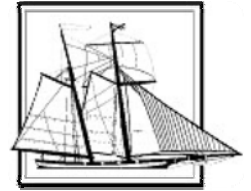


GALLAGHER MARINE SYSTEMS, LLC



THE CLIPPER

2010, 1ST AND 2ND QUARTER

IN THIS EDITION:

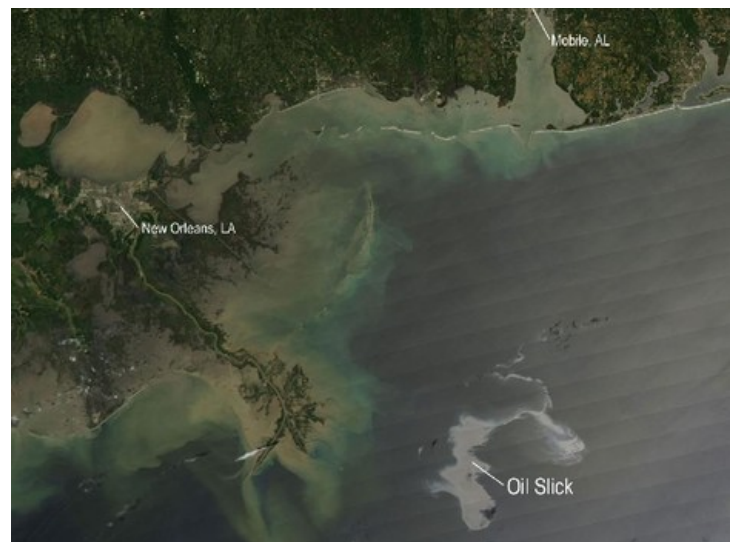
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GMS MONITORS OIL SPILL

Gallagher Marine Systems is continuing to monitor the Deepwater Horizon oil spill in the U.S. Gulf of Mexico.

We are continuing to communicate with Oil Spill Removal Organizations as well as the U.S. Coast Guard offices in the affected area. Our office will continue to pass along any useful information through our Client Advisories as it may be helpful to vessels operating in the area.

Meanwhile, the Gallagher Marine Systems Spill Management Team is maintaining our capability and readiness throughout the United States so that we are able to respond appropriately to an incident separate from the Deepwater Horizon.



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DRILLS & TRAINING

Schedule:

June – Denmark

*July 18th – Focus Training Seminar, Atlantic City,
New Jersey*

Plan Holders with California Contingency Plans may have noticed a delay in receiving the accreditation letters from the State of California for the Table Top Exercises conducted in 2009.

Typically, the letters would have been issued by now. However, the California Office of Spill Prevention and Response (CA OSPR) has been reviewing their records and sending out letters for “Non-compliance” for exercises dating back to 2007 and 2008. CA OSPR has made 2007 and 2008 non-compliance items a priority over issuing new accreditation letters for 2009. We have been

told that accreditation letters for 2009 will continue to be delayed until 2007 and 2008 compliance issues have been resolved by CA OSPR. The GMS Drills and Training Staff is working with the personnel of the California Office of Spill Prevention and Response to expedite this process.

As in the past, GMS continues to submit all of the necessary paperwork to CA OSPR for Table Top Exercise accreditation. GMS also retains complete records of the completed Table Top Exercises. The GMS Drills and Training Department will continue to monitor and track the progress of the accreditation letters and will ensure that each plan holder receives a copy of the letter upon issuance. Please contact Kevin Perry, Manager of Drills and Training, if you have any questions.
kperry@chgms.com



Dewey & LeBouef’s Mr. Austin P. Olney making a presentation at Gallagher Marine Systems’ Annual Training Seminar in Hamburg, Germany – March 2010.

GMS RESPONDS TO OIL SPILL

The Gallagher Marine Systems Spill Management Team was activated on January 23, 2010 to respond to an oil spill in Port Arthur, Texas. The incident involved 3 vessels and resulted in a spill of about 9450 barrels of high sulfur crude oil; the largest Texas oil spill in 15 years.

At the height of the response, almost 1000 personnel manned various positions of the response organization under the direction of an exemplary Unified Command which employed very effective leadership. The vessel operators demonstrated commendable initiative and were instrumental in the success of the response. A swift and well managed response ensured effective and coordinated spill mitigation and clean up. The spill location was in very close proximity to several sensitive areas and at the crossroads of barge and ship traffic in one of the major oil ports of the U.S.

All sensitive areas were kept fully protected and the waterway was opened to commercial traffic within 100 hours of the incident. The majority of the operations were completed within 3 weeks. Both timeframes, namely the opening of the waterway and completion of major operations, were considered to be unprecedented for the size of the release.

A January 28, 2010 article in The Houston Chronicle said, "*Hats off to personnel in state agencies and the private sector who performed efficiently and quickly to contain the spill and the damage. This is the result of thousands of hours of planning and practicing, and reflects an attitude of can-do and cooperation that sets the standard for both the oil industry and the public sector.*"

Even with the activities in Texas, GMS was available and standing by to respond when another client's vessel grounded in Honolulu, Hawaii during the same timeframe.



Federal On Scene Commander, Captain J.J. Plunkett, USCG speaks with Jason Maddox, Environmental Unit Leader for Gallagher Marine Systems.



Members of the Unified Command listen to the morning Operations Brief in the Incident Command Post.



26JAN10

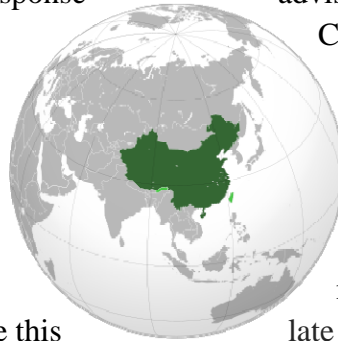


27JAN10

Comparison photos of oiled shoreline and clean-up progress from 26 and 27 January 2010.

CHINA REGULATION ON THE PREVENTION AND CONTROL OF MARINE POLLUTION FROM SHIPS

Under CLC1992, Bunkers Convention of 2001; the Marine Environment Protection law of the People's Republic (PR) of China; and the Maritime Code of The PR of China, the *China Regulation On The Prevention And Control Of Marine Pollution From Ships* has been passed. This requirement will regulate Discharge & reception of oil pollutants, Oil pollution planning; Coordination of response to pollution incidents; Compulsory insurance; Waste dumping; Investigation & compensation of pollution incidents; Supervision of the loading, lightening & discharging of polluting hazardous cargoes among other things. The regulatory body empowered to enforce this requirement is the Maritime Safety Administration (MSA).



Generally speaking, this regulation applies to the operators of all ships carrying polluting and hazardous liquid in bulk, and other ships of 10,000+ GRT in Chinese waters. In addition to the aforementioned administrative burdens, regulated vessels are required to enter into contracts with MSA-approved pollution cleanup companies. The requirement establishes four levels of response which contractors can achieve based on their ability to respond to spills of increasing size. As of this issue, we are aware of no such contractors that have been approved nor do we know if there are or will be any National or Regional pollution cleanup companies similar to National Response Corporation (NaRCO) and Marine Spill Response Corporation (MSRC) in the United States.

Designation of a pollution cleanup company has been the main concern for many of our compliance partners as clarifying information has

been difficult to obtain. We believe China will soon publish regulations implementing this requirement which will clarify, among other things, the respective pollution response levels and establish clear guidelines for compliance.

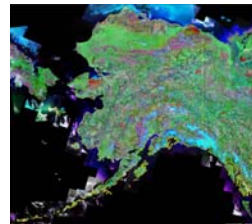
As many of you know from various advisories from the International Group of P&I Clubs, your respective P&I Clubs and via Gallagher Marine Systems (GMS) worldwide Regulatory Seminars, this regulation was to become effective 1 March of 2010. However, the 1 March 2010 effective date was postponed for a minimum of three months through approximately 1 June 2010. In late April, we received word via various advisories from P&I Clubs and other sources that this requirement has been further postponed in anticipation of MSA issuing additional clarification within the next three months. It is expected that MSA will address contractual requirements and response standards regarding pollution cleanup companies. Once MSA publishes their clarification, we have been advised that companies will have an additional three months in which to contract with one or several, depending on your trade patterns, pollution cleanup companies.

We look forward to reviewing the implementing requirements for the pollution response contractors to allow shipping companies a better understanding of the regulations and a firm compliance deadline. However, until such time that this occurs, shipping companies will not be able to enter into a pollution response contract as the compliance parameters have not yet been determined. Presently, your best course of action is to maintain close communications with your P&I

China Regulation (continued)

Club(s) who have been efficient in distributing information about this subject. If you should have

any questions for GMS, please direct them to the attention of our Thomas J. Wiker via our general email account: info@chgms.com.



SALVAGE & MARINE FIREFIGHTING REQUIREMENTS

UPDATE - ALTERNATE PLANNING CRITERIA FOR ALASKA

The new Salvage and Marine Firefighting requirements for U.S. Vessel Response Plans (VRP) make revisions necessary for existing Plans. The revisions must be submitted to the U.S. Coast Guard by February 22, 2011, but not before September 1, 2010. Gallagher Marine Systems is coordinating with the U.S. Coast Guard and major Salvage and Marine Firefighting providers in preparation for VRP revision submittals.

It appears that the USCG is now committed to establishing Alternate Planning Criteria for Alaska. There are two driving forces; the yet-to-be-issued non-tank vessel response plan regulations and the anticipated compliance problems associated with not having a defined process for obtaining NTVRP approvals for Alaska when these regulations become effective; and the existing lack of a defined VRP approval process for tank vessels calling or transiting Alaska waters. To this end, USCG Sector Alaska has established a Workgroup tasked with “fast-tracking” the development of Alternate Planning Criteria (APC) for both tank and non-tank vessels. The initial focus of the Workgroup’s efforts has been on establishing APC for tank vessels operating in the Aleutian Islands. We are cautiously optimistic that the USCG will adopt the recommendations of the Workgroup and that the resulting APC will be based on a rational assessment of available resources and will specify prevention measures that are practical and can be reasonably implemented. The Workgroup was scheduled to present their recommended APC for tank vessels operating in the Aleutian Islands to the USCG on 25 May. If accepted by the USCG this APC will likely be serve as the model framework for establishing APC in all areas of Alaska.

Specific requirements are described in 33CFR Part 155 Subpart I – Salvage and Marine Firefighting.

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=3878ead218d1b4a26197e93a91801433;rgn=div6;view=text;node=33%3A2.0.1.5.24.9;idno=33;c=ecfr>

The U.S. Coast Guard also recently provided the document linked below, answering some of the Frequently Asked Questions about the new requirements.

https://homeport.uscg.mil/cgi-bin/st/portal/uscg_docs/MyCG/Editorial/20100319/Salvage%20and%20Marine%20FF%20Regulation.FAQs_2.pdf?id=bdd3f7f93eeb19fe94d4c6f42b2ebba67f8b82c7

For more information, please send an email to info@chgms.com



SPECIAL FEATURE

THE DELAWARE BAY AND RIVER COOPERATIVE, INC.

Delaware Bay and River Oil Spill Emergency Response – Article by Rich Gaudiosi

In 1977 members of the Oil and Transportation Industries in the Delaware Valley joined to found what has emerged today as the Delaware Bay and River Cooperative. The “DBRC” is a not-for-profit corporation organized to respond to and offer protection from oil spills in the Delaware Bay and River area. It is the responsibility of DBRC to plan for and respond to oil spills on water for its members in the Delaware Valley from the mouth of the Delaware Bay to the Betsy Ross Bridge in Philadelphia, PA.

DBRC Membership

DBRC and its members work together to provide efficient response solutions in case of oil spill emergencies in the Delaware Bay and River. The DBRC offers two classes of membership; Regular Membership and Subscriber Membership for vessels entering the Delaware Bay and River. The DBRC is mostly funded by its Regular Members who receive, produce, or transport oil on the Delaware River and Bay. These members include Sunoco Logistics, Sunoco Inc., OSG, ConocoPhillips, Valero, and NuStar.

DBRC also offers a Subscriber Membership option. The Subscriber Membership was established to permit vessel operators to obtain coverage by DBRC on a per-voyage basis. Voyage coverage covers the vessel for the entire trip in the Delaware Bay and River from the time the vessel enters the Delaware Bay until it departs for sea. The Subscriber Membership also includes average most probable discharge coverage for vessels lightering at Big Stone Anchorage.

Skimming is provided by the DBRC Oil Spill Response Vessel (OSRV) fleet and other skimmers in the inventory. The 166 ft. OSRV DELRIVER, stationed in Roosevelt Inlet, is manned 24 hours a day. The DELRIVER can be in Big Stone Anchorage in less than an hour from notification,

is equipped with 4,800 feet of ocean boom, twin LORI 5 brush skimmers, 3,000 barrel storage capacity, and a derated oil recovery capacity of 13,750 bbl/day.



OSRV DELRIVER



OSRV DELBAY

Membership Benefits

DBRC has worked closely with the various shipping agents and QIs like GMS to make it easy for vessels to establish voyage coverage. DBRC’s coverage provides access to all of the DBRC’s extensive resources, in addition to equipment available from other OSROs. DBRC is classified as an OSRO (Oil Spill Removal Organization) in the Delaware Bay and River and also in ocean response, and also offers coverage for offshore lightering. Membership features include:

- Membership established in 1982 to provide reliable, full-time coverage for vessels entering the Delaware Bay.
- Vessel Owners & Operators can obtain DBRC Coverage per voyage.
- Services expanded so that Spill Management Companies can obtain Voyage Coverage for client vessels.
- Subscribers are covered throughout their voyage in the Delaware Bay and River.
- DBRC is ready around the clock and has two response hubs strategically located in the Delaware Bay and River to deploy effective booming strategies, and skimmers.

DBRC can be contacted by calling +1 610 859 2830 or by going to www.dbrcinc.org.