5 April 2004

MARINE OPERATIONS NOTE: 3/2004

RE: The USCG and enforcement of the ISPS Code

Dear Owner/Operator:

We have attached a letter from Admiral Collins the Commandant of the U.S. Coast Guard to the Liberian Registry regarding their ISPS enforcement posture. The USCG expects all vessels visiting the US to be in compliance by 1 July 2004. They have already started an inspection program to determine a vessel’s progress toward compliance with the Code and are issuing warnings to vessels operators who have not yet started to work toward compliance.

During a training course for Security Auditors that we held last week the USCG restated their position and informed us that their Port State Control Examination now includes:
- Verification of ISSC, CSR and security records,
- Observation of Security practices on board the ship, and
- Questioning of crew regarding Security Procedures.

In the letter from Admiral Collins and during the presentation at the auditor’s course, the USCG stated that all vessels calling on US ports on and after 1 July 2004 will have to have a USCG inspection for compliance with the ISPS Code. The following diagram is their process flow diagram:

Port State Control: Process Flow

- Consistent application of guidance
- Flexible use of appropriate control actions
- “Show-me” implementation on 01 July
The advance notice of arrival provided to the USCG will include whether or not a vessel has an International Ship Security Certificate. As of 1 April 2004, if your vessel indicates the certificate has been issued, it may well be boarded and subject to examination for compliance with the ISPS Code by the USCG before 1 July 2004. This will be to your advantage as vessels which successfully pass a USCG ISPS Compliance examination prior to the deadline will find it easier to enter US ports on or after 1 July 2004 while other vessels are lining up for examination.

As indicated below, the matrix for determining which vessels will be examined will be amended on 1 July 2004 to include a higher priority to vessels which have not been inspected and found in compliance with the ISPS Code.

### ISPS/MTSA Compliance Targeting:

<table>
<thead>
<tr>
<th>Ship Management</th>
<th>Flag State</th>
<th>Recognized Organization</th>
<th>Vessel History</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISPS 1</td>
<td>7 points</td>
<td>ISPS I</td>
<td>ISPS I</td>
</tr>
<tr>
<td>Ship management associated with a major control action in the past 12 months</td>
<td>Flag State has a CAR of 5% or more</td>
<td>RSO has a Car of 5% or more</td>
<td>ISPS related denial of entry/expulsion from port in the last 12 months</td>
</tr>
<tr>
<td>5 Points</td>
<td>2 Points</td>
<td>5 Points</td>
<td>ISPS II</td>
</tr>
<tr>
<td>Ship management has a CAR of 5% of more or is MOC target listed</td>
<td>Flag State has a CAR of 1% to 5%</td>
<td>Ship Management has a CAR of 1% up to 5%</td>
<td>No ISPS compliance examinations within the last 12 months</td>
</tr>
<tr>
<td>2 Points</td>
<td>2 Points</td>
<td>2 Points</td>
<td>5 Points</td>
</tr>
<tr>
<td>Ship Management has a CAR of 1% up to 5%</td>
<td>Flag state associated with 20 or fewer examinations in the past 3 years beginning July 1, 2004</td>
<td>Ship Management has a CAR of 0.5% up to 1%</td>
<td>Vessel has a CAR of 1% or more</td>
</tr>
<tr>
<td>2 Points</td>
<td>2 Points</td>
<td>2 Points</td>
<td>2 Points</td>
</tr>
<tr>
<td>Ship Management associated with 10 or fewer examinations in the past 3 years beginning 1 July 2004.</td>
<td>RSO associated with 20 or fewer examinations in the past 3 years beginning 1 July 2004.</td>
<td>Vessel has a CAR of 0.5% up to 1%</td>
<td>Vessel has more than 1 but 10 or fewer ISPS Compliance Examinations in the past 3 years beginning 1 July 2004</td>
</tr>
</tbody>
</table>

**NOTE:** CAR stands for Control Action Ratio (Number of Control Actions/ Number of Vessel Arrivals)
The ISSC will be accepted as valid unless the USCG determines the ship may not be in compliance. If it is determined that there are clear grounds for questioning the validity of the ISSC, the USCG will:

- If in Port:
  - Do an expanded examination of the ship’s security procedures,
  - Restrict the movement of a ship,
  - Detain a ship, or
  - Expel a ship from port
- Before arrival
  - Delay entry or
  - Deny entry.

For additional information concerning Port State or US Coast Guard issues, you may contact Mr. Timothy M. Keegan as +1 703 251 2409 or email: safety@liscr.com.

For questions concerning the ISPS Code, please contact Mr. Pini Shwartz at +1-703-251-2405 or email: security@liscr.com

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