



Compliance Systems, Inc.

Hamilton House ♦ 26 E. Bryan Street ♦ Savannah, Georgia 31401 USA

Telephone: (912) 233-8181 ♦ Fax: (912) 231-2938 ♦ Telex: 145025

E-mail: csi@compliancesystemsinc.com ♦ Web site: www.compliancesystemsinc.com

December 28, 2009

**IONIA MANAGEMENT S.A.
REPORT OF OFFICE VISIT
PIRAEUS, GREECE
DECEMBER 10, 2009**

On December 10, 2009, I met with Krystyna Tsochlas, Ionia's Safety and Quality Manager, Environmental Management Representative and Designated Person Ashore, and George Karagiorgis, Ionia's Technical Manager and Corporate Compliance Manager in their Piraeus, Greece offices. The opportunity for the meeting arose as a result of other scheduled business in Piraeus, Greece. The purpose of the meeting was to review the implementation of the Special Waste Oil Monitoring System (SWOMS) aboard the M/T Theo T and M/T Fidias, relative to the requirements of the Special Master's Scope of Work, see firsthand the procedures for Ionia's review of the data and follow-up actions, and finally to discuss next steps with regard to the required vessel audits.

At the time of my visit, Ms. Tsochlas and Mr. Karagiorgis were finishing up their Report of Ionia's Progress to the Special Master, due the next week. Item 1) a) of the report discusses in detail the operation of the SWOMS aboard the Theo T and Fidias. Our discussions covered much of the same information contained in the report.

Electronic data is being transmitted daily from both vessels. A sample of the daily SWOMS report is attached. The report is transmitted each day at 0000 (GMT). The volumes of the bilge water and oily residue tanks at the time of transmission, as well as the maximum and minimum volumes for the previous 24 hours are included on the report. At the end of the month, hard copies of the Oil Record Book, Tank Sounding Log, and Alarm Log are sent to the office. Upon receipt, the superintendent for each of the vessels carries out a review of the data and compares the records for any anomalies. The tank volume data received at the end of the month is compared to the daily SWOMS report to ensure the values are within the maximum and minimum volumes for the day. The volumes recorded by the SWOMS at the time of transmission and the daily volumes recorded in the Sounding Log are also compared in a bar graph format. Data for the graphs is entered manually in an Excel spreadsheet by the superintendents. Since the soundings on board are usually taken at 0800 (local time) versus the SWOMS sounding at 0000 (GMT), the values seldom coincide.

The company procedures for review of the SWOMS data and the waste management records maintained by the vessel are contained in Section 13.3 of Ionia's Environmental Management Plan. These procedures appear to be in alignment with the requirements of the Scope of Work; however, in reviewing the records submitted monthly, I noticed there is nothing to indicate the



IONIA MANAGEMENT S.A., REPORT OF OFFICE VISIT

Chief Engineer is reviewing the SWOMS data weekly as required by Section IV. a. of the Scope of Work and Section 13.3 of the EMS Manual. Specifically, the Chief Engineer is required to initial the ship's engine room alarm printout to indicate he has reviewed it and compared it to the Oil Record Book.

As noted above, the SWOMS report is being sent to Ionia's offices once daily. The SWOMS continuously monitors the operation of the bilge pump, the oily water separator, including the OCM, overboard valve, flushing (fresh water) valve and oil purge valve, and the incinerator (bilge well levels are not monitored). The number of times and minutes each of these are operated in a 24 hour period are reported. The requirement of the Scope of Work to, *"electronically monitor and record all waste oil generation and processing in the engine room, in a tamper proof and automated manner"*, appears to be met by the installed system. Also required, is that the data, *"be electronically recorded by the SWOMS at least hourly"*. According to Ms. Tsochlas and Mr. Karagiorgis, the system may be queried on board at any time and a special report sent to Ionia's offices, but this requires human intervention. A desired feature of the SWOMS is that the system have the capability to transmit data automatically, without the need for human intervention. The once daily automatic transmission, does not record hourly data, nor is there an electronic hourly record kept. This was discussed during my visit, with both Ms. Tsochlas and Mr. Karagiorgis indicated they were going to follow-up with the SWOMS manufacturer regarding this requirement.

In addition to the SWOMS recorded data, the vessels' oil content meters (OMD 2005) have the capability to record operations of the oily water separator, including time of operation and parts per million of the oily water discharged. The card has an 18-month memory, after which the data is written over. According to Ms. Tsochlas and Mr. Karagiorgis, the times of operation recorded in the Oil Record Book are the times taken from the oil content meter memory. During twice yearly superintendent visits, the memory card data is verified against the Oil Record Book entry.

During our meeting, we also discussed some of the operational problems with the SWOMS, including the sensor in the Fidias' Bilge Holding Tank not functioning and the inaccuracy of the incinerator waste oil tank soundings for both the Fidias and the Theo T. These issues are discussed in more detail in Ionia's December report to the Special Master. Efforts by Ionia are being made to correct these problems.

I presented to Ms. Tsochlas and Mr. Karagiorgis an overview of a remote monitoring system in use by another company. Attached is a copy of the overview. Of particular interest are the graphical reports automatically produced and transmitted by the system. The reports demonstrate the variance in soundings over a given period of time due to the motion of the ship and size of the tank.

We also discussed next steps regarding vessel audits. The Scope of Work requires three audits aboard each vessel, initial audit (completed), ongoing audit (once during the second and third year of probation), and final audit (to begin no earlier than 12 months prior to the end of the probationary period). Considering the term of probation to have begun on December 14, 2007 (need to confirm if this is correct), we are now in the third year of probation. Accordingly, an ongoing audit must be completed aboard each vessel prior to December 14, 2010.

Based upon the current trading schedules of the vessels, we have targeted the Theo T audit for



IONIA MANAGEMENT S.A., REPORT OF OFFICE VISIT

February 2010. The vessel is currently trading in the Far East. The recently developed EMS Manual was implemented aboard beginning on December 3, 2009. The Fidias is currently in West Africa. Implementation of the EMS manual aboard the Fidias was begun in July 2009. We will look for an opportunity to conduct the audit aboard her when she departs West Africa.

It was clear to me from my discussions with Ms. Tsochlas and Mr. Karagiorgis that Ionia is committed to making the SWOMS work aboard the Fidias and the Theo T as an effective deterrent to improper and illegal operations. They appear to be working diligently to solve the operational problems mentioned and are open to suggestions for improvement of the SWOMS and their EMS. The recently developed EMS Manual is being implemented aboard each of the Ionia vessels, with the exception of the SWOMS reporting.

Respectfully submitted,

Captain Richard C. Wigger, USCG-Ret
Independent Environmental Consultant
Compliance Systems, Inc.

Enclosures:

1. Sample of SWOMS Daily Report
2. Remote Monitoring Presentation

Distribution:

Dorsey & Whitney LLP
Attn: Robert Bundy
1031 W. Fourth Ave.
Suite 600
Anchorage, AK 99501

Sanborn Yearwood & Associates
Attn: James Sanborn
324 Keller Road
Berwyn, PA 19312-1452

Rich Wigger

From: Fidias Logger [logger.fidias@hermes.otesat-maritel.net]
Sent: Friday, October 02, 2009 4:21 AM
To: Technical Ionia Management
Subject: (PN:158937)M/T FIDIAS Enviro-Loggers Daily Report 02/10/2009 00:00:00 GMT

Follow Up Flag: Follow up
Flag Status: Flagged

VESSEL: M/T FIDIAS
Daily Enviro-Logger Report
02/10/2009 00:00:00 GMT dd/mm/yyyy
Running Software Version 8.05F5
GPS Latitude: 6 17.254' N
GPS Longitude: 3 24.691' E

Current BHT Lvl 0.83m Vol 7.97m3
Current Sludge Tank Lvl 0.10m Vol 1.92m3 Current Oily Bilge Tank Lvl 0.37m Vol 1.12m3
Current Stbd Bilge Lvl 0.12m Vol 0.29m3 Current Port Bilge Lvl 0.09m Vol 0.20m3 Current Aft
Bilge Lvl 0.56m Vol 3.81m3 Current W.O. Service Tank Lvl 0.65m Vol 0.87m3

INFORMATION FOR LAST 24 HOURS

Blg Pmp Run 0 Times
Blg Pmp Run 0.00 Minutes
OWS Run 0 Times
OWS Run 0.00 Minutes
Overboard Request Open 0 Times
Overboard Requested Open 0.00 Minutes
Overboard Open 0 Times
Overboard Open 0.00 Minutes
PPM Alarm 0 Times
Average PPM Overboard 0.0
OCM Fresh Water Valve Opened 0 Times
Oil Purge Valve Open 0 Times
Oil Purge Valve Open 1438.67 Minutes

Incinerator Run 0 Times
Incinerator Burning W.O. 0.00 Minutes

Bilge Holding Tnk Max Vol Last 24 Hours 8.03m3 Bilge Holding Tnk Min Vol Last 24 Hours 7.81m3

Sludge Tnk Max Vol Last 24 Hours 1.95m3
Sludge Tnk Min Vol Last 24 Hours 1.86m3

Oily Blg Tnk Max Vol Last 24 Hours 1.13m3 Oily Blg Tnk Min Vol Last 24 Hours 1.05m3

Stbd Bilge Max Vol Last 24 Hours 0.33m3
Stbd Bilge Min Vol Last 24 Hours 0.27m3

Port Bilge Max Vol Last 24 Hours 0.21m3
Port Bilge Min Vol Last 24 Hours 0.18m3

Aft Bilge Max Vol Last 24 Hours 3.83m3
Aft Bilge Min Vol Last 24 Hours 3.23m3

W.O. Service Tank Tnk Max Vol Last 24 Hours 0.89m3 W.O. Service Tank Tnk Min Vol Last 24
Hours 0.21m3

Status

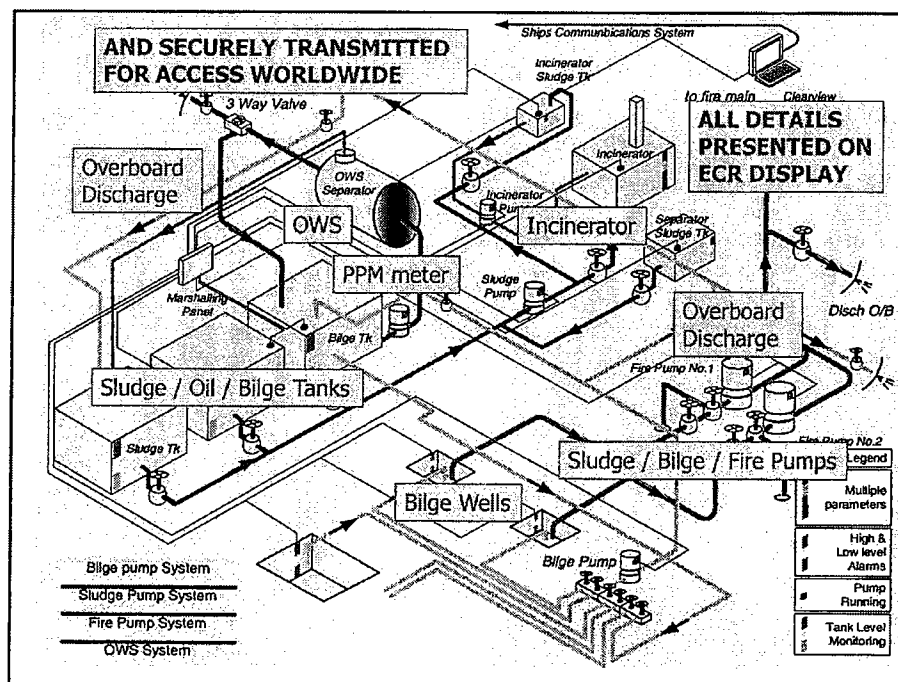
Clipper Legacy (V-Sat to be installed)
Clipper Leander
Clipper Legend
Clipper Lancer

Status



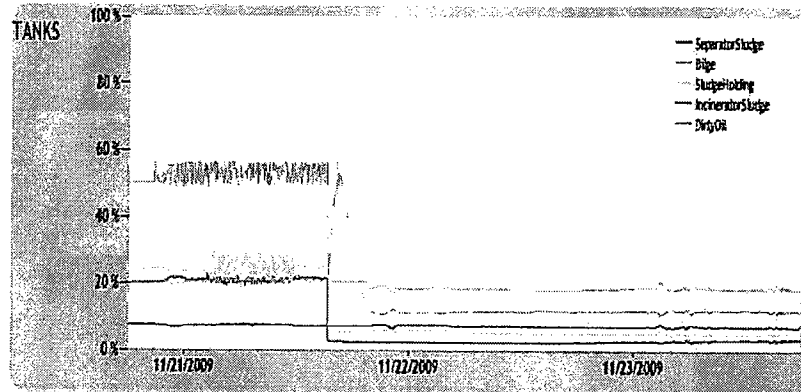
Still outstanding is Clipper Leader, which is presently in Nigeria.

- Cabeling completed.
- New OWS alrady installed
- Clear View Computer to be installed and system commisioned.
- V-Sat on 3 out of the 5 vessels



System of to-day - Example

CLIPPER
MARINE SERVICES



System of to-day - Example

CLIPPER
MARINE SERVICES

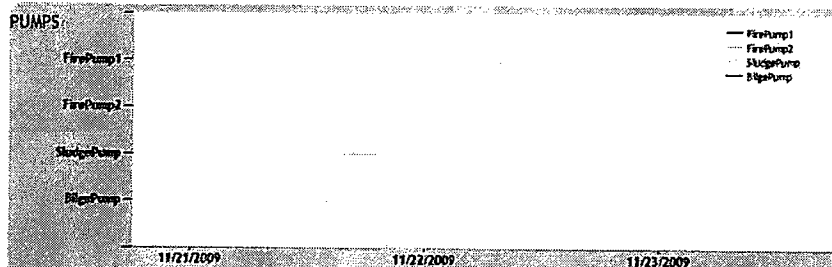
Previous pictures shows the levels dropping in:

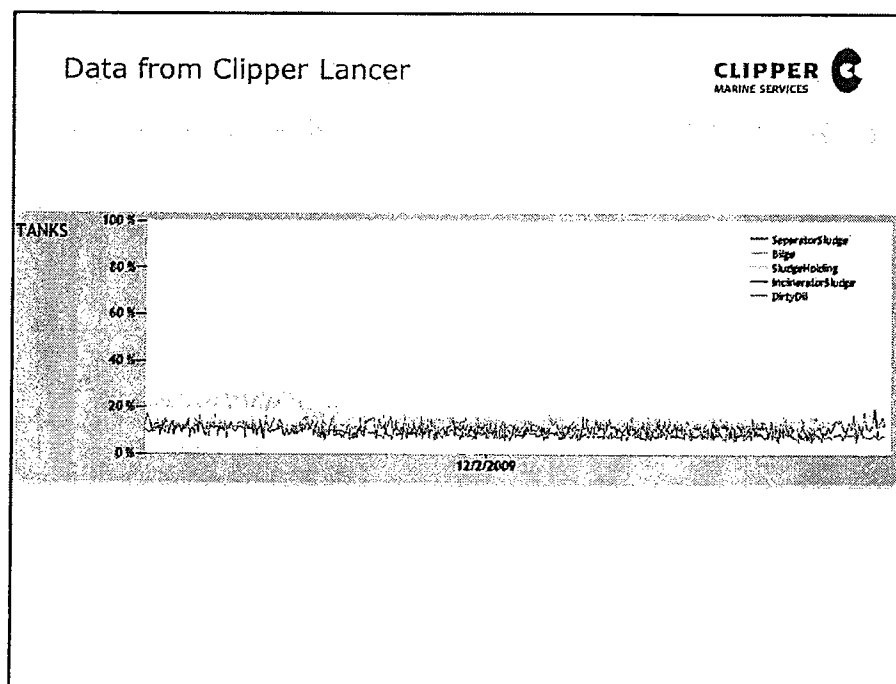
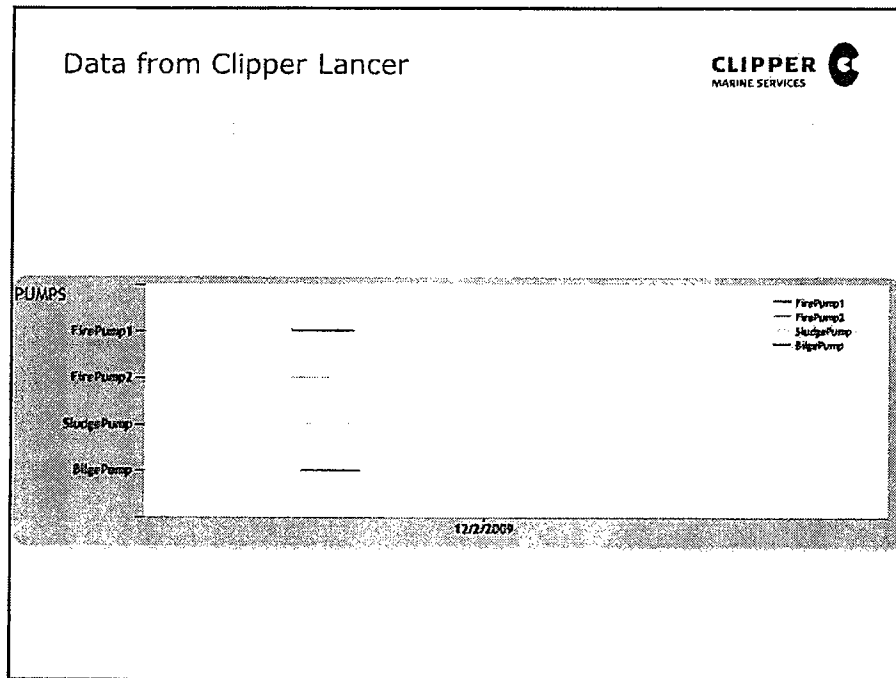
Dirty Oil Tank

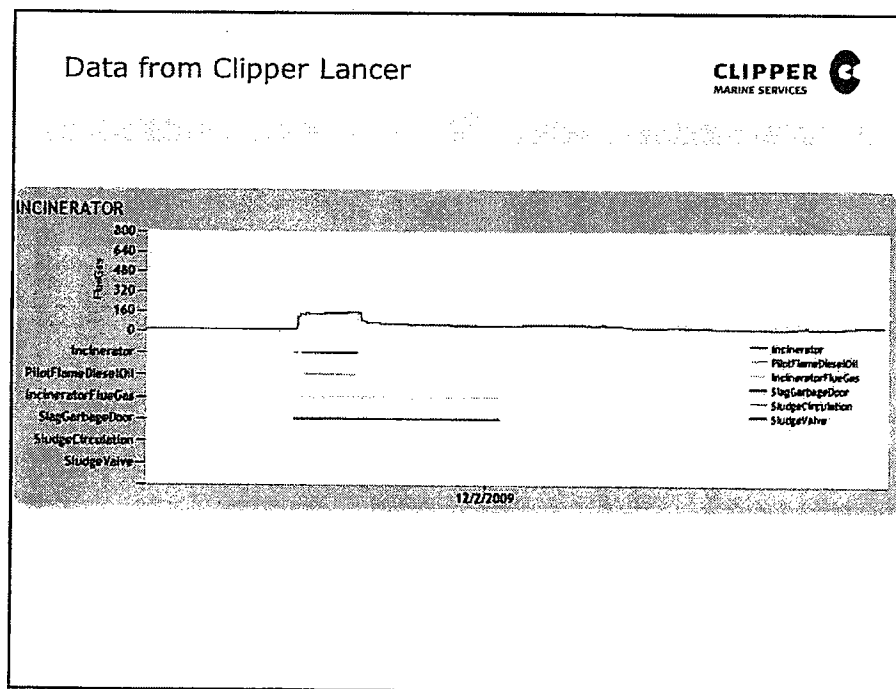
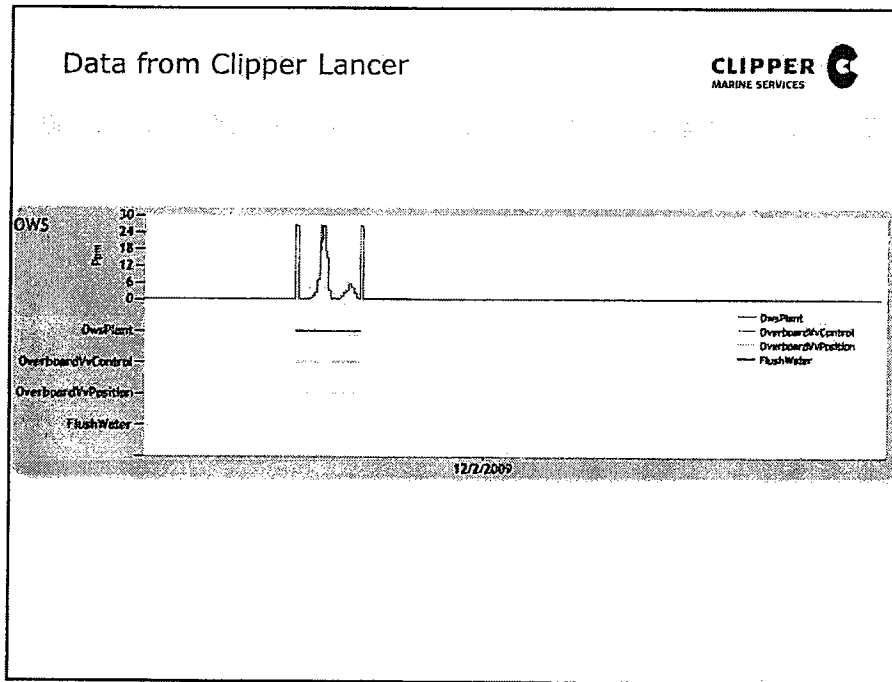
Sludge Holding Tank

Separator Sludge tank

Levels were dropping as the vessel pumped Oily Water and Sludge to shore facilities in Montreal on 21st November 2009 by Using Sludge Pump







Clear View System



Following Alarms are presently in the system:

Illegal Discharge via OWS.
Excessive Bilge Pump running time >30 Min.
Incinerator Running. Stack temperature too Low.
OWS continued operation when tank level is Low.
Health Flag. Monitoring that Clear View System is running.
Triton Power out message.
Unmonitored discharges.

Proposed alarm:

Decrease in tank levels without any of the monitored pumps
or Incinerator / OWS running