

September 15, 2011

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Re: *United States v. Ionia Management, S.A.*
United States District Court Case: 3:07-CR-134 (JBA)

Dear Parties:

The Special Master Appointment and Scope of Work Order dated April 18, 2011 (the "Special Master Order") in the above matter contemplates that the Special Master will hold a hearing every six (6) months. The last Special Master's hearing was held by telephone on July 12, 2011. Since Ionia's three-year probationary period it is set to expire on December 14, 2011, the final Special Master's hearing should be held in sufficient time to allow for a report and recommendation to the Court, and for the Court to make a final determination on whether Ionia has complied with its terms of probation. Accordingly, pursuant to the discussion at the end of the July 12, 2011, Special Master's hearing, the next, and perhaps final, Special Master's hearing will be set for October 19, 2011, at the Federal Courthouse in New Haven, Connecticut.

The topics to be addressed at the next hearing were set out in the Special Master's Sixth Report, pages 9-10:

- C.** On consideration of the requirements of the Special Master Order, and the findings, conclusions and recommendations in previous Special Master reports, the final hearing in this matter should address whether Ionia has complied with the terms of its probation by achieving the objectives required in the Special Master Order. Specifically, the hearing should address whether Ionia has:

1. developed effective procedures for its crewmembers to keep accurate and verifiable written records which account for the generation, storage, processing, transfer and disposal of waste oil, oily bilge water, sludge and other oil contaminated waste generated in the engine room;
2. maintained shipboard records in accordance with Paragraph IV.a. of the Special master Order;
3. installed and maintained a SWOMS in accordance with Paragraph IV.b. of the Special Master Order;
4. developed an effective methodology and procedures to analyze and compare the shipboard records with the electronic records generated by the SWOMS onboard the covered vessels;
5. developed effective, systematic procedures for continuous assessment in improvement of Ionia's compliance efforts so as to foster a culture of compliance from senior managers of the company to the lowest level crewmembers; and
6. implemented onboard the Covered Vessels all the requirements set forth in Attachment B of the Special Master Order ("Minimum Engineering Risk Mitigation Measures").

At to each of these topics, particular attention will be given to how Ionia has changed, modified or augmented its procedures to accomplish the stated objectives and how the effectiveness and sincerity of those efforts has been reflected in the IEC's ongoing and final audits of Ionia's covered vessels. To be more specific, the hearing will examine the following considerations in each of the listed topics:

1. Developed effective procedures for its crewmembers to keep accurate and verifiable written records which account for the generation, storage, processing, transfer and disposal of waste oil, oily bilge water, sludge and other contaminated and waste generated in the engine room. This topic will include the implementation of Ionia's Environmental Compliance Plan ("ECP") provisions regarding the keeping of records, Ionia's internal audit findings with regard to recordkeeping and recordkeeping issues noted in the IEC's shipboard audits.

2. Maintain shipboard records in accordance with paragraph IV.(a) of the Special Master's Order. Inquiry on this topic will focus on nonconformities noted in Ionia's internal

audits and IEC's shipboard audits with regard to the maintenance of shipboard records, and will include an analysis of corrective actions taken by Ionia in response to nonconformities noted in the audits.

3. Installed and maintained a SWOMS in accordance with paragraph IV.(b) of the Special Master's Order. This topic will focus on whether Ionia has implemented a SWOMS and is in full compliance with paragraph IV.(b) of the Special Master's Order.

4. Developed an effective methodology and procedures to analyze and compare the shipboard records with the electronic records generated by the SWOMS onboard the covered vessels. The inquiry into this topic will focus on the manner in which shipboard and shoreside staffs interact to insure full MARPOL compliance using SWOMS data.

5. Developed effective system and procedures for continued assessment in proving Ionia's compliance efforts so as to foster a culture of compliance from senior managers of the company to the lowest level crewmembers. This topic will include inquiry into: Ionia's management structure; the independence of persons charged with maintaining environmental standards; development, implementation and effectiveness of Ionia's ECP, Ionia's training efforts in the environmental area; and examples, if any, of successful positive change in attitudes towards environmental compliance among shipboard and shoreside staff.

6. Implemented onboard the Covered Vessels all the requirements set forth in Attachment B of the Special Master Order ("Minimum Engineering Risk Mitigation Measures"). This will focus on nonconformities with the Minimum Engineering Risk Mitigation Measures noted in the IEC's audits and any corrective action taken by Ionia.

Ionia should be prepared to provide live testimony from Ionia's safety and quality manager and/or corporate compliance manager. If other witnesses will be called by Ionia, a notice should be provided to the Special Master and to the Government by September 30, 2011.

Any party may request to address additional issues at the hearing. Requests for additional issues must be faxed or emailed to me by September 30, 2011, with copies to all parties. I will issue a final letter to the parties outlining the issues to be addressed at the hearing on or before October 5, 2011. Any documents sought to be used by a party at the hearing, including PowerPoint presentations, shall be provided to the Special Master and other parties no later than fifteen (15) calendar days before the hearing date. The hearing will begin at 9 a.m. and I expect it will be concluded no later than 5 p.m. on October 19, 2011. I will provide additional notice of the exact location at the New Haven Federal Courthouse in a later communication.

Anthony Kaplan
Lana Pettus
David O'Connell
Patrick Norton
Michael Chalos
September 15, 2011
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Sincerely,

DORSEY & WHITNEY LLP

Robert C. Bundy

A handwritten signature in black ink, appearing to read "Robert C. Bundy", written over the printed name.

cc: Honorable Janet Bond Arterton (via email)
Channing D. Burgess (via email)
James Sanborn (via email)
Capt. Richard Wigger (via email)