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January 14, 2002

Dear Client:

HAPPY NEW YEAR

In 2002 NRC will be celebrating its 10th Anniversary. In reflecting on the past decade, we are reminded of the many challenges and successes that have helped make NRC the service oriented company we are today. The continued support and suggestions from all of our clients have helped us grow from a startup company to one of the leading OSRO's responding to virtually all major US spills.

Over the past decade we have seen a significant decrease in the amount of oil spilled in US waters as we have seen fewer large protracted spills. Many attribute this fact to the success of OPA 90. Others would also suggest that the implementation of the ISM code during this same period also had a substantial effect. However, while there has been a reduction in spilled oil in the US, new and proposed regulatory requirements both at the federal and state levels continue to place a heavier financial burden on response companies to expand their resources. Yet, despite new regulatory demands, NRC has worked hard to control costs while maintaining the highest level of USCG OSRO classification and response readiness for our clients.

NRC continues to increase our resource base in all of our operating areas. To meet new state demands for more resources on the West Coast, NRC has positioned a new 110' response vessel on the remote peninsula of Neah Bay, WA. This vessel will be best positioned to respond to spills in the Strait of Juan de Fuca. Further, we have enhanced our response capability in the San Francisco Bay area by positioning the NRC COLUMBIA in the bay and we have established a new regional office in this location. We have also hired an area manager to specifically service the San Francisco and Southern California regions. The addition of this area manager will be helpful in keeping us updated on any future regulatory issues in California. We currently have repositioned our former Neah Bay response vessel in Astoria, OR to replace the repositioned NRC Columbia. We are also close to finalizing an arrangement that will give us access to a combined salvage and oil spill response vessel in this region.

NRC's partnership with Foss Environmental Services in early 2001 has greatly expanded our coverage capability on the West Coast. NRC's own dedicated resources coupled with Foss' strong contractor presence on the West Coast are unparalleled in the oil spill response community.

USCG OSRO Classification Guideline Update

In a letter issued by the USCG, dated 14 December plan holders were updated on the new/revised OSRO Guidelines and plan holders responsibilities. The letter indicated that because of the events of Sept 11th the implementation of the new guidelines have been postponed until June 2002 and plan revision requirements until September 2002.



The USCG's letter references the new OSRO guideline requirements and a preliminary OSRO classification matrix on the USCG web site. This matrix is labeled and intended as "preliminary & unofficial" and please be aware it is just that. We understand that the USCG's intention was merely to display the new format and encourage plan holders to become familiar with the new guideline requirements. Unfortunately, the current display of data in the matrix gives a false impression there are major deficiencies in the national response system; if no adjustments or changes are made by the OSROs listed on the matrix.

Please be advised that NRC's classification satisfies your current plan requirements in all COTP areas and that the USCG is working with all OSRO's to transition into the new program. According to the most recent USCG circular dated January 11, 2002, it is our understanding that the USCG will soon be suspending the "preliminary/unofficial" OSRO matrix until OSROs participating in the classification program have had an opportunity to review and respond to the matrix as presented.

Proposed Salvage & Firefighting Requirements

Like many of you, we have been closely monitoring the USCG's proposal to place more stringent requirements for salvage and firefighting response on plan holders. At this time, it appears that the USCG will continue to study this issue and has officially suspended this requirement until February 12, 2004. However, we understand the USCG continues to move forward on these regulatory changes and we could see, as soon as this year, new requirements for plan holders. We also note that the acceleration of this timetable may be influenced by various state initiatives, particularly California. We understand that if the USCG does not take on this issue fairly soon, states like California may act on their own. It seems that we all agree that it would be preferable to have one uniform set of regulations on the subject of salvage and firefighting for the entire US administered by the USCG.

Because of the attention this issue has brought to the industry, Titan Marine has joined the Marine Response Alliance (MRA) and plan holders may no longer list Titan as their sole provider of Salvage & Fire Fighting services effective 1 Jan 02. In addition to Titan's announcement, we understand SMIT America has decided to eliminate OPA 90 compliance coverage effective 1 Jan 02. We understand from a recently issued SMIT letter that this new policy is in direct reaction to the effective change from a regulatory planning standard to a performance standard as required in the unannounced drill programs now in place in some states such as California and Washington.

As a result of Titan and SMIT's decisions, a new organization has emerged as a competitive alternative for OPA 90 Salvage & Fire Fighting compliance services. This organization is known as the National Fire Fighting & Salvage Team (NFAST) or "TEAM." TEAM is comprised of Fred Devine Diving & Salvage, Marine Hazard Response (a joint venture of William Fire Fighting and Wild Well Control) and FOSS Environmental/Maritime. The TEAM provides national and state specific coverage and appears to be particularly well suited to provide services on the US West Coast where this issue appears to be of the most concern.

We will continue to keep you informed on these and any other regulatory changes. Fortunately, we see no immediate change that would effect our operations or pricing. We



continue to hope that recent trends by states to enact redundant and more stringent requirements over accepted OPA 90 standards will not result in increased costs for both the plan holders and responders. Further, we hope that these trends will not necessitate any radical change in our operations or future price structure.

September 11, 2001

The tragic events of September 11, 2001 will linger with us all for some time. We take this opportunity to thank you for the many e-mails offering condolence and best wishes immediately after the Sept. 11th attacks. It may be of interest to you that the NRC GUARDIAN, stationed in Bayonne, New Jersey, was put into service shortly after the collapse of the World Trade Towers, initially helping to evacuate people from lower Manhattan and later in transporting needed emergency equipment to the "ground zero" area. In addition, the GUARDIAN was put to work assisting the New York Fire Department in pumping water from the Hudson River to fight the fires at ground zero.

Because of the heightened concern for port security since September 11th, a number of our clients have asked NRC for help in providing their shore side facilities with security audits. We are also examining our wealth of resources from both contractors, who can respond to biohazard and hazardous substance recovery, to our consultants who have expertise in security matters. Our vast and diverse resources will enable us to address these new security concerns.

International Operations Center

We note that many of our customers are now using the web to communicate with our International Operations Center (IOC) when reporting drill events or providing us with vessel notifications and AMPD requests. As a reminder, our IOC can be reached via e-mail at iocdo@nrcc.com. For those of you not able to send us communications via the Internet, we are still happy to accept your faxes and telexes.

In closing, I would like to remind you that our Client Services staff is always available to handle all of your requirements. Please do not hesitate contacting Mike Reese, Vice President of Ship Owner Services or Deborah Wick our Client Services Manager if you need any assistance.

Thank you for your continued support and may you have a prosperous new year.

Best regards,

A handwritten signature in black ink, appearing to read "Steve Candito".

Steve Candito
President