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CLIENT ADVISORY LETTER 2004-01
June 17, 2004

REGULATORY UPDATE:
PANAMA, NON TANK VESSELS, CALIFORNIA & GREAT LAKES

Dear Client:

Changes to the Panama Canal Authority PCSOPEP Requirements

The Panama Canal Authority (ACP) has finalized changes to their PCSOPEP requirements and announced that their organization will be the sole provider of oil spill emergency response services to vessels transiting through Canal waters, according to an ACP advisory released on June 4, 2004. This change is a reversal of the ACP requirement issued in August, 2003 (and postponed in November) that would have mandated vessels to identify and contract with a local Oil Spill Removal Organization (OSRO) and Qualified Individual (QI) to meet specified Tier response requirements.

In order to fund the necessary response equipment for this newest requirement, the ACP will charge a transit fee to both tank and non tank vessels carrying cargo or fuel oil of 400 metric tons or more. The fees have not yet been published but will be based on the vessel's tier classification and hull construction.

Further, the final requirement has replaced the Qualified Individual component of the PCSOPEP with an Authorized Person (AP) requirement. The AP will be required to reside in Panama, will act as liaison between the vessel and the ACP, and will have authority to call out oil spill response resources on behalf of the vessel.

Vessel owners will be expected to be in compliance with these new PCSOPEP requirements by January 1, 2005, and as of that date, vessels must submit their PCSOPEP plans 96 hours prior to their first visit to Canal Waters. More information regarding the ACP requirement can be found at <http://www.pancanal.com/esp/maritime/advisories/a-25-2004.html>.

After last summer's announcement that the ACP would require vessels to contract with a private OSRO, National Response Corporation (NRC) surveyed the regions' response capability and was prepared to supplement existing capability to meet the proposed requirements on our clients' behalf. We are still available under our existing contract to provide back up capability in Panama should the need arise, but we will not provide



compliance services since vessel owners must obtain this service from the ACP. However, NRC has expressed interest in assisting the ACP as a subcontractor for spill response services in the Canal region should the ACP decide to look to private contractors to provide this service to them.

Non Tank Vessel Agreement with Skuld P & I Club

NRC has signed a non tank agreement with the Skuld P & I Club. Under this new agreement, Skuld non tank vessel members can now cite NRC for OSRO compliance in California as well as all other U.S. ports (except Alaska) at no direct charge to the vessel owner. With the addition of this latest P & I Club agreement, NRC is now providing compliance to more than 5,200 non tank vessels trading to the U.S. through our agreements with Gard, Japan, London Steamship, North of England, Standard, Steamship Mutual, Skuld, The Swedish Club, UK Club and the West of England P & I Clubs.

NRC, First OSRO to Receive OSPR Rating under California's New Regulations

We are also pleased to announce that earlier this year NRC was the first OSRO to receive a full OSRO rating by California's Office of Spill Prevention and Response (OSPR) under the state's revised OSRO regulations. NRC received this rating after successfully completing an unannounced drill on March 9, 2004 near Benicia, CA in the San Francisco Bay area. NRC received high praise from OSPR for our response performance during this exercise. The success of the unannounced drill was due to the rapid response given by NRC and our wholly owned local subsidiary, NRC Environmental Services. Our team of well trained responders deployed 10,800 ft. of boom, 7 response vessels and a temporary storage barge, provided by the Foss Maritime company, well in advance of the regulatory time requirements. With this new OSRO rating, which will be valid through March 15, 2007, NRC will continue to provide our customers with quality OSRO compliance throughout the U.S. West Coast.

NRC OSRO Classification for the Great Lakes and the Duluth COTP

For those clients trading to the Great Lakes and into Lake Superior, we are pleased to announce that the USCG has given NRC full classification, MM through W3, in the Duluth COTP zone. This makes NRC the only OSRO with this classification giving us the distinction of providing vessel clients total coverage in all COTP zones. The Duluth area has long been a concern for the USCG because of the few response resources available in this area. NRC has closed that gap by placing 3,000 feet of boom, a skimmer and temporary storage in Duluth. In addition to Duluth, NRC holds full classification in all other Great Lakes COTP zones including Buffalo, Chicago, Cleveland, Detroit, Milwaukee, Paducah, Sault Ste. Marie, and Toledo.

To help us ensure that timely response is available to our customers calling to Duluth, NRC welcomes Environmental Troubleshooters as the newest member of our



Independent Contractor Network (ICN). We look forward to working with the response team at Environmental Troubleshooters (ET), who will be responsible for maintaining and deploying NRC response equipment in the event of a spill for NRC and ET customers in this region. We hope that our presence in the area along with NRC's access to additional spill response resources, utilizing our ICN network, will greatly increase the response capability in the Port of Duluth.

For more information please contact Mike Reese at (631) 224-9141, ext. 309 or via email at mreese@nrcc.com or Deborah Wick at extension 109 or via email at dwick@nrcc.com.

As always, I welcome you to contact me directly, if there is anything I can do to assist you.

Sincerely,

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

Steve Candito
President