

CHALOS, O'CONNOR & DUFFY

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October 1, 2010

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Via Email

Dorsey & Whitney LLP
1031 W. Fourth Ave., Suite 600
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Email: bundy.robert@dorseyllaw.com

Attn: Robert C. Bundy, Esq.
Special Master

Re: *United States v. Ionia Management S.A.*
D. Conn. Index No. 07-cr-134 (JBA)
M/T PLOUTOS – Request for Recommendation
CO&D Ref: 500172.0002

Dear Mr. Bundy:

We write on behalf of our client, Ionia Management S.A. (hereinafter “Ionia”), to respectfully request your recommendation to the Court that the M/T PLOUTOS be permitted to call at U.S. ports as all of the requirements under the Special Master Order Scope of Work and Report on the Fourth Special Master hearing have been satisfied. Specifically, the SWOMS equipment and Envirologger system onboard the M/T PLOUTOS are fully-commissioned, an Initial Audit of the M/T PLOUTOS was performed by the IEC, Compliance Systems, Inc., the IEC has issued its report on this audit and Ionia has responded to the recommendations contained in the IEC audit report.

From September 7, 2010 to September 11, 2010, while the vessel was underway from Jebel Ali, UAE to Sitra, Bahrain, the IEC conducted an initial audit of the M/T PLOUTOS. On September 20, 2010, the IEC issued a report for this audit. A copy of the IEC's Initial Audit Report for the M/T PLOUTOS is enclosed herewith as Exhibit “1”. On September 29, 2010, Ionia submitted responses to the recommendations contained in the IEC's Report. A copy of Ionia's response to the IEC is enclosed herewith as Exhibit “2”.

On September 10, 2010, while the IEC Initial Audit was ongoing, Drew Marine Safety inspected the Envirologger system onboard the M/T PLOUTOS. Drew Marine Safety found that

EXHIBIT 1

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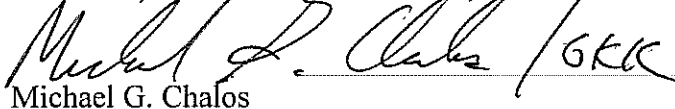
the Envirologger was fully installed and commissioned, and issued a Marine Certificate of Inspection confirming the Envirologger system is fully commissioned onboard. A copy of the Marine Certificate of Inspection, dated September 10, 2010, is enclosed herewith as Exhibit "3". To further confirm the Envirologger system is transmitting reports without human intervention, a copy of the SWOMS¹ report for October 1, 2010 is enclosed herewith as Exhibit "4".

As the SWOMS equipment is now fully-commissioned onboard the M/T PLOUTOS, Ionia has confirmed SWOMS reports are being sent from the vessel without human intervention, the IEC has completed the Initial Audit of the M/T PLOUTOS and Ionia has responded to the recommendations contained in the IEC's report, Ionia respectfully requests the Special Master recommend that the Court allow the M/T PLOUTOS to call at U.S. ports.

We thank you for your consideration of this request. Should you have any questions or require additional information, please feel free to contact us.

Sincerely yours,

CHALOS, O'CONNOR & DUFFY, LLP


Michael G. Chalos

MGC/gkk

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¹ As set forth in the Report for the Fourth Special Master's Hearing, the SWOMS was installed on the M/V PLOUTOS on April 23, 2010.

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EXHIBIT “1”



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September 20, 2010

**M/T PLOUTOS
ON-GOING ENVIRONNEMENTAL AUDIT
ARABIAN GULF
SEPTEMBER 07-12, 2010**

Preliminary

The undersigned conducted an On-going Environmental Audit aboard the M/T Ploutos, IMO No. 9327023, while the vessel was underway and at anchor in the Arabian Gulf. The audit was planned to be carried out when the vessel was in Jebel Ali, Dubai and the next port nominated by charterers. The Auditor joined the vessel on arrival at tanker berth No. 6 in Jebel Ali port.

The vessel arrived from Aqaba partially loaded with a parcel of cargo of unleaded Gasoline via Fujairah (bunkering) for discharge at Jebel Ali, Dubai. On arrival alongside, the vessel was scheduled for a vetting inspection by BP, repairs to Inmarsat Mini M, installation of new Global wireless communication unit and the satellite transmission device and calibration of the SWOMS equipment, the survey of all measuring instruments and supply of ships stores and provisions, etc., and the IT superintendent on board for checking IT equipment and monitoring Global Wireless installation. On arrival with a planned stay alongside of 30 hours the next port of call was not fixed by the charterers. The joining day of the auditor was not fully utilized for the audit due to the activities mentioned above, as all the ship staff was busy. Some available documents were checked after a brief informal meeting with the Master, Chief Engineer and the attending company superintendent. I was later informed by the Master that the vessel was fixed to load her next cargo at the port of Kuwait. It was planned to carry out the audit and testing of WSM equipment during the transit underway to Kuwait. Prior to completion of discharge the Master was informed again of the changes that the vessel was to backload the parcel cargo of unleaded gasoline (20%) for discharge at Sitra, Bahrain. The vessel completed loading operations at 0700 on September 09, 2010 but the departure was delayed due to various local issues, with Ramadan public holidays and port clearance formalities with various crew and non-crew personnel joining the vessel including the auditor. The vessel finally sailed at 1900 hours on September 09, 2010 for Sitra, Bahrain.

The MT Ploutos is a 42,048 mts, GRT, crude oil and product oil carrier, built by New Century Ship Building Co. Ltd., Xin Giang, China and delivered on December 15, 2006. The vessel has a total capacity of 84,534.822 m³ at 98%. The vessel is powered by a HHM-MAN-B&W 5S60MC-C with a BHP14690 and a service speed of 14.5 knots. Vessel particulars are attached.



The Audit participants included:

Master	Vestarchis, Stylianos
Chief Engineer	Simoudis, Ilias
Chief Officer	Ruiz, Roderick A
2 nd Engineer	Defante, Rolly B.
3 rd Engineer	Molas, Jonathan V.
4 th Engineer	Zolina, Leo O.
Chief Cook	Untalan, Florente C.
Electrician	Lavin, Lagunas Eduardo Alex
Safety Quality Supdt.	Dimou, Aristeidis

In addition to the above, various crewmembers from all departments were interviewed at different times with regard to their duties related to environmental aspects of ship operation and awareness. (Crew list attached).

The audit was conducted in accordance with Attachment A, Section B of the Special Master Appointment and Scope of Work pursuant to the criminal case, United States of America v. Ionia Management S.A., Criminal No.3: CR134 (JBA). The audit process consisted of a review of Safety Management System (SMS) and Environmental Management System (EMS) documents; records and procedures related to environmental matters; MARPOL required logs and records; inspection and testing of vessel waste handling equipment, including the Oily Water Separator (OWS), incinerator, Marine Sanitation Device (MSD); and interviews with vessel personnel.

To implement the EMS, Ionia Management has developed an Environmental Management Manual (EMM), which has been placed aboard. The EMM contains environmental policies and procedures in alignment with the Scope of Work, as well as additional environmental procedures, developed by Ionia Management. The manual is continuously revised based on previous audit reports and a substantial number of revisions were made in June 2010. In addition, environmental procedures are also contained in the vessel's SMS Manual. Ionia Management is also certified for ISO 14001/2004, DNV certificate No. 24257-2008-AQ-HRV-RvA, issued on April 08, 2008 with expiry on April 08, 2011; however, there were no specific instructions aboard, containing requirements or procedures related to this certification beyond the vessel's SMS and EMM.

It was observed that the environmental procedures and requirements were well implemented. The officers and crew were very cooperative and positive throughout the audit. Senior officers, including the Master, C/E. and C/O were knowledgeable of the Scope of Work requirements and the EMM, and appeared fully committed to the purpose and philosophy of the EMM. This was clearly demonstrated throughout audit and during discussions with the staff.



Following are observations and comments. They are supported by the attached EMS Audit Checklist and the enclosures to this report. The observations are separated into two categories - those with recommendations and others without. Many of the recommendations relate to improvement of the existing EMS and do not necessarily reflect deficiencies or non-conformities with the requirements of the Scope of Work. The second category of Observations is primarily included in the audit report to provide an understanding of the functionality of the EMS aboard.

Observations with Recommendations

1. Section 11 of the EMM details the procedure for crewmembers to report environmental concerns and to remain anonymous if so desired. The conventional anonymous reporting boxes initially installed on other vessels were no longer in use. Crewmembers may report such concerns by calling a toll free telephone number, anonymous reporting email or anonymous reporting letter by post mail. The procedure is also mentioned in the Code of Ethics booklet on board accessible to all crew members at common areas in addition to posters displayed in common areas e.g. mess rooms, CCR, ECR etc. The crew members were aware of the existence of the information, but during interview some of them were not very clear about the intent of the procedure and under what circumstances they may follow the procedure outlined. Recommend that further training be conducted by the management to ensure all crew understand the procedures to report the required information.
2. Included in the recently implement EMM is a Declaration of Environmental Commitment, Form ENV 020 (copy attached). Some completed forms were aboard; however, not for all crew members. Procedures for the implementation of the form are contained in Chapter 10, however, are not very specific with regard to the filing, i.e. copy to be filed on board. In this regard, the instructions for completion and filing of this form, contained in Section 10.4, need to be revised.
3. Noted the OWS discharge sample line was not painted. The Scope of Work requires that the sample line be painted a bright color to distinguish it from other tubing in the area. Recommend the staff should follow the company guidelines using a distinguishing color to paint the sampling lines and Ionia Management revise their instructions to the fleet to make it consistent within the fleet.
4. The ORB Part 1 indicates monthly testing of the OWS, as required by the Scope of Work and the EMM Section 5.17 is being carried out. The Chief Engineer was not familiar with the review of the memory card to verify the test procedures record. The test records were not made available. It is recommended that the Chief Engineer and his staff be trained in the right procedures to perform fully operational tests and Ionia Management revise the EMM procedures contained in Section 5.17 and provide additional guidance as necessary to ensure that a full operational test is carried out, including testing of the oil purge valves. Also, item 8 of the current procedure requires oily water or an appropriate testing fluid be run through the 15-ppm bilge alarm monitor. The OCM was tested by introducing a mechanical obstruction. Recommend guidance be issued on how to introduce oily water through the OCM, as this would be a more effective test of the unit.



5. The Oil Transfer Procedures, required by 33 CFR 155.720, are not in full alignment with the regulations. Recommend the procedures be amended to include specific citing of these regulatory requirements.
6. A flexible hose inventory is kept, with hoses stored in the forecastle. There are, however, no details on tags or labels to identify each hose except just the numbers allocated painted on them. Recommend the hoses be identified with number, diameter and purpose of use on the label to ensure they are properly controlled and accounted for and the inventory list posted at the location.
7. SWOMS data for tank soundings was compared against manual tank soundings. The following table shows the results. The data was taken from form ENV 024:

Date & Time: GMT 2100, 07/Sept/2010, Jebel Ali in port							
	A	B	C	D	E	C - E	C-E/C
Tank	Cap. (m ³)	Manual (cm)	Manual (m ³)	SWOMS (cm)	SWOMS (m ³)	Diff. (m ³)	% Diff. (m ³)
Clean Bilge	32.21	1.16	13.45	0.94	10.03	3.42	25%
Dirty Bilge	32.49	0.72	7.56	0.40	3.41	4.15	55%
Bilge Oil	11.89	0.65	1.47	0.86	2.34	0.87	-59%
Incinerator		0.92	1.16	0.56	0.61	0.55	47%
FO Sludge	11.89	0.98	3.25	0.10	0.09	3.16	97%
LO Purif. Sludge	4.56	0.29	1.52	0.17	0.92	0.6	39%
FO Purif. Sludge	7.98	0.14	1.48	0.10	1.04	0.44	30%
FWD Port Bilge*	----	28	0.42	4	0.06	0.56	86%
FWD STBD Bilge*	----	14	0.35	59	99.99**	???	???
Aft Bilge well*	----	10	0.5	8	0.61	0.11	-22%
Date & Time: GMT 2100, 08/Sept/2010, Jebel Ali in port							
Tank	Cap. (m ³)	Manual (cm)	Manual (m ³)	SWOMS (cm)	SWOMS (m ³)	Diff. (m ³)	% Diff. (m ³)
Clean Bilge	32.21	1.16	13.45	118	13.85	0.40	-3%
Dirty Bilge	32.49	0.97	11.93	40	5.65	6.28	53%
Bilge Oil	11.89	0.65	1.47	86	2.36	0.89	-61%
Incinerator		0.89	1.12	1	1.29	0.17	-15%
FO Sludge	11.89	0.98	3.25	10	0.09	3.16	97%
LO Purif. Sludge	4.56	0.3	1.54	17	0.92	0.65	40%
FO Purif. Sludge	7.98	0.14	1.48	10	1.07	1.41	28%
FWD Port Bilge*	----	39	0.62	4	0.06	0.56	90%
FWD STBD Bilge*	----	14	0.35	59	99.99**	???	???
Aft Bilge well*	----	20	1.01	15	0.76	0.25	25%

* Bilge total capacities are not known

** It appears there is an error



Incinerator Service tank is not included in IOPP certificate.
Figures in red indicate negative values.

The above soundings were taken by the oiler and the C/E. The vessel was in port, therefore there was no movement of the vessel to affect the soundings. While on a percentage basis the differences between the manual soundings and the SWOMS data appear significant, in some cases compared to total capacity of the tank the percentage amount of difference relative to the size of the tank is not. To ensure manual soundings are as accurate as possible, it is recommended that the procedure for taking soundings include taking more than one manual soundings each time while the vessel is at sea and recording the average or median value. The shore technician for the SWOMS system was on board at Jebel Ali on the September 07/08, 2010, for calibration and servicing the unit. (Copy of the report attached). The Dirty LO tank and Dirty FO tank contain mainly leakage collected and are not included on the Supplement to the IOPP Certificate or SWOMS. As per the C/E the accumulated quantities are usually transferred to FO Tank for re-use.

8. The VGP requirements are not fully implemented as yet on the vessel and implementation is in progress. It is recommended that the management expedite implementation and training of the staff prior vessel's arrival US ports.
9. The Fleet Engineering Survey, Form ENV 015 was completed by an engineering officer on March, 18, 2010. The form ENV 015 showed an effective date as 15/10/2010 Revision 1. (Please note that the audit date was September 07-10, 2010.) It is recommended that the discrepancy of survey day prior to effective date should be corrected.
10. There was no objective evidence found on board of pre-joining training for the staff of Environmental Awareness of needs arising out of Scope of Work. It is recommended that the management develop specific training programs for the manning centers in Philippines with copies of training material on board and copies of certificates for the crew trained prior joining the vessel.
11. The floor plates covering the Emergency Bilge suction and bilge cross-over valves were not painted as recommended in Scope of Work. It is recommended that they should be painted by distinctive orange paint, with 3" wide lettering and should be consistent with other vessels in the fleet. (Photos attached).

Observations Without Recommendations

1. I observed various engine room pumps and machinery in operation during the period of time the vessel was alongside, underway, at anchorage. The engine room was observed to be in very clean condition. No leakages were noted from the main engine. No oil or oily residue was noted in the bilges or bilge wells. The bilge well below the main engine fly wheel was dry and free of any oily residues. According to the C/E, if any oil residue accumulates in the mid bilge well below the M.E. flywheel, the oily residue is removed manually and dumped into the Bilge oil tank to avoid contamination of the



Dirty and/or Clean Bilge Tank. The bilge wells contained only small quantities of clean water. The Clean bilge tank was last cleaned on April 05, 2010. No leakages were noted from operating cooling water and general service pumps and there was no evidence of leakages from pumps. The accumulation of fresh water in the bilge wells appeared to be due to condensation on pipes from the main engine air cooler. (Outside temperature 45°C, sea temperature 37°C and relative humidity well over 90%). Based on review of the ORB bilge well transfer entries and the Sounding Log, bilge loading is minimal of about 100 liters per day. The purifier room was very clean, with no evidence of leakages from the purifiers. Auxiliary diesel engines on line, and fuel oil and lube oil pumps and valves were also noted to be leak free. Attached are photos showing the condition of the ME and auxiliary engines.

2. Similar to the engine room, both the cargo pump room and steering gear room were noted to be very clean, with no apparent leakages from pumps or pipes.
3. The ODME is tested monthly by the C/O and recorded in an ODME Test log (excerpt attached). During the audit, the ODME was tested by the C/O in my presence with the attending superintendent. Instructions contained in the manufacturer's manual were used to perform the tests, with values for ship speed, PPM, and flow rate manually entered. It should be noted that the vessel does not discharge its slop tanks at sea. All slops from ballast and tank cleaning are sent ashore. The ORB Part II verified this. The ODME was tested as per makers test procedure. The high PPM and 30 liters/nm exceeded alarms were tested. The discharge prohibited alarm was also verified, along with the operation of the recirculation valve. The C/O was competent in the ODME operation and assisted by the pump man.
4. The manifold trays on deck on either side to contain any leakages or drips during loading, discharging and disconnection of shore connections are adequate relative to the requirements. The vessel had two portable Wilden Pumps, one for'd and one aft of the cargo areas of the vessel for use in case of an oil spill on deck during cargo operations and one spare. FO vent containment, bunker line containment and sludge discharge containment are adequate and meets the U.S. Pollution Prevention Regulations.
5. A monthly Environmental Performance Report, Form ENV 004, is submitted to the Ionia office on a monthly basis. Included on the form are garbage and hazardous waste disposal quantities.
6. The vessel maintains a Sounding Log as required by Section IV and Attachment B to the Scope of Work. Excerpts of the Log Form ENV 008 for July and August 2010 are attached. The form of the Sounding Log was recently revised to include the initials of the deck officer witnessing the taking of the soundings as required by the Scope of Work.
7. A test of the incinerator burning sludge was carried out on September 09, 2010. 205 liters of sludge from the WOST were incinerated, at a rate of 37.3 liters/hour. Test table attached. Rated capacity as per specifications is 65L per hour for liquid.



8. Incineration of sludge and evaporation from the WOST are carried out on a regular basis. According to the ORB, the last three sludge incineration operations were as follows:

No.	Date 2010	Quantity m ³	Time in hrs.	Rate liters per hr.
1	Sept 03	0.11	2.5	44.00
2	Sept. 03	0.64	15.0	42.66
3	Sept. 01	0.35	11.5	30.43

The vessel generates about 370 liters of sludge per day. Daily fuel consumption is rated at 38.00 mts per day for a nominal speed of 14.5 kts. Attached Chief Engineer's Weekly Report, Form ENV 009 covering the period from 30/08/2010 – 05/09/2010. Sludge tank capacity, according to the Supplement to the IOPP Certificate, is 48.8 m³. Sludge tank capacities and incinerator capacity appear sufficient to manage the storage and disposal of sludge.

9. The vessel is fitted with a sewage treatment plant (STP) made by Hamworthy type ST3A Super Trident with a rated capacity for BOD 3.0 kg per day. The capacity of sewage holding tank is 6.3 m³. All black water is treated with the recommended chemical dosage for discharge overboard. According to the C/E, the STP is in continuous operation, both in port and at sea, with the direct overboard valve kept chained and locked in closed position, except during short periods of maintenance, while at sea, and only treated sewage is discharged. According to the C/E the system is adequate for the complement of the vessel, though the model type does not indicate capacity in terms of number of persons on board. The present complement during the audit was 27 persons.
10. An operational test of the OWS was carried on September 09, 2010. Prior to OWS test all the bilge alarms were tested. A section of the pipe adjacent to Overboard discharge valve was opened for inspection. The valve end and pipe ends were found clean and free of oil. A certificate signed by the Auditor and the Chief Engineer was posted on the pipe for future reference. Copies of the certificates were attached to ORB and E/R log book. The re-circulation test was carried out for a period of 15 minutes. During the test the OCM was tested for over 15ppm alarm and the function of three-way valve. All were found functioning satisfactorily. Subsequently the test of OWS was carried out with over board Discharge valve (skin valve) open for a period of one hour. The source tank soundings were monitored by the Auditor. Samples were taken every 15 minutes of incoming and outgoing effluents (photos attached). The outgoing samples were found to be clean and free of oil. The OCM readings were monitored during the test and the reading showed zero ppm throughout the test.



Time 10/Sept/10	Sounding	Quantity in m ³
0955	115	13.25
1010	111	12.25
1025	107	11.80
1040	103	11.35
1055	100.5	10.90

Rate given was 2.35 m³ per hour in comparison to 5.0m³ per hour in the specification.

11. The rated capacity of the OWS is 5 m³ per hour, which appears to be more than adequate for the currently generated machinery space effluents. According to the ORB, the last three operations of the OWS were as follows:

No.	Date 2010	Quantity in m ³	Time in hrs	Rate m ³ /hr
1	Sep. 01	1.23	2.00	0.615
2	Jun. 25	11.75	4.50	2.61
3	Feb. 26	7.98	3.60	2.21

The rates obtained in the past were well below the rated capacity of 5.0m³ per hour. C/E was requested to investigate the capacity of the pump and any other probable causes for low rate.

12. As per the Scope of Work requirements, samples of the following were taken during the test for content analysis by management nominated laboratory in Greece.
- Bilge Well Aft
 - Clean Bilge Tank
 - BW Fwd Starboard
 - OWS Discharge

All samples taken were appropriately packed and dispatched to the laboratory in Greece for analysis from Sitra, Bahrain. No seals were posted at the time as the samples were stored in special freeze bottles given by the lab. A copy of the landing certificate is attached.

13. A log of incinerator and OWS operations is maintained. All alarms are recorded on the ECR console print out.
14. The vessel has a Deckma OCM, model OMD 2005, which conforms to requirements of MEPC 107(49). The OCM was last calibrated on May 01, 2010. The copies were sighted in the Master's certificate file and with C/E. The Scope of Work requires recalibration at least annually, with copies of the certificates maintained on board.



15. With the installation of the SWOMS, the flushing and sample lines to the OCM have been re-routed through the OWS LockBox, disabling the OMD 2005 manual flushing valve. The OWS LockBox's main function is to provide secured permissive functions that will only allow the 3-way overboard/recirculation valve to be moved to the overboard position once all the permissive functions are met. It will not allow for the mixing of the fresh and sample waters and must sense that enough sample water is flowing to the OCM for at least the last 20 seconds before it will allow control of the 3-way overboard/recirculation valve by the OCM.
16. Daily checks of the Enviro Logger are being carried out and recorded on Form ENV 024. See attached samples.
17. The present engineering staff comprised of C/E, 2/E, 3/E, 4/E, two oilers, one engine cadet and an electrician, and appeared adequate to handle the operational, maintenance and repairs workloads for the systems, equipment and components on board. All the staff appeared to be professional and knowledgeable with relevant experience for the job allocated. They are fully aware of the effort needed to minimize the waste streams development. The vessel is certified for UMS operation and manned as per company guidelines. In port and during cargo operations the Engine room is continuously manned as and when required.
18. Weekly shipboard training, which includes safety, security and environment protection, is carried out as per the six-month training schedule. Attached is a copy of the schedules for 2010. The dates when training is conducted are noted. In addition, environmental training is also carried out during monthly Safety Committee Meetings. Currently CBT training by VIDEOTEL has been introduced on board. The CBTs are of general nature and not necessarily specific to the environmental awareness related to the violations of US environmental rules.
19. The vessel had all the manuals of equipment related to waste stream and type tested certificates. Schematic diagrams and pipeline diagrams were on board. Attached are copies of the sanitary and bilge piping diagrams.
20. A new Garbage Management Plan was received with revisions to storage, segregation of Hazardous waste management was received at Jebel Ali and implementation is in progress to meet the requirements of the new manual.
21. Ionia Management has an effective internal environmental auditing procedure in place. Attached is a copy of the Internal Environmental Audit Report, Form ENV 011, for the audit conducted on March 26, 2010. The audit report is very detailed and comprehensive. Five non-conformities were identified and were in the process of being corrected at the time of this audit. The non-conformities were as follows: Quote"
 - I. According to the company's requirements a spare starter for OWS pump, rotor bearing and sealing and filtering should be available onboard. However the relevant spares were not available.



- II. There was no record onboard indicating that the OWS was being maintained to the manufacturer's instructions.
- III. During the audit with the Chief Engineer and the Master it was established that the vessel's Seal log book and spare Seal log book were not available onboard and therefore were not implemented eventually. It was also observed that although a tag system had been established satisfactorily, the new seals as required by the company were not yet available on board.
- IV. There was no evidence that visitors boarding the vessel are made aware of the company's environmental policy and requirements upon their arrival onboard. In addition there were three observations. Some of the non-conformities were closed and others are in the process of closing on completion of corrective/preventive actions. "Unquote.

Conclusion

Overall condition of the vessel and waste management equipment is very good. This vessel has recently come under the Scope of Work as management intends to use the vessel on US route in the future. Some of the issues mentioned above are having early challenges, which will be sorted out as soon as possible through the commitment of the management to the EMM and US requirements as noted previously, despite the number of Observations with Recommendations outlined above. The Scope of Work and EMM requirements are well implemented on board. Having audited two vessels namely M/T Theo T and M/T Fidias previously, it is noteworthy to record that all the recommendations from previous audits have been implemented and the Environmental Management Manual and other relevant documentation have been revised to reflect the same. All the personnel on board cooperated fully during the audit and were sincerely interested and positive in complying with the environmental procedures. The presence of superintendent Captain Dimou, Aristeidis, from Safety and Quality department during the audit was an indication of the commitment of the management to ensure better environmental performance.

Respectfully submitted by:
Subhash Joshi
Compliance Systems Inc.

Enclosures:

- 01. Ship's particulars
- 02. Crew list
- 03. Chief Engineer's weekly report for a period from 30/08/2010 to 05/09/2010
- 04. Internal Environmental audit report for on-conformities and observations, 26/03/2010
- 05. Fleet Engineering Survey, 18 March, 2010
- 06. Internal Environmental Audit report, 26 march, 2010
- 07. Enviro logger check list for 06/09 to 08/08, 2010
- 08. Landing form IM/GSPPLF/02.2004 for samples sent ashore for analysis
- 09. Piping diagram of Bilge, Fire and GS system
- 10. Extract from ORB I for 30/08/2010 to 06/09/2010
- 11. Extract of daily sounding log for months of July and August, 2010



12. List of last six cargoes
13. Inventory of Deck & Engine room Flexible Hoses Form ENV 010 dated June 30, 2010
14. Drill program for 2010
15. Instruction page from Spare Seal Inventory Log
16. Enviro logger/vigilante service technician's report September 05, 2010
17. ODME calibration and test report dated 12/05/2009
18. Poster giving details of CCM's Role
19. Poster for Anonymous Reporting Procedure
20. Table 1 – Vessel Movement
21. Table 2 – Personal Timetable
22. Table 3 – Details of WSM Equipment On Board
23. Details of Certificates, Inspections, and Manuals

EXHIBIT “2”

George K. Kontakis

From: QSM Ionia Management [qsm@ioniaman.gr]
Sent: Friday, October 01, 2010 11:05 AM
To: George K. Kontakis
Subject: (PN:584994)FW: 579090)PLOUTOS ONGOING ENVIRONMENTAL AUDIT REPORT

From: QSM Ionia Management
Sent: Wednesday, September 29, 2010 10:06 AM
To: 'Rich Wigger'; Michael G. Chalos; Pettus, Lana (ENRD); Brown, William M. (USACT); LT John D. Cashman; Burgess, Channing LT; patrick_norton@ctp.uscourts.gov; Robert Bundy; James Sanborn
Cc: ROBBIE SHEA; ALAN WEST
Subject: RE: 579090)PLOUTOS ONGOING ENVIRONMENTAL AUDIT REPORT

Fm: Ionia Management S.A.
To: Compliance Systems, Inc.
Attn: Capt.R.Wigger

Subject: M/T PLOUTOS - Initial Audit

Dear Capt.Wigger,

Please find attached our response to the observations with recommendations recorded during the initial audit carried out onboard our M/T PLOUTOS.

We trust that they are to your satisfaction.

Many thanks and best regards,
Krystyna Tsochlas
Safety & Quality Manager
Ionia Management S.A.

From: Rich Wigger [mailto:rwigger@colonialmarine.com]
Sent: Thursday, September 23, 2010 6:03 PM
To: Michael G. Chalos; Pettus, Lana (ENRD); Brown, William M. (USACT); LT John D. Cashman; Burgess, Channing LT; patrick_norton@ctp.uscourts.gov; Robert Bundy; James Sanborn; Ionia Management (George Karagiorgis); QSM Ionia Management
Cc: ROBBIE SHEA; ALAN WEST
Subject: (PN:579090)PLOUTOS ONGOING ENVIRONMENTAL AUDIT REPORT

Good day,

Please find attached an electronic copy of the Ongoing Environmental Audit Report for the M/T PLOUTOS. A hard copy with attachments and photos is being sent via regular mail.

Best regards,
Richard Wigger
Compliance Systems, Inc.

EXHIBIT 1
17 of 29

10/1/2010

This email has been scanned by the MessageLabs Email Security System.

Please consider the environment before printing this e-mail

EXHIBIT 1
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10/1/2010



M/T PLOUTOS– Initial Audit Carried Out from the 7th September, 2010 to 12 September, 2010

1) Section 11 of the EMM details the procedure for crewmembers to report environmental concerns and to remain anonymous if so desired. The conventional anonymous reporting boxes initially installed on other vessels were no longer in use. Crewmembers may report such concerns by calling a toll free telephone number, anonymous reporting email or anonymous reporting letter by post mail. The procedure is also mentioned in the Code of Ethics booklet on board accessible to all crew members at common areas in addition to posters displayed in common areas e.g. mess rooms, CCR, ECR etc.

The crew members were aware of the existence of the information, but during interview some of them were not very clear about the intent of the procedure and under what circumstances they may follow the procedure outlined. Recommend that further training be conducted by the management to ensure all crew understand the procedures to report the required information.

The anonymous reporting procedure is included in the syllabus of the pre – joining familiarization program that is carried out at both the manning agent and at the company as well as during the onboard familiarization that is carried out within two weeks of the seafarer's signing – on onboard the vessel.

As it seems that the auditor has identified a lack in the shipboard personnel's awareness of the issue, we shall instruct the company's superintendents to carry out additional training regarding the issue during their onboard attendances.

Furthermore, we have requested the issue to be included in the agenda of the next Safety Committee meeting held onboard in order to enhance the shipboard personnel's awareness regarding anonymous reporting.

We shall distribute the issue throughout the fleet and request that additional training is carried out onboard by the Masters.

2) Included in the recently implement EMM is a Declaration of Environmental Commitment, Form ENV 020 (copy attached). Some completed forms were aboard; however, not for all crew members. Procedures for the implementation of the form are contained in Chapter 10, however, are not very specific with regard to the filing, i.e. copy to be filed on board. In this regard, the instructions for completion and filing of this form, contained in Section 10.4, need to be revised.

The EMP includes a matrix indicating which forms should be maintained onboard (see attachment A).

However, as there seems to be some confusion, we shall clarify the instructions regarding the issue in Section 10.4 of the plan as recommended by the attending auditor.

In order to ensure that similar confusion is not apparent onboard the other vessels, we shall request the vessels to advise us as to whether they have any missing records.



IONIA MANAGEMENT S.A.

12 LASKOU STR., 18536 PIRAEUS, GREECE – Phn: +30 210 4283860, Fax: +30 210 4283865, Tlx: 213006, E-mail: info@ioniaman.gr

3) Noted the OWS discharge sample line was not painted. The Scope of Work requires that the sample line be painted a bright color to distinguish it from other tubing in the area. Recommend the staff should follow the company guidelines using a distinguishing color to paint the sampling lines and Ionia Management revise their instructions to the fleet to make it consistent within the fleet.

In paragraph 13 of Section 5.16 of the company's Environmental Management Plan, vessels are instructed as follows:

"The fresh water flushing line to the oil content meter and the sampling water line to the oil content meter are to be painted a bright colour (to distinguish them from other lines). The OWS discharge line is to be painted orange and the OCM flushing line is to be painted blue."

We consider that the above instructions are very clear, however it seems that the Chief Engineer neglected to ensure that the colouring of the piping was in line with the company's instructions.

The vessel has been instructed to colour the lines in accordance with the plan's instructions and submit photographs to the company.

Furthermore, the remaining vessels of the fleet have been requested to verify that the subject lines have been coloured correctly.

4) The ORB Part 1 indicates monthly testing of the OWS, as required by the Scope of Work and the EMM Section 5.17 is being carried out. The Chief Engineer was not familiar with the review of the memory card to verify the test procedures record. The test records were not made available. It is recommended that the Chief Engineer and his staff be trained in the right procedures to perform fully operational tests and Ionia Management revise the EMM procedures contained in Section 5.17 and provide additional guidance as necessary to ensure that a full operational test is carried out, including testing of the oil purge valves. Also, item 8 of the current procedure requires oily water or an appropriate testing fluid be run through the 15-ppm bilge alarm monitor. The OCM was tested by introducing a mechanical obstruction. Recommend guidance be issued on how to introduce oily water through the OCM, as this would be a more effective test of the unit.

The company's Environmental Management Plan was revised on the 1st of June, 2010 in order to include detailed guidelines on the correct method of carrying out a full operational test of the OWS and OCM.

It seems, however, that the auditor identified a weakness in the Chief Engineer's knowledge of testing the OWS and OCM as described.

The company's Technical department shall arrange for a Superintendent Engineer to board the vessel at the first convenient opportunity in order to carry out training regarding the issue.



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5) The Oil Transfer Procedures, required by 33 CFR 155.720, are not in full alignment with the regulations. Recommend the procedures be amended to include specific citing of these regulatory requirements.

The company is currently revising its Shipboard Operation procedures. Assessment of the oil transfer procedures shall be included in the review and shall be amended accordingly.

6) A flexible hose inventory is kept, with hoses stored in the forecastle. There are, however, no details on tags or labels to identify each hose except just the numbers allocated painted on them. Recommend the hoses be identified with number, diameter and purpose of use on the label to ensure they are properly controlled and accounted for and the inventory list posted at the location.

The company's instructions require that the hoses are identified. They do not require that the hose specifications should be included on the identification label. We consider that the current system is satisfactory.

7) SWOMS data for tank soundings was compared against manual tank soundings. The following table shows the results. The data was taken from form ENV 024:

Date & Time: GMT 2100, 07/Sept/2010, Jebel Ali in port							
	A	B	C	D	E	C-E	C-E/C
Tank	Cap. (m ³)	Manual (cm)	Manual (m ³)	SWOMS (cm)	SWOMS (m ³)	Diff. (m ³)	% Diff. (m ³)
Clean Bilge	32.21	1.16	13.45	0.94	10.03	3.42	25%
Dirty Bilge	32.49	0.72	7.56	0.40	3.41	4.15	55%
Bilge Oil	11.89	0.65	1.47	0.86	2.34	0.87	-59%
Incinerator		0.92	1.16	0.56	0.61	0.55	47%
FO Sludge	11.89	0.96	3.25	0.10	0.09	3.16	97%
LO Purif. Sludge	4.56	0.29	1.52	0.17	0.92	0.6	39%
FO Purif. Sludge	7.98	0.14	1.48	0.10	1.04	0.44	30%
FWD Port Bilge*	---	28	0.42	4	0.06	0.56	86%
FWD STBD Bilge*	---	14	0.35	59	99.99**	???	???
Aft Bilge well*	---	10	0.5	8	0.61	0.11	-22%
Date & Time: GMT 2100, 08/Sept/2010, Jebel Ali in port							
Tank	Cap. (m ³)	Manual (cm)	Manual (m ³)	SWOMS (cm)	SWOMS (m ³)	Diff. (m ³)	% Diff. (m ³)
Clean Bilge	32.21	1.16	13.45	118	13.85	0.40	-3%
Dirty Bilge	32.49	0.97	11.93	40	5.65	6.28	53%
Bilge Oil	11.89	0.65	1.47	86	2.36	0.89	-61%
Incinerator		0.89	1.12	1	1.29	0.17	-15%
FO Sludge	11.89	0.96	3.25	10	0.09	3.16	97%
LO Purif. Sludge	4.56	0.3	1.54	17	0.92	0.65	40%
FO Purif. Sludge	7.98	0.14	1.48	10	1.07	1.41	26%
FWD Port Bilge*	---	38	0.62	4	0.06	0.56	90%
FWD STBD Bilge*	---	14	0.35	59	99.99**	???	???
Aft Bilge well*	---	20	1.01	15	0.76	0.25	25%

* Bilge total capacities are not known

** It appears there is an error



Incinerator Service tank is not included in IOPP certificate.

Figures in red indicate negative values.

The above soundings were taken by the oiler and the C/E. The vessel was in port, therefore there was no movement of the vessel to affect the soundings. While on a percentage basis the differences between the manual soundings and the SWOMS data appear significant, in some cases compared to total capacity of the tank the percentage amount of difference relative to the size of the tank is not. To ensure manual soundings are as accurate as possible, it is recommended that the procedure for taking soundings include taking more than one manual soundings each time while the vessel is at sea and recording the average or median value. The shore technician for the SWOMS system was on board at Jebel Ali on the September 07/08, 2010, for calibration and servicing the unit. (Copy of the report attached). The Dirty LO tank and Dirty FO tank contain mainly leakage collected and are not included on the Supplement to the IOPP Certificate or SWOMS. As per the C/E the accumulated quantities are usually transferred to FO Tank for re-use.

At the time of the audit, a technician was onboard in order to calibrate the system. All major discrepancies due to calibration issues have been rectified.

8) The VGP requirements are not fully implemented as yet on the vessel and implementation is in progress. It is recommended that the management expedite implementation and training of the staff prior vessel's arrival US ports.

The issue had been identified by the Marine Superintendent prior to the initial audit. Training was carried out with relevant personnel in order to ensure their awareness of the requirements.

The vessel shall be closely monitored by the Safety & Quality department in order to ensure compliance.

9) The Fleet Engineering Survey, Form ENV 015 was completed by an engineering officer on March, 18, 2010. The form ENV 015 showed an effective date as 15/10/2010 Revision 1. (Please note that the audit date was September 07-10, 2010.) It is recommended that the discrepancy of survey day prior to effective date should be corrected.

Upon investigation of the issue it was established that the version indicating the 15th of October, 2010 as the effective date had been accidentally sent to the vessel on the 17th of March, 2010. The error had been identified and the effective date had been corrected and sent to the vessels on the 23rd of March, 2010.

However, it seems that the vessel accidentally maintained the erroneous form on file.

We have resent the correct form to the vessel and we have instructed the vessel that from now on the corrected form must be implemented.

Furthermore, we have checked out records in order to ensure that the rest of the fleet is using the correct version of the form.



10) There was no objective evidence found on board of pre-joining training for the staff of Environmental Awareness of needs arising out of Scope of Work. It is recommended that the management develop specific training programs for the manning centers in Philippines with copies of training material on board and copies of certificates for the crew trained prior joining the vessel.

The requirements of the Scope of Work are included in the syllabus of the pre – joining familiarization program that is carried out prior to shipboard personnel signing – on, however the system does not require the issuance of a detailed description of the items covered during the pre – joining familiarization.

The company is currently developing a form in order to resolve the above mentioned issue.

11) The floor plates covering the Emergency Bilge suction and bilge cross-over valves were not painted as recommended in Scope of Work. It is recommended that they should be painted by distinctive orange paint, with 3" wide lettering and should be consistent with other vessels in the fleet. (Photos attached).

It seems that the Chief Engineer neglected to ensure that the colouring of the emergency bilge suction was in line with the company's instructions.

The vessel has been instructed to colour the relevant items in accordance with the plan's instructions and submit photographs to the company.

Furthermore, the remaining vessels of the fleet have been requested to verify that the subject items have been coloured correctly.

Prepared By:

Krystyna Tsochlas

Safety & Quality Manager

For and On Behalf Of

Ionia Management S.A.

EXHIBIT “3”

DREW MARINE SAFETY

Marine Certificate Of Inspection



Drew Marine

Vessel Name:	PLOUTOS		
Class Society:	BUREAU VERITAS	Certificate No:	080 - 009849
Flag:	BAHAMAS	Place Of Service:	JEBAL ALI, UAE
IMO No:	9327023	Certificate Date:	10 SEP 2010

- ☐ A. FIRE EXTINGUISHERS
FORM-CS - A ☐

☐ B. CO2 SYSTEM - HIGH PRESSURE
FORM-CS - B ☐

☐ C. CO2 SYSTEM - LOW PRESSURE
FORM-CS - C ☐

☐ D. ESCAPE SETS
FORM-CS - D ☐

☐ E. DRY POWDER SYSTEM
FORM-CS - E ☐

☐ F. HALON SYSTEM
FORM-CS - F ☐

☐ G. MEDICAL OXYGEN
FORM-CS - G ☐

☐ H. BREATHING APPARATUS

☐ I. AIR CYLINDERS

- ☐ J. LIFERAFTS

☐ K. GAS DETECTORS

☐ L. FOAM ANALYSIS

☐ M. FOAM SYSTEM

☐ N. BREATHING AIR COMPRESSORS

☐ O. SMOKE DETECTION SYSTEM

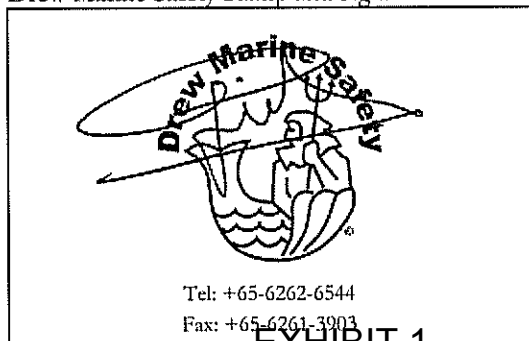
☐ P. FIRE DETECTION SYSTEM

☒ Q. MISCELLANEOUS

☐ R. INTERMEDIATE BULK CONTAINER

This certificate is valid when service sheets are attached and have been signed and stamped by Drew Marine Safety.

Drew Marine Safety Stamp and Signature:



Number of Enclosures:

Inspector Initials:

Authorized Service Provider(s):

DREW MARINE SAFETY

Form Q



Miscellaneous Certificate

Vessel Name:	PLOUTOS		
Class Society:	BUREAU VERITAS	Certificate No:	080 - 009849
Flag:	BAHAMAS	Place Of Service:	JEBAL ALI, UAE
IMO No:	9327023	Certificate Date:	10 SEP 2010

Qty.	Description of System/Product	Manufacturer	Type	Serial No.	Location	Inspected
1	ENVIRO LOGGER	Vigilant	Not Defined		Engine control room	<input checked="" type="checkbox"/>

Comments: Envirologger system installed and commissioned onboard, found working satisfactory.

EXHIBIT 1
26 of 29



EXHIBIT “4”

Krystyna Tsochlas

From: Ploutos Logger [logger.ploutos@mx2.rydex.co.uk]
Sent: Τετάρτη, 1 Οκτωβρίου 2010 8:50 πμ
To: Technical Ionian Management
Subject: (PN:584399)MV PLOUTOS Enviro-Loggers Daily Report 01/10/2010 00:00:00 GMT

VESSEL: MV PLOUTOS
Daily Enviro-Logger Report
01/10/2010 00:00:00 GMT dd/mm/yyyy
Running Software Version 9.12Pl
GPS Latitude: 31 55.624' N
GPS Longitude: 31 33.944' E

Current CLN BHT Lvl 0.51m Vol 4.18m3
Current FO SLG Tank Lvl 0.13m Vol 0.14m3 Current Oily Bilge Tank Lvl 1.01m Vol 3.09m3 Current Stbd Bilge Lvl -0.58m Vol 99.99m3
Current Port Bilge Lvl 0.05m Vol 0.08m3 Current Aft Bilge Lvl 0.05m Vol 0.29m3 Current INCIN SLG Tank Lvl 0.57m Vol 0.63m3
Current LO PUR SLG Tank Lvl 0.22m Vol 1.18m3

Current FO PUR SLG Tank Lvl 0.09m Vol 0.98m3

Current Dirty BHT Lvl 0.09m Vol 0.56m3

INFORMATION FOR LAST 24 HOURS

Big Pmp Run 0 Times
Big 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 0.00 Minutes

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

CLN Bilge Holding Tnk Max Vol last 24 Hours 4.24m3 CLN Bilge Holding Tnk Min Vol last 24 Hours 4.14m3

FO Sludge Tnk Max Vol last 24 Hours 0.14m3 FO Sludge Tnk Min Vol last 24 Hours 0.13m3

Oily Blg Tnk Max Vol last 24 Hours 3.12m3 Oily Blg Tnk Min Vol last 24 Hours 3.07m3

Stbd Bilge Max Vol last 24 Hours 99.99m3 Stbd Bilge Min Vol last 24 Hours 99.99m3

Port Bilge Max Vol last 24 Hours 0.08m3
Port Bilge Min Vol last 24 Hours 0.05m3

Aft Bilge Max Vol last 24 Hours 0.30m3
Aft Bilge Min Vol last 24 Hours 0.28m3

INCIN SLG Tank Tnk Max Vol last 24 Hours 0.66m3 INCIN SLG Tank Tnk Min Vol last 24 Hours 0.59m3

LO PUR SLG Tank Lvl Max Vol last 24 Hours 1.21m3 LO PUR SLG Tank Lvl Min Vol last 24 Hours 1.17m3

FO PUR SLG Tank Lvl Max Vol last 24 Hours 1.02m3 FO PUR SLG Tank Lvl Min Vol last 24 Hours 0.97m3

Dirty BHT Lvl Max Vol last 24 Hours 0.60m3 Dirty BHT Lvl Min Vol last 24 Hours 0.49m3