



JANUARY 29, 2008

CIRCULAR NO. 04/08

TO MEMBERS OF THE ASSOCIATION

Dear Member:

**NEW ARRANGEMENTS IN REGARD TO THE RESOURCING OF VESSEL
CONDITION SURVEYS**

Your Managers are pleased to announce that an agreement has recently been concluded with Noble Denton Ltd. aimed at streamlining the arrangement of P&I condition surveys throughout the world and, in the process, reducing their cost.

Cost and payment of surveys

The cost P&I condition surveys has hitherto been negotiated on an individual basis and the full expense absorbed by the Member. By entering into the agreement referenced above for the provision of survey resources worldwide, it has been possible to reduce the unit cost chargeable to Members to a fixed amount per survey.

Accordingly, all P&I condition surveys arranged under the provisions of the contract in question will be invoiced to Members at US\$ 3,000 in full. All follow-up surveys will be invoiced to Members at US\$ 2,000 in full.

Invoices issued to Members for surveys are payable to the Association within 30 days of issue.

Other service providers

In the event that it is impossible or inconvenient to arrange a survey under the terms of the contract with Noble Denton Ltd., and subject to the Managers' discretion and prior approval, Members have the liberty to use another Club-approved surveying organization. In such cases, the full costs of the survey and any associated fees will be for the Member's account and should be settled directly with the surveyor and/or correspondent concerned.

Required survey procedures

The following survey procedures form the basis upon which surveyors will act in fulfillment of the Club's requirements in this area.

1. Upon receiving instructions for a P&I condition survey the assigned surveyor will liaise directly with the Member / Broker / Master to ensure that the survey requirements and attendance schedule are clearly understood and that the vessel will be in light condition during the scheduled survey. For an initial survey of a bulk carrier, general cargo, reefer or container vessel the Club requires as a minimum, the completion of the following inspections / tests:
 - Ultrasonic testing of all cargo hatch covers, hold access ways and vents.
 - Thorough visual inspection of all cargo hatch covers.
 - Hydrostatic pressure testing of all ballast tanks adjacent to cargo spaces.
 - Internal inspection of a minimum of 50% of Double Bottom and Top Side ballast tanks.
 - Bilge suction and hold flooding alarm tests.
 - Function tests of emergency generator, emergency fire pump and engine room bilge flooding alarms.

For tankers the following requirements apply:

- To be presented cargo and gas free.
 - Internal inspection of a minimum of 50% of cargo and ballast tanks.
 - Pressure testing of cargo lines and heating coils where fitted.
2. A preliminary survey report consisting of Part A & D in the correct pdf format along with hatch cover report forms (where applicable) should be submitted to the Club not more than 24 hours following initial attendance. Part A should clearly define all areas inspected and those still outstanding. Part D should reflect all outstanding deficiencies and tests still pending. (Part A & D are not much more than a good advice, but it is essential that we receive this information in a timely fashion in order that the Club may reserve its position where defects are more serious). It is required that hatch cover report forms clearly identify the open hatch value (OHV) and all positions and values in excess of 10% of the OHV.
 3. Where a full P&I survey has been instructed then a final report consisting of Part A, B, C & D plus photographic attachments covering all deficiencies identified and final hatch test report should be complete and submitted to the Club within one (1) week of final attendance.
 4. Where a follow-up P&I condition survey has been instructed then the final report should just consist of Part A & D plus photographic attachments and hatch report form (where applicable). Follow-up survey reports should be issued not more than 24 hours following attendance. In the case of a follow-up survey running on, an initial report consisting Part A & D should be issued and the comments section of Part A should clearly indicate that the survey is still progressing and

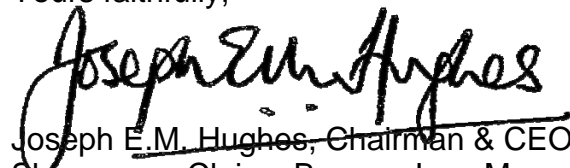
that further attendance is required / in hand. The Club should then be kept advised by email of the schedule for further attendances and any pertinent updates. The final report (Part A & D) should then be issued not more than 24 hours following final attendance.

5. All reports and correspondence should be directed to surveys@american-club.com
6. The Club only accepts satisfactory ultrasonic test results as proof of weather-tight integrity. Hose testing is no longer accepted. All surveyors should be suitably trained and certified for the ultrasonic equipment being used. The surveyors should hold copies of their certificates at all times and make them available for perusal at the request of the Member.
7. Ultrasonic equipment should be regularly calibrated as per manufacturer's guidelines and a copy of the current calibration certificate should accompany the equipment at all times so that it can be made available for perusal at the request of the Member.
8. The surveyor's main function is to identify deficiencies and potential sources of liability for the Club. Any deficiencies identified should be made the subject of permanent repairs only. The surveyor should never recommend or agree time limits for rectification of these permanent repairs.
9. Staff surveyors should normally be used for all condition surveys. All sub-contractors are to be identified and must be approved by the Club prior to deployment.

Further information

For further information, please contact Captain Richard Gayton, Principal Surveyor, Survey Compliance Department for the Shipowners Claims Bureau, Inc. at Tel: +1 212 847 4508, Fax: +1 212 847 4596 or surveys@american-club.com.

Yours faithfully,



Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for

THE AMERICAN CLUB