

Soundings

Safe ♦ Responsible ♦ Reliable ♦ Efficient

Team HMS,

As I am going through security at the San Francisco airport and waiting for my flight to London, I thought I would share with you some of my reflections. For the last 20 years, many of us have been building a company that will serve our nation and our industry for hopefully, many years to come.

The first time I boarded a plane to London for our insurance renewal, we had a fleet of two single screw tugs and two single hull barges. Our fleet value was only a million dollars (if that) and we were not big enough to be in a billion dollar P&I Club. Our competitors had also threatened the Clubs that if they allowed us into their Club, they would withdraw their much larger fleets from the group.

Our four vessel fleet was only serving the Puget Sound Region. We had 11 or 12 employees, none of them on a schedule and most were part time. We did not have any Safety and Compliance Officers, spill plans, ISO programs, shore side support, steady moorage, fulltime bookkeeping, maintenance program, IT department, procedures or a procedure manual, training programs, inspection forms or inspectors. Come to think of it, we did not even have a computer.

We also did not have any contracts or charters. We only had one customer Pacific Northern Oil, whom we shared with Crowley. Crowley and Foss shared about 95% of the bunker market in the Puget Sound and probably 99.9% of the market on the US West coast.

Today, our 500 employees operate 70 plus tugs and barges in 5 states. We are a member of the UK P&I Club, the most financially sound and respected mutual Club.

Today, we have ISO/ISM certifications and we are considered a leader in our industry for being "bunkering specialists".

Today, our IT department has developed systems and has brought technology to our vessels and offices.

Today, the HMS team has developed quality managers, operators, administrators, operation specialist systems, procedures, manuals, spill plans, training programs, audit requirements, inspection forms and requirements.

Today, we dominate the West Coast and NY harbor bunker markets.

Today we have what I think is the best group of people to work with in the Marine business.

Today, we have the reputation of being the "Good Guys" in all markets we serve.

Today, we have customers all over the world and we are known for quality service, quality people, quality equipment and a quality corporate good neighbor.

Today, our fleet value is approximately \$250 million and we are building another \$100 million of new double hull barges.

I am proud of all of our accomplishments and I am grateful to be a part of this company and team.

However, like you, I am not content with standing still or basking in our glory. Like you, I want to work harder at making HMS even better. Better for our employees, our customers, our vendors, our industry and our shareholders.

I would like to congratulate and thank each you for your loyalty, dedication, leadership, expertise and commitment to HMS. Together, we will work to make HMS exceed our goals, our dreams and expectations. I will return to Seattle the evening of the 31st. I am counting on all of you to keep at our pursuit of professionalism in everything we do. I look forward to seeing your bright shining faces in February.

May God Bless and keep you and your families all well.

Harley Franco, Founder and Chairman

Forwarding this on to all of our readers...

Chemoil Customer Update

January 10th , 2008

Dear Friends and Colleagues;

Thank you for the many kind, and thoughtful, telephone calls and emails expressing your condolences to the Chemoil Group and the Chandran Family. Your heartfelt words are warmly received and greatly appreciated. Many have asked if there will be a memorial service in the United States for those that would like to pay their respects to Robert Chandran. A memorial service will take place in San Francisco in the near future and once details are finalized we will make this information available to those who wish to attend.

With the passing of Robert Chandran, and in lieu of flowers, you may wish to contribute to the "Robert Chandran Memorial Fund" which will be disbursed to Mr. Chandran's favorite charities supporting diabetes management and research. If you wish to contribute to this valuable cause you may wire your contribution directly to JPMorgan Chase Bank (*see details below).

Additionally if you would like to send your condolences to Chemoil and the Chandran Family this can be done on our website (www.chemoil.com).

Once again, thank you for the kind support during this bereavement period.

Sincerely,
Chemoil Group

*JPMorgan Chase Bank N.A. Singapore
168 Robinson Road
14th Floor, Capital Tower
Singapore 068912
Swift Address: CHASSGSG
Account No.: 0111945617
Account Name: Robert Chandran Memorial
Fund



HMNY Barges Chabria Sea and Chrestensen Sea in front of New York's skyline attributing Mr. Chandran with their flags flown at half mast. All HMS vessels and offices flew their company flags at half mast on Tuesday, January 22, 2008, the date of Mr. Chandran's celebration of life service.

Forwarding this on to all of our readers...

December 15, 2007

Dear Friends,

Recently we received sad news from our good friend Ted Blanckenburg and his wife, Caroline, concerning their seventeen year old daughter, Rosie. Rosie sustained a severe spinal cord injury a little over a week ago. Doctors anticipate that Rosie will be recovering in the hospital for a number of months. The injury will necessitate her use of a wheelchair going forward.

We have all been touched by Ted's uniquely sincere, upbeat, positive and humorous manner. But more importantly, Ted has always been the first person to reach out with a card, book or flowers to friends, family or coworkers when they have found themselves in unfortunate circumstances. Now we want to reach out to Ted, Caroline and Rosie with the same kind of support and care they have shown others.

Rosie will need a van equipped with a lift as well as some modifications to a bathroom in their home. We would love to be able to take care of these two necessary and costly items. We have set up a trust account for Rosie.

Our dream is to be able to hand the van keys over to Ted and his family at a luncheon in February at The San Francisco Bar Pilots office in San Francisco. Invitations with date and time to follow. If you are not in a position to help financially, a card with encouraging words would be welcome support.

Checks can be made out to "Rosie Blanckenburg" and mailed to Ted's sister, Kathy Bollinger, 336 Troon Drive, Napa, CA 94558. For further questions please call Milt Merritt at 510-772-7836.

Presently, we are trying to keep this a surprise and appreciate your help in that effort.

Thanking you in advance,

Captain Dennis Plant

Captain Marc Bayer

Milt Merritt

January New Hires “Welcome to the Team”

Olympic Tug & Barge

Dan Allnoch—Deckhand

David Cougher—Mate

Jordan Seals—Port Maintenance

Joseph Slayton—Port Mechanic

Thomas Ure—Deckhand

Public Service Marine

Quinn Butler—Deckhand

Starlight Marine Services

Christopher Kaufman—Tankerman

Westoil Marine Services

Justin Jabuka—Deckhand

CONGRATULATIONS!!

Please join us in congratulating Jonathan Mendes as the General Manager for Starlight Marine Services. He will report to Rod Gullickson, Chief Operating Officer for Harley Marine Services. Jonathan has 12 years experience in the towing industry and spent much of his childhood working in a shipyard for his cousin’s business. He started with Starlight Marine Services in September, 2006, as a Captain for the Royal Melbourne and was promoted to Port Captain in April, 2007. He has done an outstanding job and has repeatedly demonstrated his effective leadership skills. He will be a tremendous asset to Starlight and the Harley Marine Services family of companies. Please join me in pledging our support for Jonathan in his new position.

Congratulations, Jonathan!



FEBRUARY

HOLIDAYS

6TH—ASH WEDNESDAY

14TH—VALENTINE’S DAY

18TH—PRESIDENT’S DAY
(HMS OFFICES CLOSED)

Maritime Industry Appointments

Congratulations to the following people on their recent appointments:

- Deborah Franco, Vice President HR/Administration – Board of Governors, Propeller Club of LA/Long Beach Harbor
- Mike Curry, Director of Safety & Regulatory Affairs – Board of Directors, American Waterways Operators
- Doug Houghton, General Manager Southern California – Tug and Barge Representative, LA/Long Beach Harbor Safety Committee

February Anniversaries**Harley Marine Services**

Stephanie Wright—3 years
Mike Coon—1 year

Harley Marine NY

William Nicholson Jr.—1 year

Millennium Maritime

Josiah Layfield—1 year
Louis Mungaray—1 year

Olympic Tug & Barge

Larry Gladsjo—14 years
Adam Goodfellow—11 years
Tim Curley—10 years
John Kochis—10 years
Haldor Dahl—3 years
James Heckathorn—2 years
Thomas Hoats—2 years
Pete Sotelo—1 year
Tadeusz Prus—1 year

Pacific Coast Maritime

Chris Iszler—11 years
Paul Cagle—3 years

Public Service Marine

Urban Alexander—7 years
Lowell Swett—2 years
Brandon Brodecki—2 years

Starlight Marine Services

Jack Matievich—3 years
Jason Vogel—2 years
Douglas Anderson—2 years
Jordan May—1 year

Westoil Marine Services

Vincent LoGrande—8 years
Salvatore Manzella—8 years
Rosie Chavez—2 years
Joe Wilson—2 years

Happy Anniversary!

Cooking with the Captain

Captain Chris Starkenburg, Gyrfalcon

Creamy Gourmet Scalloped Potatoes

Ingredients:

- 1 large clove of garlic, minced
- 1 shallot, minced
- 3 tablespoons of melted butter
- 1 1/4 cups of milk
- 1 1/2 cups of whipping cream
- 1/2 teaspoon of salt
- 1/4 teaspoon of pepper
- 2 1/2 pounds of red potatoes, sliced 1/8" thick
- 4 ounces of Gruyere Cheese
- 1/4 cup of Parmesan Cheese, grated

Directions:

Saute the garlic, shallot and melted butter for 2 minutes in a large skillet. Add the milk, whipping cream, salt and pepper to the skillet and mix all the ingredients together. Add the potatoes and bring the mixture to a boil over medium heat. Transfer the potatoes to a 9x12 inch casserole dish. Add Gruyere Cheese and top with Parmesan Cheese. Bake at 350°F for 45 minutes. Let stand 20-30 minutes before serving.



Forwarded on behalf of Rich Padden:

Friends,

As you know Rich's sister Peggy lost her son Jake to a terrible disease called Fanconi Anemia. Her youngest son Spencer also has this fatal disease. She has devoted her life to trying to find a cure to help save Spencer, a sophomore at the University of Oregon. She has entered a contest and is close to winning \$50,000 for Fanconi Anemia research. She is asking everyone she knows to send in \$10.00 or whatever you want. To win the contest she needs to receive the most amount of donations, not the most amount of money raised.

Would you please help?

If you click on the network for good website at the bottom of this page it will go to her page. Then hit donate and follow the directions. Anyone with a credit card in their name can do it. Everyone in our family has done it, so that's 5 donors. I hate to ask, but I know that this means so much to Peggy. Peggy is organizing a Valentine's day run (the 4th annual) in memory of Jake in Portland in a couple of weeks. She also does a golf tournament and she's put on an auction. These events are helping her stay focused and frankly get out of bed each day. If you have a second we'd really appreciate your help. If you have questions let me know.

Thanks,
Laurie Padden

<http://networkforgood.org/pca/Badge.aspx?BadgeID=109128>
<http://networkforgood.org/pca/Badge.aspx?BadgeID=109128>>
<http://www.parade.com//givingchallenge?source=pressAGC>
<http://www.parade.com//givingchallenge?source=pressAGC>>

Westoil Marine Services

Brent Ralph—8th
Joe Wilson—11th
Jeffrey Salcido Sr.—18th

February Birthdays
Birthstone: Amethyst
Flower: Violet***Harley Marine Services***

Desiree Otsuka—9th

Harley Marine NY

Tony Terrell—4th
Brian Kelly—5th
Shane Harris—22nd

Millennium Maritime

Phillip Ruan—5th

Olympic Tug & Barge

Joseph Slayton—2nd
William Elton—3rd
Patrick Cunningham—6th
Haldor Dahl—7th
Craig Smith—7th
Anthony Schierman—11th
Johnny Parckys—12th
Daniel Colvin—13th
Leah Nelson—13th
Riley Dunnam—14th
Andy Borowski—15th
James Berge—16th
Wayne Allen—17th
Neil Billingsley—17th
Steven Carleton—20th
Ahmet Gumusyazici—21st
Tim Olson—24th
Robert Harmeling—27th
Ron Rustad—28th

Pacific Coast Maritime

Dennis Pinfeld—28th

Public Service Marine

Mark Abercrombie—7th

Starlight Marine Services

Tom Larsen—5th
Erick Ocasio—4th
Charles Jennings—10th
Summer Connelly—28th



Harley Marine NY Points of Interest

- Last month was the one year anniversary of Harley Marine NY, Inc. HMNY started barge operations on 1/6/07.
- In 2007, HMNY delivered over 1.4 million tons of bunker from Chemoil to 792 vessels in our initial year of operation.
- IMTT, the tankage company in NY Harbor, estimates that Chemoil/ HMNY has over 40% of the vessel bunkering business in the NY/NJ area.

The HMS Safety team is proud to present the new **HMS SAFETY SUGGESTION PROGRAM**.

This program is designed to promote a free dialogue between our crews in the fleet and management by asking for all-hands to give suggestions in areas where we can improve safety within all facets of the HMS Family of Companies.

The goal is to pick the best Safety Suggestion from each company once a month and reward that individual for his or her input. The rewards can be anything from Harley Marine gear to accessories that you can use on or away from the job.

All we ask is that you give this program your best effort at making good, sensible and well thought out suggestions that will help us all run a tighter, safer company. The SAFETY SUGGESTION FORM will be made available to you at each of your offices and onboard your vessels for use in the month of February.

Be safe out there and help your shipmates be safe too.

Mike Curry, HMS Director of Safety

JANUARY BIRTHDAYS AT SMS



STARLIGHT MARINE SERVICES HOSTED A BBQ FOR THEIR EMPLOYEES, DURING THE BBQ THEY CELEBRATED THE BIRTHDAYS OF STEVE FAGUNDUS, HAL ELZROTH AND JACK MATIEVICH (PICTURED ABOVE FROM LEFT TO RIGHT).

HARLEY MARINE GOES HOLLYWOOD

By: Michael Soskin, WMS Port Mechanic

Photo Credit: Nels Gorne, WMS Port Maintenance

Well, actually Hollywood came to Harley Marine! Nels and I happened to hop on board the Z-3 one afternoon with Captain Jay *"I am the King"* Carlin and Mate Raul *"Don't get my decks dirty"* Hernandez to bring in a 600 footer loaded with 187 foot tall cranes.

Before I start writing about this afternoon, I first want to say: the Z3, is my favorite tug. Jay being my favorite Captain and of course Raul, what needs to be said about a guy who always welcomes you on board with a smile.

So, we left the dock at three in the afternoon, making sure our tires were straight, the boat shiny and clean, everything in tip top shape on our way to meet the Tim Quigg to assist in bringing the cranes to their resting place under the Vincent Thomas Bridge.



Quigg looking good



Those are some tall cranes!



Cranes waiting in the flats



Time to put together a game plan

Once the game plan had been set, Captain Jay tightly snuggled the Z3 to the ship. Six inches of clearance off the bow, two feet off the ships ballast pods to stern. As usual, I was looking over Jay's shoulder asking questions (Jay is always happy to answer them). *"Jay how many feet does this ship draw?"*, *"Jay what is our window to get her under the bridge?"*, etc. I know I drive him crazy, but he just answers each question in stride.

Once underway and settled in, I noticed we had company out there. Of course we had the pilot boat, but, also a few harbor police boats running around with those on board dressed in riot gear, a Coast Guard boat loaded with deck mounted machine guns and a couple of heli's flying way to close to be normal. I asked, *"Hey Jay, what's with all the Fed's?"*. Jay, being a seasoned Captain smiled and casually stated, *"We're being filmed for the Discovery Channel!"* (Show will air on March 31, 2008).



Me looking over Captain Jay's shoulder



Locked in tight against the crane

Hearing this, I began to tuck my shirt in, straighten out my hard hat and of course clean up my Oakley's, hoping that if I am on camera, I won't end up on the cutting room floor.

Captain Jay went on to mention that we have a ten minute window where the tide will be low enough to allow the cranes to clear the bridge, by what he hopes will be a few feet. And, if we miss the bridge's arch center, we will all be looking for a new job. Down the main channel we went, lots of radio chatter, the docks, piers and eateries were all lined up with folks watching the action. Heck, I even noticed the prisoners at Terminal Island Jail had stopped their afternoon work outs to view this monster slowly going by.

The sun began to set as we made our way toward the Vincent Thomas Bridge; it was show time. Captain Jay pointed out the green light representing the bridge's arch center while waiting for the very lowest possible tide before moving on. I noticed that all overhead traffic had been stopped on the bridge, just in case we didn't clear the massive steel structure. A ship crew member who had climbed to the very top of the highest crane interrupted our radio, "OK" he says in excitement, "It looks like we have a few feet clearance". Captain Jay smiled as he looked at me, "Here we go buddy"!



Approaching the bridge



Z3 tucked in tight



Raul keeping watch

We began to move slowly forward. All eyes on shore, overhead and now the small fleet of boats watching were upon us. Inch by inch, we get closer to the bridge. I walk out to the Z3's foredeck and look up. Dang, I thought, this is going to be close, real close.

I watched as the highest point of the first crane passed under the bridge's edge. "*ALL CLEAR*" we heard over the radio, "*we have 54 inches of clearance*". Holy smokes, this is wild, I thought to myself.

The heli's and film crews were doing their stuff everywhere around us. Stretching my neck back, I stare up, as we continued under the bridge. "*Amazing*", I said out loud as if someone could hear me. This moment seems surreal, I thought how proud, lucky even, to be a part of this moment, even after all of my years on the water, this will be the story I will never get tired of telling.

I thought only minutes had passed as we finally cleared the last of the cranes under the bridge, though now it was dark, the sun long gone. I look up to the wheelhouse at Captain Jay, and gave him a big thumb up; he smiled and returned the gesture. What a rush, to say the least.



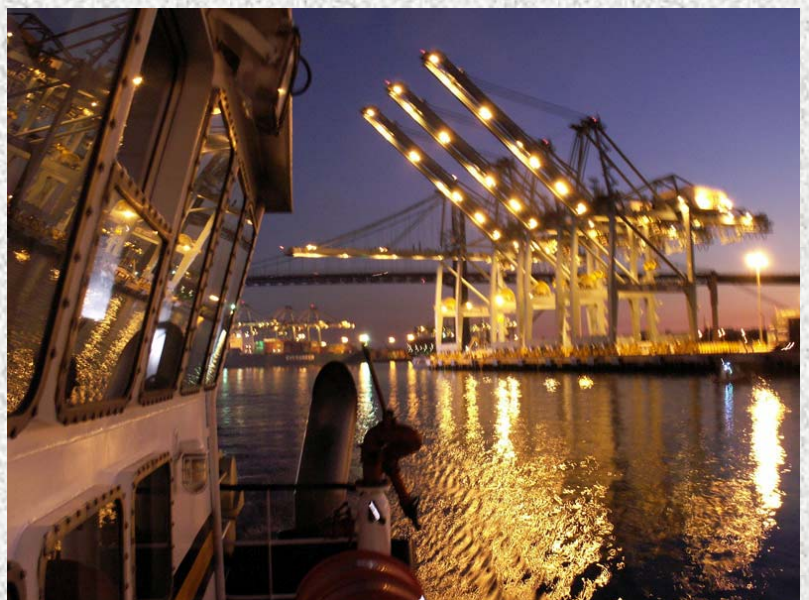
We began to turn the ship 90 degrees in the turning basin and pushed her into her berth, where the cranes will be unloaded and used for years to come.

"*ALL CLEAR, and a JOB WELL DONE*", I heard over the radio after making my way back up to the wheelhouse.

All of us were together, Captain Jay, Mate Raul, Nels and I, laughing and smiling from what I felt as relief. I looked at Captain Jay in awe, "*I am the King,*" he said jokingly.

We all laughed again as we made our way down the main channel. Nels and I thanked both the Captain and mate for the experience. "*Your always welcome guys, but do you mind if we drop you off at the office dock, we really need to get to our next job*"

All in a days work, I guess!



Q - Factor by Captain Jim Caspers
Director of Quality Systems
Harley Marine Services, Inc.

MOM Revision Highlights

Quality is all about “continuous improvement.” A major manifestation is in the revision of policy documents. Many “quality” processes reveal policies or procedures which may require revisions. Some of these processes are: Masters Review, Management Review, Nonconformity Reports and the Internal/External Audits. Incidents, accidents and Near Miss Reports should also trigger policy and procedure review.

Here is a brief synopsis of the Marine Operations Manual revisions you will receive shortly.

- ORIENTATION 02-100 is revised to add more specific detailed guidance for the orientation process.
- RESPONSIBILITY & AUTHORITY SHORESIDE 02-130 has an updated organization chart which adds Pacific Terminal Services and Dispatch.
- TRAINING 02-180 has been modified to more accurately reflect HMS actual practices regarding licenses, documents and training requirements. It has additional language regarding crew familiarization.
- LINES 06-205 has a new Dutch Harbor Addendum to reflect a specific business practice.
- MAKING UP TOWS 06-230 also has a new section entitled Minimum Line Requirements which gives direction for the minimum number and types of lines for making up alongside a barge.
- TUG ESCORT & VESSEL ASSIST 06-450 is augmented with a new section called Loaded Oil Barges - San Francisco Bay & Adjacent Inland Waters. This section covers horsepower and line requirements as well as environmental factors.
- OIL TRANSFER – BARGE 06-290 has removed all piping diagrams and barge tables which shortened the policy from 33 to 13 pages. The tables were incorporated into Attachment A enabling a one page reprint as new barges enter the HMS fleet. Special attention must be given to the section on page six of the policy which has new language for the Pre-Transfer Conference and DOI.
- PREVENTATIVE MAINTENANCE 06-370 has a new Calibration policy and procedure.
- WINTER PREPARATION 06-575 is a brand new policy. The goal of this is to ensure that vessels and crews are in full readiness for cold and severe winter weather. This policy has an accompanying form, WINTER PREPARATION CHECKLIST which is one of five new forms in this revision package. The other new forms include: CREW EVALUATION , FORKLIFT TRUCK INSPECTION REPORT, MOBILE HYDRAULIC CRANE INSPECTION REPORT and the BARGE INSPECTION FORM – MANNED. A new FORMS INDEX for the Forms Book will be provided. Special care must be taken to ensure that only the latest version of all forms is in the Forms Book and the ships computer. Outdated forms cause audit findings.

You will be receiving new revisions for the Marine Operations Manual very soon. Remember that these are “controlled documents” and as such require careful treatment (See January Soundings Q-Factor column).

See you on the water!

QSMS - Q & A

Where can I verify the latest issues of QSM Forms?

MOM DOCUMENT CONTROL 02-040 Attachment A

A new form is for “MANNED” Barges. Explain manned?

A barge in which the tankermen live aboard their tour.

January Employee of the Month

Shane Bonnin

Olympic Tug & Barge

This month's employee of the month is Shane Bonnin. Shane joined the Portland team a few years ago as an experienced deckhand. A short time later Shane began his tankerman training and now excels in both professions. Shane is noted for being especially observant out on deck. His overall awareness and understanding of barge operational issues has paid off time and time again. Shane lives in Vancouver Washington with his wife Kayla and son Bryson.

Michael Soskin

Millennium Maritime

Millennium Maritime would like to recognize Michael Soskin as the January employee of the month. Mike is a shoreside mechanic in Los Angeles and has proved to be a great addition to our Team. His welding and fabricating skills have amazed us. He takes pride in every job he does and his talent and experience are valuable assets to Southern California. Thank you Mike for all you do for us.

Edgar Martinez

Starlight Marine Services

The January employee of the month in Northern California is Edgar Martinez, a tankerman for Starlight Marine Services. Edgar is always willing to help out with projects on the barges and tugs. He has been flexible with his schedule and always has a smile on his face. Edgar is a great asset to the Starlight Marine Team and we thank you for all your hard work.

Thomas Matlock

Westoil Marine Services

The Westoil employee of the month is Thomas Matlock. Thomas is a scheduled Deckhand on the barges and works as an Engineer for MMI for extra work. Thomas is a true mariner with a wealth of knowledge in all aspects of our business. We are lucky to work with a professional and dedicated fellow worker, such as Thomas. Thank you, Thomas!

Congratulations to all of you, keep up the good work!

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Reliable, Efficient*

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