

1 UNITED STATES DISTRICT COURT  
2 DISTRICT OF CONNECTICUT

3  
4 UNITED STATES OF AMERICA,  
5 Plaintiff,

6 vs.

7 IONIA MANAGEMENT S.A.,  
8 Defendant.

9 \_\_\_\_\_ )  
CRIMINAL NO. 3:07-CR-134 (JBA)

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12 TRANSCRIPT OF TELECONFERENCE PROCEEDINGS

13 Pages 1 - 59, inclusive

14 Tuesday, July 12, 2011, 6:02 a.m.

15 Anchorage, Alaska

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22 Proceedings Held  
23 at  
24 Dorsey & Whitney LLP  
1031 West 4th Avenue, Suite 600  
25 Anchorage, Alaska

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1 ANCHORAGE, ALASKA; TUESDAY, JULY 12, 2011

2 6:02 A.M.

3 -oOo-

4 SPECIAL MASTER BUNDY: All right. Well,  
5 thank you everybody for making time to get this  
6 together. I think that we'll do this as, sort  
7 of, we usually do it, which is everyone has been  
8 identified that's present on the call. We'll  
9 swear the witnesses. Presumably, Mr. Chalos,  
10 Ms. Tsochlas and Mr. Karagiorgis will be sworn  
11 for Ionia?

12 MR. CHALOS: That's right.

13 SPECIAL MASTER BUNDY: And then we'll ask  
14 that -- I see we all have the PowerPoint that was  
15 provided by Ionia, and we can just go through that.  
16 Perhaps we could do it in a relatively brief manner.  
17 And anyone, the government or Mr. Sanborn or Captain  
18 Wigger or myself, if we have -- or Mr. Chalos, you  
19 or Mr. Kontakis have questions to -- on any  
20 particular thing that's brought up we can get into  
21 that.

22 We also will be addressing the issue at  
23 the end of the hearing, the last issue about what  
24 we're going to address in the -- or the date for the  
25 October hearing and what we're going to address

1 there.

2 So first thing we'll do is we'll swear the  
3 witnesses, then -- this is being recorded by a court  
4 reporter here in Anchorage. And so I ask that when  
5 anybody is talking, or asking a question, that  
6 before you ask your question or make your comment,  
7 that you identify yourself for the court reporter  
8 here.

9 Okay. Unless there's any comments or  
10 suggestions to change that procedure, we'll go  
11 ahead.

12 We'll take an oath over the phone. I  
13 assume that's effective, but if not, we all  
14 understand that at least 18 USC 1001 "honest  
15 statements to the government" statute applies, so if  
16 the court reporter can swear Ms. Tsochlas.

17 (Oath administered telephonically; Krystyna  
18 Tsochlas sworn.)

19 SPECIAL MASTER BUNDY: And  
20 Mr. Karagiorgis.

21 (Oath administered telephonically; George  
22 Karagiorgis sworn.)

23 SPECIAL MASTER BUNDY: Okay.

24 Mr. Chalos, how do you wish to proceed?

25 MR. CHALOS: Well, it's truly up to you,

1 Mr. Bundy. It seems to me that your suggested  
2 approach at the beginning of this conference is a  
3 good one. We can have Ms. Tsochlas briefly go  
4 through her outline and cover the issues that you  
5 raised in your letter of June 10th. And we can  
6 stop after each of the issues are addressed, or  
7 we can go right through to the end and then  
8 handle any questions that might come up. I leave  
9 that up to you and the government as to how you  
10 want to proceed.

11 SPECIAL MASTER BUNDY: Okay. Probably  
12 the best way just would be to have Ms. Tsochlas  
13 talk about a topic, and then we'll stop and  
14 inquire if there are any questions or any  
15 comments from Mr. Sanborn or Mr. Wigger, and then  
16 we'll move on to the next one.

17 So let's -- Ms. Tsochlas, if you wanted to  
18 begin, feel free.

19 MS. TSOCHLAS: Okay. Well, I'll begin now  
20 then.

21 SPECIAL MASTER BUNDY: Okay.

22 MS. TSOCHLAS: We'll start with the first  
23 item on the agenda, which is the progress in fully  
24 implementing the SWOMS.

25 (Court reporter requests clarification.)

1                   SPECIAL MASTER BUNDY:   Okay.  Go ahead.

2       Please.

3                   MS. TSOCHLAS:   Can you hear me?

4                   SPECIAL MASTER BUNDY:   Yes.

5                   MS. TSOCHLAS:   So the first item in this  
6       issue is the operational status of the SWOMS on  
7       board the four vessels:  The THEO T, the FIDIAS,  
8       the PLOUTOS, and the ESTIA.

9                   MR. CHALOS:   Excuse me, Ms. Tsochlas.  
10      Mr. Bundy --

11                  SPECIAL MASTER BUNDY:   Mr. Chalos, you  
12      need to identify yourself when you speak.

13                  MR. CHALOS:   Yes.  And that's what I was  
14      just going to do.  This is Michael Chalos.

15                  Mr. Bundy, if I may suggest, if the court  
16      reporter can have a copy of your letter, that might  
17      make it easier for her to understand some of these  
18      words.

19                  SPECIAL MASTER BUNDY:   Right.  That's  
20      what we're doing.  We've been going over some of  
21      the words already.

22                  MR. CHALOS:   Oh, okay.  Great.  Okay.  
23      Sorry to interrupt.

24                  SPECIAL MASTER BUNDY:   Okay.

25                  MS. TSOCHLAS:   Okay.  So the SWOMS units

1 have been installed on board all four of the  
2 vessels. They're fully operational on board all  
3 four of the vessels. And the units are now in full  
4 compliance with the terms and requirements of the  
5 scope of work. They're able to transmit the data  
6 that is recorded in the engine room on an hourly  
7 basis to Ionia without the need for human  
8 intervention.

9 Go to the next slide.

10 MR. CHALOS: Hold on, Ms. Tsochlas. This  
11 is Michael Chalos again.

12 Mr. Bundy, if I may just interrupt one  
13 more time.

14 SPECIAL MASTER BUNDY: Okay.

15 MR. CHALOS: And just instruct  
16 Ms. Tsochlas to slow down and keep your voice  
17 up.

18 SPECIAL MASTER BUNDY: Yeah. Please  
19 slow down just a little bit, that would be  
20 helpful, Ms. Tsochlas. Thank you.

21 MS. TSOCHLAS: Okay. I will try.

22 So if we go to the next slide, we have the  
23 time log for the installation on board the unit on  
24 each vessel. We open the first link to the THEO T  
25 and the FIDIAS and we go right to the end, we can

1 see that on the THEO T the unit was installed in  
2 order to make the hourly transmission of data on the  
3 4th of February of 2011.

4 While on board the FIDIAS, it was  
5 installed on the -- it was upgraded on the 22nd of  
6 March of 2011. Both on the THEO T and the FIDIAS,  
7 the systems are working properly and transmitting  
8 the data properly as required.

9 If we go to the next link for the PLOUTOS  
10 and the ESTIA, and go to the end of that as well.  
11 On board the PLOUTOS, the unit was installed on the  
12 18th of April 2011 -- on the 8th of March 2011. And  
13 on board the ESTIA on the 25th of March of 2011.

14 So all four units on all four vessels are  
15 working properly and transmitting data as required  
16 by the scope of work.

17 If we go to the next slide and under  
18 item B. And this is to discuss the manner in which  
19 the data transmitted by the SWOMS is utilized by  
20 Ionia Management. We have incorporated a procedure  
21 into our environmental management plan that requires  
22 that the corporate compliance manager,  
23 Mr. Karagiorgis, ensures that the daily and hourly  
24 reports are received at the company as required.

25 All of the reports are maintained in our

1 electronic filing system. The daily data  
2 transferred by the SWOMS is recorded in our  
3 database. At the end of each month the data is  
4 submitted by the chief engineer in hard copy. The  
5 timestamping, date/timestamping reports in the  
6 engine room alarm printouts and the oil record book  
7 data.

8           And the review of that data is carried out  
9 and compared to the SWOMS data that has been  
10 transmitted, in order to ensure that there are no  
11 inconsistencies. If there are any inconsistencies  
12 identified, then the hourly data that is transmitted  
13 by the SWOMS is utilized in order to investigate  
14 those inconsistencies and to verify that there are  
15 no anomalies.

16           If we click on the link, the relevant  
17 procedure for the comparison of records and the use  
18 of that document transmitted by the SWOMS can be  
19 changed.

20           If we move on to the next slide, we move  
21 on to item C, which are anticipated changes to the  
22 SWOMS. We don't anticipate any further changes  
23 to the SWOMS, because we consider we are -- now that  
24 we are in full compliance with the requirements of  
25 the scope of work.

1           So that's the end of the first item on the  
2 agenda. Are there any questions?

3           MR. O'CONNELL: This is Dave O'Connell  
4 with the government. I had a question. There  
5 seems to be -- there is still some discrepancies  
6 in some of the readings and the tanks that are on  
7 board. Are there any troubleshooting measures  
8 that Ionia is taking to correct those or to  
9 determine what the problems are?

10          MS. TSOCHLAS: Certain minor  
11 discrepancies have been observed. Any kind of  
12 discrepancy that is not within the pump  
13 tolerable, we arrange for a technician from the  
14 maker to board the vessel and calibrate the unit.

15          MR. O'CONNELL: Okay. This is Dave  
16 O'Connell again. I guess -- and I'm not sure if  
17 this is true or not, I'm just reading the audits and  
18 the internal audits. Is there an issue with the  
19 waste oil tanks, with them being heated, is that an  
20 ongoing issue that can be resolved or not be  
21 resolved; do we know?

22          MS. TSOCHLAS: With the waste oil tanks,  
23 there are issues that -- first of all, it's a  
24 very small tank.

25          MR. O'CONNELL: Right.

1 MS. TSOCHLAS: Which doesn't help the  
2 radar that's used for the sounding. And due to  
3 the fact that it's also -- it's a tank that has  
4 varying frequent transfers, and it's also heat,  
5 so there is a lot of vaporization. And it's more  
6 difficult to have accurate readings from that  
7 tank. So this is an ongoing problem, which is  
8 caused by the nature of the tank. And we've  
9 discussed it in previous hearings as well.

10 MR. O'CONNELL: Have you had  
11 correspondence with Vigilance to determine if  
12 there is a way to correct that problem or not?

13 MS. TSOCHLAS: It has nothing to do with  
14 Vigilance, it has something to do with the  
15 software.

16 MR. O'CONNELL: Okay.

17 MR. CHALOS: Mr. Bundy, this is Michael  
18 Chalos. I wonder if I could ask a question of  
19 Ms. Tsochlas?

20 SPECIAL MASTER BUNDY: Sure.

21 MR. CHALOS: Ms. Tsochlas, do your  
22 shipboard personnel make manual soundings of that  
23 tank on a daily basis?

24 MS. TSOCHLAS: Yes, of course they do.

25 MR. CHALOS: And is that -- are those

1 soundings included in the material that's  
2 forwarded to the company?

3 MS. TSOCHLAS: Yes, they are.

4 MR. CHALOS: And your folks in Greece  
5 are then able to determine whether or not there  
6 is a discrepancy that might give someone concern  
7 as opposed to just a normal constant discrepancy?

8 MS TSOCHLAS: That's correct.

9 MR. CHALOS: And the discrepancies that  
10 you're seeing, are they normal constant  
11 discrepancies?

12 MS. TSOCHLAS: They are normal for the  
13 operation of that specific tank.

14 SPECIAL MASTER BUNDY: Have you had --  
15 this is Bob Bundy again.

16 Have you had any -- I've noticed there  
17 don't appear to be that type of discrepancies of any  
18 other tank, that I can see. Have you noticed any  
19 other discrepancies that you've had to follow up and  
20 troubleshoot?

21 MS. TSOCHLAS: No, we haven't had any  
22 such cases as of yet.

23 SPECIAL MASTER BUNDY: Is there any --  
24 recognizing that the scope of work doesn't  
25 require the company to equip its other vessels

1 with the SWOMS, has the company found the SWOMS  
2 to be useful enough that it is considering  
3 equipping the other vessels that may not be  
4 trading in the United States with the SWOMS?

5 MS. TSOCHLAS: Well, you know, only one  
6 of the vessels that has been equipped with the  
7 SWOMS is trading in the United States. The other  
8 three vessels aren't as of yet trading in the  
9 United States.

10 SPECIAL MASTER BUNDY: Okay. But I  
11 guess my question is, are you thinking of  
12 expanding even beyond those four vessels to the  
13 other vessels in your fleet?

14 MS. TSOCHLAS: It is under  
15 consideration.

16 SPECIAL MASTER BUNDY: Okay. Go ahead.  
17 That's all the questions -- well, one more.  
18 Just -- now, as I understand the procedure, the  
19 hourly transmitted data, or the data of the  
20 hourly soundings that's transmitted, is stored  
21 electronically for use in the event that  
22 anomalies are detected in comparison, your  
23 monthly comparison of data, and in trying to get  
24 to the bottom of the problem you might want to  
25 use the hourly data, is that how you plan -- is

1 that the procedure that's in place?

2 MS. TSOCHLAS: Yes. That's the  
3 procedure that's in place.

4 SPECIAL MASTER BUNDY: Have you had to  
5 use any of the hourly data yet?

6 MS. TSOCHLAS: Not yet.

7 SPECIAL MASTER BUNDY: How long do your  
8 record-retention policies indicate that you keep  
9 the hourly data stored electronically?

10 MS. TSOCHLAS: Our document control  
11 requires it for a period of five years.

12 SPECIAL MASTER BUNDY: Any other  
13 questions from anyone else on the SWOMS issues?

14 MR. O'CONNELL: No, sir.

15 SPECIAL MASTER BUNDY: Okay. Please go  
16 ahead.

17 MS. TSOCHLAS: Then we come to the cost of  
18 implementing the SWOMS on the four vessels during  
19 the term of probation. We have broken it down into  
20 the purchasing and upgrades. The services and  
21 attendances that have arisen from installing and  
22 maintaining the units on board. Installation. And  
23 then the time that is consumed, expenses of time  
24 consumed by our personnel ashore in order review the  
25 data. The total for the four vessels comes to

1 \$482,105.58.

2 SPECIAL MASTER BUNDY: I have one  
3 question on that, and that is the office -- the  
4 Ionia personnel time, do you just block out that  
5 by an hourly estimation of their salaries or --  
6 and how many hours they spend, or is there some  
7 other way?

8 MS. TSOCHLAS: That's exactly how it's  
9 done. We take the number of hours that are  
10 consumed by the shore-based personnel and  
11 multiply it by the cost of their set hour. Based  
12 on their wages, their monthly wage.

13 SPECIAL MASTER BUNDY: Thank you.

14 MS. TSOCHLAS: Now we move on to item 2,  
15 the results of the internal audits. This is our  
16 annual internal environmental audit program. Up  
17 until now all the internal audits have been  
18 carried out on the THEO T, the PLOUTOS, and the  
19 FIDIAS. And we have the KRITON and the GEA  
20 scheduled for this month, July.

21 We move to the next slide, we have links  
22 to our audit reports. The audit reports on the  
23 THEO T, the FIDIAS and the PLOUTOS. And then we  
24 have a link to the summary of the non-conformities.

25 Does anyone have any questions for the

1 audit reports or the non-conformities issue?

2 SPECIAL MASTER BUNDY: I have a few, but  
3 I'll let -- see if anybody else has any first.

4 MR. O'CONNELL: Yes, Mr. Bundy. This is  
5 Dave O'Connell. I have a couple of questions.

6 I guess I'll go to your summary sheet  
7 first and go vessel by vessel, and then I have some  
8 questions on each of the audits that I read. But on  
9 the THEO T, I guess at the bottom of the page there,  
10 it says it's chief engineer weekly report from ENV  
11 009, which I guess is the form, shows a negative  
12 production of sledges. Was that just a technical  
13 error by the chief engineer figuring that out?

14 MS. TSOCHLAS: The problem with the  
15 actual form, the form is completed electronically  
16 and it has formulas built in within it, so it  
17 makes automatic calculations.

18 MR. O'CONNELL: Okay.

19 MS. TSOCHLAS: And there was a problem  
20 with the form when you put zero in, it was making  
21 correct calculations and shows that there was a  
22 negative production where there wasn't.

23 MR. O'CONNELL: Okay. And so you've  
24 changed the form to address that?

25 MS. TSOCHLAS: That's been corrected,

1       yes.

2                   MR. O'CONNELL:   Okay.   Then on the  
3       summary, I have a couple of questions on the  
4       PLOUTOS.   Regarding the -- I guess the second  
5       engineer and the electrician showing they didn't  
6       have the proper documentation, and it was noted  
7       that they were -- they were, I guess, re-shoring  
8       the vessel?

9                   MS. TSOCHLAS:   Yes.

10                  MR. O'CONNELL:   Is there a procedure in  
11       place of how often they are supposed to get --  
12       are they -- are the crew supposed to get the  
13       familiarization every time they come on board, or  
14       is it once in a lifetime that they're an employee  
15       of Ionia?

16                  MS. TSOCHLAS:   Every time they come on  
17       board they get the familiarization.

18                  MR. O'CONNELL:   Okay.   So then it didn't  
19       occur on this occasion -- I was just trying to  
20       figure out what this discrepancy was trying to  
21       show.

22                  MS. TSOCHLAS:   Yes.   It didn't occur on  
23       this occasion.

24                  MR. O'CONNELL:   Okay.

25                  MR. CHALOS:   Excuse me, Mr. O'Connell.

1 This is Michael Chalos.

2 MR. O'CONNELL: Yes.

3 MR. CHALOS: Wasn't this an issue that we  
4 discussed at the last hearing?

5 MR. O'CONNELL: I remember from the last  
6 hearing that there was an issue with one of  
7 the -- somebody didn't get familiarization.

8 What are you referring to, Mr. Chalos?

9 MR. CHALOS: Well, maybe we should ask  
10 Ms. Tsochlas. Is that the same issue that we've  
11 talked about previously?

12 MS. TSOCHLAS: No. Actually, in this case  
13 it's not the same issue. This was the pre-training  
14 familiarization. And both of these members of crew  
15 had joined the vessel before the implementation of  
16 this procedure. And that's why they didn't have the  
17 pre-training familiarization documentation with  
18 them.

19 MR. CHALOS: And that --

20 MS. TSOCHLAS: The previous issue had to  
21 do with familiarization on board. They were -- they  
22 participated in the familiarization on board, and  
23 the on-board training that was carried out for the  
24 implementation of the environmental management plan.

25 MR. CHALOS: Okay. This is Michael

1 Chalos again. Has that procedure now been  
2 changed so the situation doesn't occur again in  
3 the future?

4 MS. TSOCHLAS: It has, yes.

5 SPECIAL MASTER BUNDY: I've got a --  
6 this is Bob Bundy again. I've got a couple of  
7 questions on some of the internal audit reports.

8 Attached to the internal audit report are  
9 some forms called Non-Conformity/Observation Report,  
10 and which are completed, apparently, as to each one,  
11 any observation or observed non-conformity.

12 And I note that -- for instance, if we  
13 look at the THEO T's internal audit report of 23  
14 February 2011, one of the observation reports has to  
15 do with -- it says that -- having to do with the  
16 records. The non-conformity is, is that there is no  
17 evidence that the company vessel followed up and  
18 complied with recommendations by the independent  
19 audit.

20 And underneath it says corrective action  
21 taken, and the description is "SQM department to be  
22 notified and provide the actions taken toward these  
23 recommendations." It goes over and it says "Date to  
24 be completed," and I assume that's the target date  
25 when those are to be taken, and "Date closed out."

1 When -- the "date closed out," there is a date and  
2 notations in there, does that mean that the SQM or  
3 the CCM has verified that the actions described have  
4 been taken?

5 MS. TSOCHLAS: What this observation was  
6 referring to, that we hadn't provided the full  
7 report with the recommendations recorded during  
8 the audit, and then our corrective and  
9 preventative action underneath to the vessel.  
10 And that was sent to the vessel on the 9th of  
11 May. And the number there, that is "FW" and the  
12 number, is the reference to the e-mail that was  
13 sent.

14 SPECIAL MASTER BUNDY: I see.

15 MS. TSOCHLAS: From our system.

16 SPECIAL MASTER BUNDY: Okay. And -- but  
17 in terms of, did the vessel then follow-up and  
18 provide information indicating whether it had  
19 complied or not with the recommendations?

20 MS. TSOCHLAS: The recommendation -- we  
21 had verified that the recommendations had been  
22 complied with in practice during the audit, by  
23 the internal auditor that was on board the  
24 vessel. What he couldn't find was our full  
25 report showing what actions had been taken.

1           SPECIAL MASTER BUNDY:   Okay.  I see.

2           And then you had that report and you forwarded  
3           that to the vessel?

4           MS. TSOCHLAS:   Yes.  It's the report  
5           that we send to all the parties after each audit  
6           as well.

7           SPECIAL MASTER BUNDY:   I see.  Okay.

8           MS. TSOCHLAS:   The recommendation and then  
9           our response.

10          SPECIAL MASTER BUNDY:   Okay.

11          MS. TSOCHLAS:   That's the same report.  
12          That was what was missing from the vessel.

13          SPECIAL MASTER BUNDY:   Okay.

14          MR. CHALOS:   Mr. Bundy, I wonder if I  
15          can ask a question?

16          SPECIAL MASTER BUNDY:   Sure.

17          MR. CHALOS:   Ms. Tsochlas, what we're  
18          talking about here is an internal self-evaluation of  
19          your procedures; is that correct?

20          MS. TSOCHLAS:   Yes.

21          MR. CHALOS:   Which is in addition to  
22          those audits that are conducted by Messrs. Wigger  
23          and Sanborn?

24          MS. TSOCHLAS:   Yes.

25          MR. CHALOS:   Okay.

1           SPECIAL MASTER BUNDY: Right. I think  
2           everybody understands that.

3           I've got a question. There's the audit --  
4           internal audit on the FIDIAS of 31 March. There  
5           seems to be some difference in the -- Captain  
6           Wigger's audit of the -- final audit of the FIDIAS  
7           on May 22nd to 25 May, and what is in your internal  
8           audit. And I just wanted to bring this to your  
9           attention and get your observations on this. And  
10          tell me if I'm -- I may be wrong about what I've  
11          observed.

12          For instance, in the Environmental Tag  
13          System, the internal audit on page 4 of 6 of the  
14          internal audit report says, "All entries to the  
15          above logs were found correct and accurate,  
16          including (sic) seals allocation." But in Captain  
17          Wigger's -- in the compliance systems audit of 25  
18          May, they indicated that there was some problems  
19          with the accuracy of the seals log.

20          Have you investigated that discrepancy?

21          MS. TSOCHLAS: We have a new --  
22          identified that's a clerical error. When we  
23          audit the vessel, I assume this goes the same for  
24          when Captain Wigger audits the vessels, a random  
25          check of the seals is carried out. And during

1     our random check of the seals, there are hundreds  
2     of seals on board, and we didn't identify any  
3     discrepancies. During Captain Wigger's orders --  
4     I don't have them in front of me here,  
5     unfortunately. If you give me a moment I can  
6     find them.

7             SPECIAL MASTER BUNDY: Okay. Yeah, I  
8     think it's paragraph -- Findings with  
9     Recommendations, paragraph nine.

10            MS. TSOCHLAS: Hold on a moment.

11            MR. WIGGER: Actually, are you talking  
12     about the FIDIAS --

13            SPECIAL MASTER BUNDY: Yeah.

14            MR. WIGGER: -- audit. Yeah, it should be  
15     paragraph eight. I'm looking at it.

16            SPECIAL MASTER BUNDY: Eight. I'm  
17     sorry. Paragraph eight.

18            MS. TSOCHLAS: Give me a moment. I can  
19     open it up and have a look.

20            SPECIAL MASTER BUNDY: Okay.

21            MS. TSOCHLAS: In paragraph 8.

22            Yes. This issue was investigated and was  
23     verified that it was clerical errors in the logbook.

24            SPECIAL MASTER BUNDY: Okay. I see. So  
25     as I understand, what you're saying is that your

1 auditors -- because there are so many seals, they  
2 do a random check.

3 MS. TSOCHLAS: Yes.

4 SPECIAL MASTER BUNDY: And they may not  
5 have looked at the same seals or the same -- or  
6 the same seals as compliance systems looked at,  
7 is that --

8 MS. TSOCHLAS: Exactly.

9 SPECIAL MASTER BUNDY: Okay.

10 The other -- the other part -- or one  
11 other thing in the FIDIAS internal audit on the oil  
12 record book, it says, on page 6, it says that the  
13 oil record book "were found properly kept. All  
14 entries were found legible and signed by the  
15 officer." But in the compliance systems audit, they  
16 remark that it appeared that the oil record book  
17 entries were sort of illegibly corrected.

18 Do you see any inconsistency in those two  
19 findings?

20 MS. TSOCHLAS: I don't remember there  
21 being a reference to that. Do you know in which  
22 paragraph that was?

23 SPECIAL MASTER BUNDY: Yeah.

24 MR. WIGGER: Paragraph three.

25 SPECIAL MASTER BUNDY: Paragraph three.

1 MS. TSOCHLAS: Paragraph three. And  
2 that had to do with the corrections, not actually  
3 with the -- in the way that the chief engineer  
4 was correcting the entries made in the oil record  
5 book.

6 SPECIAL MASTER BUNDY: Right. So we  
7 gave an instruction to the chief engineer to  
8 ensure that the corrections were made more  
9 clearly.

10 SPECIAL MASTER BUNDY: Okay. Yeah, not  
11 to get into this, but I think it's interesting to  
12 compare the internal audits with the compliance  
13 systems audits and -- as to how two auditors  
14 might see something a little bit differently as  
15 they view things.

16 Are there any other questions on the  
17 internal audit?

18 MR. O'CONNELL: Yes. Mr. Bundy, this is  
19 Dave O'Connell. I have a -- continuing on the  
20 FIDIAS, I have a couple of discrepancies between the  
21 external audit provided by Mr. Wigger and the  
22 internal audit. So --

23 SPECIAL MASTER BUNDY: If you want to  
24 inquire, go ahead.

25 MR. O'CONNELL: Okay. In paragraph one

1 of the audit report by compliance systems, it  
2 talks about the labeling of the emergency bilge  
3 suction was incorrect. And on page 4 of 6 on the  
4 internal audit it said that everything was okay  
5 with the bilge main cross connections and  
6 emergency bilge suction. I was just wondering if  
7 that was corrected.

8 MS. TSOCHLAS: It is possible that at  
9 the time of the audit it was corrected, because  
10 when maintenance is carried out these things are  
11 changed. And then by the time of the final audit  
12 it has been re-posted, the label. That was  
13 corrected immediately during that final order,  
14 though.

15 SPECIAL MASTER BUNDY: Yes.

16 MR. O'CONNELL: Okay. Got it.

17 The other issue was with the testing of  
18 the oil/water separator. If I read the internal  
19 audit, it states that the OWS was found in good  
20 operational condition, but it doesn't say that it  
21 was tested. And if I read the internal audit  
22 right -- I mean, the external audit by Mr. Wigger  
23 right, paragraph ten says that these tests are not  
24 being carried out in accordance with the scope of  
25 work.

1           And I was wondering why that wouldn't have  
2    been noted in your internal audit.

3           MS. TSOCHLAS: The recommendations state  
4    that the oil/water separator is tested monthly.

5           MR. O'CONNELL: Right.

6           MS. TSOCHLAS: The issue was to do with  
7    the oil -- with the reading of the memory card.  
8    So I'm reading the recommendation right now at  
9    the same time.

10          MR. WIGGER: This is Rich Wigger. I think  
11   the reference is to paragraph nine of the compliance  
12   systems audit report.

13          MS. TSOCHLAS: Yes. With regard --

14          MR. O'CONNELL: Nine and ten.

15          MS. TSOCHLAS: With the regard to the full  
16   operational test. The full operational test could  
17   not be carried out during the audit because the  
18   vessel was in port at the time. The internal audit  
19   was carried out while the vessel was in port.

20          MR. O'CONNELL: Okay.

21          MR. WIGGER: This is Rich Wigger again,  
22   though. I think, and again I'm trying to recall my  
23   conversations with the auditor, I thought we had an  
24   in-port test where we could recirculate and  
25   essentially carry out the operational test. Going

1 from the bilge tank, it's recirculating back to the  
2 bilge tank, which in itself will prove the  
3 operational status of the OWS. It may not prove the  
4 capacity or the throughput of the OWS, but it will  
5 provide an understanding that it is operational.

6 In the auditor's observation, and again  
7 in my conversation with the auditor, he indicated  
8 that this operational testing, monthly testing of  
9 the OWS, is not completed as per the  
10 instructions. Which, my understanding, the  
11 instruction are that you would actually draw and  
12 recirculate back to the bilge tank.

13 MS. TSOCHLAS: I think it's actually got  
14 to do with the test fluid that is used on board. We  
15 have provided test fluids to our vessels to carry  
16 out the operational test of the 15 PPM. But the  
17 test fluid wasn't -- the use of that test fluid on  
18 board the specific vessel was impossible. So we  
19 have to revise that.

20 MR. KARAGIORGIS: Captain Wigger, this  
21 is George Karagiorgis.

22 MR. WIGGER: Yes.

23 MR. KARAGIORGIS: Regarding the matter of  
24 test that's described in the environmental  
25 management plan, we have made some tests on board

1 the vessel and we found that we cannot comply with  
2 these instructions, because the fluid is rapidly  
3 removed from self (ph) during the operation and  
4 after this TS internal audit we are going to change  
5 our procedures for how to do the marker test.

6 MS. TSOCHLAS: We are providing a test to  
7 it, and it's in -- as time has passed we have  
8 realized that that test is not appropriate for the  
9 testing, it's not effective the way it's being used.  
10 So we have to revise our procedure and provide an  
11 alternative method for doing the test. I think this  
12 is what the auditor was referring to as the test.

13 MR. CHALOS: Mr. Bundy, this is Mike  
14 Chalos again.

15 SPECIAL MASTER BUNDY: Okay.

16 MR. CHALOS: I wonder if I can make an  
17 observation at this point. While it's good to  
18 compare the internal audit with the external audit,  
19 and see if there is any particular discrepancies in  
20 there, we've got to keep in mind that they're not  
21 done on the same day or even in the same week.

22 In this particular case it was almost, I  
23 think, two months between the audits. So there is  
24 going to be certain differences, because this is a  
25 dynamic situation, you know, and a fluid situation

1 where things change operationally on the ship and  
2 mechanically. And so it's not a hundred percent  
3 fair to look at one and then look at the other and  
4 say, aha, there is a difference between the two. I  
5 mean, we have to put it in the context of what we're  
6 talking about.

7 But the point I wanted to make is, when  
8 you compare the external audit to the internal  
9 audit, I think they compare very favorably. You  
10 know, there may be one or two items that as we were  
11 questioning them now, but that's not the majority of  
12 the results. The majority of the results is that  
13 they compare very favorably. And Mr. Wigger can  
14 comment on that if he would like.

15 SPECIAL MASTER BUNDY: Well, here's my  
16 thinking on the reason that we went into this in  
17 probably more detail than might be justified, is  
18 that we've got three of the four final audits  
19 complete and the fourth one, hopefully, will be  
20 done fairly soon. And we don't have any of the  
21 responses from Ionia yet. And I'm not being  
22 critical about that, I'm just pointing that out.

23 And so I would hope that in -- that to the  
24 extent that Ionia prepares responses to the final  
25 audit, and that of course will probably be the

1 topic -- will certainly be the topic of review when  
2 we have the final hearing for the final  
3 recommendation to the judge, that I hope Ionia will  
4 note instances in its own internal audits where  
5 similar issues have come up, or perhaps, even to  
6 demonstrate that on previous occasions everything  
7 was okay and this was an anomaly that occurred over  
8 a short period of time and was corrected.

9 But I think it would be helpful for Ionia  
10 to refer to its own internal audits in its response  
11 to compliance systems audits, just to demonstrate,  
12 one, that they do have an effective system in place  
13 when compliance system audits are no longer going to  
14 be occurring to bring -- alert technical management  
15 staff to problems that might be festering on a  
16 vessel.

17 And second, just to be able to put the  
18 findings of the final audits in a longer term  
19 perspective, given their own experience with the  
20 vessels. And I didn't mean to get us down this  
21 rabbit hole into getting into the details of that.  
22 But I think that the internal audits of Ionia are  
23 very useful tool, and to Ionia's credit are done  
24 regularly, but I just wanted to -- I think that we  
25 would hope that we would pay attention to those when

1 we close this thing out.

2 MR. WIGGER: This is Rich Wigger again.  
3 Just two quick comments. And yes, I agree that we  
4 haven't seen Ionia's responses to the final audits  
5 that have been completed thus far. And again, those  
6 have only recently been distributed to Ionia. And  
7 then, of course, once we get the responses we can  
8 evaluate the responses.

9 With regard to those No. 9 and 10, I just  
10 want to make sure that you see that as two separate  
11 tests. One is the OWS and one is the OCM. And  
12 while I understand the fluid and oil for the OCM, I  
13 believe there is also a monthly test of the OWS.

14 So I guess when you make your responses,  
15 you can, you know, address both of those in  
16 response, and then we can evaluate more fully, I  
17 guess, the response.

18 The other point that Mr. Chalos, you know,  
19 is making as well is of course any audit we do is --  
20 you know, we try to be as comprehensive as possible,  
21 but as noted in, you know, some of the observations,  
22 it's only really feasible to spot check whether it's  
23 a seal log or some others, and the oil record book,  
24 you know, while we do review on the oil record book.  
25 So there are going to be -- and one auditor can

1 follow another auditor and pick up things that that  
2 auditor has missed. But overall we're trying to,  
3 you know, determine the substantial -- you know, if  
4 the vessel is in compliance.

5 So, yeah, I understand that there is going  
6 to be some times when we might identify something in  
7 the external audit that may not have been identified  
8 in the internal audit, and vice versa. In this  
9 case, with the internal audits, is that Ionia  
10 auditors are identifying both non-conformities and  
11 observations, it's not a clean slate.

12 And I can tell you that, you know, any  
13 audit you're going to find some items. And if you  
14 had a clean slate, it might indicate that your  
15 auditing program is not effective, but as I said,  
16 since you do -- you are identifying problems and  
17 correcting, it seems that there is an effective  
18 auditing program in place.

19 SPECIAL MASTER BUNDY: Okay. I suppose  
20 we can move on to the training issue if there are  
21 no further questions or comments.

22 MR. O'CONNELL: Mr. Bundy, I have a couple  
23 more on the internal audits.

24 SPECIAL MASTER BUNDY: All right. Dave  
25 O'Connell.

1 MR. O'CONNELL: And this is Dave O'Connell  
2 again speaking. It's just a follow-up on what you  
3 were saying about, you know, in contemplation of our  
4 next hearing and discrepancies that were discovered  
5 in the external audits.

6 On the THEO T, the external audit in  
7 paragraph one talks about the discrepancies in the  
8 operation of the incinerator. And that on the  
9 internal audit for the THEO T, which was performed,  
10 I guess, on February 23rd, that the incinerator was  
11 operating properly. But if you look at the external  
12 audit it was -- it seems to be that during that time  
13 frame the incinerator wasn't operating properly.  
14 And I understand that may be something we want to  
15 take up at the next hearing, something that the  
16 government is interested in.

17 SPECIAL MASTER BUNDY: What paragraph?  
18 And this is the ongoing THEO T audit of 13 March  
19 2011?

20 MR. O'CONNELL: Yes. Paragraph one.

21 SPECIAL MASTER BUNDY: Paragraph one;  
22 okay.

23 MR. WIGGER: This is Rich Wigger again.  
24 Just quickly. That was mislabeled as ongoing. It's  
25 actually the final audit for the THEO T. So if we

1 could, I don't know, make a pen and ink on that one.

2 MS. TSOCHLAS: Would you like me to  
3 explain this observation or --

4 SPECIAL MASTER BUNDY: Sure.

5 MS. TSOCHLAS: There is a  
6 misinterpretation in this observation. In the  
7 reference that is made to the malfunction on the  
8 16th of October, I think, in October at some  
9 point, it was not actually a malfunction. Spare  
10 parts for the incinerator had been requested, the  
11 order to base the malfunction on the requisition  
12 for the spare part. The spare parts for the  
13 incinerator were requested in order to comply  
14 with our company's minimum requirements.

15 This step --

16 MR. CHALOS: Ms. Tsochlas --

17 MS. TSOCHLAS: Yes.

18 MR. CHALOS: I'm sorry. This is Michael  
19 Chalos.

20 Are you saying that there was no  
21 malfunction but these were just spare parts that  
22 were coming on board to have an extra set?

23 MS. TSOCHLAS: Yes.

24 SPECIAL MASTER BUNDY: Okay.

25 MR. O'CONNELL: This is Dave O'Connell.

1 I don't think that's consistent with what -- and  
2 maybe Mr. Wigger wants to expand on what was  
3 here. It seems like at least on November 7th it  
4 was noted that the incinerator of the unit was  
5 inoperative.

6 MS. TSOCHLAS: On November 7th a request  
7 was sent for spare parts for the incinerator.  
8 And there was a note made by the chief engineer  
9 that the incinerator unit is inoperative. At the  
10 same time, though, when he signed off the vessel,  
11 he stated that the unit, the incinerator, in his  
12 declaration of environmental compliance, that the  
13 incinerator was working satisfactorily.

14 The spare parts had been requested in  
15 order to comply with the minimum required amount on  
16 board. So this was a clerical error. The note on  
17 his spare part requisition stating that it was  
18 inoperative. In his declaration of compliance he  
19 stated that it was working satisfactorily. And  
20 that's why we have no defect report issued for the  
21 incinerator, because there was no defect.

22 Then later on in March, a few days before  
23 arriving at Gothenburg in Sweden, the mill pump for  
24 the incinerator began to have some problem. This  
25 does not mean that the incinerator was inoperative,

1 but the mill pump had some problems.

2 The mill pump is a loose item of the waste  
3 oil service tank, and it's not attached to the  
4 incinerator. So the failure of this pump does not  
5 render the incinerator inoperative. As the use of  
6 the pump is only to -- in order to agitate and  
7 culminate the content of that tank.

8 And the defect on the mill pump was due to  
9 a worn-out mechanical seal. That mechanical seal  
10 was delivered to the vessel. The vessel sailed from  
11 Gothenburg, Sweden, to Panama, and it was delivered  
12 upon her arrival in Panama, along with Mr. Crowley  
13 (ph) boarding on board on the vessel.

14 SPECIAL MASTER BUNDY: Okay. But so --  
15 this is Bob Bundy again. So the chief engineer's  
16 note, "Incinerator unit inoperative, condition of  
17 primary burner very bad and fan impeller  
18 destroyed," he was wrong about that?

19 MS. TSOCHLAS: It was a clerical error.  
20 And often when they make the -- when they prepare  
21 the requisitions they copy and paste from other  
22 spare part requisitions, so this may have -- it was  
23 a clerical error.

24 SPECIAL MASTER BUNDY: I see. So he --

25 MS. TSOCHLAS: The incinerator was

1 working fully.

2 SPECIAL MASTER BUNDY: He was just  
3 sending in a requisition from another form and he  
4 forgot to whiteout the reason or to change the  
5 reason?

6 MS. TSOCHLAS: Exactly. Delete the  
7 reason, yes.

8 SPECIAL MASTER BUNDY: Okay.

9 MR. WIGGER: This is Rich Wigger again.  
10 Yeah, we were -- let's see. Now, we do have  
11 copies of the oil record book for November 2010  
12 to February 2011. Those are the submissions by  
13 CD that we get monthly from Ionia. And I'm  
14 trying to -- I believe I did go back through that  
15 when I saw this observation. And there -- and  
16 you can correct me if I'm wrong, but I don't  
17 think there was any operation of the incinerator  
18 during this period, which doesn't in and of  
19 itself indicate the incinerator is malfunctional,  
20 but it does sort of lead that way, I guess.  
21 Understanding that you do have a capacity on  
22 board to transfer sludge to a slop tank or to  
23 shore.

24 MS. TSOCHLAS: Exactly.

25 MR. WIGGER: Yeah. So -- but I think

1       there was -- I don't know if -- I don't believe  
2       there was any operation of the incinerator during  
3       that period, which I think also led the auditor  
4       to conclude that, you know, based upon the chief  
5       engineer's statement, that it was inoperative and  
6       then should have been noted in the oil record  
7       book as such.

8               MS. TSOCHLAS: As you stated already,  
9       the vessel has the ability to transfer sludges to  
10      the slop tank, which is what we prefer to do, and  
11      then we deliver the sludges and slops from the  
12      slop tank ashore, rather than incinerate. So the  
13      fact that the incinerator wasn't used during that  
14      period of time is not indicative of its  
15      operability.

16              MR. WIGGER: And I agree. I understand,  
17      yeah.

18              SPECIAL MASTER BUNDY: Okay.  
19      Mr. O'Connell, did you have anything else on this  
20      issue?

21              MR. O'CONNELL: Just on the PLOUTOS. On  
22      observation, I guess, that's 5/11 regarding the  
23      OCM showed zero parts per million during the  
24      discharge process and the final audit showed a  
25      negative value of .72 parts per million.

1           When I look at the observation report, was  
2 that corrected, when it says: Upon  
3 recertification -- confirm the oil content pending  
4 the finalized, the same as the OCM, and then it has  
5 a date closed out. Does that mean that that was --

6           MS. TSOCHLAS: That means that it has  
7 been corrected.

8           MR. O'CONNELL: Okay. I don't have any  
9 further questions on the internal audits.

10          SPECIAL MASTER BUNDY: Okay. Thank you.  
11 Can we move to the training issues?

12          MS. TSOCHLAS: Yes. Move on to the next  
13 slide, which it was item three on the agenda, the  
14 status of our training program, including reports  
15 of visits to training facility.

16          Since the last hearing what we have done,  
17 we have expanded our computer-based training in  
18 order to include: VGP, the vessel general permit;  
19 vapor emission control training; ship-to-ship  
20 transfer plan; and the ship energy efficiency  
21 management plan.

22          We have continued the implementation of  
23 our superintendent onboard training program. And  
24 superintendent onboard training has been carried out  
25 on the ESTIA, the KRITON, the PLOUTOS, and the

1 FIDIAS. The PLOUTOS has been carried out twice.  
2 And three visits have been made to Manila by the  
3 crew manager: June of 2010, December of 2010, and  
4 June of 2011.

5 And finally, we've begun implementing the  
6 environmental officer course. It's a training  
7 course, which will be using our computer-based  
8 training units installed at the manning agent and  
9 here at our company, where our chief officers shall  
10 be trained as -- shall be provided with additional  
11 training that's focused on their role as  
12 environmental officer on board.

13 The course consists of a number of  
14 modules, which have the names to broaden the  
15 candidate's general understanding of the issues,  
16 environmental issues on board, and provides  
17 practical guidance on board.

18 Once the trainee has completed the course,  
19 he will be aware of environmental problems facing  
20 the world, familiar with how shipping contributes to  
21 world pollution and how that can be managed by  
22 individual seafarers. Be familiar with the legal  
23 framework for protecting the environment, including  
24 MARPOL, and understand the consequences of not  
25 complying with MARPOL regulations.

1           So the course consists of a number of  
2 modules. Why we need the position of environmental  
3 officer on board, understanding environmental  
4 management. Important environmental concepts.  
5 Environmental regulations, such as MARPOL.  
6 Understanding the legal requirements involved with  
7 environmental regulations. The company's policy.  
8 The practical implementation of the environmental  
9 policy. Setting up an environmental system on  
10 board. Tackling the job of environmental officer.  
11 And handling incidents.

12           So do you have any questions for the  
13 training?

14           SPECIAL MASTER BUNDY: Anyone?

15           MR. SANBORN: Jim Sanborn here.

16           Ms. Tsochlas, who is actually conducting  
17 the training? Is this done through computer-based  
18 training or just who is the office -- I'm sorry, the  
19 author of the program?

20           MS. TSOCHLAS: For the environmental  
21 officer training course?

22           MR. SANBORN: Yes.

23           MS. TSOCHLAS: That's been -- we're  
24 using our Videotel CBT unit. So we don't have a  
25 live trainer. The course is approximately --

1 MR. SANBORN: So this is through  
2 Videotel?

3 MS. TSOCHLAS: Yeah. Through Videotel,  
4 yes.

5 The course is approximately 40 hours of  
6 computer-based training sessions. At the end of  
7 each session there is a short questionnaire, which  
8 allows us to evaluate the candidate's understanding.  
9 And once he's completed the course we review the  
10 results of the training session and issue an  
11 environmental officer training certificate  
12 accordingly.

13 SPECIAL MASTER BUNDY: Okay.

14 MR. SANBORN: Thank you.

15 SPECIAL MASTER BUNDY: Okay. We're  
16 moving right along here. The -- before we get to  
17 the date of the final hearing, Mr. O'Connell had  
18 suggested, and I agree, that we ought to talk  
19 about what it is that we're going to be  
20 addressing at the final hearing.

21 My view is that we have to look at the  
22 special master order and scope of work. There are  
23 three objectives, general objectives, for Ionia at  
24 the beginning, at the very first page. And then  
25 there are some more specific objectives talking

1 about the waste oil management -- or maintenance and  
2 reports on page 4, the SWOMS requirements, also  
3 beginning on page 4 of the Special Master order.  
4 And then on page 8, a reference to a requirement  
5 that the minimum engineering standards be  
6 maintained.

7 And so I would expect that what we will be  
8 doing, and I'm willing to hear comments and input  
9 from anybody else, that we'll be looking at what  
10 Judge Arterton in her order required as conditions  
11 of probation, see if throughout the term of  
12 probation -- if there's any reason to believe that  
13 Ionia has not complied with its terms and conditions  
14 of probation and as -- specifically as directed in  
15 the Special Master order and scope of work, and  
16 provide her recommendations on that issue, so that  
17 she can make a determination whether to close out  
18 the probation.

19 Does anybody else see what our mission is  
20 any differently?

21 MR. CHALOS: Mr. Bundy, this is Michael  
22 Chalos. It seems to me that the next hearing,  
23 aside from the last vessel that needs to be  
24 audited -- and we'll address those issues at that  
25 meeting as well -- it seems to me that we have to

1 kind of step back at the last meeting and see  
2 where we started and where we are now, and see  
3 how all that fits into both the scope of work and  
4 the purpose of the conditions of probation, to  
5 see if, you know, this whole ECP and scope of  
6 work and the auditing, both internal and  
7 external, have done their job and have these  
8 people gone from what's called the environmental  
9 scofflaw four years ago, to a good model  
10 corporate citizen.

11 And I think that's going to be what the  
12 judge is looking for. Has -- you know, has the  
13 scope of work, number one, has this company  
14 understood what it has to do and has it done what it  
15 has to do. I mean, we can certainly, for lack of a  
16 better word, nitpick everything. But I think the  
17 last year has got to be a step back and a real  
18 overview of where we've been -- where we came from,  
19 where we've been, and where we are now.

20 SPECIAL MASTER BUNDY: Okay. I don't  
21 disagree with that.

22 MR. O'CONNELL: Mr. Bundy, this is Dave  
23 O'Connell. Yeah, I don't disagree with that either,  
24 although Mr. Chalos and myself might have some  
25 differences on what we think the audits point to and

1 not point to, or what they reflect. I guess one of  
2 the issues is, is just that, is, you know, if there  
3 is outstanding -- you know, there is some  
4 outstanding items in the audits that we have. One  
5 of the issues is what -- what do we need to do about  
6 those outstanding items. You know, I think there's  
7 some recommendations to investigate some things  
8 further. Are we expecting those -- to have a report  
9 of those at the hearing and, you know, what's the  
10 outcome after getting those reports.

11 MR. CHALOS: Mr. O'Connell, this is  
12 Michael Chalos again. If you're suggesting what  
13 I think you're suggesting, we're going to object.  
14 For instance, let's take this waste oil  
15 discrepancy issue, you know, which has come up  
16 several times now. If the point's going to be  
17 that the government is going to say, well, they  
18 had this waste oil discrepancy issue and it  
19 hasn't been resolved so therefore you need to  
20 continue probation, I think we're going to get  
21 into a major argument.

22 You know, if the idea is that there is one  
23 or two items or three items that need to be  
24 addressed and they're not addressed by the last  
25 order, then we'll have to talk about how best

1 address them, you know, without the need to extend  
2 probation. Because, look, you'd be doing your job  
3 to try and get probation extended, but, you know, I  
4 don't know if that's the way we should be  
5 approaching this.

6 MR. O'CONNELL: I haven't made any  
7 determination in my mind about extending  
8 probation. I just don't want to be in a position  
9 where there's -- you know, we have the hearing in  
10 October, and then, you know, probation expires in  
11 December and then, you know, there is some  
12 outstanding issues that need to be resolved, and,  
13 you know, there is a very short time window to  
14 get those things resolved.

15 MR. CHALOS: Yeah. I think -- this is  
16 Michael Chalos again. I think the two-month  
17 period between the last hearing and December  
18 really is a good time if there is something  
19 outstanding to get it resolved and, you know,  
20 report back.

21 SPECIAL MASTER BUNDY: You know,  
22 here's -- I think that -- that, you know,  
23 we'll -- I'll send out the usual letter that  
24 talks about the issues, you know, to frame the  
25 issues for the final hearing.

1           And this time, Mr. O'Connell, you know, if  
2 you have some specifics about items that the  
3 government may be particularly concerned about, you  
4 know, I don't know, the waste oil tank discrepancy  
5 and the SWOMS readings and the manual soundings, for  
6 instance, then you need to bring those up directly  
7 so that we make sure that we focus on them, and  
8 Ionia has the ability to be able to provide a more  
9 detailed, if they desire, response.

10           I suspect that the responses to the final  
11 audits will have much of those issues addressed, or  
12 many of those issues addressed, and for the ones  
13 that they don't correct, I expect that the response  
14 to the final audits will explain why it's either  
15 impossible to correct or not appropriate or  
16 desirable to correct. And so we'll have Ionia's  
17 response to that and we can discuss that at the  
18 hearing.

19           But if there are those -- the issues that  
20 the government particularly wishes us to pay  
21 attention to, in terms of closing out, I'd  
22 appreciate it if you'd provide us with that one  
23 when -- in time, so that we can put that -- those  
24 items specifically on the agenda so that Ionia will  
25 be given an opportunity to provide information to us

1 on that.

2 MR. O'CONNELL: Yes, sir. I agree with  
3 that.

4 SPECIAL MASTER BUNDY: And so at the end  
5 of the day, I think that we've had now three  
6 years of a number of audits and six hearings,  
7 this is the sixth one, and I think that we've  
8 gotten all a pretty good idea about the progress  
9 that Ionia has made over time. And Mr. Chalos is  
10 correct, that's going to be, naturally, the  
11 overreaching backdrop of this -- of any -- of  
12 what the judge is going to be looking at.

13 But the judge will probably -- but also,  
14 we need to make sure that we haven't overlooked any  
15 specific operational issues that have been observed  
16 in the various final audits that we can -- that we  
17 can make some sort of resolution on. Because that  
18 will go a long ways in saying, well, we know where  
19 we started, or we have an idea where we started, and  
20 this will tell us -- the responses to the final  
21 audits I think will be the big piece in where we are  
22 now.

23 So I think that those -- that the issues  
24 that are raised in the final audits, together with  
25 some of the training issues which are not -- or are

1 only obliquely referenced in the final audit are  
2 going to be -- are going to be real important, and  
3 those will probably inform -- be the critical things  
4 that I would imagine would inform the judge on how  
5 she's going to see this, you know, what her decision  
6 is going to be in December.

7 Now, in terms of timing -- and I think we  
8 should all congratulate Mr. Sanborn. He's going to  
9 be gone on vacation in the first part of October to  
10 celebrate his 50th wedding anniversary. And so I  
11 think that we need to look towards that week of  
12 October 17, perhaps the 19th.

13 Now, I know Mr. O'Connell, that you're  
14 concerned about that providing enough time. I can  
15 tell you that I'll just -- I'll make a commitment to  
16 get my report and recommendation out within two  
17 weeks of that hearing, so that will shorten  
18 significantly the usual time, because the order  
19 provides for 30 days. So that will get the final  
20 report and recommendation to Judge Arterton by the  
21 beginning of November, which should give the judge  
22 and the parties time to -- should give the parties  
23 time to make any filings that they think that they  
24 need to make, and certainly the judge time to make  
25 her determination.

1 Do we have any problems with that  
2 timetable?

3 MR. CHALOS: No. I'm fine with that.  
4 You're suggesting the middle of October?

5 SPECIAL MASTER BUNDY: Pardon me?

6 MR. CHALOS: Are you suggesting the  
7 19th?

8 SPECIAL MASTER BUNDY: The 19th, yeah.

9 MR. CHALOS: Yeah. No, that's fine.

10 SPECIAL MASTER BUNDY: Because Wednesday  
11 seems to be -- allows people to travel and whatnot.

12 Ms. Tsochlas, will you be able to  
13 attend? I didn't, at the beginning, congratulate  
14 you on the birth of your son, but I want to do  
15 that.

16 MS. TSOCHLAS: Thanks very much.

17 SPECIAL MASTER BUNDY: Will that make it  
18 possible for you to attend, or are you still  
19 going to be unable to travel?

20 MS. TSOCHLAS: No, I'll be able to  
21 attend.

22 SPECIAL MASTER BUNDY: Okay.

23 MR. O'CONNELL: The 19th works -- this is  
24 Dave O'Connell -- the 19th works for me,  
25 Mr. Bundy.

1                   SPECIAL MASTER BUNDY: Okay.

2           Mr. Norton, how does that fit within your  
3           schedule?

4                   MR. NORTON: I'm sorry, I just hit the  
5           mute button. It fits in fine, sir.

6                   SPECIAL MASTER BUNDY: Okay.

7                   All right. Mr. Burgess?

8                   MR. BURGESS: Yes.

9                   SPECIAL MASTER BUNDY: Okay.

10                  MR. BURGESS: October 19th is good, good  
11           for me.

12                  SPECIAL MASTER BUNDY: All right. Then  
13           I think we have an agreed date. I'm extremely  
14           pleased that this went so quickly. Is there any  
15           other issues that anybody wants to bring up, to  
16           make sure that we have a complete record here in  
17           going forward and getting ready for the October  
18           hearing?

19                  MR. SANBORN: Mr. Bundy, Jim Sanborn here.  
20           I had a couple of things. One very -- one very  
21           general, and it's really offered as a -- offered as  
22           a suggestion to the folks at Ionia. And I tend  
23           to -- I don't tend, I agree with Mr. Chalos's  
24           closing statement about what we're trying to  
25           accomplish here.

1           But in reading the -- in reading the --  
2     reading the audits, I, too, have -- you know, I have  
3     seen the discrepancies and so forth. And in some  
4     cases what I come up with, in summary fashion is, it  
5     almost -- almost seems like an attitudinal issue on  
6     the part of -- on the part of the folks on the  
7     vessel. So I would -- I would -- you know, I would  
8     suggest that whomever is going to prepare the  
9     response to the audits think about that as they're,  
10    you know, as they're proceeding.

11           The other thing I did, in sort of  
12    preparation for this morning, is I went back through  
13    the opus profundis that I wrote after my trip to --  
14    my trip to Piraeus. And I think it would help me,  
15    which should help the whole process, if I could  
16    get -- if I could get some more detail on exactly  
17    the contents and so forth of the training program.

18           And what I -- what I would like to do is  
19    develop a -- develop a list, as it were, of things  
20    that I'd like to -- I'd like to see. And fire that  
21    off to Mr. Karagiorgis and Ms. Tsochlas, so that  
22    they could see where I was -- you know, where I was  
23    coming from and provide me with that information,  
24    then I could be in a better position to speak to the  
25    progress that's made in training.

1           And the third thing -- along the same  
2 lines, is if indeed the environmental management  
3 plan has been amended and updated since its first  
4 drafting, if you could shoot me a copy of that, I'd  
5 like to have the opportunity again to go through  
6 with the -- go through the very latest. And  
7 that's -- those are the things that were on my list  
8 here.

9           MS. TSOCHLAS: Well, it's not a problem  
10 for us to send the revised environmental  
11 management plan to you, Mr. Sanborn.

12           MR. SANBORN: Okay. That would be fine.  
13 And, you know, I'll get -- I'll get a note off to  
14 the folks in Greece regarding the -- regarding  
15 the training material that I'd like to see.

16           MS. TSOCHLAS: Okay.

17           SPECIAL MASTER BUNDY: Okay.

18           MR. WIGGER: This is Rich Wigger again.  
19 Just a final comment. We have now, as mentioned,  
20 just the PLOUTOS remaining. And correct me if I'm  
21 wrong. I see reference to the KRITON in the  
22 presentation, but the KRITON is not under the  
23 judgment, as far as auditing requirements?

24           SPECIAL MASTER BUNDY: It's my  
25 understanding that the KRITON is not planning to

1 trade in the U.S., so it wouldn't be subject; is  
2 that right, Ms. Tsochlas?

3 MS. TSOCHLAS: Yes, that's right. She's  
4 trading exclusively in West Africa.

5 MR. WIGGER: Okay. Okay. Again, since  
6 it was mentioned in the presentation, I just  
7 wanted to clarify and make sure.

8 We have purposely held off a little bit on  
9 the PLOUTOS to give an opportunity for Ionia to  
10 really address the observations that -- you know,  
11 for the first three final audits. And I think  
12 it's -- we need to move forward now and schedule  
13 that. And I'll follow up after this conference call  
14 directly. But I think it's really important as well  
15 that the observations that were noted during the  
16 first three audits are, you know, addressed and  
17 really, to ensure that we don't have any repeat  
18 observations as much as possible on the PLOUTOS,  
19 which I understand is a given pretty much, but I  
20 think a lot of attention should be focused on that.

21 Because the general view that Mr. Sanborn  
22 and myself have in our discussions about it, is that  
23 these being final audits, in some respect, while a  
24 number of those observations with recommendations  
25 and you could call them non-conformities are

1 administrative, they also, you know, point to maybe  
2 a lack of attention on the vessel side to certain  
3 areas of the EMS. And so we just want to make sure  
4 that when it comes time, you know, for the final  
5 hearing that, you know, there's good news to report  
6 as -- you know, and not so much of these  
7 observations with recommendations.

8 So I'll follow up again with Ionia in  
9 scheduling that and hopefully we can get that  
10 scheduled very soon.

11 SPECIAL MASTER BUNDY: Okay. Anything  
12 further? If not, I guess we can conclude this  
13 telephonic hearing.

14 Again, thank you all for promptness in  
15 getting on the line. And thank you, Ms. Tsochlas  
16 and Mr. Karagiorgis for your testimony. And I guess  
17 we'll all see each other in October in New Haven.  
18 And in the meantime I'll be very busy. Thank you  
19 very much and we'll ring off.

20 MR. CHALOS: Thank you, Mr. Bundy. Is  
21 it time for breakfast yet up there?

22 SPECIAL MASTER BUNDY: Not yet.

23 MR. CHALOS: Not yet. It's still early.

24 SPECIAL MASTER BUNDY: I think we should  
25 all salute the court reporter for taking on all

1 of these unfamiliar terms at this time in the  
2 morning.

3 MR. CHALOS: Yes. We appreciate it very  
4 much. Anchorage must be very, very nice this  
5 time of year.

6 SPECIAL MASTER BUNDY: It is. Thanks.

7 (Proceedings concluded at 7:21 a.m.)

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1 REPORTER'S CERTIFICATE

2 I, KATHERINE L. NOVAK, RPR, Registered  
3 Professional Reporter, hereby certify:

4 That I am a Court Reporter and Notary  
5 Public for the State of Alaska; that the foregoing  
6 hearing was taken by me in Stenotype Shorthand and  
7 thereafter transcribed by me to the best of my  
8 ability under the circumstances; and that the  
9 hearing constitutes a full, true and correct record  
10 of said hearing taken on the date and time indicated  
11 therein.

12 Further, that I am a disinterested person  
13 to said action

14  
15 IN WITNESS WHEREOF, I have hereunto  
16 subscribed my hand and affixed my official seal this  
17 25th day of July 2011.

18

19

20

21 \_\_\_\_\_  
Katherine L. Novak, RPR,  
and Notary Public for the  
State of Alaska.

22

23

My Commission Expires: 6-10-13

24

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