sea or other navigational routes.

The carrier will have the burden of proof in order to be exonerated from responsibility in accordance with what is provided for in the aforementioned numerals except for the causes set forth in numeral 2 of this article.

Article 60: The carrier shall not be responsible for the loss or harm to live animals that are a result of special risks inherent to transportation. However, the carrier must prove that he has complied with all special requirements of the loader with respect to the transport of live animals and that under the circumstances of the transport via waterways, the loss or harm that may have occurred were due to special risks inherent to transport.

Article 61: In the cases in which the carrier intends to load the merchandise on the deck they must come to an agreement with the loader or comply with the usage of commerce or the applicable norms and regulations.

Without prejudice to the obligations of the carrier detailed in this chapter, when the merchandise has been loaded onto the vessel on deck in accordance with the provisions of the previous paragraph, the carrier shall not be responsible for its loss or damage caused by special risks inherent to transportation.

If the carrier, in violation of the provisions of the first paragraph of this article, loads the merchandise on the deck and the merchandise suffers loss or damages as a consequence thereof, the carrier shall be liable.

Article 62: When the loss, damage or delay in delivery occur as a result of causes in which the carrier, employee or agent has the right to exoneration, together with another cause which does not give him this right, the carrier shall be responsible only in the instances where this loss, damage or delay in delivery is attributable to the causes in which the carrier does not have the right to exonerate himself from the responsibility. However, the carrier will have the burden of proof with respect to the loss, damage or delay in delivery that results in the other cause.

Article 63: The amount of compensation for the loss of merchandise shall be calculated on the basis of the value of the merchandise, while what is owed due to damages of the merchandise shall be calculated on the basis of the difference between the value of the merchandise before and after the damage, or on the basis of the cost for their repair.

The total amount due shall be calculated on the basis of the value of the merchandise in the place and date in which they were unloaded according to the contract, or in the place and date in which they should have been unloaded.

The value of the merchandise will be determined in accordance with the quotes in the stock exchange or in lieu thereof according to the current price in the market or in

lieu of a quote in the stock exchange and current price in the market according to the usual value of merchandise of the same nature and quality.

The liability of the carrier for loss or damage to the merchandise will be limited to an amount equivalent to 666.67 account units per package or other transported cargo unit or to 2.0 account units per gross kilogram of weight of the lost or damaged merchandise if said amount is higher except when the nature and value of the merchandise have been declared by the loader prior to the loading and this is expressed in the Bill of Lading or when an amount greater than the limit of liability expressed in this provision has been agreed to between the carrier and the loader.

When a container, palette or similar transportation device is utilized to consolidate merchandise the number of packages or other cargo units listed in the Bill of lading as packed in said transportation device will be considered as the number of packages or cargo units.

When the transportation device does not belong to nor has been provided by the carrier, such transportation device will be considered as a package or cargo unit.

Article 64: When the performance of the transportation or a part thereof has been entrusted to an effective carrier, the carrier will continue to be liable for the totality of the transportation with respect to the provisions of the present chapter. The carrier will be liable with regard to the transportation completed by the effective carrier, for any act or omission of the effective carrier and his employee or agent who may be acting within the scope of their employment or agency.

Notwithstanding the provisions of the previous paragraph when a contract of transportation by sea explicitly establishes that a specific part of the transportation covered by said contract is to be performed by an effective carrier other than the carrier, the contract may stipulate that the carrier shall not be liable for the loss, damage, or delay in delivery which may arise due to a specific occurrence while the merchandise is entrusted to the effective carrier during said part of the transportation.

Article 65: The provisions relative to the responsibility of the carrier contained in this chapter shall be applicable to the effective carrier. When a claim is presented against the employee or agent of an effective carrier, the provisions stipulated in Section 2^a of this chapter shall be applicable.

Article 66: Any special agreement, under which the carrier assumes the obligations or waives the rights conferred by this Chapter, shall be mandatory for the effective carrier when he has accepted it in writing.

The provisions in this special agreement shall be mandatory for the carrier, regardless of whether or not the effective carrier has given his consent.

Article 67: When the carrier and the effective carrier are liable, they will be so severally.

Article 68: If the claims by loss or damage of the merchandise have been presented against the carrier, the effective carrier and his employees or agents, separately, the total amount of the compensation shall not be greater than the limit established by law.

Article 69: The provisions in Articles 64,65,66,67 and 68 of this Law will not affect the rights between carrier and effective carrier.

Section 3 Duties of the Loader

Article 70: The loader shall properly pack the merchandise and guarantee the accuracy of its description, brands, number of cargo units or pieces, weight or quantity of merchandise pieces at the moment of loading the cargo, and he shall indemnify the carrier against any losses that may result from poor packing or from inaccuracy in the aforementioned information.

The carrier's right to the compensation provided in the foregoing paragraph shall not affect the carrier's obligation with respect to the contract for transportation of merchandise with respect to others aside from the loader.

Article 71: The loader must execute all the necessary procedures in the port, customs, quarantine, inspection or other competent authorities with respect to the cargo of the merchandise, and must deliver to the carrier all the relevant documentation concerning the procedures with which the loader must comply. The loader shall be responsible for any loss to the carrier resulting from inadequate, inexact or late delivery of said documents.

Article 72: The loader shall pay the charterhire to the carrier as the agreed upon charterhire.

The loader and the carrier can agree that the charterhire be paid by the consignee. Said agreement must be expressed in the transportation documents.

Article 73: The loader shall not be responsible for the loss suffered by the carrier or the effective carrier or for the damages suffered by the vessel, unless such loss or damage is caused by the fault or negligence of the loader, his employees or his agent.

Article 74: Except for what is established in the previous articles, the loader's agent or employee shall not be responsible for the loss suffered by the carrier or the effective carrier or for the loss suffered by the vessel, unless the loss or the damage is caused by fault or negligence of the loader's employee or agent.

Article 75: At the time of loading dangerous merchandise, the loader must, in accordance with the regulations that govern the transport of said merchandise, pack them properly, mark them and label them so they may be distinguished, and notify the carrier in writing of their correct description, its nature and the precautionary measures to be adopted.

Should the loader not notify the carrier or should he notify him in an inexact manner, the loader shall be responsible for the damage and loss suffered by the carrier, the vessel, or the cargo onboard. Furthermore, the carrier must unload said merchandise, destroy them or make them harmless, when and where circumstances may so require, without the loader having the right to any compensation.

When the merchandise becomes an imminent danger to the vessel, the crew and other persons onboard or other merchandise, even when the carrier has knowledge of the nature of the merchandise, he shall have the right to unload, destroy or make the merchandise harmless when and where circumstances so require without the loader

having the right to any compensation. However, the provisions in this paragraph will not affect the contribution to gross average.

Article 76: When the loader and the carrier are not aware of the dangerous nature of the merchandise, the loader will be objectively responsible.

Article 77: When the carrier, knowing the dangerous nature of the merchandise, accepts it onboard, he shall be objectively responsible, of any damages that may occur.

Section 4 Bill of Lading

Article 78: Bill of Lading is the document that serves as evidence of the contract of transportation of merchandise through waterways and of the possession or cargo of the merchandise by the carrier, and is the basis by which the carrier commits to deliver the merchandise against its presentation. The obligation to deliver shall arise from by the clause in the document that indicates that the merchandise shall be delivered, to the party designated therein, to the order of or to the bearer.

Article 79: When the merchandise has been received by the carrier or shipped, the carrier shall, at the request of the loader, issue to the loader a Bill of Lading, which can be signed by a person authorised by the carrier.

A Bill of Lading signed by the Captain of the vessel that transports the merchandise, shall be deemed as signed on behalf of the carrier.

Article 80: The Bill of Lading shall contain the following information:

1. Description of the merchandise, brands, number of packages or pieces, weight or quantity, and a declaration, if relevant, with regard to the dangerous nature of the merchandise.
2. Name and main place of business of the carrier.
3. Name of the vessel.
4. Name of the loader.
5. Name of the consignee.
6. Loading port and the date in which the merchandise was received by the carrier in the loading port.
7. The port of delivery.
8. Place in which the merchandise was received and where the merchandise will be delivered in the case of a Bill of Lading for multipurpose transport.
9. Date and place of issuance of the Bill of Lading and the number of originals issuance.
10. Payment of freight.
11. Signature of the carrier or someone who acts on his behalf.

The absence of one or more of the data mentioned in this article will not affect the purpose of the Bill of Lading as such, as long as it complies with what is established in this Chapter.

Article 81: If the carrier were to issue, by request of the loader, a provisional Bill of Lading or other similar document, before the merchandise is loaded, the loader may deliver it to

the carrier against the presentation of a Bill of Lading when the merchandise has been shipped. The carrier may also note on the provisional Bill of Lading or other similar document, the name of the carrier vessel and the date of shipment. If this data is documented in this manner, the provisional Bill of Lading or other similar document shall be considered a Bill of Lading.

Article 82: When the carrier, or other person who may have issued the Bill of Lading in his name, has knowledge of or reasonable basis to suspect that the data contained with regard to the merchandise, such as its description, brand, number of packages or pieces, weight or quantity, does not exactly represent the actual merchandise received, they may specify on the Bill of Lading the inaccuracies, the basis for suspicion or the lack of reasonable means to so determine.

In the same manner, when the carrier or the person who issues the Bill of Lading that contains the aspects mentioned in the previous paragraph does not possess the means by which to determine the accuracy of said information they may note in the Bill of Lading that they have not so verified making the annotations, account, stowing and loading on account of the loader or a similar annotation.

Article 83: If the carrier or other person who has issued the Bill of Lading in his name does not make a note pertaining to the apparent good state and condition of the merchandise, said merchandise shall be considered to be in an apparent good state and condition.

Article 84: With the exception of the cases in which the Bill of Lading contains the annotations mentioned in Article 82 of this Law, the Bill of Lading issued by the carrier or other person acting in his name, shall be evidence prima facie that the carrier has received or loaded the described merchandise. Proof to the contrary shall not be admitted if the Bill of Lading has been transferred to a third party, including a consignee who may be acting in good faith, trusting the description of the merchandise described therein.

Article 85: The rights and obligations of the carrier and holder of a Bill of Lading are determined in its clauses, unless said Bill of Lading is part of a Charter Contract. In which case, this shall be considered the contract.

Neither the consignee nor the holder of a Bill of Lading are responsible for the delay, false freight or other expenses with respect to the cargo included at the port of loading unless the Bill of Lading clearly expresses that the delay, the false freight and all other charges shall be covered by the consignee and the holder of the Bill of Lading, unless he and the loader are the same person.

Article 86: The negotiability of a Bill of Lading shall follow these provisions:

1. A direct Bill of Lading is non-negotiable.
2. A Bill of Lading to the order can be negotiated with an endorsement to the order or in blank form.
3. A Bill of Lading to the bearer shall be negotiated by its delivery..

Article 87: When a carrier has issued a document that is not a Bill of Lading as evidence of the receipt of the merchandise that will be transported, said document will be proof prima facie of a contract of transport of merchandise through waterways and of the

receipt by the carrier of the merchandise described therein. Said documents issued by the carrier shall not be negotiable.

Section 5

Delivery of Merchandise

Article 88: Unless, at the time of delivery of the merchandise by the carrier to the consignee, written notice of loss or damage is given by the consignee to the carrier, the delivery shall be proof prima facie that the merchandise was delivered to the consignee in accordance with the transportation documents and in an apparent good state and condition.

When the loss and/or damage of the merchandise is not apparent, the provisions of the previous paragraph will be applicable, if the consignee has not given written notice within seven days starting from the day after the date of delivery of the merchandise, or in the case of merchandise transported in containers, within fifteen days, starting from the day after the date of delivery of the merchandise.

Written notice is not necessary, with respect to the loss or damage if the state of the merchandise, at the time of delivery, has been jointly inspected or appraised by the carrier and the consignee.

Article 89: The carrier shall not be responsible if he does not receive notification from the consignee with respect to the financial losses resulting from a delay in the delivery of the merchandise, within sixty days, starting from the day after the date of delivery of the merchandise by the carrier to the consignee.

Article 90: The consignee may, prior to receiving the merchandise at the port of destination, and the carrier prior to delivering them, request an inspection and appraisal of the merchandise by a qualified inspector. The party who requests the inspection shall pay expenses, but will have the right to reimbursement from the party who caused the damage.

Article 91: The carrier and the consignee, jointly, shall provide the adequate conditions for the inspection and appraisal, as is established in this Section.

Article 92: In the cases where the merchandise is delivered by the effective carrier, the written notice given by the consignee to the effective carrier in compliance with what is established in Article 88 of this Law, shall have the same effect as if it had been given to the carrier, and the notification to the carrier shall have the same effect as the notification given to the effective carrier.

Article 93: If the merchandise is not received at the port of delivery or if the consignee delays or refuses to receive the merchandise, the captain may unload the merchandise and store them in storage units or other appropriate places and the consignee shall cover the expenses and risks.

The longshoremen have the right to demand the same exceptions and defences as the carrier when they are acting under his command.

Chapter II
Charter Contract

Section 1
General Provisions

Article 94: The provisions of the present Chapter shall be applied in a supplemental nature to the charter contracts regulated by National Legislation.

The charter contracts which are not governed by National Legislation shall be subject to the principle of the autonomy of the will of the parties.

Article 95: All charter contracts must be in writing.

Article 96: The lessor cannot substitute the vessel object of the contract for another unless the charterer accepts the replacement in writing.

Article 97: The sub-charter in all its forms will not generate relationships between the lessor and the sub-charterer.

However, if the charterer owes charters to the lessor, he may claim against the sub-charterer, as the case may be, for the charterhires owed to the lessor.

Article 98: The statute of limitations shall begin from the expiration date of the contract or as of the interruption of the performance of the contract, whichever situation should occur first. The lapse shall start being counted on the day following the occurrence of either of the aforementioned events.

Section 2
Bareboat Charter

Article 99: The bareboat charter contract is that by which the charterer, in exchange for the payment of charterhire, acquires the possession, management and control of the vessel for a term.

Article 100: The charterer may not sub-charter the vessel given in bareboat charter without the prior written authorization of the lessor.

Article 101: The obligations of the lessor are as follows:

1. To deliver the designated vessel to the charterer, on the date and at the place previously agreed upon, in a seaworthy state, ready for the service for which it is destined and with the regulatory documentation.
2. To effect the necessary repairs and restorations so that the vessel is in seaworthy condition.

Article 102: If by reason of default in the obligations of the lessor as established in the previous article, the vessel may not be used for commercial purpose, charterhire shall not be caused during the time in which the same is not utilized. . For there to be a suspension in charterhire, the vessel must have been inactive for more than twenty four hours.

Article 103: The obligations of the charterer are as follows:

1. To supply the insured vessel, endow it and cover all costs for its exploitation.
2. Effect necessary repairs and restorations.
3. To use the vessel in a licit manner, in accordance with its technical characteristics and in conditions and in areas that will not expose it to danger.
4. To be liable with regard to the lessor, for all third party claims and privileged credits against the vessel, which result from its financial economic exploitation.
5. To return the vessel to the lessor on the date and in the place previously agreed upon and in the same condition in which it was received, save for the wear and tear brought on by its normal use and with the regulatory documentation.

Article 104: When the charterer does not return the vessel on the agreed upon date, he will have a grace period of fifteen calendar days, in which he will pay to the lessor double the agreed hire except in fortuitous cases or force majeure.

Section 3 Time Charter

Article 105: Time charter is the contract by which the lessor, conserving the nautical management of the vessel, places it at the disposition of another person to carry out the activity indicated in the terms of the contract, for a determined period of time and by means of a payment for charterhire.

Article 106: The obligations of the lessor are as follows:

1. To place the vessel at the disposition of the charterer on the agreed upon date, equipped with the pertinent documentation. The lessor shall maintain the vessel in the same seaworthy condition, save for the wear and tear brought on by its normal use during the term of the contract.
2. To pay the expenses relating to the nautical management of the vessel such as classification, insurance, maintenance, repairs, parts, lubricants, supplies, remuneration, support of the crew and the brokerage commissions.
3. To follow the instructions of the charterer in the commercial management of the vessel.
4. In matters pertaining to the nautical management of the vessel the captain depends on the lessor.

Article 107: The obligations of the charterer are as follows:

1. Pay the charterhire.
2. Pay the charges inherent to the commercial management of the vessel, such as taxes, tariffs and remunerations relative to navigation and other operations in canals, pilot zones and ports, towing operations, expenses relating to loading and unloading of merchandise, engagement of agencies and other services.
3. To lawfully operate the vessel in accordance with its technical characteristics and in conditions and places that will not expose it to danger and risk.
4. To return the vessel in the same condition in which it was received, save for the wear and tear resulting from its normal use, on the date and in the place previously

agreed upon, which unless otherwise agreed, shall be the place in which it was originally received.

5. Give orders to the captain, within what is stipulated in the contract with respect to the use of the vessel, especially in matters relating to cargo, transportation and delivery of merchandise, transportation of persons and the pertinent documentation.

Article 108: The lessor is not liable to the charterer, for the acts of the captain, nor the crew, when in compliance instructions given by the charterer pertaining to the commercial management of the vessel.

Article 109: The charterer is liable for the damages suffered by the vessel by reason of third party claims relating to its commercial management and will indemnify the lessor for said damages.

Article 110: If the charterhire has not been paid within ten consecutive days as of the date in which the obligation became due, the lessor may revoke the contract cancelled and may withdraw the vessel by giving an order to the captain, subject to prior notice to the charterer.

If the voyage has already begun, the lessor has the obligation of delivering the cargo onboard at the destination port and may receive the pending charterhire regarding the merchandise in said place up to the total amount owed by the charterer in respect of charterhire.

If the voyage has not begun, the lessor may undertake the unloading of the merchandise on account of the charterer. In both cases, the lessor shall have the means conferred by law to the carrier.

Article 111: In case of loss of the vessel, the charterhire is owed until the day in which such loss occurred.

Article 112: Charterhire payments shall not be owed for time in which the vessel is not viable for commercial use, unless the cause thereof is the fault of the charterer. For the charterhire payment to be suspended, the vessel must have been out of commission for over twenty four hours.

Article 113: The charterer may revoke the contract when the lessor does not make the vessel available on the agreed date.

Article 114: The lessor is not under the obligation of commencing a voyage which obviously will not be concluded by the date in which the vessel must be restored.

Article 115: In the event of salvage by the vessel, the corresponding remuneration shall be distributed, in equal parts, between the lessor and the charterer, after expenses, compensations, and participation on behalf of the captain and the crew have been deducted as well as the amount of the charterhire for the days the operation lasted.

Article 116: When the charterer does not return the vessel on the agreed date, he shall have a grace period of fifteen days to do so, after which he will pay to the lessor the charterhire according to the market value if this amount is more than the agreed amount

in the contract, except for fortuitous or force majeure cases, where the vessel must be returned in a time period of no later than 30 continuous days, starting from the date of expiration of the contract.

Section 4 Charter for Voyage

Article 117: The Charter for Voyage may be total or partial. It is total when the lessor agrees to place at the disposition of the charterer, by means of payment of a charterhire, all the areas susceptible to being loaded with cargo in a specific vessel to undertake the agreed voyage or voyages.

It is partial when one or more specified areas of the vessel are placed at the disposition of the charterer.

The lessor may not substitute the vessel described in the contract for another, unless the contract states otherwise. He shall also maintain the commercial and navigational management of the vessel.

Article 118: The obligations of the lessor are:

1. To present the vessel at the specified date and time, in seaworthy conditions, fully supplied and with the required documentation for undertaking the operations specified in the contract and to maintain the vessel in that condition throughout the agreed voyage or voyages.
2. To diligently undertake the agreed voyage or voyages.

Article 119: The lessor is liable for all the merchandise received onboard and is released from such liability by proving that he has complied with all his obligations.

Article 120: The charterer may revoke the contract by means of a written notice to the lessor should the lessor not make the vessel available to the charterer at the agreed upon place and date and in seaworthy conditions.

If the lessor cannot comply with the provisions of this article, he shall communicate it in writing, at least forty eight hours before the estimated date of arrival of the vessel, to the charterer, who may, at his convenience accept the charter or not.

Article 121: The ports designated in the contract of charter for voyage must be safe.

If one of the designated ports appears unsafe, the lessor must communicate it to the charterer in writing or by the technological means recognized by law, and in the absence of instructions from the same, he shall proceed to a safe and close port of this choice.

Article 122: The choice of ports for loading and unloading of the vessel, without impairment of the administrative norms that regulate port operations, shall correspond to:

1. The charterer, when nothing is established in the contract.
2. The lessor, subject to prior notice to the charterer or charterers when:
 - a. Given the previous situation, the charterer omits his designation.
 - b. The chosen port is deemed insecure.
 - c. In cases of several charterers, when there is no agreement on the matter.

Article 123: The obligations of the charterer are as follows:

1. To supply the quantity of merchandise, in accordance with the conditions stipulated in the contract.
2. To assume on his account and risk the operations for the loading and unloading of the merchandise.

Article 124: The charterer, before the vessel leaves the port, has the right to revoke the contract by paying half of the gross charterhire, and if such is the case, the expenses for unloading and overstaying. If the charter is a round trip, he must also pay for half the voyage.

Article 125: If the charterer does not load any merchandise during the vessel's time in port, the lessor has the right to revoke the contract and demand half of the agreed charterhire, in addition to the payment for overstaying if such is the case.

Article 126: If once the terms of time in port and overstay have elapsed the charterer has only loaded part of the agreed cargo, he must pay the complete cost of the charterhire in which case the lessor must undertake the journey.

In the absence of payment, the lessor has the option of undertaking the voyage, with the option of loading other cargo, in which case the charterer must pay the difference to cover the stipulated charterhire, or to proceed with the unloading of the cargo and paying half of the agreed charterhire and the extended stays as well as the unloading charges.

Article 127: If before the vessel sets sail, there is an unexpected and unforeseen circumstance or an act of force majeure that impedes the performance of the voyage, the contract will be revoked without damages or indemnities to be paid by any of the parties.

Unless otherwise stated, if the impediment is temporary, the contract shall subsist without damages and indemnities.

Article 128: If in the event of a fortuitous case or force majeure which prevent the performance of the voyage were to arise after the voyage has begun, the charterer must indicate another port for unloading cargo that is in the path of the original port and proceed to load paying the charterhire in proportion to the distance traveled. In the absence of instructions, the lessor will determine another port, and the cargo may then be unloaded at the expense of the charterer. When the impediment is temporary, there will be no increase in the charterhire and the lessor shall continue the voyage as soon as the impediment ceases.

Article 129: If the unloading operations have not begun or have begun and have been stopped, and the length of stay expires, the lessor shall have the right to unload the merchandise at the expense and risk of the charterer or the consignee. The lessor must send notice to his domicile, in the absence of a known domicile, by means of a publication in a nationally circulated newspaper.

If the event of refusal by the charterer or the consignee to receive the merchandise, the lessor may proceed immediately with what is established in this article.

Article 130: By terms of stay it is understood the lapse of time agreed by the parties to undertake the loading and unloading operations or in lieu thereof the term designated by the uses of the ports where such operations are undertaken. The terms of stay will be suspended when the loading or unloading cannot take place due to a fortuitous case, force majeure, or by acts attributable to the lessor. The business dates and hours of the port shall be computed provided the weather conditions allow such operations to be undertaken.

The time lapses that occur following the expiration of the terms of stay, shall be considered overstays or delays. In the absence of an agreement between the parties, the overstay shall have a maximum duration of ten calendar days, unless the use of port determines another duration.

Article 131: The term of stays shall begin when the vessel arrives at port, ready to load or unload, the lessor will have notified the charterer in writing and the agreed time has elapsed or in lieu thereof the time determined by the uses of the port for the commencement of these activities.

Article 132: Overstays shall be computed by calendar days and shall not be susceptible to interruptions, save for acts attributable to the lessor.

Article 133: The overstay shall be considered as a supplement to the charterhire. Its cost shall be that stipulated by the parties, and in lieu thereof that which is established by the local custom. The fractions of days shall be paid by prorating the daily cost.

Article 134: The transportation contracts in which a specific vessel is not placed at the disposition of the charterer but rather the shipper assumes the responsibility of transporting a determined quantity of merchandise during a specified time period, which are considered charters by volume or quantity, shall be governed by the norms of this Section which may be applicable.

Article 135: In the charter party each of the following circumstances shall be expressly mentioned:

1. The name of the vessel, its particulars, the nation to which it belongs, its port of registry and the name and domicile of the captain.
2. The name of the lessor and the charterer and their respective domiciles and if the charterer is working on commission, the name and domicile of the person on whose account the contract is made.
3. The designation of the voyage, if it is round trip or one way or monthly, for one or more trips and finally if the vessel is chartered totally or just partially.
4. The type and quantity of cargo the vessel must receive, the number of packages, the weight or measurements and on whose account they will be loaded and unloaded.
5. The dates and places agreed for the loading and unloading, the terms of stay and overstay which if elapsed they shall be counted, and the manner in which they will expire and be counted.
6. The charterhire that must be paid, be it for a quantity stipulated for the voyage, or for a fixed monthly fee, or for the space it will occupy or for the weight or size of the units in the cargo.

7. The manner, time and place in which the charterhire payment is verified, what must be given to the captain in concept of extras or bonuses, and for the terms of stay and overstays.
8. If certain areas of the vessel are reserved, other than what is necessary, for the service personnel and material.
9. Any other special stipulations which the parties may agree upon.

Chapter III

Multi-purpose Transportation Contract

Article 136: A Multi-purpose Transportation Contract is that by which an operator of transport, using several modes of transportation, carries out the transportation of merchandise in exchange for the payment of the complete transport of a charterhire, from the place in which the merchandise was received in their charge until they arrive at the destination, to deliver them to the consignee by means of two or more forms of transportation, one of which shall be marine transport.

The operator of a multi-purpose transport, as is provided in the previous paragraph, is the person who has entered into a transportation contract by diverse means with the loader, be it in person or by means of another person acting on their behalf.

Article 137: The responsibility of the operator of multi-purpose transportation in respect of the merchandise under this type of contract, covers the time period from the moment in which the merchandise is placed in his charge until he delivers it.

Article 138: The operator of a multi-purpose transport shall be liable for the compliance of the contract, or for promoting its compliance, and shall be liable for the complete transportation. However, the operator of a multi-purpose transport may enter into separate contracts with the carriers of different types, in which their liabilities may be defined in respect of the different sections of transportation under this type of contract. Said separate contracts shall not affect the liabilities of the operator of multi-purpose transport in respect of the totality of the transport.

Article 139: Should there be a damage or loss of merchandise during any segment of the transportation, the provisions of the law and the pertinent regulations of that specific segment of the multi-purpose transportation shall be applicable to the matters concerning the liability of the operator of multi-purpose transport and the limitations of the same.

Article 140: If the section of the transport in which the loss or damage to the merchandise occurred cannot be established, the operator of the multi-purpose transport shall be liable for the compensation, in accordance with the provisions relating to the liability of the carrier and its limitations, as is established in this Chapter.

Chapter IV

Contract for Transportation of Passengers Through Waterways

Article 141: The contract for transportation of passengers by sea shall be subject to what is agreed to by the parties, and in the absence of an agreement, to the provisions in this chapter.

Article 142: The passenger shall be considered a loader with respect to the luggage and other personal effects he may bring onboard, the captain shall not be liable for what the passenger has under his immediate and personal custody, unless the damage is caused by an act of the captain or the crew.

Article 143: If the price of the fare has not been established, if one of the parties requests it, the fare shall be summarily assigned by the judge of the place where the contract was executed, subject to the decision of experts.

Article 144: Vessels chartered with the sole purpose of transporting passengers shall transport them directly, however many there may be, to the port of their destination, making only the stops mentioned in the charter contract or those that are usually made.

Article 145: If the passenger does not board the vessel at the affixed time, or abandons the vessel without permission of the captain, when the vessel is soon to depart, the captain may begin the voyage and demand the passenger pay the full fare.

Article 146: The right to use the ticket, if issued in the name of the passenger, is non-transferable without the consent of the captain or consignee.

Article 147: If before undertaking the voyage the passenger should die, his heirs are only liable for half of the agreed fare and the captain must return the corresponding amount.

If maintenance fees are included in the agreed fare, the judge, receiving advice from experts if he deems it necessary, shall determine the amount which is retained for the benefit of the vessel in this concept.

In the case where another passenger takes the place of the deceased, no payment is necessary.

Article 148: If the voyage is suspended before it begins by fault of the captain or owner, the passengers have the right to reimbursement for the fare and payment for loss and damages, but if the suspension is due to fortuitous cause or force majeure or any other cause not attributable to the captain or owner, the passengers shall only have the right to the reimbursement of the fare.

Article 149: In the case of the interruption of a voyage that has already begun, the passengers shall only be liable for payment of the fare in proportion to the distance traveled and will not have the right to payment for loss and damages if the interruption was due to an fortuitous cause or force majeure, but they will have the right to payment of said indemnity should the interruption be exclusively the fault of the captain. If the interruption is caused by the inhabitation of the vessel and the passenger agrees to wait for the repair, the passenger will not be charged a higher fare but all his expenses during the stopover will be on his account.

In the case of a delay in the departure of the vessel, the passengers will have the right to remain onboard and to meals on account of the vessel during the stopover, unless the delay is due to fortuitous cause or force majeure.

If the delay should last more than ten days, the passengers shall have the right to request a reimbursement of the fare and if the delay is the fault of the captain or the owner, they shall have the right to demand payments for loss and damage.

Article 150: If the contract is revoked, before or after the voyage has begun, the captain shall have the right to demand what would have been supplied to the passengers, if the cancellation was not attributable to him.

Article 151: In all that is relative to the conservation of order and law enforcement onboard, the passengers shall abide by the captain's provisions with distinction whatsoever.

Article 152: The convenience or the interest of the passengers will not obligate nor empower the captain to anchor nor enter a place which deviates the vessel from its course nor to stop in those places where it should or must arrive at for more time than that demanded in attention to navigational matters.

Article 153: If there is no agreement to the contrary, the necessities of the passengers during the voyage will be included in the fare price, but if it is by their account, the captain shall have the responsibility of, if necessary, administering the necessary meals for their sustenance for a reasonable price and according to the going rates.

Article 154: In order to collect payment for the fare and sustenance fees, the captain can retain the personal effects of the passenger, and in the case of the sale of these, he shall have preference above all other creditors, proceeding in said sale as if charging for freight.

Article 155: In the case of the death of a passenger during the voyage, the captain has the authority, with respect to the body, to execute the provisions that the circumstances demand, carefully stowing the papers and effects belonging to the deceased passenger, which are found onboard.

He shall also place in good hands and in good custody the papers and effects of any crew members who may pass away onboard, preparing a detailed inventory with the assistance of two witnesses.

Chapter V

Towing Contract

Article 156: A towing contract is that by which the owner or operator of the tug boat or other vessel is responsible for displacing a vessel or object via waterways from one place to another, the towed party to pay for the service.

Article 157: The towing contract must be in writing. Its content must, principally, include the name and address of the owner of the tugboat and of the towed vessel, the names and particulars of the tugboat and the object being towed, the date, the place and

destination of the tow, price, manner and term of payment as well as other relevant aspects.

Article 158: The owner of the tugboat must, before and at the beginning of the tow, complete the necessary chores to ensure the seaworthiness of the tugboat and the object which shall be towed, adequately man the tug boat, outfit it with the proper equipment for towing and supply all other necessary instruments.

Article 159: Any of the parties may terminate the contract without liability, if before the service is commenced, due to force majeure or other causes not attributable to any of the parties, the contract cannot be fulfilled. In such cases, the price that has been paid shall be reimbursed, unless it was agreed otherwise.

Article 160: Any of the parties may terminate the contract without liability, if after the start of service, due to force majeure or other causes not attributable to either party, the contract cannot be fulfilled.

Article 161: When the object to be towed does not arrive at its destination due to force majeure or other causes not attributable to either of the parties, unless the contract states otherwise, the owner of the tugboat can deliver the towed object to the other party or their agent, at a place close to the destination, or at a secure port or at an anchorage chosen by the captain of the tugboat, and shall hold a privilege over the towed object.

Article 162: When the towed party does not pay the fare or other agreed upon reasonable fees, the owner of the tugboat shall hold a privilege over the towed object.

Article 163: During the course of the tow, if the damage suffered by the owner of the tugboat or by the towed party were caused by fault or negligence of one of the parties, the negligent party shall be responsible for the compensation. If the damage were caused by fault or negligence of both parties, both shall be responsible, proportional to the extent of their respective faults.

Notwithstanding the provisions of the previous paragraph, the owner of the tugboat will not be liable if he can prove that the damage suffered by the towed party is due to one of the following causes:

1. When the pilot is to blame, in cases where piloting is necessary.
2. By fault or negligence of the tugboat in saving or trying to save lives or property at sea.

The provisions of this article shall only be applicable when there are no different provisions to this effect in the towing contract.

Article 164: If during a tow, a third party should die or suffer personal harm or damages to their property due to fault or negligence of the owner of the tugboat or the towed party, the owner of the tugboat and the towed party shall be liable in proportion to the level of fault they had.

The party that may have paid out a sum that exceeds the proportion for which they were liable shall have the right to claim it from the other party.

Article 165: When the owner of the tugboat is towing a barge owned by him or operated by him for the transportation of merchandise, it shall be considered as an act of transporting merchandise.

Chapter VI Maritime Insurance Contract

Section 1 Basic Principals

Article 166: A maritime insurance contract is that by which the insurer undertakes to indemnify the insured in exchange for the payment of a premium, in the manner and measure agreed upon in the policy, against losses caused by the risks covered.

The risks covered, that are mentioned in the previous paragraph, include all maritime risks agreed between the insurer and insured including risks which occur in local waterways or on land and which are related to a maritime venture.

When the voyage includes multi-purpose or combined trajectories via water, land or air, unless otherwise specified, the maritime insurance shall apply.

Article 167: The insurance contract may contain the stipulations that the parties may deem convenient to include, but in any case, must include:

1. The name of the insurer.
2. The name of the insured.
3. The insured property.
4. The value insured.
5. The amount insured.
6. Risks that are insured and risks that are excluded.
7. Duration of the insurance coverage.
8. Insurance premiums.

Article 168: The following assets and risks may be insured:

1. Vessels, and by extension everything inherent to those currently under construction
2. The supplies and all the goods required for the preparation of the vessel for the voyage or for its continuance.
3. The merchandise, the luggage, cabin appurtenances or other goods or effects that are part of the transport via waterways.
4. The charterhire or the fare price.
5. The expected profit of the maritime operation or voyage.
6. The gross or general averages.
7. The salaries of the captain and crew.
8. The risk taken by the insured.
9. The object with financial value subject to navigation risks.

The insured may reinsure the risks or goods indicated in this article. Unless it is otherwise stipulated in the contract, the original insured shall not have the right to the benefits of the reinsurance.

Article 169: The insurable value shall be agreed between the insurer and the insured. When it has not been agreed, it shall be calculated as follows:

1. The insurable value of the vessel shall be the value that it has on the date in which the liability of the insurance begins, which will include the total value of the hull, engines, equipment, fuel, storage, gears, supplies, and water onboard, as well as the insurance premiums.
2. The insurable value of the cargo shall be the total value of the receipt or the real value of the goods not destined for business at the place of loading, plus charterhire and insurance premiums when the liability of the insurance begins.
3. The insurable value of the charterhire shall be added to the total sum of the charterhire owed to the carrier and the insurance premium when the liability of the insurance begins.
4. The insurable value of the other goods shall be the total of the real value of the insured goods and the insurance premium, when the liability of the insurance begins.

Article 170: The amount insured shall be agreed between the insurer and the insured. The amount insured shall not exceed the insured value. When the insured amount exceeds the insured value, the excess amount shall be null and void.

Section 2

Execution, Termination and Transfer of the Contract

Article 171: For the maritime insurance contract to be valid the policy shall be in writing and signed by the contracting parties.

This policy shall be duplicated, and each contracting party must keep a counterpart.

Article 172: Before the contract is signed, the insured must inform the insurer of the important circumstances which the insured is or should be aware of in his normal practice of business and that may influence the insurer in deciding the cost of the premium or if he wishes to insure.

The insured does not need to inform the insurer of the facts that the insured is aware of or should be aware of in his normal practice of business, if the insurer did not ask any questions to that effect.

Article 173: When the insured intentionally omits accurate informing from the insurer the important circumstances indicated in the previous article, the insurer will have the right to terminate the contract without reimbursing the premium. The insurer will not be liable for any losses that may arise from the insured risks before the contract is signed.

If the omission by the insured is not intentional, the insurer has the right to terminate the contract or to demand an increase in the premium. In the case where the contract is terminated by the insurer, he shall be liable for the losses that may arise from the insured risks that occurred before the cancellation of the contract, except when the important circumstances not mentioned or erroneously mentioned have an impact on the occurrence of said risks.

Article 174: When the insured has knowledge or should have knowledge that the insured matter has suffered a loss due to the occurrence of an insured risk when the contract is

signed, the insurer will not be liable for compensation but shall have the right to the premium. When the insurer has knowledge or should have knowledge of the impossibility of an occurrence of loss, the insured shall have the right to recover the paid premium.

Article 175: When the insured contracts several insurance agencies for the same insured object and against the same risks, and if the insurance amount of said object exceeds the insured value, unless it is otherwise agreed in the contract, the insured can demand compensation from any of those insurance agencies and the total sum of the compensation shall not exceed the loss in value of the insured asset. The liability of each of the insurers shall be proportional to the amount they insured for the total of the insured amounts of all the insurance agencies. Any insurer that pays a compensation greater than what they are liable for shall have the right of claim against those who have not paid their in the compensation for which they are liable.

Article 176: Before the insurance contract is in force, the insured may demand that the insurance contract be terminated, but will pay the handling fees to the insurer, who in turn will reimburse the entire premium.

Article 177: Unless it is otherwise stipulated in the contract, neither the insurer or the insured can cancel the contract once the insurance coverage has begun.

When the insurance contract states that it may be terminated after the coverage has begun and the insured demands the cancellation of the contract, the insurer shall have the right to the premium, payable as of the first day of coverage of the insurance until the day of termination of the contract, and will reimburse the remaining sum. If it is the insurer who demands the cancellation of the contract, the premium not yet expired from the date of termination of the contract until the date of termination of the coverage, shall be reimbursed to the insured.

Article 178: Notwithstanding what is stipulated in the previous article, the insured cannot demand the cancellation of the insurance contract for the voyage or the cargo onboard after the voyage has begun.

Article 179: A maritime insurance contract for the transportation of merchandise by waterways may be assigned by the insured by means of an endorsement or other method, and as a result the rights and liabilities under the contract shall be assigned. The insured and the assignee shall be jointly liable for the payment of the premium, if said premium should continue without being paid until the date of cessation of the contract.

Article 180: The consent of the insurer is required when the insurance contract is assigned as a result of the transfer of ownership of the insured vessel. In the absence of said consent, the contract shall be terminated with effect from the date of the transfer of the ownership of the vessel. When the transfer takes place during a voyage, the contract shall be terminated at the end of the voyage.

When the contract is terminated for the reason indicated, the insurer will reimburse to the insured the premium not earned, calculated from the date of the cancellation of the contract until the date of its expiration.

Article 181: The insured may negotiate an open coverage with the insurer for the merchandise being sent or received on partial shipments during a given time period.

The open coverage shall be evident by means of a floating policy which will be issued by the insurer.

Article 182: The insurer, at the petition of the insured, will issue, separately, insurance certificates for the cargo sent in partial shipments according to the open coverage contract.

When the contents of the insurance certificates issued separately by the insurer differs from what is expressed in the floating policy, the issuance of the separately issued certificates, shall prevail.

Article 183: The insured shall notify the insurer immediately when he is aware that the insured cargo has been sent or received. The information that the insured must provide to the insurer shall include the name of the vessel, the voyage, the value of the cargo and the amount insured.

Section 3

Responsibilities of the Insured

Article 184: Unless otherwise agreed, the insured shall pay the premium, immediately, when the contract is signed. The insurer may object to issuing the insurance policy or other insurance certificate before the premium is paid by the insured.

Article 185: The insured must notify the insurer, in writing, as soon as the insured has failed to comply with the contractual obligations. Once the notification is received, the insurer may terminate the contract or demand an amendment to the terms and conditions of the coverage of the insurance or an increase in the premium.

Article 186: When the insured risk has occurred, the insured shall immediately notify the insurer and shall take the necessary and reasonable measures to avoid or minimize the loss. When the insured has received special instructions by the insurer to adopt reasonable measures to avoid or minimize the loss, the insured shall act in accordance with said instructions.

The insurer shall not be liable for the loss caused by non-compliance on behalf of the insured with respect to what is stated in the previous paragraph.

Section 4

Responsibilities of the insurer

Article 187: The insurer will indemnify the insured promptly after the loss caused by an insured risk occurs.

Article 188: The compensation that is paid by the insurer for the loss derived from an insured risk is limited to the agreed amount. When this amount is less than the insured value it shall be limited to the agreed amount or when the compensation is less than the

insured value, the insurer will indemnify in proportion to what owed in relation to the insured value.

Article 189: The insurer shall be liable for the loss to the insured object with respect to various risks against which it was insured during the period of the insurance, regardless of whether the sum of the loss exceeds the insured amount or not. However, the insurer will only be liable for the total loss when said loss occurs after a partial loss that has not been paid.

Article 190: In addition, to the compensation that is paid for the insured object, the insurer shall pay the necessary and reasonable expenses which the insured may have incurred in order to avoid or minimize the loss, the reasonable expenses for inspection and determination of the value of the asset, to measure the nature of the risk against what was insured and the expenses incurred for acting in accordance with the special instructions of the insurer.

The payment made by the insurer for the expenses mentioned in the previous paragraph will be limited to the equivalent of the amount insured.

When the amount insured is less than the insured value, the insurer shall be liable for the expenses mentioned in this article in the proportion that the insured amount has with the insured value, unless the contract states otherwise.

Article 191: When the insured value is less than the value of the contribution to the gross average, the insurer shall be liable for the contribution to the gross average, in the proportion that the insured amount has with the value of said contribution.

Article 192: The insurer shall not be liable for the loss caused by an intentional act by the insured.

Article 193: Unless it is agreed otherwise in the insurance contract, the insurer shall not be liable for the loss, or the damage to the cargo that is caused by any of the following circumstances:

1. Delay in the voyage or in the delivery of the cargo or a change in the market value.
2. Reasonable wear and tear, inherent or natural defect of the cargo.
3. Inappropriate packing.

Article 194: Unless otherwise stipulated in the insurance contract, the insurer shall not be liable for the loss or the damage to the insured vessel that arises by reason of the following causes:

1. Lack of seaworthiness of the vessel at the beginning of the voyage, unless under a time policy, the insured has no knowledge thereof.
2. Reasonable deterioration or rusting of the vessel.

What is set forth in this article will apply, where pertinent, to the insurance of charterhire.

Section 5

Loss or Damage of the Insured and Abandoned Object

Article 195: If after the covered risk has occurred, the insured object is lost or severely damaged which results in the deprivation of its structure and normal usage or if the insured is deprived of his possession, this will constitute a total loss.

Article 196: When the total loss of a vessel is considered inevitable after an insured risk occurs, or if the expenses it must incur in order to avoid a total loss, exceed the insured amount, this will constitute a constructive total loss.

When the total loss of a vessel is considered inevitable after an insured risk occurs, or the expenses it must incur in order to avoid a total loss, plus the necessary expenses to deliver the cargo to its destination, exceed the insured amount, this will constitute a presumed total loss.

Article 197: Any loss that is not a total loss or a presumed total loss is a partial loss.

Article 198: When a vessel does not arrive at its destination within a reasonable time period from the last place in which there was information on its location, unless the contract states otherwise, if there is no information on the whereabouts of the vessel after two months have passed, it shall be assumed it is lost. In these cases, it shall be presumed that there is a total loss of the vessel.

Article 199: When the insured object has become a presumed total loss and the insured claims indemnity on the basis of total loss, the insured object shall be abandoned to the insurer. The insurer can choose whether or not to accept the abandonment, but he must inform the insured of his decision within a reasonable time period.

The abandonment shall not be subject to any conditions. Once the abandonment is accepted by the insurer, he will not be allowed to retract.

Article 200: Once the insurer has accepted the abandonment, all the rights and liabilities in respect of the abandoned property shall be assigned to the insurer.

Section 6

Payment of indemnity

Article 201: After an insured risk has occurred and before the payment of indemnity, the insurer may demand delivery of proof material related to the determination of the nature of the risk and the proportion of the damage.

Article 202: When the loss or damage of the insured object is caused by a third party, the right of the insured to demand compensation from the third party shall be transferred by subrogation to the insurer from the moment in which the compensation is paid.

The insured shall deliver to the insurer all the documents and relevant information he may have and will do everything in his power to assist the insurer in his claim against the third party who caused the loss or damage.

Article 203: When the insured relinquishes his right to file a claim against a third party without the consent of the insurer or if the insurer is not able to evoke his right to file a

claim due to circumstances caused by the insured, the insurer may make the corresponding deductions from the indemnity.

Article 204: The insurer, in paying the indemnity to the insured, may deduct the amount that may have been paid to the insured by a third party.

When the indemnity received by the insured from a third party exceeds the compensation paid by the insurer, the difference shall be returned to the insurer.

Article 205: After the occurrence of an insured risk, the insurer may surrender his right over the insured object, paying the insured the complete amount to free himself from his obligations in the contract.

To execute the right mentioned in the previous paragraph, the insurer must notify the insured within seven days, starting from the date in which he was notified of the claim by the insured. The insurer shall be liable for all the necessary and reasonable expenses paid by the insured to avoid or minimize the loss, in those cases that may have occurred before receiving the aforementioned notice.

Article 206: Save for the provisions of the previous article, when a total loss of the insured object occurs, and the total insured amount is being paid, the insurer acquires all the rights over the insured object. In the cases where the insurance does not cover the totality of the value of the insured object, the insurer will acquire the rights over the insured object in that proportion which the insured amount is sufficient to cover the insured value.

Chapter VII

Statute of Limitation

Article 207: In matters of statutes of limitation, the provisions contained in Book III, Title VI of the Code of Commerce of the Republic of Panama will apply.

Title III

Risks, Damages, and Accidents of Maritime Commerce

Chapter I

Collision of Vessels

Article 208: For the purposes of this chapter, the norms of the Agreement of the International Regulations for Preventing Collisions at Sea signed in London in 1972 and ratified by the Republic of Panama on March 14, 1979 will apply.

Chapter II

Salvage

Article 209: The aid and salvage of engendered vessels, of the objects onboard, of the charterhire and freight as well as the services of the same nature rendered between vessels of maritime navigation, and of coastal navigation, are subject to the provisions of

this Chapter, with no distinction between either type of service and without consideration of the waters in which the services are rendered.

Article 210: All acts of salvage or aid that have an ultimate result shall give way to fair remunerations. If the aid provided should obtain no results, then no remunerations will proceed.

In neither case, the sum owed shall be greater than the value of the saved goods.

Article 211: Those persons who may have taken part in aiding operations notwithstanding the express and reasonable prohibition of the aided vessel will not have the right to remuneration.

Article 212: The tugboat will not have the right to remuneration for aid or rescue of the vessel it tows or of its cargo, unless it has lent extraordinary services which cannot be considered part of the towing contract.

Article 213: There will be compensation even if the rescue or aid takes place between vessels of one same owner.

Article 214: The import of the remuneration shall be set in an agreement by the parties and in the absence thereof, by a judge.

The same will occur with regard to that proportion with which the remunerations are distributed among the rescuers.

The distribution among the owner, the captain and the other persons lending their services in each of the rescuing vessels, shall be governed by the law of the nationality of the vessel.

Article 215: All aid and salvage agreements negotiated in the moment and under the pressure of imminent danger may, at the request of one of the parties, be canceled or modified by a judge, if he deems that the agreed conditions are not fair.

In all cases, when it is proven that the consent of one of the parties is corrupted by fraud or reluctance, or when the remunerations are excessive in any aspect without proportion to the services rendered, the agreement may be canceled or modified by the judge at the request of the interested party.

Article 216: The remunerations shall be set by a judge:

1. With respect to the circumstances, taking into consideration the success, the efforts and merit of those who rendered the rescue, the risks undertaken by the assisted vessel, by its passengers and crew, by its cargo, by the rescuers and by the rescue vessel, as well as the time invested, the expenses incurred and suffered by the rescuers, the value of the material used by them, keeping in mind, should the circumstance arise, the provisions, more or less appropriate, for the salvage of the vessel that is lending aid.
2. The value of the salvaged goods.

The same provisions shall apply to the distribution described in the previous article. The judge may reduce or eliminate the remunerations if it is determined that due to the fault of the rescuers they have made the salvage or aid necessary or have incurred in robbery or other fraudulent acts.

Article 217: There will be no remunerations owed for the rescue of persons, subject to what is provided for in the law of the nationality of the vessel.

Rescuers of human life who intervene in the accident that caused the need for rescue or aid have the right to an equal part of the remuneration awarded to the rescuers of the vessel, its cargo and its apparels.

Article 218: The right to collect the remuneration payment becomes time-barred after two years, as of the date in which the aid or salvage occurred.

The causes for postponement or interruption of this statute of limitation shall be determined by the laws of the place of the court where the case is being tried.

Article 219: All captains are required, whenever possible without serious danger posed to the vessel, the crew or the passengers, to provide aid to all persons, even if they be enemies, found at sea at risk of being marooned.

The owner of the vessel shall not be liable for the controversies of the previous provision.

Article 220: The provisions of this chapter do not apply to war vessels nor to those belonging to the State exclusively for the use of public service.

Chapter III Gross Average

Article 221: Gross or common average shall be governed by the law of the country of registration of the vessel in which they may have occurred.

Individual average shall be governed by the law that applies to the charter party relating to the merchandise which are affected.

Article 222: In the absence of special agreements in the charter parties or in the Bills of Lading, the average shall be paid in accordance to the provisions in this Law.

Article 223: The extraordinary expenses and sacrifices made voluntarily by the captain, or on his command, for the common good or salvage of the vessel shall be considered common averages.

Article 224: Common averages are:

1. The damages resulting from the sacrifice of merchandise, masts, machinery and apparels and in general, from all parts that make up the vessel or the cargo. These damages comprise not only the value of the sacrificed objects but also all the deteriorations experienced by the vessel and the cargo as long as they are a direct or immediate consequence of the sacrifice of the objects.

The damages occurring to the objects that are used for means other than that which they are meant for and also those that arise from their excessive use even if that is what they are destined for, such as forcing the sails and machinery, are also included.

2. The damages deriving from a voluntary grounding with the purpose of avoiding a total loss or capture of the vessel or cargo, and those that result from the vessel setting sail, as well as the expenses that this entails.
3. The damages caused to the vessel and the merchandise not attacked by fire in the operations destined to extinguish the fire onboard.
4. The damages occurring to the vessel and the cargo in order to protect the former from capsizing.
5. The sacrifices carried out with the objective of avoiding collision.
6. The expenses pertaining to offloading and extraordinary transfers and in the case of grounding or voluntary beaching or of forced arrival, the expenses for cargo, storage and reinstallation of cargo onboard, as well as the damages that are an immediate and direct consequence of those events.
7. The other expenses of forced arrival relative to the vessel, including the salaries and provisions for the crew during this time.

The arrival expenses shall not enter into the rule or adjustment of the bill no matter how long the cause that made it necessary lasts.

8. The expenses for extraordinary lengths of stay at a stopover port, when the proximity of an enemy impedes departure.
9. The damages and deterioration that occur in defending the vessel and the cargo against enemies and pirates, including the expenses for healing, funerals, and the import of the compensations that must be paid when the individuals of the crew are injured or killed in the defense of the vessel.
10. The compensation for assistance.
11. The expenses resulting from the collection of money made during the voyage to pay common average, as well as those that arise from the liquidation of the same. Expenses shall comprise, the loss of merchandise sold on the voyage, the premium and interests relating to the bottomry and the insurance premium of the employed sums, as well as the cost for the appraisal needed in order to calculate the charges for said averages.

Article 225: The merchandise loaded on deck shall not be included in the common averages, except in the cases where the law permits it, nor in those cases where no Bill of Lading has been issued and there is no evidence of it in the manifest or in the cargo log, nor the apparel and instruments which are not inventoried.

Article 226: There shall be distribution of the general averages by contribution, as long as the vessel or cargo is completely or partially salvaged.

It is not necessary that the ultimate result be produced as a result of independent circumstances instead of proceeding directly from sacrifice.

Article 227: The mass which must be contributed will be comprised of:

1. The total net value which the sacrificed things may have had at the time and place of their unloading, including that freight paid in advance.
2. The total net value which the salvaged items may have at the time and place including those specified in Article 223 which also include the freight paid beforehand as well as the amount of damage caused by reason of the common salvage.

3. The freight and the fare payment of which is still pending, and from which will be deducted those expenses which will have been avoided if the vessel and the cargo were to have been totally lost when the common average was produced.

The effects of the crew, the passenger's luggage, the war munitions, and the edibles necessary for the voyage, shall not contribute to the general average, without prejudice to which they will be reimbursed, in such event, by contribution

Article 228: The mass that should be compensated for contribution shall be comprised of:

1. The total net value the sacrificed items may have had at the time and place of unloading, without deducting the freight. When the sacrificed items are a part of the vessel, the value shall be set by the value of the repairs, with the deduction if applicable of the difference between old and new, and what the old replaced parts may be worth when sold.
2. The difference between the total net value the deteriorated items may have at the time and place and the value they may have had, in the event of not having suffered damages.
3. The extraordinary expenses incurred according to Article 223.

Article 229: The regulations pertaining to common averages shall also be applied when the danger, a direct cause of the sacrifice or deterioration, is by fault of the captain, the crew, or a person with an interest in the cargo or by an inherent defect in the vessel or the merchandise.

The legal recourse which may be exercised due to the fault or inherent defect is independent from the regulation of the common average.

Article 230: Successive common averages shall be regulated or liquidated at the end of the voyage, as if they were one.

Article 231: The regulation of the average shall take place at the destination port.

Article 232: The distribution and liquidation of the general averages shall only take place if the vessel and cargo or one of these were totally or partially saved.

Article 233: To make the expenses and effect the damages corresponding to the gross average, the captain's resolution shall proceed obtaining the previous deliberation with the pilot and other officials of the vessel, and the interview of the parties interested in the cargo and which may be present.

If these should object and the captain and the officials in their majority or the captain, separating himself from the majority, deem certain measures necessary, these may be executed under their responsibility without prejudice to the right of the shipper to exercise their own against the captain before the competent judge, if they can prove that it proceeded with malice, inexperience or carelessness.

If the parties with a vested interest in the cargo, being present on the vessel, are not heard, they shall not contribute to the gross average, attributable in this case to the captain, unless the urgency of the case were such that there was not enough time for the previous deliberation.

Article 234: The agreement adopted in order to cause the damages that constitute the general average shall be recorded in the navigation book, expressing the motives and the reasons for which it was supported, the votes against and the basis for the disagreement, if it exists, and the unavoidable and urgent causes the captain responded to, if he were to have acted on his own.

In the first case, the act shall be signed by all those present who know how to do so, and if possible, before proceeding with the execution, and when not possible, at the first opportunity. In the second, by the captain and the officers of the vessel.

In the act, and after the agreement, all the objects thrown overboard shall be circumstantially recorded, and there will be mention of the imperfections that are caused to those conserved in the vessel. The captain shall have the obligation of delivering a copy of the act to the maritime judicial authority of the first port of arrival, within twenty four hours of their arrival and of ratifying it later under oath.

Article 235: The captain shall oversee the jettison and shall order the throwing overboard of effects in the following order:

1. Those found on deck, starting with those that hinder the operation or damage the vessel, preferring, if possible, the heaviest items and those of less utility and value.
2. Those under the top deck, starting always with the heaviest and of least value, until reaching those that are absolutely indispensable.

Article 236: So that the gross averages may be computed and the owners of the effects thrown overboard may have the right to compensation it will be necessary, with regard to the cargo, that the corresponding Bill of Lading accredit its existence onboard and with respect to the effects belonging to the vessel, that they have equal proof by means of an inventory before departure.

Article 237: If the vessel is being lightened because of a storm, in order to facilitate its entry into port or road, part of the cargo is transferred to a smaller boat and is lost, the owner of this portion of the cargo shall have the right to compensation, as if the loss had been during a gross average.

Article 238: Simple particular averages, as a general rule, shall be all the expenses or damages caused on the vessel or on its cargo that do not impact the benefit and common utility of all the vessel's and cargo's interested parties, and especially the following:

1. The damages that are suffered on the cargo from when it is loaded until it is unloaded, by accidents at sea, or by force majeure, and the expenses incurred in avoiding them and repairing them.
2. The damages that are suffered by the vessel in its hull, apparels, weapons, and supplies brought about by the same causes and motives, from when it sets sail in its port of origin until it is anchored in the port of its destination.
3. The damages suffered by the merchandise carried on deck.
4. The salaries and meals of the crew, when the vessel is detained or seized by legitimate order or force majeure, if the charter were to have contracted per voyage.
5. The necessary expenses for arriving in a port to gather supplies or get repairs.

6. The lesser value of the goods sold by the captain in order to pay for the forced arrival in order to purchase food and get aid for the crew, or those incurred to cover any other necessity for the vessel.
7. The meals and salaries of the crew while the vessel is quarantined.
8. The damages incurred on the vessel or its cargo by reason of impact or collision where the same is fortuitous or unavoidable.
9. If the accident occurs due to fault or carelessness of the captain, he shall be liable for all damages caused.
10. Any damage suffered by the cargo due to fault, carelessness or barratry of the captain or crew subject to the right of the owner to the corresponding indemnity against the captain, the vessel and the charterhire.

Title IV

Maritime Credits and their Respective Privileges

Chapter 1

General Provisions

Article 239: Those credits which pursuant to provisions of this title affect the vessel, the charterhire or cargo shall be paid from their price with preference to any other general or special privilege over bona mobilia and in the order listed in their respective chapters.

Article 240: In the event of wear and tear or devaluation of the object affected by the credit, the privilege will be exercised against whatever remains or what may have been saved or recovered.

Article 241: *The creditor whose privilege is relegated by virtue of a preferred one which also affects other objects will be deemed subrogated in the privilege with regard thereto provided the creditor to whom the privilege corresponds were to have been fully paid. The same right will correspond to the other privileged creditors also affected by reason of said subrogation.

Article 242: Privileged credits of equal rank will participate among themselves and in proportion to their amounts in the event of insufficiency of the object, in the event that they were to have been incurred in the same port prior to departure. However, if credits of the same type were to have been incurred subsequently once the voyage is commenced or continued, the subsequent credits will have preference over the previous ones.

Article 243: In the event of assignment or transfer of a title representing a privileged credit, the assignment will also result in the transfer of the privilege.

Chapter II

Privileged Credits Against the Vessel

Article 244: The following credits will constitute privileged credits against the vessel and will participate in its price in the order expressed in this Article:

1. Judicial costs incurred in the common interest of maritime creditors.
2. Disbursements, compensations, and salaries for assistance and salvage owed for the last voyage.
3. Salaries, payments, and compensations owed to the Captain and crew members for the last voyage.
4. The ship mortgage.
5. Credits owed to the Panamanian State in concept of annual charges and taxes.
6. Salaries and stipends owed to stevedores and dock workers directly hired by the owner, the shipping company or captain of the vessel for the loading or unloading of cargo during its last docking.
7. Compensations owed for damages caused by fault or negligence.
8. Amounts owed by reason of contribution in general average.
9. Amounts owed by reason of liabilities contracted for the necessities and supplies of the vessel.
10. Amounts taken in bottomry against the hull of the vessel and appurtenances for the equipment, arming and preparation thereof if the contract were to have been signed and delivered prior to the vessel departing from port where any such obligations may have been contracted; and the insurance premiums for the last six months.
11. Salaries of pilots, custodians, and conservation and custody expenses of the vessel, its appurtenances and equipment after the last voyage and port entry.
12. Compensations owed to the shippers and passengers for failure to deliver cargo or for damage thereto attributable to the captain or the crew during the last voyage.
13. The price of the last purchase of the vessel and the interest accrued during the last two years.

Article 245: The liability of the vessel for the payment of credits constituting maritime liens will be extinguished by its judicial sale.

The vessel privately sold will be transferred to the buyer subject to all maritime liens which affect it. The liability of the vessel to the payment of said maritime liens will become time-barred following six (6) months as of the date of permanent registration at the Public Registry of the transfer documents.

What is provided for in the foregoing section will not apply to the ship mortgage.

Article 246: The privilege relating to the privileged creditor who institutes judicial action for the recognition of his privilege prior to the expiration of the term expressed in the previous Article will not become extinguished.

Chapter III

Privileged Credits Against the Charterhire

Article 247: The following will constitute privileged credits against the Charterhire and will participate in its amount in the order expressed in this Article:

1. Judicial costs incurred in the common interest of maritime creditors.
2. Disbursements, compensations, and salaries for assistance and salvage owed for the last voyage.

3. Salaries, payments, and compensations owed to the Captain and crew members for the voyage in which the charterhire was received.
4. Amounts owed by reason of contribution in general average.
5. Amounts taken in bottomry against the charterhire to be received.
6. The insurance premiums.
 7. The amounts in concept of principal and interest owed by reason of obligations contracted by the captain against the charterhire and with the relevant legal formalities.
 8. Compensations owed to the shippers or charterers for failure to deliver the shipped merchandise or for damage thereto attributable to the captain or the crew during the last voyage.
9. Any other debt guaranteed by bottomry or registered ship mortgage or pledge against the charterhire.

Chapter IV

Privileged Credits Against the Cargo

Article 248: The following will constitute privileged credits against the attached objects and will participate in its amount in the order expressed in this Article:

1. Judicial costs incurred in the common interest of maritime creditors.
 2. Disbursements, compensations, and salaries for assistance and salvage owed for the last voyage.
 3. Commercial taxes or fiscal tariffs owed by the same objects at the place of unloading.
 4. Transportation and cargo expenses.
 5. The lease payments in respect of stowage units for the unloaded merchandise.
6. Amounts owed by reason of contribution in general average.
 7. Bottomry amounts and insurance premiums.
8. The amounts in concept of principal and interest owed by reason of obligations contracted by the captain against the cargo and with the relevant legal formalities.
9. Any other loan guaranteed by pledge over the cargo if the lender holds the Bill of Lading.

Chapter V

Ship Mortgage

Article 249: Merchant Marine vessels may be mortgaged in the same terms established in the Civil Code for real estate mortgages.

The provisions of said Code will apply to the ship mortgage insofar as they do not contrast with the present chapter.

Article 250: Consulates referred to in Article 8 are empowered to receive and process applications for preliminary registration of documents relating to the creation, amendment, or discharge of mortgages or assignment of mortgage credits in respect of Merchant Marine vessels, in the manner set forth in the following articles.

Article 251: The preliminary registration of mortgages on national vessels will be processed in the following manner:

1. The interested party will request the Consulate to proceed with the preliminary registration in a form to be delivered by the Directorate General of the Public Registry which must at least contain the names and domiciles of the mortgagor and mortgagee, the secured amount, the interest rate, maturity dates of principal and interest, present and former names of the vessel, number of its navigation patente, its tonnages and principal dimensions and the value or price assigned to the vessel in the event of auction (sic)*, particulars which must be obtained from the mortgage submitted to the Consul by the interested party.

2. Once the information in the application form is compared with that in the mortgage document and payment of the mortgage registration taxes are evidenced, the Consul will transmit the text of the interested party's application to the Public Registry in the city of Panama indicating the fact that payment has been effected as well as the corresponding number of the receipt.

3. Once the Consul's communication is received at the Public Registry, the same will annotate it in its Journal in the order of its arrival and, in the absence of any legal impediment will proceed with its preliminary registration by means of the digitalisation of the document sent by the Consul and will inform him his authorisation to issue a certificate of preliminary registration with an indication of the date and time of entry in the Journal of the communication and the registration particulars.

The communications referred to in this article will be sent by fax, email or other approved means and must be paid in advance at the Consulate by the interested party.

In cases where there exists a reason which prevents the preliminary registration of any document, the Registrar will proceed immediately to so inform the Consul as to the existence and nature of this circumstance in order that the necessary explanations, amendments or corrections may be made. If the informed impediment is not resolved in a period of ten business days, the annotation made in the Journal will be rendered ineffective.

4. Once the Public Registry's authorisation is received the Consul will issue and deliver to the interested party a certificate of preliminary registration in forms provided by the Directorate General of the Public Registry for this purpose.

The Consul will keep a counterpart of the mortgage document signed by the parties and will deliver another equally signed to the interested party attesting to the fact that it is a true copy of the document which served as basis for the preliminary registration.

The preliminary registration referred to in this article may be requested from the Public Registry in the city of Panama by a lawyer qualified to practice in the Republic on the basis of a duly legalised document and compared with the corresponding extract by a Notary Public who must keep a copy of the original document.

The extract, duly certified by Notary shall be submitted to the Public Registry which will annotate it in the Journal of the Registry and in the absence of any legal impediment will proceed with its preliminary registration by means of the digitalisation of the aforementioned extract and will issue to the interested party a certificate of preliminary registration with an indication of the date and time of entry in the Journal of the document and the registration particulars or will authorise the Consul designated by the interested party to issue said certificate.

In cases where there exists a reason which prevents the preliminary registration, the Registrar will proceed immediately to so inform the interested party as to the existence and nature of this circumstance in order that the necessary explanations, amendments or corrections may be made. If the informed impediment is not resolved in a period of ten business days, the annotation made in the Journal will be rendered ineffective.

Article 252: The preliminary registration which the previous article refers to will produce the effects of the permanent registration enabling the mortgagee to exercise all rights inherent to the mortgage for six months as of the date and time of the annotation in the Journal of the Public Registry within which time the interested party must arrange to protocolise the mortgage and submit it for its permanent registration at the Public Registry by means of a lawyer qualified to practice in the Republic.

An extract signed by the parties to the ship mortgage contract which served as basis for the preliminary registration may be permanently registered by means of a qualified lawyer by submitting this extract together with the original ship mortgage document to the Notary provided it contains the clauses mentioned in article 260 of this law and any other deemed necessary.

The said extract of the original document which remains filed at the corresponding Notary will be protocolised by the Notary for its subsequent registration at the Public Registry.

Once the six month term has expired without the document or its extract having been submitted for its permanent registration the Public Registry must give notice of this situation to the mortgagee by means of an edict which will remain posted for a period of five business days and, following its removal, the mortgagee will have a period of thirty business days after which if the document or extract is not submitted for its permanent registration, the preliminary registration will be rendered ineffective and the Public Registry will proceed by legal mandate to arrange the corresponding annotations.*

Once the permanent registration of the mortgage or its extract has been completed, the same will be retroactively effective as of the date and time of the annotation in the Journal of the application for preliminary registration.

Article 253: If when proceeding with the permanent registration a defect were to arise which can be resolved, the same may be corrected within six months as of the date of the personal notice or notice by edict of the memorandum suspending the registration without prejudice to the fact that, during such additional term, the preliminary registration will continue to be legally effective.

If it were not possible to effect the personal notice referred to in the foregoing paragraph within the term of five business days as of the date of the issuance of the suspension memorandum, notice will be effected by means of an edict posted for a term of fifteen days.

Article 254: If the vessel were mortgaged, the Public Registry will order the preliminary registration of the new mortgage for which the annotation is requested with the corresponding priority. The preliminary registration of a discharge of ship mortgage shall be processed in the following manner:

1. The Consul will request the preliminary registration in a form to be delivered by the Directorate General of the Public Registry which must at least contain the names and domicile of the mortgagee, registration particulars of the mortgage being discharged, the name of the mortgaged vessel, and the consent to discharge the mortgage, such information to be obtained from the mortgage discharge document submitted to the Consul by the interested party.

2. Once the information in the application form is compared with that in the discharge of mortgage document and payment of the mortgage discharge registration taxes are evidenced, the Consul will transmit the text of the interested party's application to the Public Registry in the city of Panama indicating the fact that payment has been effected as well as the corresponding number of the receipt.

3. Once the Consul's communication is received at the Public Registry, the same will annotate it in its Journal in the order of its arrival and, in the absence of any legal impediment, will proceed with its preliminary registration by means of the digitalisation of the documents sent by the Consul and will inform him his authorisation to issue a certificate of preliminary registration with an indication of the date and time of entry in the Journal of the communication and the registration particulars.

The communications referred to in this article will be sent by fax, email or other approved means and must be paid in advance at the Consulate by the interested party.

In cases where there exists a reason which prevents the preliminary registration of any document, the Registrar will proceed immediately to so inform the Consul as to the existence and nature of this circumstance in order that the necessary explanations, amendments or corrections may be made. If the informed impediment is not resolved in a period of ten business days, the annotation made in the Journal will be rendered ineffective.

4. The Consul will keep a counterpart of the discharge of mortgage document signed by the mortgagee, will remit one to the Merchant Marine General Directorate and will deliver another counterpart to the interested party, equally signed attesting to the fact that it is a true copy of the document which served as basis for the preliminary registration of the discharge of mortgage.

The preliminary registration referred to in this article may be requested from the Public Registry in the city of Panama by a lawyer qualified to practice in the Republic on the basis of a duly legalised document and compared with the corresponding extract by a Notary Public who must keep a copy of the original document.

The extract, duly certified by Notary shall be submitted to the Public Registry which will annotate it in the Journal of the registry and in the absence of any legal impediment will proceed with its preliminary registration by means of the digitalisation of the aforementioned extract and will issue to the interested party a certificate of preliminary registration with an indication of the date and time of entry in the Journal of the document and the registration particulars or will authorise the Consul designated by the interested party to issue said certificate.

In cases where there exists a reason which prevents the preliminary registration, the Registrar will proceed immediately to so inform the interested party as to the existence and nature of this circumstance in order that the necessary explanations, amendments or corrections may be made. If the informed impediment is not resolved in a period of ten business days, the annotation made in the Journal will be rendered ineffective.

5. The preliminary registration referred to in this article will produce the effects of the permanent registration for six months as of the date and time of the annotation in the Journal of the Public Registry within which time the interested party must arrange to protocolise the discharge of mortgage and submit it for its permanent registration at the Public Registry in the city of Panama by means of a lawyer qualified to practice in the Republic.

The presentation of evidence of payment of the annual franchise tax shall not be necessary when a Panamanian corporation is the owner or mortgagee in transactions, which relate to the registration of a title, mortgage or discharge of mortgage.

Once the six-month term has expired without the document having been submitted for its permanent registration, the annotation will be rendered ineffective by legal mandate and the Public Registry will proceed on its own to undertake the corresponding annotations.

Once the permanent registration has been completed, the same will be retroactively effective as of the date and time of the annotation in the Journal of the application for discharge. The defects which can be resolved and which may arise when processing the permanent registration of the discharge of mortgage may be corrected subject to the procedure and terms established in article 253.

Article 255: A vessel may only be mortgaged by its owner or his lawful representative, duly empowered for such purpose. Any owner of a vessel provisionally registered whose property title has not yet been registered at the Public Registry may execute a mortgage over said vessel. After registering the property title at the Public Registry, the interested party must register at said Registry the mortgage so granted in order for the same to be legally effective against third parties.

When the property of a vessel is vested in two or more persons, the agreement of all parties or of the majority thereof pursuant to Article 18 is required.

Nevertheless, a co-owner may separately mortgage its part of the vessel in favour of another co-owner or any other party, as long as in the later case it is stated in the relevant contract that in the event of a judicial sale of the mortgaged part, the other co-owners have a pre-emptive right to purchase the vessel as provided for in Article 24.

Article 256: In the case of ship mortgages executed to guarantee future obligations or those subject to a suspensive condition, Articles 1591 and 1592 of the Civil Code shall not be applicable.

The provisions of this Article shall apply to mortgages already registered at the time this law is enacted, and which guarantee future obligations or those subject to suspensive conditions.

Article 257: The provisions of the foregoing Article shall apply to all obligations, regardless of their nature, guaranteed by a ship mortgage, such as those which arise from contracts of revolving credit facilities or of any other nature, or by virtue of stipulations that require the delivery, the payment or settlement of the same in different currencies or means of payment.

Article 258: When the ship mortgage is executed to guarantee obligations which arise from a contract relating to the granting of credit, such as, for example, a credit line or overdraft facility, the payment of all sums advanced during its term will not extinguish said contract nor the mortgage which guarantees the obligations deriving therefrom. Furthermore, said contract and mortgage will not be extinguished by reason of variation in currency, repayment dates or agreed means of payment, nor by reason of a variation in the stipulated interests. Also, the substitution of one debtor for another will not extinguish the principal obligation of the mortgage.

Article 259: Every assignment of a mortgage credit for whatever reason must be registered at the Public Registry in the same way as the original title without which requirement the assignment will not be legally effective against third parties.

Article 260: The ship mortgage contract executed within or outside of the Republic may be prepared in any language and must be made in writing, by public deed or private document.

If it is executed by private document, the signatures of the parties must be authenticated by a Notary Public or by a Consul of the Republic of Panama in the exercise of notarial functions.

The ship mortgage contract may also be executed in accordance with the formalities required in the country where it is executed.

In any case, the mortgage contract will only be effective against third parties as at the date of its presentation to the Public Registry. In order to proceed with its presentation, the document must have been previously legalized by Apostille or by a Consul of the Republic of Panama.

The mortgage indenture may contain all the stipulations, which the parties may deem convenient to include but, in any case, it must contain:

1. The name and domicile of the mortgagor and mortgagee.
2. The fixed or maximum amount of the principal sum or obligations, secured thereby.

The mortgage will also secure, in addition to the principal amount, all accrued interest, judicial costs, collections expenses, amounts resulting from a fluctuation in currency or form of payment and other amounts which may be agreed in the mortgage contract in any other concept.

It is assumed, between the contracting parties and in respect of third parties, subject to evidence to the contrary, that the amounts owed, either in concept of principal, interest or other amounts secured by the mortgage, shall be as expressed in the respective claimant's petition.

3. The maturity dates of principal or of compliance with the guaranteed obligations and interest or the form to determine said dates, unless the mortgage is executed as security for obligations repayable on demand, obligations subject to suspensive condition or future obligations.

4. In the event the parties provide for interest, the mortgage contract must specify the agreed rate of interest or the manner in which it must be calculated. Among others, the interest may be stipulated with reference to the rate existing in a determined market or at the bank rate to selected borrowers in any market or by reference to cost of the funds. The rate may be adopted as the existing one at the date of execution of the

contract or in accordance with the fluctuations it may undergo during the term of the credit.

The credits secured by ship mortgage will not be subject to maximum interest and, therefore, are not subject to legal provisions which limit interests. However, the National Banking Commission may establish a maximum interest for these credits when the mortgage security affects vessels involved in coastal trading.

5. Name, number of patente, call sign if any, tonnages and registered dimensions. If the mortgaged vessel is under construction, the circumstances mentioned in Article 263 must be included.

6. When several vessels are mortgaged as security for one credit, the amount or part of the encumbrance for which each vessel is liable may be determined. If this is not indicated, the mortgagee may proceed against any or all of the vessels for the total amount secured thereby.

The stipulations to which numerals 3 and 4 of this article refer may be included in the mortgage contract or in extracts or contracts and schedules thereto which are attached to the mortgage contract for its registration. In the event that the mortgage is executed as security for a specified and described credit or one whose amount may not be determined at the time of execution of the mortgage contract, it will suffice to mention the essential information which will allow the credit obligation to be identified and that a pre-determined ceiling be assigned to the amount of the mortgage liability.

Article 261: The document whereby the ship mortgage is executed shall be signed by the mortgagor or its representative, and shall be submitted to the Registry for its registration.

Article 262: In the event that the amount or part of the encumbrance for which each vessel is liable has been determined as authorised in numeral 6 of article 260, such determination will be deemed without prejudice to the fact that if the mortgage is insufficient to cover the full amount of the credit the mortgagee may proceed for the difference against the other mortgaged vessels owned of the debtor but without priority in respect of such difference over those who, following registration of the mortgage, may have acquired an in-rem right against the same vessels. If after all the mortgaged vessels have been sold, there still remains an unpaid part of the credit, the mortgagee may proceed against the other assets of the debtor.

Article 263: In order to execute a mortgage on a vessel under construction, it is essential that the ownership of the vessel be registered at the Public Registry for which purpose the corresponding certification issued by the shipyard attesting to the following will constitute title:

1. The name of the person for which the vessel is built.
2. The numbers of the assigned patente and radio license.
3. The dimensions, tonnages and service of the vessel.
4. The place, name and address of the builder of the vessel.
5. Confirmation of the intent of the builder to transfer the ownership of the vessel to the person for whom it was built and his acceptance to such transfer.

The effectiveness of the preliminary registration of the title and mortgage in cases of vessels under construction will be retroactive to the date and time of the annotation in the Journal of the Public Registry of such preliminary registration.

Article 264: The Consulates referred to in article 8 are empowered to receive applications for preliminary registrations of ownership title and mortgages on vessels under construction subject to compliance with the requirements established in the aforementioned article and with what is provided for in articles 8, 9, 10, and 11 of this law.

Article 265: The ship mortgage will cover together with the hull and save for an agreement to the contrary, the appurtenances, engines and other accessories of the vessel which it encumbers.

It will also cover, unless otherwise agreed, the charterhire caused but not received for the voyage underway or the last amounts caused when the mortgage credit is made effective, the indemnities corresponding to the vessel by reason of collision or other accidents which may give rise to them and in respect of the insurance in the event of mishap.

Article 266: In the event provided for in the final paragraph of the previous article, following registration of the mortgage, the mortgagee may arrange for the insurer to withhold the amount of the insurance.

Article 267: If the indemnity for the event of mishap previously mentioned were to have been expressly excluded from the mortgage, the mortgagee who has arranged to register his right as such may ensure the vessel or that part of the mortgaged vessel as security for his credit.

Article 268: The insurers with which contracts have been executed will replace the mortgagee in his rights against the mortgagor in the event the amount of the insurance is paid to the mortgagee.

Article 269: In the event of loss of the vessel or should it become useless for navigation, the mortgages may exercise their rights against the salvaged objects or their value even when their credits have not yet become due.

Article 270: The duly registered ship mortgage directly and indirectly subjects the vessel which it encumbers to compliance with the obligations as security for which it is executed, regardless of its holder.

If the mortgage only encumbers part of the vessel, the mortgagee may judicially attach and arrange for the sale of said part.

Article 271: The right to foreclose the mortgage will become time-barred simultaneously with the obligation which it accedes.

Chapter VI

Judicial Attachment and Sale of Vessels

Article 272: The vessel affected by an enforceable maritime lien may be seized and judicially sold at the port at which it may be at any given time at the request of the legitimate creditor. The captain of the vessel shall represent the Owner in the relevant legal proceedings. The Clause empowering the Mortgagee to sell the mortgaged vessel by private sale in the event of default by the debtor shall be valid. The Owner of the vessel may grant an irrevocable mandate to the Mortgagee for these purposes.

The private sale of the vessel shall be subject to the following provisions:

1. The Mortgagee must notify the Owner of his intention to sell the vessel at least twenty calendar days prior to the date in which such sale is to be held. If there are any other registered mortgages, such notice must also be given to the registered Mortgagees.

2. The Mortgagee shall be responsible for any damages resulting from the exercise of such power.

3. The property of the vessel sold by private sale in the manner described herein shall be transferred to the Buyer with all its debts and liens, save for the mortgage lien that caused the private sale, which shall be extinguished.

Article 273: The mortgage contract may provide that the Mortgagee may be entitled to take possession of and manage the vessel if he deems it convenient in order to protect its credit, collect charterhire and apply them to the outstanding debt. The Mortgagee may exercise this right even when the vessel is in possession of a third party.

The Mortgagee shall be responsible for any damages caused while managing the vessel.

In the event of mismanagement by the Mortgagee, the Owner may request a court order to deprive the Mortgagee of the management of the vessel.

The Mortgagee must provide reports to the Owner every three months and at the end of the management period, unless otherwise has been agreed.

When there are several Mortgagees of different ranks priorities, the right to take possession of and manage the vessel will be granted by the order of priority of the existing mortgages.

Article 274: No vessel, which is loaded and ready for sail, may be judicially attached nor detained except for the purpose of enforcing maritime credits against it. The effects of the judicial attachment may cease by submitting sufficient bond to assure that the vessel will return to port within the established term in lieu of which it must then pay the amount claimed insofar as it is legitimate.

Article 275: A vessel may not be detained, judicially attached, nor foreclosed in its totality for the individual debts of a co-owner in which case the process must be limited to the portion owned by the debtor without disturbing its navigation provided the remaining co-owners post bond for that part which may correspond to the defendant, once the voyage has been concluded.

Article 276: Whenever there is a judicial attachment of a vessel, all its appurtenances and belongings shall be inventoried in the event that they are owned by the shipowner of the vessel.

Article 277: The captains, masters, or employers are not authorised by reason of their position to transfer ownership of the vessels under their command but if the vessel which is undertaking a voyage should become un-seaworthy, they may request its sale before a Consul of the Republic and in his absence before the competent judge of the port of the first stop or arrival, with justification of the damages suffered and of the fact that the vessel cannot be repaired to continue the voyage.

Once the above situation has been evidenced the Consul of the Republic or the judge shall authorise the judicial sale and the same will be arranged when the vessel is in one of the ports of the Republic and in form prescribed for judicial sales.

Article 278: The present law cancels abrogates Book Second of the Commercial Code of Panama and Article 11 of Law 44 of July 26, 2004.

Article 279: This law will become enforceable as of the date of its promulgation

BE IT COMMUNICATED AND ENFORCED.

Project 340 of 2007 approved on third debate at the Justo Arosemena Palace, city of Panama, on the thirtieth day of the month of June of the year 2008.

President:

Signed illegible

Pedro Miguel Gonzalez P.

Secretary General:

Signed illegible

Carlos Jose Smith S.

NATIONAL EXECUTIVE BRANCH. PRESIDENCY OF THE REPUBLIC OF PANAMA.
REPUBLIC OF PANAMA, 6 AUGUST 2008

Signed illegible

Martin Torrijos Espino

President of the Republic

Dilio Arcia Torres

Minister of the Presidency