

U.S. Department of Justice



Eastern District of Louisiana
U. S. Attorney's Office

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Assistant United States Attorney

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June 18, 2010

Mr. Michael Chalos
Chalos, O'Connor & Duffy
366 Main Street
Port Washington, New York 11050

Re: *United States v. Stanships, Inc.*
Criminal No. 10-172 "C"

Dear Mr. Chalos:

In compliance with the holding of *Bryan v. United States*, 492 F.2d 775 (1974) and with Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the Government wishes to acknowledge the following agreement which was reached between the Government and Stanships, Inc. (Stanships), the defendant in the above-captioned proceeding. As defendant's counsel, you have reviewed the terms of this agreement and have been advised by the defendant that the defendant fully understands the terms of this agreement. The defendant waives its right to be indicted before a grand jury and agrees to sign a waiver of that right.

The Government intends to file a two count Bill of Information charging the defendant Stanships with a knowing failure to fully maintain an accurate Oil Record Book, in violation of the Act to Prevent Pollution from Ships ("APPS"), 33 U.S.C. § 1908(a), and a knowing discharge of a harmful quantity of oil into the navigable waters of the United States, in violation of the Clean Water Act, 33 U.S.C. § 1908(a) and 1321(b)(3) and 1319(c)(2)(A), respectively. The defendant understands that the maximum penalty it faces is a maximum fine of the greater of \$500,000 or twice the gain or loss resulting from the criminal offense under 18 U.S.C. § 3571 for each count.

The defendant Stanships also agrees to file with the Court written approval by the defendant manifesting its intention and agreement to be bound by corporate authorization, and to have a duly authorized corporate representative appear to enter the plea of guilty on behalf of the defendant Stanships. A copy of this written authorization shall be attached hereto as Attachment A.

The defendant understands that restitution is mandatory in criminal cases. The parties are not aware of any restitution applicable in this matter.

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Further, the defendant Stanships understands that a mandatory special assessment fee of \$400.00 per count shall be imposed under the provisions of Section 3013 of Title 18, United States Code. This special assessment must be paid on the date of sentencing. Failure to pay this special assessment may result in the plea agreement being void.

Pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure, the Government and the defendant agree and stipulate to the following plea and sentence applicable to this case:

- (1) The defendant Stanships shall plead guilty to the two count Bill of Information charging it with violations of the Act to Prevent Pollution from Ships, 33 U.S.C. § 1908(a) and Clean Water Act, 33 U.S.C. §§ 1321(b)(3) and 1319(c)(2)(A), arising from the acts and omissions of the defendants agents and employees, acting within the scope of their agency and employment for the benefit of the defendant, and specifically: (1) knowing failure to maintain an accurate Oil Record Book, and (2) discharge of oil in the waters of the United States, as more thoroughly described in a mutually acceptable Statement of Facts submitted herewith;
- (2) The defendant Stanships shall pay a total criminal penalty of \$700,000, of which the criminal fine will be five hundred and twenty-five thousand dollars (\$525,000). The parties stipulate for the purposes of settlement, that the criminal fine of \$525,000 for Counts One and Two is appropriate pursuant to 18 U.S.C. § 3571(d);
- (3) The defendant Stanships shall make a community service payment of one hundred and seventy-five thousand dollars (\$175,000), in furtherance of satisfying the sentencing principles provided for under 18 U.S.C. §3553(a). The parties agree that this portion of the community service funds shall be paid to the National Fish and Wildlife Fund and earmarked for the purpose of funding habitat conservation, protection, restoration and management projects to benefit fish and wildlife resources and the habitats on which they depend in the Eastern District of Louisiana. Because the community service payment is designated as community service by an organization, the defendant agrees that it will not seek any reduction in its tax obligations as a result of these payments. In addition, since the payment constitutes community service, the defendant will not characterize, publicize, or refer to the payment as a voluntary donation or contribution.
- (4) The defendant Stanships shall be placed on probation for a term of three (3) years. As a condition of probation, the defendant shall be in compliance with all requirements of the Environmental Compliance Plan ("ECP") which is attached hereto as Attachment B, and fully incorporated into this agreement.

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- (5) In exchange for the defendant's guilty plea, the United States Attorneys Office for the Eastern District of Louisiana and the Environmental Crimes Section of the U.S. Department of Justice agrees not to criminally prosecute the defendant in the Eastern District of Louisiana for any environmental offenses related to the *M/V Doric Glory* in addition to those set forth in the Bill of Information and that are known to the Government at the time of the signing of this Agreement, including the activities described in paragraph (1) and more specifically set forth in a Statement of Facts to be filed with the Court. Defendant understands and agrees that neither this paragraph nor this Agreement limits the prosecuting authority of any sections or divisions of the Department of Justice, including the U.S. Attorney of any other judicial district, or any other federal, state or local regulatory or prosecuting authorities. Furthermore, this Agreement does not provide or promise any waiver of any civil or administrative actions, sanctions, or penalties that may apply, including but not limited to: fines, penalties, claims for damages to natural resources, suspension, debarment, listing to restrict rights and opportunities of Defendant to contract with or receive assistance, loans, and benefits from United States agencies, licensing, injunctive relief, or remedial action to comply with any applicable regulatory requirement. This Agreement applies only to crimes committed by the Defendant and has no effect on any proceedings against any others, including the actual or potential criminal liability of any individuals;
- (6) The defendant Stanships shall also pay a mandatory special assessment totaling \$800.00 under the provisions of 18 U.S.C. § 3013. This special assessment must be paid on the date of sentencing. Failure to pay this special assessment may result in the plea agreement being void;
- (7) The defendant Stanships stipulates that the \$500,000 being held in escrow pursuant to the security agreement between Stanships and the United States Coast Guard shall be released on the date of sentencing as follows: \$175,000 to the National Fish and Wildlife Fund and the balance due toward the criminal fine. The remainder of funds owed will be paid within one (1) year of the date of sentencing with interest per the Federal rules. Failure to perfect the guilty plea set forth herein through sentencing, shall result in the forfeiture of the \$500,000 being held in escrow.

The parties have entered into this plea agreement under Rule 11 (c)(1)(C) of the Federal Rules of Criminal Procedure with the understanding that the Court will accept or reject the agreement but may not modify its terms. If the District Court modifies any portion of the plea agreement, the parties have a right to withdraw the guilty plea.

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Except as otherwise provided in this paragraph, the defendant Stanships hereby expressly waives the right to appeal this sentence on any ground, including but not limited to any appeal right conferred by Title 18, United States Code, Section 3742 on the defendant, and the defendant further agrees not to contest this sentence in any post-conviction proceeding, including but not limited to a proceeding under Title 28, United States Code, Section 2255. The defendant Stanships, however, reserves the right to appeal any sentence imposed that does not comply with the above stipulated sentence.

The defendant Stanships further waives any right to seek attorney's fees and/or other litigation expense under the "Hyde Amendment," Title 18, United States Code, Section 3006A and the defendant acknowledges that the Government's position in the instant prosecution was not vexatious, frivolous or in bad faith.

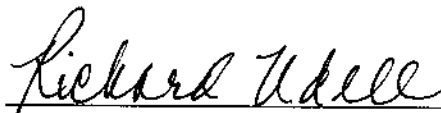
Further, the defendant understands that any discussions with the defendant's attorney or anyone else regarding sentencing guidelines are merely rough estimates and the Court is not bound by those discussions. The defendant understands that the sentencing guidelines are advisory and are not mandatory for sentencing purposes.

The defendant understands that the statements set forth above and the factual basis to be filed in the record represent defendant's entire agreement with the Government and that there are no other agreements, letters of notations that will affect this agreement.

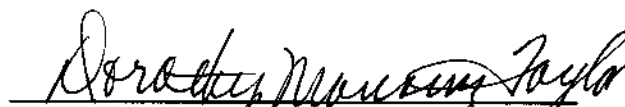
Very truly yours,

IGNACIA S. MORENO
ASSISTANT ATTORNEY GENERAL
Environment & Natural Resources Division
U.S. Department of Justice

JIM LETTEN
UNITED STATES ATTORNEY



RICHARD UDELL Date
Senior Trial Attorney
Environmental Crimes Section

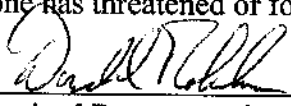


DOROTHY MANNING TAYLOR Date
Assistant United States Attorney

As an authorized representative of Defendant Stanships Inc., I have read this Agreement and

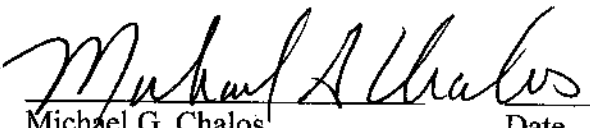
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carefully discussed every part of it with Stanships' criminal defense counsel. I understand the terms of this Agreement, including the Environmental Compliance Plan, and Stanships voluntarily agrees to these terms. Stanships' attorneys have advised me of Stanships' rights, of possible defenses, of the Sentencing Guideline provisions, and of the consequences of entering into this Agreement. No promises or inducements have been made to Stanships other than those contained in this Agreement. No one has threatened or forced Stanships in any way to enter into this Agreement.



Authorized Representative 6/18/10
STANSHIPS INC. Date
Defendant

I am counsel for Stanships Inc. I have carefully discussed every part of this Agreement with the authorized representatives of Stanships Inc. Further, I have fully advised the authorized representatives of Stanships' rights, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement. To my knowledge, the decision of Stanships Inc. to enter into this Agreement is an informed and voluntary one.



Michael G, Chalos 6/18/10
Defense Counsel Date
Stanships Inc.

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF LOUISIANA
EASTERN DIVISION

	No.	
UNITED STATES OF AMERICA)	
)	
v.)	ENVIRONMENTAL COMPLIANCE PLAN
)	
STANSHIPS INC.)	

The following standards and requirements for an Environmental Compliance Plan ("ECP") have been prepared pursuant to the Plea Agreement dated this same date between Defendant STANSHIPS INC. ("STANSHIPS" or "Defendant") and the United States Attorney's Office for the Eastern District of Louisiana and the Environmental Crimes Section of the United States Department of Justice ("United States" or "the Government") and are a condition of Defendant's probation. Compliance with all of the terms and standards of the ECP is a requirement of the Plea Agreement. This ECP applies to STANSHIPS and any subsidiaries or assigns.

The ECP is subject to approval by the Court and the United States Probation Office for the Eastern District of Louisiana.

I. APPLICABILITY AND PURPOSE

- A. This Environmental Compliance Plan (ECP) applies to all oceangoing vessels, that are technically managed and/or manned by STANSHIPS. The vessels that are technically managed and/or manned by STANSHIPS as of the date of execution of this ECP are listed in **Attachment 1**, and may also include vessels which STANSHIPS acquires or assumes technical management of, as further described in **Section XI**. All vessels listed in Attachment 1 are subject to the requirements of this ECP. This ECP will be in effect for the period of probation. Vessels for which STANSHIPS has relinquished technical management or manning responsibilities shall be excluded from the requirements of this plan on the date STANSHIPS relinquishes such responsibilities. Notification of such relinquishment shall be made in accordance with the requirements of **Section XI**.
- B. The ECP shall also apply to all shore side employees and crews of STANSHIPS involved in the technical management and/or manning of the vessels listed in **Attachment 1** or as described in **Section I.A** above.
- C. The purpose of the ECP is to ensure that all vessels technically managed by STANSHIPS fully comply with all applicable marine environmental protection

requirements established under applicable international, flag state, port state and coastal state law, and United States laws including, but not limited to, the International Convention for Prevention of Pollution from Ships (MARPOL), and all applicable Federal and state statutes and regulations including, but not limited to the Ports and Waterways Safety Act (PWSA), the Act to Prevent Pollution from Ships (APPS), the Clean Water Act (CWA) and the Oil Pollution Act (OPA), hereinafter *marine environmental protection requirements*, and to the additional requirements and policies established by this plan itself. In the case of a conflict between this ECP and any of the aforementioned requirements such that the ECP is less restrictive, then the more restrictive authority shall govern.

- D. This ECP shall be incorporated into the Plea Agreement by reference and compliance with the terms of the ECP will be a special condition of probation. Failure to comply with any part of this ECP, including but not limited to, refusal to pay valid charges for the Court Appointed Monitor (CAM), the External Audit Group (EAG) or Third Party Auditor (TPA) and failure to provide these or other personnel, auditors or inspectors needed to achieve the objectives of this agreement, or failure to provide complete unrestricted access to vessels, facilities, personnel or documents, may be a basis on which the Government may move the U.S. District Court of Eastern District of Louisiana to revoke or modify STANSHIPS's probation.
- E. In the course of implementing this ECP, should inadequacies in the size and capabilities of vessel crews be proven as a material contributing factor to their inability to manage waste streams, STANSHIPS agrees to supplement crew sizes as needed, consistent with the vessel's lifesaving arrangements.
- F. STANSHIPS shall take appropriate action, up to and including dismissal, against any employee who obstructs, hinders or presents false information or makes false statements during any inspection, monitoring, or auditing, or inspection function required by this ECP or to any U.S. authority performing an inspection or Port State Control activity.
- G. Audits, reports, and any other documents required by this ECP shall be provided to the designated signatory for the Government, the USPO, Eighth Coast Guard District (dl), and U.S. Coast Guard Commandant, Office of Vessel Activities (CG-543) (E-mail: HQS-PF-flr-CG-543@uscg.mil).
- H. Any proposed modifications to this ECP must be made in writing and signed by STANSHIPS. Modifications proposed by the Defendant shall be submitted to the USPO and the designated signatory of the Government to this ECP. The USPO and the designated signatory of the Government to this ECP shall have thirty (30) business days to provide written comments on the proposed modification. If no comments are provided within the thirty (30) day period, the modification will become effective. If the USPO or the designated signatory of

the Government objects and the parties are unable to resolve the issue, either party may file a motion before the United States District Court with responsibility to supervise probation as designated at the time of sentencing.

- I. During the probationary period, a copy of the ECP and EMS must be kept at all times in pre-designated locations within the ship where it can be readily accessed by senior shipboard personnel. Such locations must include the quarters of the Master and Chief Engineer, as well as in the engine control room and on the bridge.
- J. STANSHIPS understands that representatives of the United States Coast Guard may board and inspect vessels managed under this ECP at any time they are found within the jurisdiction of the United States.

II. CORPORATE STRUCTURE AND RESPONSIBILITIES

A. CORPORATE COMPLIANCE MANAGER (CCM)

- i. Within sixty (60) days after the entry of the Plea Agreement, the Defendant shall designate a senior corporate officer as the Corporate Compliance Manager (hereinafter "Corporate Compliance Manager" or CCM) who shall report directly to the Chief Executive Officer and Board of Directors of the Defendant. The Corporate Compliance Manager position must be filled by an individual with significant maritime vessel operational background, who possesses the authority to ensure full implementation of this ECP, and who is thoroughly familiar with the requirements of this ECP, domestic and international maritime environmental laws and regulations. The Defendant shall provide the name of and means of communicating with the Corporate Compliance Manager to the USPO, with copies of said notification to the designated signatory of the Government.
- ii. The Corporate Compliance Manager shall be authorized to access all records, documents and facilities and vessels throughout the Defendant's organization for the purpose of implementing this ECP.
- iii. The Corporate Compliance Manager shall be responsible for ensuring that observations and any recommendations resulting from any audit under this ECP are appropriately documented, tracked, and resolved and that such resolutions are thoroughly documented in a format that can be readily audited, and that corrective action takes place on recommendations by the EAG within a time frame of 30-60 days. This documentation shall be made available to any personnel performing audit functions under this ECP, and to the Office of Probation and the Government.

- iv. Environmental Management System (EMS). The Corporate Compliance Manager shall be responsible for ensuring the full development, implementation and documentation of STANSHIPS's Environmental Management System (EMS). The EMS will include and address the following:
 - 1. Environmental Policy.
 - 2. Environmental requirements and voluntary undertakings.
 - 3. Objectives and targets.
 - 4. Structure, responsibility and resources.
 - 5. Operational controls.
 - 6. Corrective, preventative action and emergency procedures.
 - 7. Training, awareness and competence.
 - 8. Organizational decision making and planning.
 - 9. Document control.
 - 10. Continuous evaluation and improvement.
- v. STANSHIPS shall provide the name and means of communicating with the CCM to the USPO, with copies of said notification to the designated signatory of the Government.
- vi. The Corporate Compliance Manager shall take all necessary steps to ensure the full cooperation of all employees during all activities required by this ECP and EMS.
- vii. The Corporate Compliance Manager shall be responsible for ensuring that each new employee, or hire, is trained that environmental policy compliance, as well as accurate and truthful records, are extremely important and that STANSHIPS will take appropriate actions for violations.
- viii. The Corporate Compliance Manager shall be responsible for overseeing development of the Training Requirements detailed in **Attachment 3**
- ix. The Corporate Compliance Manager shall be responsible for overseeing the full implementation of the Engineering Requirements established in **Section IX** of this ECP.

B. REPORTING OF NON-COMPLIANCE BY EMPLOYEES AND CREW MEMBERS (OPEN REPORTING)

- i. The CCM shall establish a means by which employees may report (anonymously if so desired) issues of non-compliance with this ECP and any other procedures, policy, or regulation associated with environmental protection. STANSHIPS shall maintain an Open Reporting System by which shore side and vessel employees may anonymously report issues of non-compliance with this ECP, the EMS, and other marine environmental

protection requirements via email, or toll-free telephone phone number, or written forms. STANSHIPS must provide crew members with information about STANSHIPS's Open Reporting System prior to each term of employment. The Open Reporting System policy shall include provisions that prohibit retaliation against those who report non-compliance and shall include a written policy that communicates a corporate policy not to tolerate retaliation against those employees who report non compliance and makes failure to notify regarding any violation of this ECP, the EMS, or other maritime environmental protection requirements grounds for discipline or dismissal. It shall be the responsibility of the CCM to maintain this system. Arrangements shall be made to ensure anonymity of such reporting when desired by the individual making the report. STANSHIPS shall inform its employees of the Open Reporting System, for example by posting notices in work spaces, common shipboard living spaces, and publishing such notices in company publications, circulars, or similar media.

- ii. The CCM shall be informed of each such Open Report. The CCM shall ensure that a copy of each such report containing an allegation of environmental noncompliance is provided to the Court Appointed Monitor. On an annual basis, the CCM will make a report to the Fleet summarizing open reporting system activity and recommending improvements to the use of the system.
- iii. The Corporate Compliance Manager shall review, investigate, and document reports of non-compliance by employees in a timely fashion and shall initiate, monitor, and document all actions taken as a result of the reporting. The Corporate Compliance Manager shall maintain these records and make them available for review.

C. CORPORATE ACCOUNTABILITY

- i. The CCM shall make semi-annual reports to STANSHIPS's Chief Executive Officer concerning compliance with and implementation of this ECP, the EMS, and other maritime environmental protection requirements. Annually, the CCM shall provide a summary of the reports to STANSHIPS's Board of Directors. All issues of non-compliance will be communicated, along with any corrective action taken. Copies of the semi-annual reports will be provided to the USPO, the Court Appointed Monitor, designated signatory of the Government and designated representative of the Coast Guard.
- ii. The Corporate Compliance Manager shall ensure immediate notification to the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard of all circumstances whereby STANSHIPS fails to materially support and finance STANSHIPS's objectives in implementing all the requirements of this

Environmental Compliance Program and EMS as it pertains to equipment, system improvements, and any other requirements of this plan.

- iii. The Corporate Compliance Manager shall be responsible for developing a comprehensive budget process to ensure on an annual basis that each vessel is provided adequate funding for shore side disposal of wastes, including bilge water, slops, sludge disposal, the minimization and management of waste streams, the maintenance and technical upgrades of environmental equipment and funding necessary to meet all the other requirements of this plan. Budgets shall account for bilge water, slop and sludge disposal and include a documented methodology on the determination of quantities estimated to be sent ashore and or processed by the vessel. STANSHIPS's Designated person ashore (DPA), or other high ranking corporate officer if the CCM is the DPA, shall review and evaluate the budget on an annual basis and make a written report to STANSHIPS's CEO and Board of Directors on the adequacy of the budget to meet this ECP's objectives.
- iv. STANSHIPS shall incorporate into its existing shore side oversight procedures, a process for conducting environmental audits of its vessels, including making reports of audit results to STANSHIPS's Head of Shipping Operations. This department shall:
 1. Conduct environmental, safety and other audits of vessels;
 2. Investigate Open Reports, as directed by the Head of Shipping Operations;
 3. Investigate vessel casualties and oil pollution incidents as directed by the Head of Shipping Operations;
 4. Make recommendations to the Head of Shipping Operations regarding improvements to the EMS.
- v. STANSHIPS shall communicate to its shipboard and shore staff its commitment to environmental compliance and to all terms in this ECP.
- vi. STANSHIPS shall submit a copy of all scope of work documents with the Court Appointed Monitor to the USPO and the designated Government official.
- vii. Cooperation is to be provided to all persons performing audits and inspections, regardless of location. The Corporate Compliance Manager shall ensure that the EAG, Third Party Auditor, and any other inspection, auditing, or monitoring personnel involved in the auditing of any vessel have complete unrestricted access to all vessel areas (except private quarters), documentation, personnel, and material equipment. Private locations for one-on-one interviews between employees and various inspection, auditing or monitoring personnel shall be provided.

III. VESSEL PERSONNEL

A. CHIEF ENGINEER

- i. Chief Engineers on board all vessels subject to this ECP shall:
 1. Ensure complete compliance with the Engineering Requirements established in **Section IX** of this plan (as applicable to his/her vessel).
 2. Assist in the audit process to ensure complete compliance with the various requirements, policies and procedures addressed in **Section VI**.
 3. Timely resolve (through repairs and/or applicable EMS procedure) engine room, machinery space, or pump room related environmental concerns, such as inoperative or ineffective pollution prevention equipment, waste handling or monitoring equipment, leakages (except those necessary for packing cooling) stemming from pump seals, packing glands or line breaks, or due to any other causes contributing to the accumulations of bilge fluids, oily mixtures and sludge type wastes.
 4. Ensure that all Engine Room wastes that are subject to special handling requirements are properly managed, in coordination with the Chief Officer.
 5. Ensure that all shipboard engine room personnel have appropriate training on environmental policies and procedures, including but not limited to training on the operation and use of pollution prevention equipment, bilge pumps, bilge and ballast pumps, incinerator, Oil Water Separator and the making of entries in the Oil Record Books, Garbage Record Book, or any other logs required by this ECP or other maritime environmental protection requirements, within the scope of their duties.
 6. Ensure that the Chief Engineer's handover notes shall include an environmental component and description of the current status of operation, maintenance, and repair, for the Incinerator, Oily Water Separator, Oil Content Meter, Oil Discharge Monitor, and other pollution prevention procedures or equipment, the status of spare parts for the aforementioned equipment, and an estimation of the day-to-day bilge loads and accumulations.
 7. Ensure that all Engine Room records, soundings and tank measurements are accurate and recorded truthfully.

B. MASTER

- i. In addition to any other existing statutory and regulatory requirements, the Master of each STANSHIPS vessel subject to this ECP bound for the United States shall ensure that prompt reports are made to the United States Coast Guard of any equipment malfunction related to marine environmental protection requirements in its 96 hour Advance Notice of Arrival into a US Port. Additionally, such reports shall be copied to the U.S. Coast Guard Captain of the Port of the next port of call in the United States. In addition to his regular duties, the Master shall:
 1. Ensure crewmembers' compliance with the ECP, the EMS, MARPOL, and all applicable maritime pollution protection requirements. Employee compliance with such requirements will be incorporated as a positive factor in performance evaluations. Failure to comply with such requirements will be incorporated as a negative factor in performance evaluations and may lead to dismissal.
 2. Maintain on board the vessel all records required by international conventions and treaties including SOLAS, the ISM Code, and MARPOL and applicable State and Federal statutes and regulations and any additional documents or records required under this ECP and EMS. Additionally, the Master will make these onboard records available to the EAG, Third Party Auditor, the designated signatory of the Government, the United States Coast Guard, and the USPO upon request.
 3. Ensure that every crewmember has received appropriate onboard training necessary to ensure compliance with this ECP, the EMS, and other maritime pollution prevention requirements and that the proper records of all training on environmental matters are maintained.
 4. Maintain replacement Environmental Tags and used Environmental Tags as set forth in **Section IX** of this agreement in the vessel's safe and shall inspect each damaged Environmental Tag number to ensure Environmental Tags having identical numbers are never used. An inventory of the unused Environmental Tags shall be a required component of the master's handover notes.
 5. Ensure the use of and review handover notes for the four senior officers. The notes shall have an environmental component consistent with those officers' respective duties and responsibilities, and will include, where applicable, information related to the status, handling, and discharge of any vessel generated wastes and the operation of the Oily Water Separator (OWS), Oil Content Meter (OCM), and Incinerator.

6. Ensure the use of anonymous report forms described in **Section II** are available. Written forms will be provided at sign on. The form shall be designed to allow a crewmember to identify violations and to write in specific observations. The Master shall forward anonymous written reports in their unopened envelopes directly to the Corporate Compliance Manager.

IV. SHORESIDE PERSONNEL

- A. Shore side employees of STANSHIPS having routine involvement with any aspect of the operation, maintenance, and repair of covered vessels shall be required to report in writing any information related to the vessel or crew's inability to comply with this ECP and any other marine environmental protection requirement. This may include but not be limited to any information learned from reviewing, ordering or purchasing lubrication oils, spare parts ordered for pollution prevention equipment, equipment having oil to sea interfaces, the need for additional cleaning crews, the need for machinery space piping replacement, discussions with shipboard personnel or employment of divers for underwater surveys. It shall also include information and knowledge obtained during ship visits, audits or inspection regardless of the particular focus. All notifications, in addition to any corrective actions taken, will be made to and tracked by the Corporate Compliance Manager.

V. COURT APPOINTED MONITOR

- A. As part of the ECP, STANSHIPS agrees to pay for a Court Appointed Monitor (CAM) that will be selected by the Government from the candidates proposed by STANSHIPS and appointed by the Court. The CAM will report to the USPO and the Court during the entire period of probation. The CAM, at STANSHIPS's option, may serve concurrently in the additional capacity of Third Party Auditor (TPA). Within thirty (30) days from the entry of the imposition of sentence STANSHIPS will submit a list of three (3) qualified candidates for the Court Appointed Monitor from which the Government will select one of the candidates. In the event that the Government does not find at least two of the candidates qualified, or if for any other reason the candidates submitted are not acceptable to the Government, or if it does not find the work of the Court Appointed Monitor satisfactory, at any time the Government may request STANSHIPS to supply additional candidates. If agreement cannot be reached regarding the selection, the decision shall be left to the Court based upon submissions by STANSHIPS and the Government.

- B.** The Court Appointed Monitor must have staff with the following experience:
- i. expertise and competence in the regulatory programs under United States and international marine safety and environmental laws;
 - ii. expertise and competence to assess whether STANSHIPS has adequate management systems in place to ensure regulatory compliance, correct non-compliance, and prevent future non-compliance;
 - iii. demonstrated capability to evaluate STANSHIPS's required effort and commitment in satisfying the requirements of this ECP and the STANSHIPS Management System, including the EMS; and
 - iv. STANSHIPS shall ensure that the Court Appointed Monitor is provided all reports and notifications as established in this plan.
- C.** The Court Appointed Monitor shall be assigned the following tasks and responsibilities and provide written submissions to the Court as follows:
- i. Review the relationship between STANSHIPS and the EAG and Third Party Auditor (if different than the CAM) and evaluate the adequacy of measures taken to ensure that the EAG and Third Party Auditor act with independence.
 - ii. The CAM will be responsible for the EAG and will ensure that the audits performed by the EAG and the Third Party Auditor (if different than the CAM) under this plan are carried out.
 - iii. Conduct a review and submit an annual report to the USPO, STANSHIPS, designated representative of the U.S. Coast Guard, and the designated signatory of the Government, regarding the rounds of audits conducted by the EAG and Third Party Auditor pursuant to the Plea Agreement and the ECP. The Court Appointed Monitor's reports shall provide a summary of the findings regarding the adequacy of the Ongoing Audits, and Final Audit required by this ECP and adequacy of recommendations for change, as found necessary.
 - iv. The annual report shall also include and address any other information that the Court Appointed Monitor is aware of which pertains to STANSHIPS's capabilities to meet the objectives of this ECP or any other marine environmental protection requirements, including all known inadequacies of the EAG, the Third Party Auditor (if different than the CAM), or with respect to STANSHIPS's performance whether personnel based on or related to any of its vessels, systems, equipment, or components.

- v. If the Court Appointed Monitor receives information regarding a direct violation of any existing marine environmental protection requirement or requirement of this ECP, or a failure on STANSHIPS to act upon a recommendation of the EAG, the Court Appointed Monitor must immediately report the occurrence to the USPO and to the United States. At any time during the probationary period the Court Appointed Monitor may inspect or investigate any aspect of the EAG or Third Party Auditor (if different than the CAM) activities as they relate to the requirements of this plan or with respect to STANSHIPS's operations, and shall be provided full access to all records, audit personnel, vessels and shore side facilities as is necessary to perform its duties.
- vi. Provide any additional reports, in both electronic and hard copy form, to the USPO, STANSHIPS, designated representative of the Coast Guard, and the designated signatory of the Government, as requested by the Court or as appropriate and to include inadequacies in the audit process, violations of the terms and conditions of the ECP and EMS, as well as any other findings of significant problems or deficiencies.

VI. AUDITING PROCESS

This ECP requires three phases of audits and inspections:

- **Initial Audit**
- **Ongoing Audit**
- **Final Audits**

The EAG shall perform two rounds of audits on the vessels subject to the ECP during the Initial and Ongoing Audit phases. The first round will consist of the Initial Audit (more fully described below), commencing on the date the EAG is selected and ending at the conclusion of the first year of probation, and shall consist of all the vessels technically managed or operated by STANSHIPS covered by the ECP, as listed in **Attachment 1**. The second round, which consists of the Ongoing Audits (more fully described below), shall take place during the second year of probation. During the second year, the Ongoing Audits shall consist of all vessels covered by the ECP, listed in **Attachment 1**, as modified by vessel or fleet acquisitions as described in **Section XI**. The third round, which will be performed by the CAM or Third Party Auditor (if different than the CAM), consists of the Final Audit (more fully described below), and shall take place during the third year of probation and consist of all vessels covered by the ECP, listed in **Attachment 1**, and as modified by vessel or fleet acquisitions as described in **Section XI**. The content of the audits is described in **Section VII**. These audits shall be unannounced.¹

¹ It is understood that certain information must be provided to the CCM, vessel Master and terminal operators in order to obtain access to vessels in accordance with applicable security requirements

The EAG shall have full access to employees and officers, company records, its vessels and shore side facilities to perform its auditing function.

A. INITIAL AUDIT

- i. An initial audit will be performed by the EAG on all vessels technically managed and/or manned by STANSHIPS covered by the ECP while underway, on voyages of short duration where feasible, to ascertain and evaluate all areas including their systems, equipment and components and current practices whether documented or not, the knowledge, skills, and abilities of ship and shore side personnel as they relate to the requirements of this ECP, the EMS, and maritime environmental protection requirements. STANSHIPS and the EAG shall coordinate the underway inspections, if any, to accommodate, as much as practicable, the vessels' operations and schedule. The initial audit may be considered a discovery action or an investigation, in that its purpose is to review all areas of operation that can impact various elements of pollution prevention and environmental protection. Exceeding a typical SMS audit or vetting process, it is used to determine practices, procedures and equipment conditions not typically documented during a routine inspection by class society, port or flag state inspection. The results of the Initial Audits are used to shape and revise as needed the Management System established by this ECP.
- ii. The initial audits shall:
 1. Be performed while the vessels are underway, when systems are in operation and when personnel are performing their normal routines.
 2. Assess all waste streams developed from any system, equipment and components found in any engine room, machinery space or pump room onboard the STANSHIPS vessels. This will include observation and documentation describing the leakages apparent on every system that can contribute to bilge loading. The audit will determine the status and quantify leakages stemming from:
 - a. all pump and valve seals and glands during operation;
 - b. all piping systems, flanges, gaskets, fittings and joints;
 - c. all equipment casings such as main and auxiliary engines, reduction gears;
 - d. operation of engines, boilers, incinerators, evaporators and,

imposed under the International Ship and Port Facility Security (ISPS) Code. Only the minimal information necessary to comply with these requirements shall be provided to the Master of the vessel, and the Master of the vessel shall specifically not be informed, prior to the ECP consultant embarking the vessel, that an audit will be conducted.

- e. every other mechanical component found aboard STANSHIPS vessels.
3. Assess the adequacy and performance of the Oily Water Separator, Oil Content Meter, Incinerator, Sewage System, and any other pollution prevention equipment to handle the quantities and types of wastes developed during normal operations. This assessment shall include an evaluation of the capacities for all tanks or containers associated with the management of sludge, bilges and oily wastes or other wastes. It shall include an evaluation of documentation tracking, maintenance and repair, modifications of all pollution prevention equipment, and notifications of equipment failure to shore side personnel.
4. The assessment of the adequacy and performance of the Oily Water Separator and Oil Content Meter will specifically include an operational test of the system under actual operational conditions, with consideration of the manufacturer's recommendations. This test shall include one (1) hour of continuous processing of the contents of the Bilge Holding Tank without dilution, conducted in the presence of the auditor(s), Chief Engineer, First Engineer, and any other engine room personnel assigned responsibility for the operation and/or maintenance of the Oily Water Separator. If an actual discharge is not feasible due to the location of the vessel, then the discharge shall be through the recirculation line in accordance with procedures approved by Class. Soundings of the Bilge Holding Tank shall be made before and after the test and made a part of the audit record. All alarms shall be recorded and made a part of the audit record. All of the above shall be recorded in the Engine Room Oil Record Book. In the event that the assessment determines that the Oily Water Separator is not adequate, then an immediate report shall be made to the Corporate Compliance Manager, Operational Compliance Officer, the designated representative of the Coast Guard, USPO, and the designated signatory of the Government. A copy of the engine room alarm printout and Environmental Logging System tape (if applicable) shall be retained and appended to the Oil Record Book page documenting this test.
5. Assess each vessel's crew and their ability to handle the operational, maintenance and repair workloads in maintaining all systems, equipment and components onboard in an effort to minimize waste stream development and to determine if the size of the engineering crew is adequate for workloads.
6. Assess the adequacy of the EMS, procedures, current practices and equipment, including storage capabilities used to manage shipboard solid wastes generated in all areas of the vessel and the effectiveness of garbage management plans.

7. Assess the machinery spaces and systems for unauthorized ways to dispose of waste and make appropriate recommendations to minimize the potential for an unauthorized discharge.

8. Assess the adequacy of the responsible vessel crewmembers to maintain the following records, including a complete comparative analysis of recorded values (against each other where possible) of the following records, if applicable:
 - a. Oil Record Book
 - b. Engine Room Alarms
 - c. Tank sounding sheets
 - d. Personnel work records and lists
 - e. Maintenance records
 - f. Vendor service records
 - g. Bilge waste and sludge receipts
 - h. Garbage Record Book
 - i. Oil to Sea Equipment Interface records
 - j. Hazardous waste manifests
 - k. Solid waste discharge receipts
 - l. Oil Content Monitor (OCM) calibration records
 - m. Onboard Training records

9. Assess the adequacy of the policy, procedures, and current practices used to store and dispose of the following, if applicable:
 - a. Solvents
 - b. Degreasers Cleaning wastes
 - c. Batteries
 - d. Paints
 - e. Oily rags
 - f. Fluorescent and incandescent bulbs
 - g. Expired boiler and engine chemicals
 - h. Used boiler and engine chemicals
 - i. Galley greases
 - j. Pyrotechnics
 - k. Medical supplies
 - l. Contaminated bunkers
 - m. Used Oils and greases
 - n. Incinerator ash
 - o. Transformer oils
 - p. Contaminated refrigerants
 - q. Hazardous materials

10. Assess and evaluate whether all vessels engineering officers (and, where applicable, deck officers) understand the requirements of the EMS and shall require signed statements by all vessel officers attesting that they understand false entries in the Oil Record Book for Machinery Space operations is a violation of law.
11. Assess the EMS and current practices and procedures associated with the Master and Chief Engineer's capability to communicate regarding issues relating to the EMS with shore side personnel including the Corporate Compliance Manager and other appropriate managers as required under the STANSHIPS Management System, and review such communications.
12. Assess the EMS and equipment used to handle emergency releases of hazardous fluids or pollutants on deck or within machinery spaces of vessels, includes a review of the Shipboard Oil Pollution Emergency Plan and including evaluation of personnel performing such duties.
13. Assess the availability and content of various manuals, schematics and documents required in the use of all pollution prevention equipment and activities.

B. ONGOING AUDIT

- i. Be performed while in port or underway, but no less than fifty (50) percent of the ongoing audits will be performed on vessels while they are underway, on voyages of short duration if feasible, when systems are in operation and when personnel are performing their normal routines.
- ii. Ongoing audits will consist of all the elements of the initial audit, any additional requirements created during the development and implementation of the EMS, when completed, and will specifically address the below items. Where deficiencies are noted during audits, STANSHIPS must manage an auditable feedback loop.
 1. Assess the frequency and adequacy, through interviews of crewmembers, of shipboard pollution prevention and environmental protection meetings and training.
 2. Assess the EMS, when completed and current practices and procedures used on vessels and ashore to track crewmember environmental training, as well as the availability of and access to training resources.

3. Assess the adequacy of reference materials related to each environmental procedure required by this ECP, the EMS and the maritime environmental protection requirements.
4. Assess the adequacy of existing reporting methods to report environmental concerns and evaluate the capability of a reporting individual to remain anonymous, and review processes for handling environmental concerns from crewmembers and shore side personnel. Evaluate the adequacy of signage and instructional material relevant to use of the existing reporting methods.
5. Assess all records related to any failure of existing safety or other management systems, including a review of nonconformities and respective corrective actions;
6. Assess the EMS, when completed, and equipment used to maintain refrigeration units, includes availability and status of refrigerant recovery units, procedures for recovering refrigerants and maintenance of a leak log;
7. Assess the EMS, when completed, and equipment related to Oil Transfer Procedures, including slops, bilges and sludge discharges, conditions of hoses, connections and transfer equipment, including reviews of Declarations of Inspections, and methods in place to prevent illegal discharges via the shore connections.

C. FINAL AUDIT

- i. The final audit shall be performed by the CAM/Third Party Auditor during the final year of probation to assess STANSHIPS's full implementation of the EMS and to evaluate, for the Government, STANSHIPS's capability to ensure and sustain complete compliance with the requirements of this ECP, the EMS, and other maritime environmental protection requirements. The use of the Third Party Auditor shall provide independent verification of the status of compliance with the ECP.
- ii. Be performed while in port or underway, but no less than fifty (50) percent of the ongoing audits will be performed while the vessels are underway, on voyages of short duration if feasible, and in any event the vessels to be audited underway will be arranged such that each vessel receives at least two underway audits in either the Initial, Ongoing, or Final audit.

D. DEFICIENCIES (COVERED BY NON-COMPLIANCE BELOW)

- i. A deficiency is any violation of marine environmental protection requirements (see **Section I**, above) and the additional requirements and

policies established by this plan itself. Audit reports shall identify and explain in narrative form all deficiencies noted during the audit process. If appropriate a recommendation may be developed by the EAG or Third Party Auditor for each deficiency noted.

E. MAJOR NON-CONFORMITIES (COVERED BY NON-COMPLIANCE BELOW)

- i. In the context of this ECP and the work of the EAG or Third Party Auditor, a Major Non-Conformity is a violation of marine environmental protection requirements (see **Section I**, above) or requirements and policies established by this plan that consists of or contributes to the discharge of prohibited wastes, oil, or oily wastes. It may also include the discoveries whereby pollution prevention equipment is determined to be inadequate in terms of processing and monitoring capabilities, or inadequate with respect to the quantities of wastes it is required to process. The EAG or Third Party auditor shall make immediate notifications to STANSHIPS, the CAM and Government when such discoveries are made. The notifications may include a recommended course of action.
- ii. The CCM shall establish a corrective action plan for all deficiencies taking into account any recommendations. Major non-conformities must be addressed immediately. For deficiencies, the plan shall, at a minimum, require corrective action within 30-60 days from notification. The CCM shall report annually on the status of implementation of each corrective action to the USPO, the designated government official, Coast Guard District Eighth District (dl), U.S. Coast Guard Commandant, Office of Vessel Activities (CG-543)(E-Mail HQS-PF-fldr-CG-543@uscg.mil), and to STANSHIPS's Board of Directors and Chief Executive Officer.

VII. EXTERNAL AUDIT GROUP

- A. As part of the ECP, STANSHIPS agrees to pay for an External Audit Group ("EAG") that will be selected by the Government and report to the USPO and the Court during the entire period of probation. Within thirty (30) days after the entry of the plea agreement STANSHIPS shall submit a list of three (3) qualified candidate(s) for the EAG from which the Government will select one of the candidates. In the event that the Government does not find that at least two of the submitted candidates are qualified or if for any other reason the candidates are not acceptable to the Government, or if it does not find the work of the EAG satisfactory, at any time they may request STANSHIPS to supply additional candidates. Further, if agreement cannot be reached regarding the selection, the decision shall be left up to the Court based on the submissions of STANSHIPS and the Government. The Government also reserves the right to require a new EAG if while on probation a defendant is found guilty or pleads to additional environmental violations.

- B. The EAG shall employ senior level Marine Engineers (Chief, First or Second Engineers) to perform shipboard machinery space audits. Because the assessments and audits require a comprehensive understanding of machinery space operations, Masters, Chief Mates and other deck personnel or strict regulatory personnel may not qualify for performing work in the machinery spaces. Masters, Chief Mates, and other senior deck personnel may be considered acceptable on a case by case basis only if it is clearly and objectively demonstrated that such candidates have substantial experience inspecting or auditing and managing work in machinery spaces.
- C. An organization that has provided auditing services to STANSHIPS within one year prior to the signing of this agreement may be considered by the Government and Court to serve as the EAG, only if the environmental audit criteria detailed in **Section VII** of this ECP are followed.
- D. The EAG shall conduct the Initial and Ongoing audits described herein and issue a Report of Findings. Qualified candidates for the EAG include individuals or firms that have staff capable of applying International Standards Organization ("ISO") 19011 environmental management auditing criteria and have the following experience: experience as a shipboard Chief Engineer; expertise and competence in the regulatory programs under United States and other marine environmental protection requirements; experience in performing environmental audits in industrial or maritime environments, sufficient expertise and competence to assess whether STANSHIPS has adequate policies, procedures and equipment in place to assure compliance with the ECP and to ensure regulatory compliance, correct non-compliance, and prevent future non-compliance. The EAG shall not be filled by any individual or entity associated with the Classification Societies or Flag Administrations to which STANSHIPS vessels listed in **Attachment 1** are classed or registered.
- E. During the term of probation, the EAG shall not directly own any stock in STANSHIPS and must have no other ongoing contractual or business relationship, other than that of the EAG with STANSHIPS, unless expressly approved by the Government. The EAG must exercise independent judgment and ensure that the objectives of the Government as set forth in this ECP are met. STANSHIPS and the EAG shall disclose to the USPO and the designated signatory of the Government any new contractual relationships or proposed contractual relationships between STANSHIPS and the EAG that did not exist at the time of the signing of the Plea Agreement.
- F. The EAG shall function independently of STANSHIPS. The EAG shall not receive or request approval of any form from any employee of STANSHIPS regarding the development, clearance or evaluation of any document, report, or communication of any kind, whether draft or final required by this ECP. This

does not preclude the EAG from providing recommendations to STANSHIPS, if requested, on the development of the EMS Manual.

- G. The EAG shall have adequate staff to perform the work required of this ECP. Due to the in-depth nature of the audit criteria, persons with specialized knowledge and experience will be required to perform the audits. The knowledge, skills and abilities of the EAG and staff must align with the criteria of the audits. Experienced personnel with extensive operational, maintenance and repair of shipboard and machinery space systems, equipment, and components is a prerequisite.
- H. The EAG shall agree to provide the Court Appointed Monitor full access to all records, personnel (including auditors) and any other information associated with its responsibilities in fulfilling the requirements of this ECP.
- I. **EAG AUDITING PROCESS**
 - i. In an effort to fully investigate shipboard policies, procedures, conditions and equipment the EAG may not share in advance to any STANSHIPS vessel its audit checklists or other materials used to perform vessel audits. Audit check list items shall include narrative statements indicating how audit determinations were made. All identified audit check list item deficiencies or major non-conformities shall be described in narrative detail.
 - ii. The EAG shall have the sole discretion to select which vessels to review and evaluate consistent with scheduling and availability of those vessels. The audits may take place overseas and/or during coastwise voyages. In order to achieve the objectives of this ECP the audits shall take place while in port or underway, but no less than fifty (50) percent of the ongoing audits will be performed while the vessels are underway, on voyages of short duration where feasible. Audits shall include a comprehensive and detailed evaluation of STANSHIPS's operations onboard vessels. The content of the audit shall follow at a minimum the audit criteria addressed in **Section VII** of this ECP.
 - iii. If during the audits it is determined by the CCM or the Government that STANSHIPS has inadequate policies, procedures and equipment in place to ensure ECP and regulatory compliance, to correct non-compliance, or to prevent non-compliance, STANSHIPS will take appropriate steps, including providing all necessary funding and resources to facilitate implementation of corrective measures recommended by the CCM, CAM, or the EAG. Also, if during any audit a violation of existing marine environmental protection requirements is noted, the EAG shall immediately notify the CCM and the CAM. The CAM shall immediately report occurrences of violations to the USPO and the designated signatory of the Government and designated representative of the Coast Guard and ensure that the necessary

notifications occur as required by applicable international and/or United States laws and regulations. STANSHIPS shall be given a reasonable opportunity, not to exceed sixty (60) days, to address and correct any deficiency or violation noted by the EAG or CAM in accordance with the terms of this ECP.

- iv. Conflicts between the auditor and STANSHIPS pertaining to the interpretation of this ECP provisions and its requirements (including timetables) or with respect to recommendations made by the EAG to STANSHIPS as a result of an observation, noted deficiency, or major non conformity must be included in the audit report by the EAG and reported to the USPO, to STANSHIPS's Board of Directors and President or Managing Director, STANSHIPS's counsel, and to the designated Government official, U.S. Coast Guard Commandant, Office of Vessel Activities (CG-543).
- v. The EAG retains the right and is expected to notify the government if they believe that STANSHIPS is uncooperative or unwilling to take action on recommendations.
- vi. EAG may recommend machinery space capital improvements, equipment upgrades and replacement if such equipment is determined to be inadequate to perform its required function or if such technology has become out-of-date. Any recommendation made pursuant to this paragraph will be advisory in nature unless the recommended upgrade and/or replacement is required to ensure compliance with MARPOL regulations, the ECP, or the ship's EMS.
- vii. The EAG retains the right to expand the number of vessels examined while underway in the event that violations are discovered or if other observations are made indicating potential widespread fleet problems. EAG retains the right to perform follow-up audits for the basis of verifying actions taken on recommendations.
- viii. STANSHIPS further agrees to provide to the CAM its agreement with the EAG detailing the scope of work which will be performed. This provision does not preclude the CAM from providing such information to the Government.
- ix. An audit report shall be produced for each vessel and shoreside facility audited pursuant to this ECP. The report shall contain detailed audit findings, including the basis for each finding and identify areas of concern. EAG audit reports shall include recommendations based on observations, deficiencies, or major non-conformities identified. STANSHIPS shall take action on all recommendations made by the EAG. Any corrective measures taken at the time of discovery will be included in each report.

Further, each report shall contain information related to the Audit's administration and identify the following:

1. Audit scope, including the time period covered by the audit.
 2. The date(s) the on-site portion of the audit was conducted.
 3. Identification of the audit team members.
 4. Hours spent during onboard phase of audit for each vessel.
 5. Identification of the company representatives and regulatory personnel observing the audit.
 6. The distribution list for the EAG Audit Report.
 7. Summary of the audit process, including any obstacles encountered.
- x. All audit reports shall be submitted, in both electronic and hard copy form, to the USPO, STANSHIPS, designated representative of the Coast Guard and the designated signatory of the Government, along with the audit working papers and any correspondence related to the audits.

J. EAG's REPORT OF FINDINGS

- i. At the conclusion of the initial audit and the second round of audits the EAG shall develop a Report of Findings which summarizes the reviews. The Report of Findings must be completed within sixty (60) days of completion of each annual round of the Audits. The Report of Findings will incorporate information obtained from the individual Audit Reports and will provide STANSHIPS recommendations that could improve its EMS.
- ii. If the EAG believes it is unable to complete its Report of Findings within the sixty (60) day period and believes that additional time is needed to analyze available information, or to gather additional information, the Defendant may request that the Court grant the EAG such additional time, as required. The Government agrees to support all such reasonable requests.
- iii. STANSHIPS agrees to develop and submit within sixty (60) days (of completion of the Report of Findings) to the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard for review and comment, in both electronic and hard copy form, a response to the EAG report.
- iv. If STANSHIPS believes that it is unable to develop and submit a response within sixty (60) days to the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard for review and comment, the Defendant may request that the Court grant STANSHIPS additional time, as required. The Government will support such reasonable requests.

- v. In all events the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard will have thirty (30) days to respond to STANSHIPS's response. If no response is provided, STANSHIPS may assume that its response is accepted.

VIII. THIRD PARTY AUDITOR / FINAL AUDIT

- A. The Third Party Auditor must meet the qualifications below, conduct a Final Audit, and produce a Report of Findings. The purpose of the Final Audit is to assess whether STANSHIPS has achieved full implementation of the ECP and to evaluate, for the Government, STANSHIPS's capability to ensure and sustain complete compliance with the requirements of this ECP and other marine environmental protection requirements.
- B. STANSHIPS will notify the Government, at least eighteen (18) months prior to the expiration of the probationary period, regarding its proposed selection for the Third Party Auditor. In the event that STANSHIPS has exercised its option for the Court Appointed Monitor to serve concurrently in the additional capacity of Third Party Auditor, STANSHIPS shall notify the Government in writing. If the CAM does not serve as the Third Party Auditor, then STANSHIPS will submit a list of three (3) qualified candidates for the Third Party Auditor from which the Government will select one of the candidates. In the event that the Government does not find at least two of the submitted candidates qualified, or if for any other reason the candidates are not acceptable to the Government, or if it does not find the work of the Third Party Auditor satisfactory, at any time the Government may request STANSHIPS to supply additional candidates. If agreement cannot be reached regarding the selection, the decision shall be left to the Court based upon submissions by STANSHIPS and the Government.
- C. The Third Party Auditor shall employ senior level Marine Engineers (Chief, First or Second Engineers) to perform shipboard machinery space audits. Because the assessments and audits require a comprehensive understanding of machinery space operations, Masters, Chief Mates and other deck personnel or strict regulatory experts may not qualify for performing work in the machinery spaces. Masters, Chief Mates, and other senior deck personnel may be considered acceptable on a case by case basis only if it is clearly and objectively demonstrated that such candidates have substantial experience inspecting or auditing and managing work in machinery spaces.
- D. The Third Party Auditor will be certified by the American National Standards Institute- Registration Accreditation Board or will have comparable credentials and experience in performing EMS audits. Additionally, qualified candidates for the Third Party Auditor position include individuals or firms that have staff capable of applying ISO 19011 environmental management auditing criteria and have the following experience: experience as a shipboard Chief Engineer;

expertise and competence in the regulatory programs under United States and other marine environmental protection requirements; experience in performing environmental audits in industrial or maritime environments, sufficient expertise and competence to assess whether STANSHIPS has adequate policies, procedures and equipment in place to ensure ECP and regulatory compliance, to correct non-compliance, and to prevent future non-compliance.

- E. The Third Party Auditor shall not receive or request approval of any form from any STANSHIPS employee, regarding the clearance or evaluation of any document, report, or communication of any kind whether draft or final provided to the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard. This does not preclude the EAG from providing recommendations to STANSHIPS, if requested, on the development of the EMS Manual. The Third Party Auditor must not directly own any stock in STANSHIPS and must have no other present, ongoing, or pending contractual or business relationship with STANSHIPS.
- F. The Third Party Auditor will be expected to fully appraise STANSHIPS, the USPO, the Court Appointed Monitor, the designated signatory of the Government, and the designated representative of the Coast Guard of all circumstances regarding non-compliance with this ECP and other marine environmental protection requirements.
- G. The Third Party Auditor must have adequate staff to perform the work required of this ECP. The workload of the Third Party Auditor with respect to work associated with other plea agreements will be assessed. Due to the in-depth nature of the audit criteria, persons with specialized knowledge and experience will be required to perform the audits. The knowledge, skills and abilities of the Third Party Auditor and staff must align with the criteria of the audits. Experienced personnel with extensive operational, maintenance and repair of shipboard and machinery space systems, equipment, and components is a prerequisite. The Third Party Auditor must meet or exceed the requirements for independence and lack of conflicts described above for the EAG.
- H. The Third Party Auditor (if different than the CAM) agrees to provide the Court Appointed Monitor full access to all records, personnel (including auditors) and any other information associated with its responsibilities in fulfilling the requirements of this ECP.
- I. **Third Party Final Audit**

The Third Party Auditor shall perform a review and analysis of STANSHIPS's implementation of this ECP and the EMS. The scope of the Final Audit shall consist of an onboard and underway review of all of the ships technically managed and/or manned by STANSHIPS subject to the ECP while underway,

on voyages of short duration where feasible, or in port, but no less than fifty (fifty) percent of the final audits will be performed while the vessels are underway, on voyages of short duration if feasible. STANSHIPS and the Third Party Auditor/CAM shall coordinate the underway inspections, if any, to accommodate, as much as practicable, the vessel's operations and schedule.

The Third Party Auditor must use the criteria set forth in **Section VI** and is also expected to update the audit requirements based upon the most up-to-date revisions of the EMS. The Third Party Audits may begin no earlier than fifteen (15) months prior to the end of the probationary period. Refer to **Section I** ("Applicability and Purpose") and **Section XI** ("Changes in Technical Management") for determining the number of vessels technically managed by STANSHIPS for the purpose of the Final Audit.

The Final Audit Report produced by the Third Party Auditor shall be submitted, in both electronic and hard copy form, at least two (2) months before the end of the probationary period to STANSHIPS, the USPO, the Court Appointed Monitor, the designated signatory of the Government, and the designated representative of the Coast Guard along with any working papers and correspondence related to the audit. The Third Party Auditor is expected to evaluate whether or not STANSHIPS is in full compliance with the requirements of this ECP, the EMS and other marine environmental protection requirements. The Final Audit Report shall contain detailed recommendations to STANSHIPS, the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard, suggested improvements that should be made to the EMS, with the goal of adding value to and increasing the effectiveness of the EMS and where necessary bring STANSHIPS into complete compliance with this ECP and other marine environmental protection requirements.

In addition to the full compliance recommendation, the Final Audit Report shall contain Detailed Audit Findings, including the basis for each finding and identified areas of concern. Descriptive narratives pertaining to the different audit criteria are expected. When employees are evaluated for a particular topic their names must be provided. Audit documents or checklists that contain inclusive statements must include detail describing how the inclusive nature is determined. For example, a check list item that states "all crewmembers are aware of STANSHIPS environmental policy" must state how that fact is determined. Any corrective measures taken at the time of discovery will be included in each report. Further, the report shall contain information related to the Audit's Administration and identify the following:

- Audit scope, including the time period covered by the audit.
- The date(s) the on-site or ship portion of the audit was conducted.
- Identification of the audit team members and their total number of hours on site or ship.

- Identification of the company representatives and regulatory personnel observing the audit.
- The distribution list for the Final Audit Report.
- Summary of the audit process, including any obstacles encountered.

IX. ENGINEERING REQUIREMENTS

Unless otherwise stated, all of the Engineering Requirements set forth below shall be implemented on covered vessels as soon as practicable, as determined by the Corporate Compliance Manager and not later than one (1) year from the date of the signing of the plea agreement.

A. ENVIRONMENTAL TAG SYSTEM

- i. STANSHIPS shall implement an Environmental Tag System (ETS) that prevents unauthorized usage or connections within the engine room and machinery spaces. STANSHIPS shall install numbered seals to prevent the unauthorized connection to and discharge through piping systems that are or may be connected to the oily bilge system.
- ii. The ETS seals shall be non re-usable and uniquely numbered. An ETS log shall be maintained by the Master and Chief Engineer that records each time a seal is affixed or removed, including the date, time, seal number removed, seal number affixed, personnel involved, and reason for any seal removal/replacement.
- iii. The Master of the vessel shall retain the replacement environmental tags under his control in a secure location. The Corporate Compliance Manager will be responsible for ensuring fleet wide that no duplication of ETS seal numbers occur and will have a master tracking document indicating which series have been supplied to each vessel.

B. BILGE-MAIN CROSS CONNECTIONS

- i. STANSHIPS shall immediately notify all of its vessels regarding the prohibition against using cross connections from engine room bilge mains to the suction piping of larger pumps which may be referred to as the "fire and general service pump" or "fire, bilge and ballast" pump. Their message shall state that the usage of these crossovers is similar to bypassing the OWS equipment and is strictly prohibited. Cross connections to eductor systems capable of pumping out bilge wastes will also be referenced.
- ii. The deck plates above or near the locations of these cross connections and the valves bodies and associated hand wheels shall be painted international

orange. A brightly colored sign with three inch letters shall be permanently fixed nearby - "Bilge System Piping Crossover - Emergency Use Only".

- iii. To prevent unauthorized usage, STANSHIPS shall place number seals ETS tags on these valves. The ETS log shall track anytime a crossover to the bilge main is opened. If the valves are remotely operated from the engine control room, the associated push button must be unable to be used without breaking an Environmental Tag and a suitable sign must be posted near the associated push buttons or switches providing similar restrictive language above as to its use.

C. EMERGENCY BILGE SUCTIONS

- i. All other bilge suction valves not connected to the bilge main, and independent emergency suction to the vessel's engine room bilges like those which may be connected to sea water circulating pumps shall be painted brightly and labeled similarly "Emergency Bilge Suction - Emergency Use Only." Their valve wheels will also have a numbered and logged ETS tag seals capable of breakaway during emergency, testing, and maintenance. Seal numbers shall be kept in the Master's official seal log book and explanations given for breakage or replacement. ETS tag numbers shall be kept in the Chief Engineer's official ETS log book and explanations given for breakage or replacement.

D. BLANK FLANGES

- i. To prevent unauthorized connections within the engine room and machinery spaces of STANSHIPS vessels, every blank or potentially removable flange associated with any piping leading overboard, on systems such as salt water service, main engine raw water cooling or other systems, shall be permanently secured, removed or fitted with numbered seals ETS tags through the flange bolts that will break when the bolt is removed to prevent unauthorized connections and discharges. The-numbered seals ETS tags used shall be numbered and records kept in the previously mentioned log.
- ii. The blank flange securing the bilge and sludge transfer system shore connection discharge valve at the discharge stations shall also require a numbered seal Environmental Tag, which will be maintained. Numbered seal ETS tag numbers shall be kept in the Chief Engineer's official ETS logbook.

E. BILGE SAMPLING AND OWS PERFORMANCE ANALYSIS

- i. STANSHIPS agrees that, as part of its EAG audits, the EAG auditor will take samples from the Engine Room Bilges, the OWS, and the Bilge Holding Tanks of 50% of its vessels. The purpose of this collection is to

capture a sample that adequately represents the common fluids and contaminants that accumulate. No attempt should be made to collect a clean sample only.

- ii. The samples shall be forwarded to an appropriate lab selected by the Corporate Compliance Manager at STANSHIPS's cost for a content analysis. The analysis of these representative samples will then be provided to the manufacturer of the applicable oily water separator found onboard STANSHIPS's vessels.
- iii. STANSHIPS shall work cooperatively with the manufacturers of the OWS and OCM to verify the equipments' capability to process fluids having this content. STANSHIPS may choose to work with the manufacturer in this verification process and also to develop ways to improve the performance of existing equipment or may explore other separation technologies capable of handling the fluid.

F. ADDITIONAL OWS / OCM REQUIREMENTS

- i. The sample line from the OWS discharge connection to the sample/flush line control valve will be painted a bright color to distinguish it from other tubing and piping in the area.
- ii. The end connecting to the OWS discharge pipe may be fitted with a manual valve or petcock, or tamper proof automatic valve. The tube end fittings and the valve handle must be fitted with a numbered seal that will break if the valve is closed, removed, or if the tubing connection nut is loosened. The end nearest the sample/flush line control valve and any tubing in between the control valve and the OCM will be similarly protected to prevent any disassembly of the sensing system.
- iii. STANSHIPS shall perform testing that ensures the OCM requires a sample flow for normal operation and control. Any OCM that allows the OWS to function normally without sample flow is prohibited unless all valves from the OWS discharge to the sample / flush line control valve are removed. STANSHIPS shall ensure that every vessel's OWS is configured and capable of being fully operationally tested in port with the skin valve closed, consistent with applicable MARPOL regulations.
- iv. STANSHIPS shall perform monthly operational tests of the OWS and OCM. The test shall be logged in the vessel's Engine Room Oil Record Book and a report sent to STANSHIPS. A consolidated report will be sent to the CCM.
- v. STANSHIPS shall recalibrate the OCM at least annually. Certificate of calibrations must be retained onboard the vessel.

- vi. STANSHIPS shall clean the OWS source tank and remove any accumulated oil at least annually. These activities will be logged in the Oil Record Book.

G. POLISHING FILTERS

- i. STANSHIPS shall examine the use of Polishing Filters located in the discharge lines of Oily Water Separator equipment. A determination will be made as to the adequacy of the filter flow rate with respect to the capacity of the oily water separators. STANSHIPS shall ensure that the Oil Content Monitor will sample the OWS discharge after entire discharge stream is filtered and before control action of the main discharge three-way valve. Placement of filters in the sample line leading to the Oil Content Monitor is prohibited.

H. RECORD KEEPING – OIL RECORD BOOK VERIFICATION ANALYSIS

- i. All Soundings and Logs required by this section shall be maintained onboard the vessel for a period of three years from the date of the final entry.
- ii. The CCM shall ensure that, for each vessel covered by this ECP, a comprehensive analysis of the Oil Record Book is conducted on a semi-annual basis. The analysis must include a mathematical comparison, displayed in an Excel Spreadsheet format, between the Sounding Log, Retention Amounts in the ORB, Amount of Waste Processed According to the ORB. This purpose of this analysis is to ensure that the ORB is accurate and to identify any accounting problems or engineering malfunctions. Each semi-annual analysis must be transmitted electronically and in hardcopy format to the CCM, CAM, EAG, and designated representative of the Government.

I. OIL RECORD BOOK ENTRIES

- i. Entries made into the Engine Room Oil Record Book shall be made by the Chief Engineer and each page shall be signed by the vessel's Chief Engineer and Master.

J. TANK SOUNDING RECORD BOOK

- i. The CCM shall ensure the usage of Tank Sounding Record Books on all vessels. Vessel personnel shall be required to sound all waste, sludge and bilge tanks, associated with bilge water, and/or oil wastes daily. The Tank Sounding Record Book shall be initialed by the person who obtained the reading. The Tank Soundings Record Book shall be maintained in the

engine control room and made available during all inspections and audits required by this agreement.

K. FUEL OIL/LUBE OIL PURIFIER SETTINGS AND LINE BREAKS

- i. STANSHIPS shall have a standard system for monitoring fuel oil and lube oil management including the operation of the fuel oil and lube oil purifiers and line or piping failures.
- ii. Any extraordinary operations such as the need for frequent draining of fuel oil service and settling tanks, and engine lube oil sump tanks of excessive water, or other problems such as waxing, compatibility, stratification or contamination shall be noted, including shoot settings, and explanations provided for the handling of unburned sludges, oils, oily wastes, and used filters.
- iii. Any time any line or component on a fuel, lube, or waste oil system fails, including high pressure lines on diesel engines, or due to an operational error, a record shall be made and a notation given as to the quantity released and an explanation given as to how the unintended released fluid was handled. Additionally, any unintended releases of quantities of water, salt, fresh, condensate, or cooling shall also be recorded. The most senior engineer involved in any of the circumstances previously described will make the entry and provide his or her signature.

L. OIL-TO-SEA INTERFACES

- i. STANSHIPS agrees to immediately develop for each vessel a standard system, process, or procedure for monitoring equipment having oil-to-sea interfaces. Such systems may be oil lubricated stem tubes, bow or stern thrusters, stabilizers, hydraulically operated controllable pitch propellers, and similar equipment whereby the leakage of a sealing component may cause a loss of operating medium into the surrounding waters of the vessel. Any replenishment of oil into the head tanks, operating systems reservoirs or other receivers associated with this equipment shall be logged regardless of quantity. Ingress of water or drainage of water into or from these systems must also be logged.
- ii. When known, an explanation of the loss shall be provided, along with dates and time and signature. Routine stern tube lube oil loss must be logged and reported immediately on each occasion. If any Chief Engineer fails to promptly and accurately report these conditions STANSHIPS will investigate and take appropriate action, which may include termination of employment.

X. TIME REQUIREMENTS – Submittal of Environmental Management System

- A. STANSHIPS shall submit copies, in both electronic and hard copy form, of its Environmental Management System to the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard not later than twelve (12) months before the end of the probationary period.
- B. The USPO, the Court Appointed Monitor, the designated signatory of the Government and the designated representative of the Coast Guard may provide comments on the EMS within sixty (60) days of receipt unless additional time for review is requested in writing. STANSHIPS shall submit a written response, as appropriate, within thirty (30) days of receipt of any comments provided.
- C. If the Final Audit Report produced by the Third-Party Auditor recommends substantial revisions to STANSHIPS's Environmental Management System STANSHIPS shall re-submit revised copies, in both electronic and hard copy form, of the System to the USPO, the Court Appointed Monitor, the designated signatory of the Government, and the designated representative of the Coast Guard for review.
- D. The USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard may review the system and make a recommendation to the Court as to its acceptance of the Environmental Management System.

XI. CHANGES IN TECHNICAL MANAGEMENT

- A. STANSHIPS agrees that it will immediately (but in no event later than 21 days following a change) notify the USPO, the Court Appointed Monitor, the designated signatory of the Government, and the designated representative of the Coast Guard of any change in name, flag of registry, recognized organization, ownership or class society of such covered vessels. STANSHIPS shall also forthwith provide the names of any additional vessels that, during the period of probation, come under the technical management and/or manning of STANSHIPS.

B. ACQUIRING ADDITIONAL VESSELS

- i. When additional vessels come under the technical management or manning of STANSHIPS they shall be subject to this ECP.

- ii. **New Buildings** - STANSHIPS shall perform a waste stream analysis on each class of new buildings for which it contracts. It shall ensure that there is a balance between the estimated waste stream generated and the capacity of the vessels disposal equipment to properly dispose of the waste generated.
- iii. **Additional Vessels** – Except in the case of a Fleet Acquisition, when STANSHIPS acquires or assumes technical management of additional vessels, it shall perform an audit of the environmental capabilities of each vessel within ninety (90) days of acquisition or assumption of technical management in accordance with the same audit requirements contained in **Section VII** of this ECP.
- iv. **Vessels of Less Than 300 Gross Tons** - Notwithstanding the above requirements, STANSHIPS shall make its best efforts to fully implement this ECP on vessels of less than 300 Gross Tons, but may substitute for unreasonable requirements by retaining all machinery space bilge and other oily wastes on board until landed ashore. STANSHIPS shall notify the USPO of any such vessel(s) to which these substitutions apply and of which provisions were not implemented on those vessels. Such required notifications shall be made to the USPO within sixty (60) days of acquisition or assumption of technical management.
- v. **Fleet Acquisitions**
 - 1. For the purpose of this ECP, a "fleet" is defined as five (5) or more vessels excluding any vessels already covered by this ECP.
 - 2. If STANSHIPS acquires or assumes technical management of a fleet more than 6 months before the end of the probationary period, STANSHIPS must perform an Initial Audit as defined in **Section VI** of this ECP on all ships in the newly acquired fleet. A fleet acquired more than twelve (12) months before the end of the probationary period will be subject to selection for auditing by the Third Party Auditor as any other covered vessel. These ships will also be counted when determining the number of ships technically managed for the purpose of the Final Audit requirement in **Section VI**, Final Audit, of this ECP.
 - 3. If a fleet is acquired less than 6 months before the end of the probationary period, STANSHIPS must take reasonable measures to ensure as much as is practicable that each ship receive an Initial Audit as defined in **Section VI** of this ECP. A fleet acquired with less than twelve (12) months prior to the end of the probationary period will not be subject to selection by the Third Party Auditor nor will those ships be counted when determining the number of ships technically managed for purposes of the Final Audit requirements in **Section VI** of this ECP.

STANSHIPS shall notify the USPO, the Court Appointed Monitor, designated signatory of the Government and designated representative of the Coast Guard of any fleet acquisition.

- vi. STANSHIPS agrees that this ECP and its requirements in its entirety shall remain in effect for all of the aforesaid vessels regardless of changes in the vessels' flag of registry, recognized organizations, name, or class society, so long as the vessels are technically managed and/or manned by STANSHIPS. STANSHIPS shall notify the USPO, the Court Appointed Monitor, designated signatory of the Government, and designated representative of the Coast Guard before any vessel is released from the requirements of the ECP due to a change in technical management and/or manning.

XII. SELF- ENFORCEMENT

STANSHIPS further agrees that it will undertake and implement the necessary procedures to ensure that this ECP and the associated requirements in their entirety are diligently complied with by the officers and crew of each of STANSHIPS vessel, as well as, by all shore side employees, managers and other employees involved with the operation, maintenance or repair of the vessels listed. Among other efforts, STANSHIPS shall establish internal auditing procedures using the criteria established in this ECP.

XIII. SCHEDULE

- A. The requirements of this ECP, including the dates and periods mentioned herein, shall be strictly complied with by STANSHIPS. Should STANSHIPS be unable to comply with any of the deadlines, STANSHIPS shall immediately notify the USPO, the Court Appointed Monitor, the designated signatory of the Government, and the designated representative of the Coast Guard. Any reasonable requests for extensions of time, that have an objective, rational basis in fact, will be approved so long as they do not undermine the objectives the ECP. Any disputes for extension of time that cannot be resolved by STANSHIPS and the Government will be decided by the Court.

XIV. REPORTS AND COMMUNICATIONS

- A. For purposes of this Agreement, the "designated signatory of the Government" shall mean the undersigned representatives of the United States Attorney's Office for the Eastern District of Louisiana and the Environmental Crimes Section of the United States Department of Justice, the "USPO" shall mean the United States Probation Office for the Eastern District of Louisiana and the

designated representative of the Coast Guard shall mean Commander, Eighth Coast Guard District (dl) and Commandant, Office of Vessel Activities (CG-543) (E-mail: HQS-PF-fldr-CG-543@uscg.mil).

XV. ACKNOWLEDGEMENT

STANSHIPS has read this ECP carefully and understands it thoroughly. STANSHIPS enters into this ECP knowingly and voluntarily, and agrees to abide by its terms. By their signatures below, the corporate representatives agree that they are duly authorized by STANSHIPS's Board of Directors pursuant to the same notarized legal document filed in United States v. Stanships, Inc. certifying that STANSHIPS is authorized to enter into and comply with all of the provisions of this Plea Agreement.

For the United States:

IGNACIA S. MORENO
ASSISTANT ATTORNEY GENERAL
ENRD, U.S. DEPARTMENT OF JUSTICE

JIM LETTEN
UNITED STATES ATTORNEY

RICHARD ALLEN UDELL Date
Senior Trial Attorney
Environmental Crimes Section

DOROTHY MANNING TAYLOR Date
Assistant United States Attorney

ACKNOWLEDGMENT OF PLEA AGREEMENT

I have read this ECP and its attachments in their entirety, and have discussed them with the directors of STANSHIPS and with its attorneys. I hereby represent that I am an officer of STANSHIPS corporation and that I am duly authorized to enter into the plea agreement, including the ECP. I hereby acknowledge that the plea agreement and the ECP fully set forth the agreement of STANSHIPS with the United States. I further state that there have been no additional promises or representations made to or for the benefit of STANSHIPS by any officials of the United States in connection with this matter.

On behalf of STANSHIPS INC.

 6/18/10

MICHAEL G. CHALCOS Date
Attorney for Defendant

I have been duly authorized by a corporate resolution to sign this ECP, which is attached to and incorporated into the plea agreement entered into with the United States.

 6/18/10

MICHAEL G. CHALOS
Attorney for Defendant

Date

Attachment 1

Vessels Covered by this Agreement

TANK VESSELS

Name of Vessel	IMO Identification Number

CONTAINER VESSELS

Name of Vessel	IMO Identification Number

TANK VESSELS

Name of Vessel	IMO Identification Number

GENERAL CARGO VESSELS

Name of Vessel	IMO Identification Number
DORIC GLORY	7372165
ELEFHERIA D	9119204
AMERICANA	9621932

PASSENGER VESSELS

Name of Vessel	IMO Identification Number

Attachment 2

Environmental Management System

The Corporate Compliance Manager shall be responsible for maintaining the Environmental Management System which addresses the following elements:

Environmental Policy

The EMS should be based upon a documented and clearly communicated policy. This policy should set out STANSHIPS's commitment to a cleaner marine environment. It should include:

- provision for compliance with environmental requirements;
- commitment to continuous improvement in environmental performance, including those areas required by this ECP;
- commitment to pollution prevention that emphasizes source reduction, to include funding and human resources necessary to effectively maintain and repair the systems, equipment and components found in machinery spaces of vessels;
- commitment to continuous reduction of environmental risks;
- commitment to sharing information with external stakeholders on environmental performance.

Environmental Requirements and Voluntary Undertakings

The EMS must provide a means to identify, explain and communicate all environmental requirements and voluntary undertakings to all employees and to all vendors, technicians, and other non-crewmembers whose work could affect STANSHIPS's ability to meet those requirements and undertakings.

Environmental requirements include statutes, regulations, permits, and agreements such as this ECP. Voluntary undertakings include the adaptations of additional best practices or industry norms that STANSHIPS may choose to adopt.

The EMS must include procedures for ensuring that the organization meets these environmental requirements, voluntary undertakings and the additional requirements of this ECP. The EMS must also specify procedures for anticipating changes to environmental requirements including new requirements that may apply as a result of changes in operations and incorporating these changes into the EMS.

Objectives and Targets

The EMS will establish specific objectives and targets for:

- achieving and maintaining compliance with all marine environmental protection requirements and the requirements of this ECP;
- training, educating and fostering among all shipboard and shoreside personnel the need for solid environmental stewardship through a conscious effort at pollution prevention and accurate recordation of shipboard evolutions;
- environmental performance demonstrating continuous improvement in regulated and non-regulated areas;
- pollution prevention that emphasizes source reduction with respect to engine room, machinery space waste streams and effective management of cargo related wastes.
- Sharing information with external stakeholders on environmental performance against all EMS objectives and targets.

The EMS must establish appropriate time frames to meet these objectives and targets. These must be documented and updated as environmental requirements change or as modifications occur in activities and structures within organizations in a manner that affects environmental performance or as a result of recommendations made by the Third Party Auditor.

Structure, Responsibility and Resources

STANSHIPS will ensure that it has sufficient personnel and other resources to reasonably meet its objectives and targets. The EMS will describe in detail the procedures and steps for achieving those objectives and targets. The EMS will define the compliance roles and responsibilities of all vessel and shore side personnel involved with the operation, maintenance, and repair of STANSHIPS's vessels, and will indicate how they and other corporate personnel will be held accountable for achieving and maintaining compliance with this EMS, the requirements of the ECP, and other marine environmental protection requirements. Additionally, it will describe how environmental performance and compliance information will be communicated to all vendors, technicians, and other non-crewmembers onboard STANSHIPS's vessels. The EMS will also establish procedures for receiving and addressing concerns raised by these personnel regarding environmental performance and compliance.

Corrective and Preventive Action and Emergency Procedures

STANSHIPS through its EMS, will establish and maintain documented procedures for preventing, detecting, investigating, promptly initiating corrective action, and reporting (both internally and externally), any occurrence that may affect the organization's ability to achieve the EMS objectives and targets.

Such measures must focus particular attention on incidents that may have an effect on compliance with environmental requirements as well as on environmental performance in regulated and non-regulated areas, including requirements of this EMS, the ECP or other marine environmental protection requirements. Examples of such situations include incinerator or oily water separator malfunctions, overflows of tanks within

machinery spaces, fuel oil, lube oil, saltwater line failures, operator errors and other accidental releases.

The EMS must also establish documented procedures for mitigating any adverse impacts on the environment that may be associated with accidents or emergency situations and for ensuring that similar incidents are avoided. The EMS must include procedures for tracking any preventive and corrective actions that are taken. If the environmental violation or incident resulted from a weakness in the system, the EMS should be updated and refined to minimize the likelihood of such problems recurring in the future. The EMS should also, to the extent possible, provide for the testing and evaluation of emergency procedures

Training, Awareness and Competence

The EMS must establish procedures to ensure that all company personnel whose job responsibilities affect the ability to achieve the EMS objectives and targets, have been trained and are capable of carrying out these responsibilities. In particular, the training should highlight means to enhance the ability of such personnel to ensure compliance with environmental requirements and voluntary undertakings, the requirements of the ECP and other marine environmental protection requirements. Additional training requirements are provided in **Attachment 3**.

Organizational Decision-making and Planning

The EMS must describe how these various Management System elements will be integrated into the organization's overall decision-making and planning, in particular, decisions on capital improvements, training programs, and vessel operations, maintenance and repair activities.

Document Control

The EMS must establish procedures to ensure maintenance of appropriate documentation relating to its objectives and targets and should also ensure that those records will be adequate for subsequent evaluation and improvement of the operation of the EMS. Additionally it will document the organization's state of compliance with marine environmental protection requirements and the requirements of the ECP. All records will be maintained and made available to the Third Party Auditor, and Port and Flag State Personnel, if so requested.

Continuous Evaluation and Improvement

The EMS must include methods to perform periodic, documented and objective auditing of the organization's performance in achieving these objectives and targets and on how well the EMS assists the organization in achieving those objectives and targets. This requirement is independent from the auditing requirements detailed elsewhere in this plan. The goal of these internal audits and reviews will be to allow management to

continuously monitor and access vessel systems, equipment and components, and the ability and proficiency at which vessel crewmembers and personnel ashore comply to the policies and procedures established by this EMS.

Additionally the EMS:

Will identify an ongoing process for assessing operations for the purposes of preventing and controlling or minimizing waste stream development and releases, ensuring environmental protection, and maintaining compliance with a primary emphasis on marine engineering, vessel engine room and machinery space systems, equipment and components and any shipboard systems having oil-to-sea interfaces. Includes criteria for when a vessel is to be taken out of service for an environmental discharge related repair such as when caused by leaking stern tubes, thrusters or other equipment.

Will include organization charts, as appropriate, that identify shore side and vessel individuals having environmental performance, risk reduction, and regulatory compliance responsibilities. Specifies responsibilities of Port Captains, Port Engineers, and Engineering Superintendents to report information related to environmental releases or inadequate performance of environmental pollution protection equipment, system casualties resulting in internal spills, excessive waste development and leaking equipment with oil-to-sea interfaces.

Will promote non-retaliatory practices and ensure that employees are not punished or otherwise suffer negative consequences for reporting violations of environmental laws, regulations, or policies. Also describes potential consequences for departure from specified operating policies procedures, including possible termination of employment; and liability for criminal/civil/administrative penalties as a result of noncompliance.

Makes employee compliance with environmental policies of the ECP, the EMS and other marine environmental protection requirements a positive factor, and failure to comply a negative factor in all evaluations undertaken for the performance of all its employees.

Will include policies against any incentive or bonus programs based on minimizing operational costs associated with the operation, maintenance and repair of machinery space systems, equipment and components without ensuring that efficiency and performance are maintained. The intent of this policy is to ensure that employees do not avoid such costs and thereby sacrifice environmental compliance.

Will describe a confidential non-compliance reporting system that is adopted to ensure that employees may quickly and confidentially report discharges, spills, environmental incidents and other environmental performance data.

Will identify all operations and activities where documented standard operating practices (SOPs) are needed to prevent potential violations or unplanned waste stream releases, with a primary emphasis on marine engineering, vessel engine room and

machinery space operations, systems, equipment and components. This includes the development of SOPs and the manuals described in **Attachment 4**.

Will identify the types of records developed and maintained in support of the ECP and the EMS such as reports, audit working papers, correspondence, communications, reports from the confidential system for non-compliance reporting, and identify personnel responsible for their maintenance, and procedures for responding to inquiries and requests for release of information. Provide a system for conducting and documenting routine, objective, self-inspections by STANSHIPS internal auditors, supervisors and trained staff to check for malfunctions, deterioration, and inadequate maintenance of pollution prevention equipment, worker adherence to SOPs, unusual situations, and unauthorized releases.

Will identify a dedicated financial source which is rapidly and easily accessible for personnel training, parts inventory and ordering, and maintenance of pollution prevention equipment.

Attachment 3

Employee Training Program

The Corporate Compliance Manager will be responsible for ensuring there are training programs in place to educate and train STANSHIPS vessel and shore side employees associated with the operation and management of its vessels. The Corporate Compliance Manager may name a Corporate Training Officer or Group Training Manager who ensures that the requirements of this section are met.

Training shall occur for all such employees by qualified instructors at a training facility, which may include Computer Based Training on a ship or office before an employee assumes his or her duties. The training shall consist of pertinent sections of this ECP, the EMS, and existing marine environmental protection requirements. The training shall include shipboard-related technical and practical information associated with pollution prevention and the operation, maintenance and repair of pollution prevention equipment and systems and be appropriate for the work responsibilities and department in which an employee works. The training must include discussion of the consequences to STANSHIPS and its employees for failure to comply with the requirements of this ECP, EMS and existing marine environmental protection requirements. Annual refresher training for employees must be performed by qualified instructors, and may be performed onboard ship by Computer Based Training; such training should be conducted in such a way that each employee receives refresher training at least annually.

Where possible, a basic initial training program shall be provided to vessel employees currently onboard vessels in an effort to promptly mitigate pollution risk and ensure environmental protection. However, such employees must receive the above refresher training prior to or concurrent with returning to a vessel on a new contract.

The Group Training Manager will maintain a catalog that provides an overview of the training courses; identifies the person responsible for delivering the training; and establishes a tracking system to monitor the type, frequency and successful completion of training.

Additionally the training shall include instruction regarding:

- Corporate environmental compliance structure including the Corporate Compliance Manager and contact information.
- Pertinent overview of this ECP, the EMS and other marine environmental protection requirements.
- Sanctions and consequences for violations such as remedial training, suspension, termination, and civil and criminal liability.
- The reporting system used to report non-compliance.
- Pollution prevention and minimization programs specifically as it relates to steward, deck, and engine department procedures and operations.

- All requirements set forth in the Engineering section of this ECP, as applicable to the crewmember being trained.
- Position specific training in the operation, maintenance and repair of oily water separators, incinerators, oil content discharge monitoring equipment and other pollution prevention equipment.
- Procedures for solid and hazardous waste segregation, storage and disposal and reporting of releases.
- All other shipboard environmental protection related procedures examined and described in the **Section VII** of this ECP, as applicable to the crewmember being trained.

Attachment 4

Bilge Water and Sludge, Sewage & Hazardous Materials

In addition to the requirements set forth in **Attachment 2**, the following subjects shall be addressed in the Environmental Management System:

Bilge Water and Sludge Management

- Describes STANSHIPS policy and procedures regarding management, disposal and discharges, including the identification of persons responsible for shipboard environmental compliance.
- Describes applicable ECP and EMS requirements, domestic and international laws, regulations and standards (including applicable portions of the United States Code of Federal Regulations ("CFR"), other pertinent pollution laws and regulations, MARPOL regulations, and standards).
- Describes reporting requirements (including internal and external reporting requirements relating to spills and discharges).
- Contains a general overview of the engineering requirements of this ECP and includes bilge, oily wastes, sludge systems equipment and components that also includes manuals for incineration, separation and monitoring equipment and system schematics. Includes routine, daily and preventative maintenance and the identification and required inventory of all critical spare parts.
- Describes generally accepted maritime practices of waste stream minimization including, engine room housekeeping, minimization of bilge loads and leakages, use of proper cleaning chemicals, and prevention of sewage and black water spills into bilge tanks in accordance with the requirements of this ECP the EMS and other marine environmental protection requirements.
- Describes system operation and procedures for usage of all associated bilge management equipment, the sealing and securing of associated valves, offloading procedures and necessary operational checklists-
- Describes record keeping of Oil Record Books that includes items to be recorded, as required by MARPOL and record keeping requirements of additional logs described in the Engineering section of this agreement.
- Describes sanctions and consequences for violation of regulations, policies and procedures, including individual and corporate consequences for violations, remedial training, possible suspension or termination of employment, and civil and criminal liability-

- Describes processes associated with the sealing and locking program for system crossover and connection valves where bilge systems tie into ballast, general service and other pumping or eduction systems, and the processes for sealing other identified connections and other systems capable of bilge removal with the use of the OWS-

Sewage Treatment and Hazardous and Solid Waste Management

- STANSHIPS through its EMS, will establish and maintain documented procedures for proper handling and disposal of sewage and hazardous and solid wastes consistent with MARPOL and other applicable pollution laws and regulations.

Documentation and Reference Material

The following documentation and reference material will be readily on board:

- Regulatory References
- System Schematics (where applicable)
- Tank Tables
- Tank Arrangements
- Holding Capacities
- Critical Spare Parts List
- MSDS of Chemicals used in the Engine Room
- List of Regulated Wastes
- Discharge Restrictions List
- Forms
- List of Sealed Valves
- List of Locked valves