

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA**

UNITED STATES OF AMERICA * **CRIMINAL NO.: 10-172**
V. * **SECTION: "C" (1)**
STANSHIPS, INC. *

FACTUAL BASIS

The United States of America and defendant **STANSHIPS, INC.** ("STANSHIPS") hereby agree that this Joint Factual Basis is a true and accurate statement of the defendant's criminal conduct, that it provides a sufficient basis for the Defendant's plea of guilty to the charges contained in the Bill of Information in the above captioned matter and as set forth in the plea agreement signed this same day, and had this matter proceeded to trial, the following facts would be established through competent evidence and testimony:

Defendant **STANSHIPS** was a ship management company with a registered address in the Marshall Islands and with a corporate office located in Athens, Greece, that was engaged in the business of operating cargo ships, one of which was the *M/V Doric Glory*. The *M/V Doric Glory* was

a Panamanian flag vessel that regularly transported cargo between Jamaica and the Port of New Orleans.

APPS Violation

The operation of large marine vessels or bulk cargo ships like the *M/V Doric Glory* generates large quantities of oily waste water and oily sludge. Oily sludge is generated during the process of purifying fuel oil, lubricating oil, and other petroleum products so that these products can be used in the engines on board the vessel. The oily sludges generated as a result of this process must be stored on board the vessel in sludge tanks. These sludges could be burned on board the vessel through the use of an incinerator or offloaded onto barges or shore side facilities for disposal. Engine department operations also generate large quantities of waste oil due to leaks and drips from the engine's lubrication and fuel systems. This waste oil combined with water, detergents, solvents, and other wastes, accumulated in the bottom or the "bilges" of the vessel to form an oily waste water.

The United States is part of an international regime that regulates discharges of oil from vessels at sea: the International Convention for the Prevention of Pollution from Ships, as modified by the Protocol of 1978 (the "MARPOL Protocol"). The MARPOL Protocol is embodied in numerous agreements that the United States has ratified and implemented into law by the Act to Prevent Pollution from Ships (APPS), Title 33, United States Code, Sections 1901, *et seq.* APPS makes it a crime for any person to knowingly violate the MARPOL Protocol, APPS, or regulations promulgated under APPS. These regulations apply to all commercial vessels operating in United States waters or while at a port or terminal under the jurisdiction of the United States, including vessels operating under the authority of a country other than the United States. APPS regulations

require that vessels of more than 400 gross tons, such as the *M/V Doric Glory*, fully maintain a document known as the Oil Record Book in which disposals of sludge and waste oil, and overboard discharges of oil contaminated waste are recorded.

The United States Coast Guard, an agency of the United States Department of Homeland Security, is charged with enforcing the laws of the United States and is empowered under Title 14, United States Code, Section 89(a) to board vessels and conduct inspections and investigations of potential violations and to determine compliance with MARPOL Protocol, APPS, and implementing regulations. Coast Guard personnel rely on crew member statements and vessel documents when conducting inspections and investigations. The Coast Guard is specifically authorized to examine a vessel's Oil Record Book to determine, among other things, whether the vessel has operable pollution prevention equipment, such as the oil/water separator, and whether the vessel discharged any oil or oily mixtures in violation of MARPOL, APPS, or any other applicable federal regulations.

From a time beginning at least as of December 15, 2009, and continuing through May 14, 2010, the *M/V Doric Glory's* oily water separator, the piece of equipment which was to be used to prevent oil pollution by proper disposal of the oily waste water, was not operational.

From at least December 15, 2009, through early May 2010, engineering crews aboard the *M/V Doric Glory* regularly discharged oil contaminated machinery space waste directly overboard through the use of a pipe that was part of the ship's original design but which was used to deliberately circumvent the oily water separator. Oil contaminated waste was illegally discharged overboard from the *M/V Doric Glory* approximately once a month on the voyages between Jamaica and the United States.

The engineering crews aboard the *M/V Doric Glory* knowingly failed to maintain an accurate Oil Record Book as required by MARPOL. Specifically, the illegal discharges of oil contaminated bilge waste were not recorded in the Oil Record Book. Additionally, false entries were recorded in the Oil Record Book to make it appear that the oily water separator was being used and was operational. The false Oil Record Book was presented to the U.S. Coast Guard during an inspection in New Orleans on May 14, 2010, to determine the ship's compliance with MARPOL. The ship's crew was unable to demonstrate the operation of the oily water separator during the Coast Guard's inspection.

The engineering crew of the *M/V Doric Glory* also made false entries in ship records that claimed that the incinerator was used daily to burn oily sludge and trash. However, the incinerator was not operable and the only way in which it was used was to use the incinerator like a fire place and to burn engine room debris by manually lighting a fire in the incinerator chamber.

Clean Water Act Violation

The *M/V Doric Glory* had an oil leak in its stern tube. The problem was known to the crew since at least the middle of April, 2010 when the ship was in dry dock in Mexico. As a result of the leak, lubricating oil needed to operate the ship leaked into the stern tube and then overboard when the ship was operating. The oil was leaking from the stern tube to such an extent that the engineers had to add approximately 400 liters of oil after each four hour shift. This also represented approximately how much oil was being discharged overboard. The leak continued when the *M/V Doric Glory* entered United States waters, including the internal waters, navigable waters, contiguous zone and exclusive economic zone of the United States, during its last voyage into the United States in May

2010. The crew of the vessel was aware that operation in U.S. waters would result in the discharge of oil. The knowing discharge of a harmful quantity of oil from the *M/V Doric Glory* was not reported to the United States Coast Guard or National Response Center as is required, nor were the discharges recorded in the Oil Record Book.

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

As an authorized representative of Defendant Stanships, Inc., I have read this Joint Factual Statement and carefully discussed every part of it with criminal defense counsel for Stanships, Inc. I hereby stipulate that the above Joint Factual Statement is true and accurate, and that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.

Authorized Representative Date
Stanships, Inc.
Defendant

I am counsel for Stanships, Inc. I have carefully discussed every part of this Joint Factual Statement with the authorized representatives of Stanships, Inc. To the best of my knowledge it is a true and accurate factual statement and provides a sufficient factual basis for charges set forth in the Bill of Information and Stanships, Inc.'s guilty pleas as set forth in the Plea Agreement.

Michael G. Chalos Date
Defense Counsel
Stanships, Inc.