

CLIENT ADVISORY LETTER 2011-06**December 3, 2011****RE: China Maritime Pollution Regulation**

Dear Client,

We write to provide you an update regarding the China Maritime Pollution regulations and news that Resolve Marine Group, Inc., a U.S. based salvage and marine firefighting company, has formed a joint venture in the port of Shanghai, China to provide oil spill response services in compliance with the new China regulations.

Under the new regulation, which has been in force since March 1, 2010, tank ships calling in China will be required to have a contract with one of the approved Chinese oil spill response organizations (SPROs). The regulation requires tank vessel operators to have SPRO contracts in place by January 1, 2012. However, to date, China's Maritime Safety Administration (MSA) has not released the list of approved SPROs for the many Chinese ports covered by the regulation.

The requirement to contract with an approved response contractor applies to tank ships carrying polluting and hazardous cargoes in bulk and any other vessels above 10,000 GT. The regulation also contemplates four levels of response contractors based on their capability to respond to spills of increasing size.

Last week in Beijing, the International Tanker Owners Pollution Federation (ITOPF) met with representatives from the MSA, the International Group of P&I Clubs (IG), and CACEM – an umbrella organization representing the Chinese oil spill response contractors, to discuss the pending regulation. Based on ITOPF's recent meeting summary, we can advise that shipowners will likely be charged retainer fees based on the number of days a vessel is within a covered port. The fees could be costly if vessels are in port for several days at a time or make multiple calls to China each year. Both ITOPF and the IG voiced concern that fees from the many SPROs could be significantly higher than what shipowners currently pay in the U.S. We note, however, that US based OSRO fees are extremely cost effective having actually decreased in price since their origination in 1993.

In addition, the IG is continuing to work with the MSA on an acceptable clean up contract to be used with the approved SPROs. Both the IG and ITOPF have said that the short timetable for approving a contract and having shipowners in compliance with the regulation before the 1st of January will be a tall task.

Given this tight window, we are pleased to pass along the attached circular from Shanghai Resolve Shengmin OSRO Company (SRSOC), a new joint venture between Resolve Marine Group and Shanghai Shengmin Shipping Service Company. SRSOC is offering reasonable fees



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and is certified to the highest OSRO category by the MSA as a “Level 1 SPRO” for the Shanghai service area. SRSOC has also organized a response organization for the ports of Dalian, Tianjin, Qingdao, Ningbo, Xiamen, and Shenzheng within the Shanghai area.

For more information on the services offered by SRSOC, please see the attached circular or email them at info@srsoc.com.

Please feel free to contact us if you need any additional information.

Sincerely,

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

Steven A. Candito
President