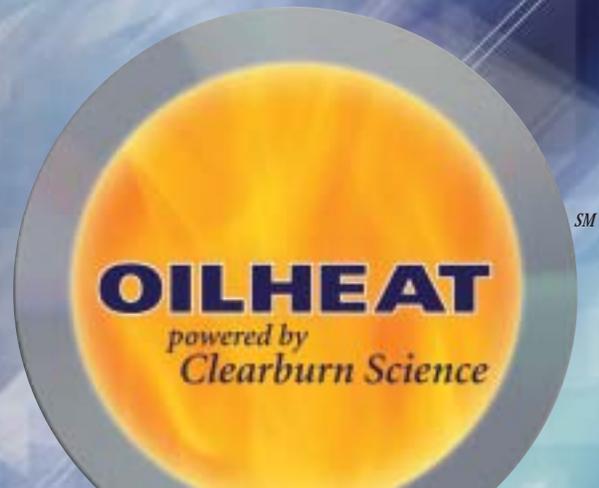


NORA

NATIONAL OILHEAT RESEARCH ALLIANCE

ANNUAL REPORT YEAR 2002

RECOGNIZING
ACHIEVEMENT





NORA moved quickly in 2002

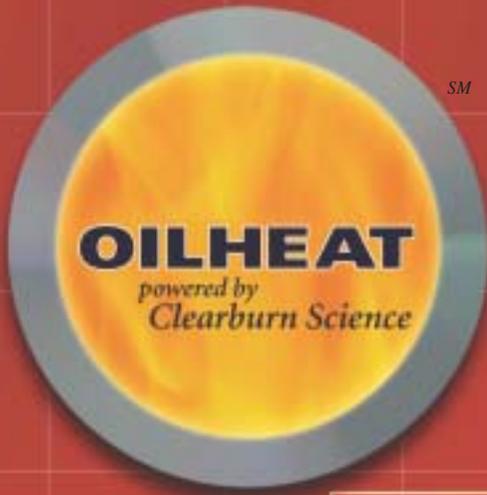
to initiate new programs and provide tangible products to the industry. The diverse activities of research and development, education and training, and consumer education need to be coordinated to ensure success. In similar fashion, state and local associations must work together closely and effectively to create maximum value for the Oilheat industry and its consumers.

Don Allen, E.T. Lawson & Sons, Hampton Falls, Virginia, serves as 1st Vice Chairman of NORA. He is the primary coordinator of the aforementioned efforts within NORA through his service on each of the committees. This enables NORA to recognize when a project should be transitioned to another committee for further action.

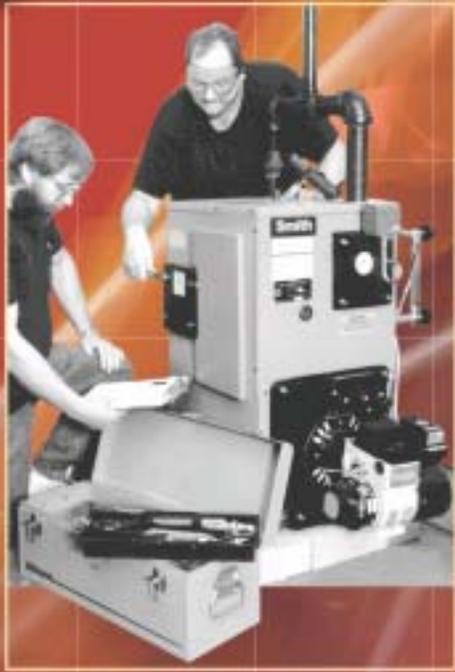
2002

The building blocks for Oilheat are research and development for the advancement of Clearburn Science, technical training and education within our industry, and the vital component of consumer education.

NORA undertook major initiatives in these areas during 2002 demonstrating the Alliance's capacity to fulfill its mission, with several notable achievements.



SM



"Oilheat America" was launched by NORA in 2002 as the website resource for the consuming public and continues to rank among the top findings by Internet search engines under "Oilheat."



Robert Greenes
Chairman



John Huber
President



Don Allen
1st Vice Chairman



Peter Carini
2nd Vice Chairman



Jim Pierson
Consumer Education



Robert Boltz
Education & Training



Doug Woosnam
Industry R&D

Officers of the National Oilheat Research Alliance

President: John Huber, National Oilheat Research Alliance, 211 North Union Street, Suite 100, Alexandria, VA 22314

Chairman: Robert Greenes, Petroconsult, Inc., 75 Morris Lane, Scarsdale, New York, NY 10583

First Vice Chairman: Don Allen, E.T. Lawson Co., P.O. Box 249, Hampton, VA 23669

Second Vice Chairman: Peter Carini, Champion Energy, One Ramada Plaza, Suite 801, New Rochelle, NY 10801

Secretary: Jack Sullivan, New England Fuel Institute, P.O. Box 9137, Watertown, MA 02471

Treasurer: John Maniscalco, New York Oil Heating Association, 14 Penn Plaza, Suite 1202, New York, NY 10122

NORA Board of Directors

*Mr. Don Allen (03)
E.T. Lawson and Son, Inc.
Hampton, VA

Mr. Jeff Arntson (05)
Albina Fuel Co.
Vancouver, WA

Ms. Debbie Baker (04)
Crystal Flash Petroleum Co.
Indianapolis, IN

Mr. Rudy Ballard (05)
Reinhardt Corp.
West Oneonta, NY

*Mr. John Beckett (04)
R.W. Beckett Corp.
Elyria, OH

Mr. Carl Benker (03)
Wood's Heating Service, Inc.
East Providence, RI

Mr. Marc Bingham (04)
Roy Brothers Oil
Ashburnham, MA

*Mr. Bob Boltz (03)
Vincent R. Boltz, Inc.
Lebanon, PA

Mr. Roth Bullock (04)
Bullock Oil Company
Pendleton, KY

Mr. Edward Bulmer (03)
Irving Oil
Portsmouth, NH

*Mr. Peter Carini (03)
Champion Energy Corp.
New Rochelle, NY

Mr. Steve Clark (03)
Genesee Fuel & Heating Co.
Seattle, WA

Mr. Charles Ermer (04)
Palmer Gas Co./Ermer Oil
North Salem, NH

Mr. Don Farrell (03)
Oilheating
Parsippany, NJ

Mr. Boyd Foster (04)
Sunoco, Inc.
Aston, PA

*Mr. John Fuquay (05)
Berico Fuels
Greensboro, NC

Mr. Joe Glick (04)
Heating Oil Partners
Darien, CT

Mr. Larry Goldstein (04)
PIRF
New York, NY

*Mr. Robert Greenes (05)
Petroconsult, Inc.
Scarsdale, NY

Mr. Daryl Hackman (03)
Farm and Home Oil Company
Telford, PA

Ms. Allison Heaney (04)
The Energy Conservation Group LLC
College Point, NY

*Mr. Michael Hopsicker (03)
Agway Energy Products
Syracuse, NY

Mr. Gene Jacobus (04)
Jacobus Energy
Milwaukee, WI

Mr. Chris Keyser (05)
Owner Services, Inc.
Proctor, VT

Mr. Marc Lacasse (03)
Augusta Fuel Company
Augusta, ME

Mr. Anthony Losquadro (03)
Vijax Fuel Corp.
Brooklyn, NY

Mr. Bob Luby (03)
Tosco Marketing & Distributing
Linden, NJ

Mr. Jeff Lykins (05)
The Lykins Companies
Milford, OH

Mr. Jon Madsen (04)
Allied Washoe
Reno, NV

Mr. William McCarthy (05)
Blarney Castle Oil Co.
Bear Lake, MI

Mr. Roger McDonald (05)
Brookhaven National Laboratory
Upton, NY

Mr. Michael Meadvin (04)
Castle Oil Corp.
Harrison, NY

Mr. Ed Miller (05)
Skylands Energy Service
Raritan, NJ

Mr. Ralph Mills (04)
Abbott & Mills, Inc.
Newburgh, NY

Mr. Tom Murray (04)
Alaska Aerofuel
Fairbanks, AK

Mr. Ed Noonan (05)
Noonan Energy
Springfield, MA

Mr. Frank Olivo (04)
Blue Ribbon Fuel
Clifton, NJ

Mr. Richard Phelps (05)
Carroll Independent Fuel Company
Baltimore, MD

*Mr. Jim Pierson (05)
J.W. Pierson Co.
East Orange, NJ

Mr. Doug Quarles (03)
Quarles Petroleum, Inc.
Fredericksburg, VA

Mr. Ron Sabia (04)
Transmontaigne
Roswell, GA

Mr. Tom Santa (04)
Santa Fuel, Inc.
Bridgeport, CT

Mr. Steve Scammon (05)
Sprague Energy
Portsmouth, NH

Mr. Ed Scott (05)
Scott Oil Co.
Manchester, MA

Mr. Frank Sestito (03)
Total Energy Solutions LLC
Portsmouth, NH

*Mr. Irik Sevin (03)
PETRO
Stamford, CT

*Mr. Richard Silfka (03)
Global Companies LLC
Waltham, MA

Mr. Chris Smart (04)
Webber Energy
Bangor, ME

Mr. Peter Smith (05)
NYSERDA
Albany, NY

Mr. Donald W. Steward (04)
W.B. Steward & Son, Inc.
Woodbury Heights, NJ

Mr. Dennis Straw (05)
Eildon Associates LLC
White Marsh, MD

*Mr. Jack Sullivan (03)
New England Fuel Institute
Watertown, MA

*Mr. Jim Townsend (04)
Townsend Oil
Beverly Farms, MA

Mr. Dan West (05)
Brico of Idaho, Inc.
Twin Falls, ID

Mr. John Willey, Jr. (04)
Peninsula Oil Company, Inc.
Seaford, DE

*Mr. Douglas Woosnam (03)
SICO Company
Mount Joy, PA

Mr. Ray Works (03)
Southern States Cooperative, Inc.
Richmond, VA

Mr. Leonard C. Zvorsky (05)
Newcomer Oil Corporation
Elizabethtown, PA

(03) Term Expires 12/03

(04) Term Expires 12/04

(05) Term Expires 12/05

*Member of Executive Committee

The National Oilheat Research Alliance

(NORA) entered its second year with great enthusiasm, after a very successful first year. Despite the warm winter of 2001/2002, NORA was able to fund many significant initiatives, which have developed into programs finding extensive use within the industry.

In 2002 the NORA Board established a research subsidiary corporation, the National Oilheat Research Institute (NORI), which is dedicated solely to developing research programs. This single-minded focus enabled this corporation to establish and undertake several priorities for the industry. First among them was the continued study of fuel performance. Historically, the fuel component of the Oilheat system has not been systematically evaluated for its impact on Oilheat customers.

Thus, the research started in 2001 and 2002 is long term and requires study in a variety of areas including mechanical features; tank maintenance and installation; fuel removal from tanks; and chemical reactions (between storage containers and the fuel). NORA also launched a study on tanks to ensure that the industry has the in-depth knowledge base to make correct decisions on issues relating to tank installation and maintenance.

In the education and training area, NORA developed several materials that are proving invaluable. The *Basic Oilheat Technician's Manual* was rewritten and redesigned. This manual is now user friendly, up to date, and precise. An accompanying teacher's guide, released in 2003, serves as the basis for a "Train the Trainer" program. These two publications, accompanied by the Oilheat Certification Program, create a foundation for NORA's education and training programs. Several training videos, including how to respond to a no heat call and how to perform a proper tune-up, supplement these written materials.

NORA is also continuing the employee recruitment program in partnership with the National Association of Oil Heating Service Managers (NAOHSM).

In the Consumer Education area, NORA launched a major broadcast and print media campaign, exposing consumers to the reality that Oilheat is the best heating option. This effort was based on the consumer research conducted in 2001 and has helped establish the guideposts for NORA in 2002 and 2003. NORA's relationship with the state associations is working exceptionally well. Each of the NORA states has worked to define the local characteristics of their region and develop responsive materials. This reinforces NORA's capacity and stated goal to create a unified program for each market.

The sound budgeting established by the Finance Committee has served NORA well. NORA's costs have been within budget for the second straight year. This sound planning has in turn enabled stable planning by each of the states and regional bodies that comprise the Alliance and oversee local programs.

Looking forward into 2003, NORA's momentum continues. The consumer education campaign that we envision from the Martin Agency will better reflect today's Oilheat industry. NORI has received proposals that will help the industry advance, and NORA continues to develop and issue many innovative and functional educational products that the industry can put to good use.

Finally, and perhaps most importantly, NORA continues to enjoy widespread industry support. This allows NORA to utilize the resources of companies and their employees among whom are the finest Oilheat professionals. We are exceedingly grateful for the growth in this support and recognition and look to NORA to provide new and continued beneficial services to millions of Oilheat consumers nationwide.

Robert Greenes, Chairman, NORA
John Huber, President

On the R&D front, the establishment of the National Oilheat Research Institute (NORI) as an affiliate of NORA is a significant development. Because the scope of original research that NORA can undertake on its own is limited by budget and manpower, the role of NORI to study, encourage and facilitate the coordination of research by third parties takes on added value. In its first year of activity, NORI has entertained discussions with refiners, wholesale suppliers, and other parties with the aim of understanding how low sulfur heating oil affects equipment. A perspective on this issue from the Chairman of NORI is within this annual report.

The creation of new and updated training materials for both existing and new entry technical personnel is one of NORA's more prominent achievements. A newly revised 400-page *Oilheat Technician's Manual* has been published and is complemented by a new instructor's guidebook and visual aids. Professional video tapes dealing with service responses to heating troubleshooting, system tune-up and efficiency procedures, and fuel delivery were authorized and are now available via the NORA Fulfillment Center. More titles are in the concept and production stages.

For the first time ever, the Oilheat industry now has a resource center for products and materials that serve as marketing and consumer information aids, training items, and business education tools. NORA has operated a full service shipping center since the fall of 2002 which can be accessed by downloading a Pdf file from the industry site, www.nora-oilheat.org, or the NORA Education Center site, www.noraed.org.

The Oilheat industry gained extensive visibility and positive exposure with the introduction of consumer education campaigns via broadcast media and print collateral in 2002. The advent of Clearburn Science was introduced in Oilheat marketplaces via broadcast mediums, while supporting materials identifying Oilheat as "the clear choice" were introduced to all Oilheat marketers in the respective NORA states.

2002 was a very productive year.

With support from NORA, the National Association of Oil Heating Service Managers (NAOHSM) has initiated an extensive program to encourage Oilheat as a career choice, including CDs, literature, banners for vocational schools, and local outreach by NAOHSM chapters.



The NORA Consumer Education Committee

launched the largest national consumer education campaign in the history of the Oilheat industry in 2002. The campaign's primary message was that Oilheat had made significant progress and was a much cleaner and more environmentally friendly fuel than the majority of people realized. The intention was to present consumers with new information.

The campaign employed a variety of resources. Home and Garden Television, a national cable operator, broadcast information throughout the country. Additionally, the cable medium was supplemented with spot television and radio in each of the markets. In select markets, print and billboards supplemented these efforts.

In addition to the broadcast media, NORA published and distributed a variety of materials for the industry to use. These included truck decals featuring the "Clearburn Science" logo, and an array of direct mail materials, all of which remain available to dealers from the NORA Fulfillment Center.

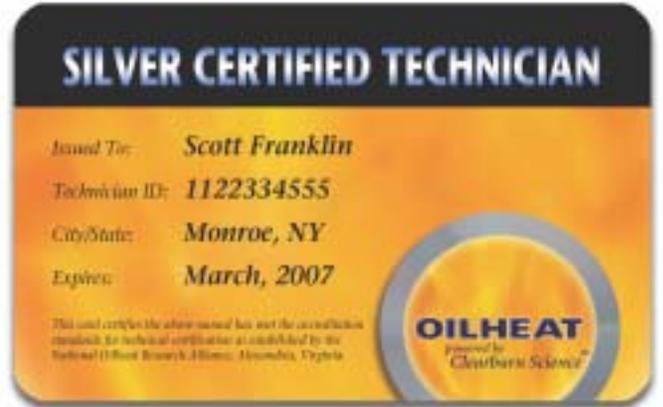
As reported to the industry, the 2002 campaign was based on extensive research conducted in 2001. Subsequent to the running of the campaign, further research was utilized to evaluate the effectiveness of the campaign. The results showed that those persons who had been exposed to the message had increased awareness and satisfaction with Oilheat.

We are particularly pleased that NORA was able to develop a message that could be used throughout the country. The research demonstrated that the consumer view of Oilheat is fairly uniform throughout the country and that exposure to a message regarding "clearburn" will improve consumer understanding of the fuel.

In 2003, we will deliver messages that continue to expand consumer awareness of equipment upgrading, and we will provide better communications to affiliated companies and individuals, such as home inspectors and realtors, so they have a better understanding of Oilheat.

Jim Pierson, Chairman





hydronics radiant
hydro air
steam warm air
controls filtration

With the aim of creating a true national certification program for Oilheat technicians, NORA assumed operation of the former PMAA effort and established the NORA Education Center to administer certification procedures.

All No. 2 heating oil companies that remit the \$.002 per gallon assessment to NORA are entitled to benefit from the education programs and certification process established by NORA. The education programs are designed to be universal to all Oilheating personnel whose companies contribute to NORA.

The certification program is a valuable teaching tool. Technicians that are better educated can do the job correctly the first time, leading to fewer callbacks. NORA encourages continuous training and education support in order for technicians to reach their full potential. This provides a sense of pride and achievement, and keeps technicians up-to-date with the latest in home heating technology. Well-educated technicians are a pathway to satisfied customers that help make Oilheat successful.

To attain Silver status, a technician must have three years of verifiable experience in the field and successfully take the Silver exam. The Gold status level is for Silver certified technicians seeking recognition for advanced skills (beyond basic burner installation and servicing). Certification under both programs is good for a period of five years. Technicians need to take a minimum of 24 hours of training over that time to be recertified.

The NORA Education Center website explains the certification program in detail and enables technicians enrolled in the program to look up their certification status online at www.noraed.org. Information is also available from most Oilheat associations since many state and regional groups conduct courses or develop materials under the NORA initiative, or are able to provide referrals. Inquiries can be directed to the NORA Education Center via e-mail to info@noraed.org or phone to 1-866-924-1100.

nozzle pressure
flash point
firing rate combustion
temperature

heating oil
viscosity
fuel properties
spray pattern
pour point

Growth in Oilheat education

was at the forefront of many state and regional associations' use of NORA funds. Several training sites around the nation have been either newly established or refurbished for that purpose. The re-energized enthusiasm in the technical sector is attributable to the introduction of the new *Basic Oilheat Technician's Manual*, videos, and increased recognition of Oilheat by the general public from NORA-funded consumer education projects. The new Connecticut training laboratory pictured below is one of several Oilheat facilities dedicated in 2002.



NORA's new training videos

are a valuable component of training at schools, colleges and especially at in-company training sessions. Several thousand videos are now in use throughout the industry.

The first two videos deal with a response to a no heat call from a customer and proper burner tune-ups respectively. NORA's newest video "Fuel Delivery" is now available and will prove to be an important training and information aid.

The video is designed to serve as a learning guide and demonstrates the safe, clean and spill free delivery of fuel oil. The step by step process illustrated includes reporting to work on time; the use of personal safety equipment; the initial review and sorting of delivery tickets; thorough pre-trip safety inspections; driving courtesy; loading and delivery procedures; dealing with spills; and the completion of all necessary paperwork.

Special emphasis is placed on the importance of safety and a thorough understanding of emergency procedures, DOT regulations and Guide 128 of the DOT Emergency Response Guidebook.



Sharing this video with delivery personnel can help companies improve customer relations and demonstrate to workers that Oilheat employers are concerned with overall safety procedures.

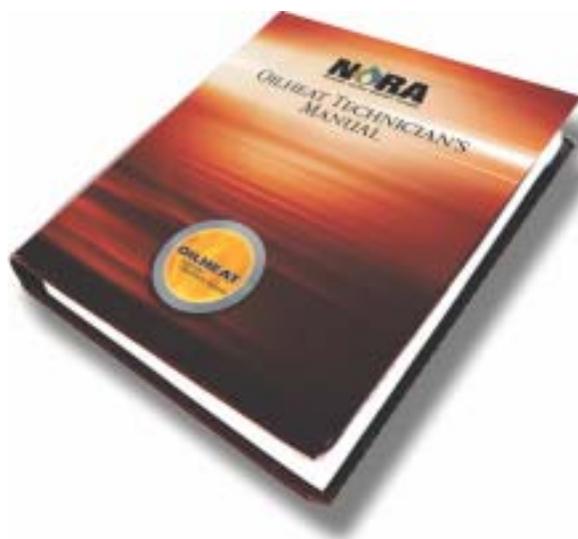


The NORA Education and Training Committee has met and exceeded all objectives.

That it has been able to accomplish so much within a relatively short time span, and make available new and dynamic training materials for the betterment of Oilheat management and staff, is a tribute to the commitment of this segment of NORA.

A recap of NORA Education and Training products generated over the last eighteen months is impressive. NORA has:

- Assumed complete responsibility and oversight for Oilheat's Technician Certification Program from the Petroleum Marketers Association of America (PMAA) and Ferris State University with the establishment of the NORA Education Center (www.noraed.org). A Bronze apprentice level of certification has been added to the existing Silver and Gold Certifications.
- Produced a directory of known Oilheat training resources. A Pdf file is available on NORA and NORA Education Center websites.
- Created the "Oilheat Industry Roadmap" working with Brookhaven National Laboratory, the U.S. Department of Energy and the NORA R&D Committee.
- Distributed a Technician Recruiting CD and brochure created by NAOHSM.
- Published the newly updated 400-page *Basic Oilheat Technician's Manual* along with exams for Silver and Gold Certification to reflect the upgraded content of the manual.
- Released the *Instructors Guide Book to the NORA Oilheat Technician's Manual*.



- Produced *The No-Heat Call*, *The Tune-up*, and *Delivery Procedures* training videos. Environmental response videos are underway.
- Oversaw development of the "Clearburn Science" information package containing consumer-oriented pamphlet, accompanying video with industry message tag for Oilheat personnel and consumer research results. One set was mailed to every Oilheat company within the states and regions that make up the National Oilheat Research Alliance (NORA).
- Published the *Model Insurance & Risk Management Policy Manual* specifically for Oilheat companies.
- Supported enhancement of the "Build With Oil" Partnership and presence at major home building shows in Atlanta and Las Vegas the past two years.
- Sponsored publication of realtor guides

to Oilheat and a companion pamphlet for new and prospective homeowners highlighting tangible benefits of Oilheat.

As a postscript, a 2-day NORA training workshop, attended by eighty of the Oilheat industry's top educators from across the country, including Alaska, was conducted early in 2003.

The new *Instructors Guide Book to the NORA Oilheat Technician's Manual*, the Oilheat Technician Certification Program, and the NORA training videos, were all reviewed before the educators, whose input was solicited for future materials. A new training and specifications requirement for the Gold level of certification is under development, as is a Management Workshop for fall 2003.

The Committee continues supporting the "Build With Oil" and Realtor programs and is considering the launch of new initiatives and outreach to home inspectors.



Robert Boltz, Chairman



Oilheat Visions 2002

NORA's vital industry role was on view with our participation at the innovative "Visions" conference,

Providence, RI in August of 2002. This major new venue provided the opportunity to show how the high profile consumer education and marketing of Oilheat ties in with the many high efficiency advances by heating system and controls manufacturers.

The technology components to this first ever Visions conference set the agenda for several key research initiatives assumed by NORI, NORA's new research affiliate.

The conference put all the pieces together to identify the marketplace events, the fuel quality and the technology creating new momentum for Oilheat. Special tie-in presentations of the Technology Symposium of Brookhaven National Laboratories helped make Visions a resounding success, drawing representatives from Oilheat companies across the country. Based on the favorable response, future Visions conferences are in the planning stage.

The Visions conference was jointly sponsored by NORA, New England Fuel Institute, Petroleum Marketers Association of America with participation by Brookhaven National Laboratories and the U.S. Department of Energy. Highlights of this conference, and the information derived, enabled NORA and its respective state organizations to make appropriate planning going forward into 2003 and beyond.

National Oilheat Research Institute

2002 Project Summaries

Projects Approved and Underway:

Fuel Performance Study: In 2001 NORA allocated monies to Brookhaven National Laboratory for a Fuel Study, of which the Fuel Performance Maintenance Update continues under the guidance of Tom Santa, Santa Fuels, Bridgeport, Conn.

The following projects are being initiated during 2003: a lab study on the impact of copper in the fuel delivery system; an evaluation of after market additive performance; an assessment of the cleanliness of fuels along the distribution system; best practices for tank, piping, filtration, and nozzles; and an assessment of fuel quality changes during summer storage. Various industry task forces have been working on fuel quality projects for the last several years.

Electronic Smoke Tester: NORI is funding two separate projects — a Bacharach/Beckett Proposal; and an Insight/Testo Proposal. Doug Woosnam, SICO, and Ray Albrecht, NYSERDA, are overseeing this project.

Sulfur Reduction: John Batey has written a comprehensive report that identifies and validates existing data on the advantages of low sulfur distillate product. Peter Carini, Champion Energy and Chairman of NORI, and Jack Sullivan, New England Fuel Institute are coordinating this effort.

Fuel Storage Tanks: The North Carolina Petroleum Marketers Association is studying heating oil storage tanks under guidance from NORA.

NORI has also allocated funding for membership in OWI, the German counterpart to the research arms of NORA and Brookhaven National Laboratory. Tom Butcher of Brookhaven and Ray Albrecht represent NORA at OWI visitations and conferences. Low burn firing rates and ultra low sulfur fuels are now the norm for much of western Europe.

Projects awaiting tentative approval by NORI include:

Low Firing Rate Burners Applications and Field Tests and Consumer Energy Council of America (CECA) proposals to work on behalf of NORA to facilitate research aims and NORA's public outreach objectives.

Items under consideration include participation in an International Oilheat Conference, scheduled for September 17 in Aachen, Germany. This is a joint project with the US DOE, Brookhaven National Laboratory and OWI.

NORI is also considering a delivery practices study during calendar 2003.

Peter Carini, Chairman

I started in this industry 43 years ago, at which time eighty percent of the eastern home heating market was oil. Competing energy sources represented a small percentage of the market.

Being involved in the residential side of the business, I saw where our industry was heading, witnessed the clean air evolution that really started back in the '60s, and became aware of the clout of competitive marketing dollars. I reflect upon these when we survey consumers today to learn what they think of Oilheat.

The positive side... is that customers like us as Oilheat companies. They like the people that they deal with... but they think our fuel is not as clean as it should be. And that's why the NORA consumer education programs are directed towards our image. We are "cleaner" than most people realize.

Going back to my experience years ago, the heating oil industry became tarnished by its contentment with the fuel and equipment in place. Following WWII, there was a rapid conversion of homes from coal to oil and a lot of them were just burner conversions, not total system replacements. By even the standards of a few decades back, the units were inefficient. But it is the image of older oil-fired systems that has unfortunately, and incorrectly led to the perception that remains with many consumers.

The oil companies who are in business today who properly service their customer base and sell, install, and service new systems are the ones who are successful and can look forward to a bright future. They are satisfying customers due to the quality and efficiency of the heating equipment installed. These are responsible oil companies who service customers on a timely basis and keep this equipment running efficiently.

So, what are we doing at NORI? We are trying to come up with good testing equipment. We are trying to develop things that will make service technicians work more efficiently on tune-ups. We are hoping to introduce into our industry low sulfur fuel, which I don't think is an option, but a necessity.

Air quality commissions are not happy with the sulfur that we emit today and we know the oil industry worldwide is moving towards low sulfur products: low sulfur gasoline, low sulfur heating oil, low sulfur diesel fuel.

All of this is happening over the next four or five years. The technology is there. The investment has to be made. And the key to it is the fact that the diesel engine has become the preferred operating mode for automobiles manufactured in Europe, and may show evidence of growth here in the states.

The "Clearburn Science" promise of refined low sulfur heating oil



1.08% sulfur by weight

As the photographs from a Brookhaven National Laboratory study indicate, the rate of deposits on boiler heat exchangers decreases significantly with the use of low sulfur content fuel.

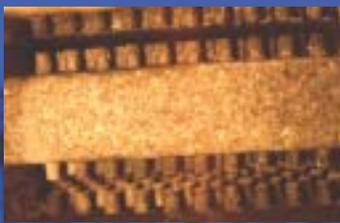
The conventional product many in the business still sell is labeled high sulfur heating oil. It's 3,000 parts per million. A number of years ago that looked like it was pretty low. When you get 500 ppm diesel fuel going down to 15 ppm —and that's going to happen—can you imagine the outcry if Oilheat remained at its current level?

My fellow NORI members and I are seeking to develop the demand for the product from the ground up. Approaching major refiners and asking them to produce a cleaner heating fuel is asking them to make a huge capital investment where they may not see a promising economic return. But if the demand comes from the marketplace itself, we trust the investments will be made. They will make the investment for diesel... we trust they will make the investment for heating oil. The demand will come from progressive Oilheat dealers who see the benefits of low sulfur product... and the benefits are really there in terms of the potential for reduced service expenses on systems that burn lower sulfur oil.

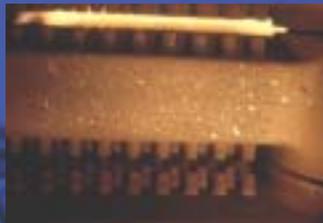
I am enthused about the developments taking place and trust we can capitalize upon them and witness a rebirth and growth in our industry. The advent of a low sulfur heating oil can really create a wonderful story for Oilheat and NORA to communicate.

— Peter Carini

Peter Carini is principal and CEO of Champion Energy which operates multiple retail full-service Oilheat companies in the Northeast and Mid-Atlantic states. He originates from New York City and has extensive managerial background in the Oilheat and energy distribution business. His remarks pertaining to the advocacy of low sulfur heating oil have particular relevance to the advancement of Oilheat and Clearburn Science. Peter is chairman of the National Oilheat Research Institute (NORI), the non-profit research affiliate of NORA whose focal point is to encourage quality enhancements to heating oil in concert with other organizations and the industry's source companies for fuel supply. The remarks herein are based upon his presentation before a fuel dealer audience of the New England Fuel Institute earlier this year.



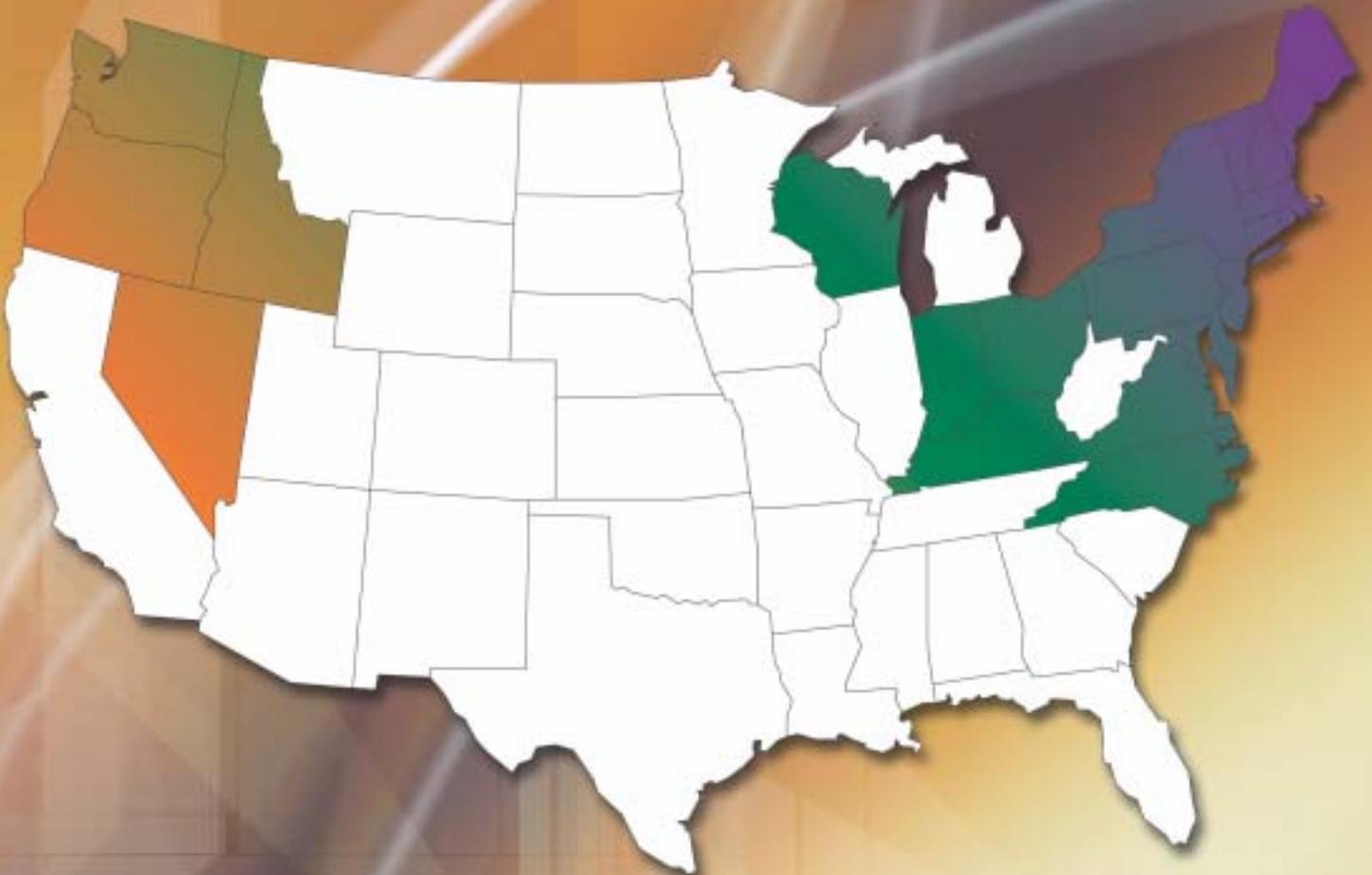
.18% sulfur by weight



.04 % by weight (400 ppm)

The NORA Nation, 2002 Summaries

"NORA's partnership with the state associations is working exceptionally well. Each of the NORA states has worked diligently to uncover the local characteristics of their region and develop responsive materials. This reinforces NORA's capacity and stated goal to take advantage of a unified program that is responsive in each market."





Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

Independent Connecticut Petroleum Association (ICPA)

Consumer Education

- Supported Tri State Oilheat Consumers Education Alliance
- Supported NORA "Clearburn Science" program

Education and Training

- Supported TPS, Inc. Energy Lab
- Supported Star Supply Energy Lab

Maine Oil Dealers Association

Consumer Education

- Consumer education via ongoing TV sponsorships and newspaper insertions
- Conducted programs to increase public awareness of Oilheat in Maine.
- Oilheat door hanger production
- "Smart Energy" print campaign for consumer education
- Direct mail project
- Ellsworth American "Getting Ready for Winter" Guide

Education & Training

- Information brochures
- Production of safety manuals both printed and CD versions
- Technical training course

Massachusetts Oilheat Council

Consumer Education

- Full support of the 2002 Consumer Education campaign; two major media flights were purchased in spring and fall.
- Using NORA funds to help the "Build With Oil" program and to fund Oilheat Expos and home shows.

Education & Training

- MOC completed an ambitious program to recruit and train 50 new oil burner technicians. A statewide public relations and outreach campaign was developed. Fifty full scholarships were awarded to individuals from across the state.
- Awarded matching grants for Oilheat technician training
- Distributed the NORA Insurance Risk Manual via the NORA Fulfillment Center to 1000 Massachusetts oil dealers

Research & Development

- Supported an 80/20 biodiesel heating fuel research project being conducted at New England Fuel Institute. The goal is to test combustion and serviceability issues, test for emissions reductions and determine if this blend could augment traditional heating oil supplies.

Oil Heat Council of New Hampshire

- Conducted multiple training programs towards Silver and Gold Certification for technicians; granted ten full Scholarships for 160-hour basic training at several schools
- Generated in-state television and radio broadcast campaign on behalf of Oilheat
- Distributed over 70,000 Oilheat reference brochures to dealers statewide
- Held management seminars for dealers, owners, and managers at the University of New Hampshire
- Participated in the NORA national consumer information campaign
- Conducted programs to increase public awareness of Oilheat in New Hampshire

Oil Heat Institute of Rhode Island

Consumer Education

- Twelve-week local cable consumer education program

Education and Training

- Scholarships offered on "Basic" and Oilheat Technician "Plus" courses

Research and Development

- Contributed to Energy Research Center for research activities

Vermont Fuel Dealers Association

Consumer Education

- Participated in NORA national campaign

Education and Training

- Funded technical training courses statewide for Oilheat technicians, including 160-hour course at Vermont Technical College. Conducted Silver and Gold Certification training seminars
- Funded expansion of our HVAC training facilities, including installation and purchase of new Oilheating system
- Creation of two permanent training facilities at Bennington and Essex, VT



New Jersey
New York
Pennsylvania

Fuel Merchants Association of New Jersey

Consumer Education

- Publication and distribution of *Energy Watch* consumer education brochure
- Spring media campaign aimed at consumer understanding of Oilheat benefits
- Publication and distribution of *Clearburn Science* consumer education brochure
- Fall radio consumer information program

Fuel Merchants Association of New Jersey (continued)

- Realtor education program, including exhibitor booth at realtor convention and realtor outreach programs

Education and Training

- Month-long Basic Oilheat Technician Education Program conducted at three county college facilities; Electricity and Controls for Oilheat Technicians training conducted at two college facilities
- "Train the Trainer" course conducted

New York Associations Empire State Petroleum Association, Inc.

ESPA forwards the majority of the NORA funds it receives directly to the local Oilheat associations in New York state. Summaries of several of these local NY groups follow:

New York Oil Heating Research Alliance (affiliate of New York Oil Heating Assn.)

Consumer Education

- Participated in "Clearburn Science" consumer education program

Education and Training

- Provided new heating equipment for technical/trade schools including Saunders Trades & Technical High School, Yonkers; William E. Grady Career & Technical Education High School, Brooklyn and the Alfred E. Smith Career & Trades High School, Bronx

Oil Heat Comfort Corp. (OHCC)/Oil Heat Institute (Long Island)

Consumer Education

- Participated in tri-state consumer education alliance
- Cable TV and billboard use to enhance consumer's knowledge of Oilheat

Education and Training

- Training programs for Silver level technician certification program
- Equipment donations to Suffolk Community College Foundation
- Partnership between OHCC and Suffolk Community College Foundation to establish a state-accredited HVAC Technical Training Center

Oil Fuel Institute of Central New York Consumer Education

- Participated in national "Clearburn Science" consumer education program and localized campaign

Education and Training

- Technician Scholarship Assistance provided at Auburn Technical Institute and Hastings & Co.; helped established new Oilheat laboratory
- Conducted radiant panel, and sizing and estimating classes
- Initiated development of a CD training program for in-house use by Oilheat dealers and service companies

Pennsylvania Petroleum Marketers & Convenience Store Assn.

Consumer Education

- PPMCSA saw its first-ever statewide Oilheat consumer education effort during the spring and fall of 2002. With NORA funding, consumers in Pennsylvania learned the benefits of Oilheat via radio and television.

Education & Training

- A new technical training center was established at the PPMCSA headquarters in Highspire, Pennsylvania. The center consists of a live-firing training lab and a traditional classroom.
- The new facility is being used to educate Oilheat technicians, drivers and company staff using the latest equipment and educational curriculum.

Mid-Atlantic Petroleum Association representing Delaware, Maryland and the District of Columbia

The majority of NORA funds during 2002 were directed toward burner service training programs throughout the region and to the NORA media campaign on behalf of consumer education.

North Carolina Petroleum Marketers Association

Consumer Education

- Supporting "Clearburn Science" with schedule of NORA television messages in all North Carolina markets
- Placed newsletter inserts and full color pages into the North Carolina Association of Realtors monthly magazine; linked from their website to ours

Education and Training

- Published "Guide to Heating Oil Storage Tanks"
- Enhanced teaching aids in NCPMA teaching laboratory
- Trained 71 Oilheat technicians
- Presented ten community colleges in North Carolina with HVAC training programs with systems featuring oil furnaces and air conditioning units in a single package
- Provided statement inserts to participating Oilheat dealers
- Outreach to non-association-member firms so that all benefit equally from NORA

Virginia Petroleum, Convenience and Grocery Association

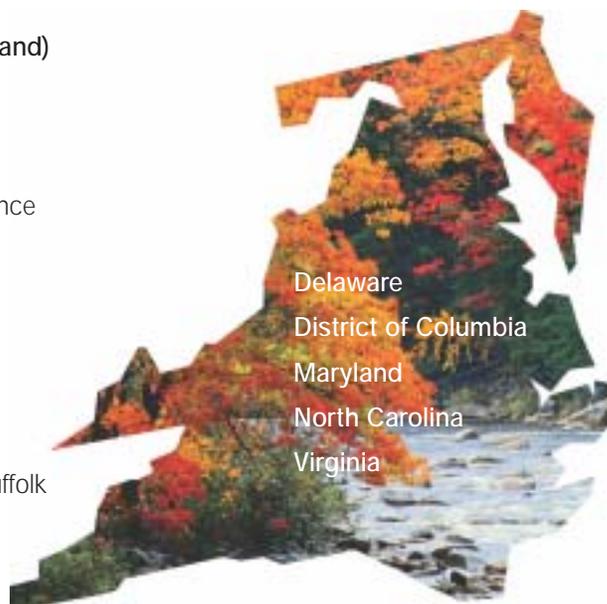
- NORA has been an overwhelming success, effectively renewing the Oilheat industry in Virginia.

Consumer Education

- For the first time in Virginia, a multi-media campaign was directed at the state's Oilheat consumers, expounding upon the cleanliness of Oilheat

Education & Training

- Supported by NORA funds, technicians are training in basic and advanced oil burner combustion and air conditioning
- Conducting seminars on effective service management throughout the state





Kentucky Petroleum Marketers Association

All 2002 funds were devoted to

Consumer Education

- Public communications and programs designed to enhance the favorable public knowledge of Oilheat. These programs centered around television, radio and print materials to increase public understanding.

To date, NORA efforts in Kentucky have been a resounding success. Consumers have a better understanding of Oilheat and our industry personnel have a better understanding of the need to modernize their technical knowledge to better serve the public. In 2003, KPMA will devote the NORA grant 80/20 between consumer and industry education, providing for advances in the technical area.

Indiana Petroleum Marketers & Convenience Store Association

Consumer Education

- Communications, including toll free phone number, fax and Internet lines, website and data base maintenance
- Home show materials/consumer handouts
- Press releases and media for consumer education activities

Education and Training

- Seminars, training programs, NORA industry education materials

Ohio Petroleum Marketers & C-Store Association

Consumer Education

- Spring radio advertising campaign aimed at Ohio consumers
- Distributed "Oil Heat Powered by Clearburn Science" brochures to Ohio oil dealers in November 2002

In 2002-03 OPMCA launched an ambitious campaign to focus on three critical areas: existing Oilheat homeowners, home buyers, and Oilheat employees. Ohio marketers were furnished a series of statement inserts that promoted the benefits of Oilheat. Jobbers who had never sent this kind of information in the past wanted to distribute it to their customers and found that customers reacted very favorably.

We initiated a realtor program — designed to help realtors and home inspectors understand the benefits of Oilheat and provide them with pro-Oilheat information and training they can pass along to home buyers.

We have set up two types of training for employees: NORA Silver Certification technical training and "Oilheat Story" workshops.



Petroleum Marketers Association of Wisconsin

Consumer Education

- Television and radio messages
- Education and Training
- Regional dealer seminars and "No Heat" response technical training programs

Idaho Petroleum Marketers Association

Consumer Education

- Consumer education supporting "Clearburn Science" theme

Nevada Petroleum Marketers & Convenience Store Association

Consumer Education

- Ongoing consumer education using multimedia approach similar to 2001
- Website to educate about Oilheat as a safe and efficient heating source
- Consumers surveyed to determine their attitudes and understanding of Oilheat as an energy source for commercial and residential heating

Education & Training

- Continuing training program offered to service technicians and expanded to energy auditors, home inspectors, front office and management personnel

Oregon Petroleum Marketers Association

Consumer Education

- Television demonstration of the benefits of Oilheat to consumers in the Portland, Medford and Eugene areas

Pacific Northwest Oil Heat Council

Consumer Education

- Radio messages in the Seattle area during the spring of 2002
- Sponsored CBS television weather reports during September 2002 in the Seattle/Spokane/Yakima markets
- CBS television weather report sponsorship in December 2002

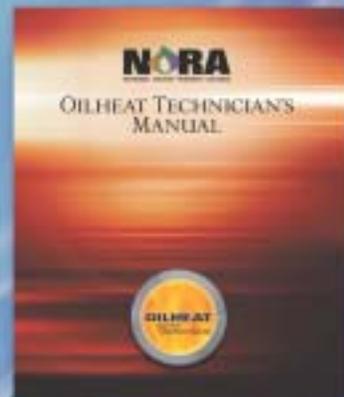
Education & Training

- Provided scholarships to the Oilheat Service Technician School

Since its inception in October 2002
the NORA Fulfillment Center
has supplied



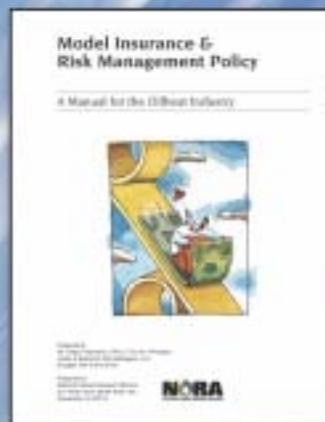
NOTE: Standard NORA-supplied decals are 15" in diameter.



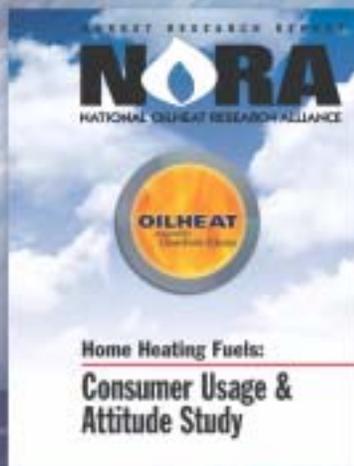
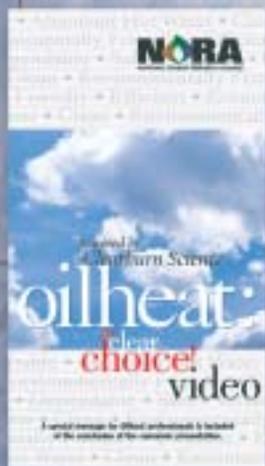
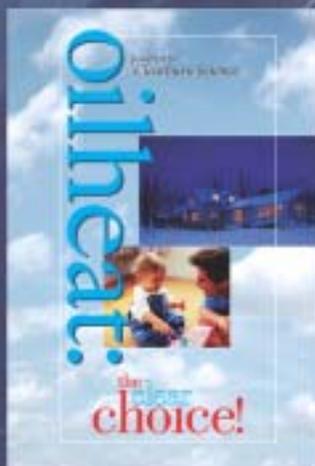
OVER

- 18,000 Oilheat "Clearburn Science" vehicle decals
- 100,000 Oilheat, "the clear choice" consumer pamphlets
- 3,000 new Oilheat Technical Training Manuals
- 1500 Model Insurance Manuals for Oilheat companies
- 1500 each of troubleshooting and tune-up videos

to marketers, technical, and business staff
within the Oilheat industry



and distributed a "clear choice" information package, free of charge,
to every Oilheat dealer in the NORA states



Think of it as the "Oilheat Store." All items are available to the Oilheat industry and independent contractors and educators. They can be obtained via NORA's two websites, order forms that accompany NORA newsletters, or toll free phone at 1-866-924-1100.



NORA established the Fulfillment Center as an efficient means of distributing the various technical and explanatory products that have been developed and supported by NORA funding. The Oilheat industry now has a single, centralized means for disseminating up-to-date technical manuals, training videos, and a library of informative Oilheat literature and materials. All materials and the websites are accessible to anyone in the industry, as well as HVAC contractors and heating educators. NORA sells all materials from the Fulfillment Center at their actual cost of production.

The two NORA websites are www.nora-oilheat.org, plus a site devoted to the NORA Education Center for intra-industry training at www.noraed.org. Both sites direct purchasers to download a PDF file that serves as the order form. On line purchasing is planned at a future date.



NORA has published a series of pamphlets designed to aid the home buying process and establish more accurate and credible impressions within the minds of realtors and home inspectors. Improvements in our fuel and advances in Oilheat system technology are highlighted so that realtors and home inspector audiences in particular learn about the merits of Oilheat.

The pamphlets offer an up-to-date profile of the comfort, satisfaction and personal service that Oilheat delivers to consumers today. Each pamphlet is available in economical quantities via the NORA Fulfillment Center.

The Real Estate Agent's Guide to Oilheat is a 16-page full-color pamphlet that fits into a regular business envelope. It's easy to follow and contains substantial helpful information.

The Guide talks about "Clearburn Science," hydronic vs. warm air heating systems, fuel efficiency, and safety and discusses how Oilheat dealers can assist a realtor in selling an Oilheat home.

The Homeowner's Guide emphasizes cleanliness and efficiency as well as alleviating concerns over storage and emphasizes the benefits of on-site fuel supply. It diagrams how most Oilheat systems work today. It also serves as a handy resource that realtors can hand out to prospects who are touring an Oilheat property.

Open The Door To A More Energy Efficient Home gives new and existing Oilheat customers suggestions for saving money, positions Oilheat as the efficient fuel choice and their local oil dealer as a partner in efficient heating comfort. The pamphlet can be used in a homeowner Welcome Package and/or as an envelope insert to existing customers.

How do you put Oilheating and hot water in front of 100,000 home builders? Just watch *Build With Oil* and you'll see. For the second consecutive year, oil-fired heating and hot water systems were displayed at the International Builders Show, held in Las Vegas in January 2003.

As part of this international event, the show organizers built the "Show Village," a collection of modern homes in front of the Las Vegas Convention Center. One Georgia Pacific home was heated and cooled on site by a combination outdoor oil furnace/electric air conditioning unit. Visitors could view a direct oil-fired water heater inside the home.

As an extension of the Show Village project, *Build With Oil* had a full page advertorial in the January issue of *Professional Builder*, a premier magazine serving the home building industry with a monthly circulation to 127,000 building professionals across the U.S.

Build With Oil receives funding support from NORA and the Oilheat Manufacturers Association (OMA). A variety of information and marketing aids by which Oilheat dealers can better communicate with architects and builders can be obtained from the NORA Fulfillment Center.

Inquiries about the *Build With Oil* program can be directed to dfarrell@oilheating.com.



The activities of NORA's Research & Development Committee

are a critical component of the future advancement of Oilheat. Thanks to the NORA initiative, for the first time in memory, our industry can be part of dedicated research that will help us move to address the needs and desires of the Oilheat consumer.

The most important area under study is the makeup of the fuel itself. Many of the heating system issues we encounter result from fuel quality factors. Thus, the NORA R&D Committee, in conjunction with our new NORI research affiliate, is devoting time, energy and resources to a better understanding of fuel problems and effective countermeasures. We intend to publish a booklet in 2003 that summarizes our findings. We are working to better understand how sulfur affects fuel performance and communicate the advantages of low sulfur products, as you see emphasized in the pages of this annual report.

NORA is working to improve the technology used by the industry. Improved diagnostics are vital and we aim to develop an efficient and economical smoke testing device.

During 2003, we hope to evaluate the feasibility of improved outdoor Oilheat furnaces to allow Oilheat to be used in additional applications and modulating burners, which will allow reduced cycling times and thereby improve equipment performance and longevity.

Doug Woosnam, Chairman

From NORA's Treasurer:

The Finance Committee of the National Oilheat Research Alliance (NORA) is comprised of Chairman Allen (VA), and Messrs. Carini (NY), Fuquay (NC), Glick (CT), Keyser (VT), and Woosnam (PA). The Committee's responsibilities include oversight with respect to the quality and integrity of NORA's financial statements; the independent auditor's qualifications; the performance of NORA's internal accounting function, and the compliance with all accounting and regulatory requirements, including the preparation of all reports required to be included in NORA's Annual Report as stipulated in the National Oilheat Research Alliance Act of 2000, Public Law 106-469.

In reference to Program Services, in 2002 NORA committed \$554,271, or 3.95% of net assessment revenue to grants concerning industry Education and Training as compared to \$380,431, or 3.6% in 2001. Equivalent amounts were also committed to grants pertaining to Research and Development. NORA's commitment to State Grants for 2002 totaled \$11,772,201, or 83.8% of net assessment revenue in comparison to \$8,084,149, or 76.2% in 2001. Conversely, NORA's federally mandated administrative expense cap of 7% came in at 5.57%, amounting to \$802,449 as compared to the 2002 budgeted amount of \$913,750. The reduction in administrative expenses, due in large part to the prudent management of President John Huber, combined with an increase in collection revenue has resulted in an increase in net assets of \$816,521 for the fiscal year ending December 31, 2002.

Prospectively speaking, based on the 2002-2003 season's weather pattern, I envision 2003 as a financial banner year for NORA. NORA's second funding year, under the diligent guidance of NORA's Board of Directors, has proven to be a productive one... with the best years yet to come.

The audited financial report for 2002 follows.



John D. Maniscalco, Treasurer

NATIONAL OILHEAT RESEARCH ALLIANCE, INC.
EXHIBIT A / STATEMENTS OF FINANCIAL POSITION

ASSETS	DECEMBER 31, 2002	DECEMBER 31, 2001
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,296,077	\$ 4,751,351
Assessments receivable	4,580,438	4,080,542
Prepays and other current assets	41,257	19,003
Total current assets	5,917,772	8,850,896
PROPERTY AND EQUIPMENT		
Office equipment	1,440	1,440
Computer equipment	3,936	3,936
	5,376	5,376
Less accumulated depreciation	(2,588)	(987)
Total property and equipment	2,788	4,389
OTHER ASSETS	147,116	26,159
TOTAL ASSETS	\$ 6,067,676	\$ 8,881,444
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 396,365	\$ 211,256
Grants payable	446,745	527,097
State grant obligations	3,224,503	6,959,549
TOTAL LIABILITIES	4,067,613	7,697,902
NET ASSETS		
Unrestricted net assets	544,508	77,987
Board designated net assets	1,455,555	1,105,555
Total net assets	2,000,063	1,183,542
TOTAL LIABILITIES AND NET ASSETS	\$ 6,067,676	\$ 8,881,444

EXHIBIT B: STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2002 AND FOR THE PERIOD FROM INCEPTION (JANUARY 31, 2001) TO DECEMBER 31, 2001

	2002	2001
REVENUE AND SUPPORT		
Assessment revenue	\$ 14,637,440	\$ 11,055,555
Interest income	86,662	77,989
Other income	19,271	—
Total revenue and support	14,743,373	11,133,544
EXPENSES		
Programs		
Research and development	554,271	380,431
Education and training	554,271	380,431
State grants	11,772,201	8,084,149
Total program expenses	12,880,743	8,845,011
General and administrative		
Administrative costs	802,449	649,846
Collection costs	242,059	219,158
Start-up costs		235,000
Depreciation	1,601	987
Total general and administrative expenses	1,046,109	1,104,991
Total expenses	13,926,852	9,950,002
CHANGE IN UNRESTRICTED NET ASSETS	816,521	1,183,542
NET ASSETS AT BEGINNING OF YEAR	1,183,542	—
NET ASSETS AT END OF YEAR	\$ 2,000,063	\$ 1,183,542

EXHIBIT C: STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2002 AND FOR THE PERIOD FROM INCEPTION (JANUARY 31, 2001) TO DECEMBER 31, 2001

	2002	2001
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 816,521	\$ 1,183,542
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation	1,601	987
Changes in assets and liabilities:		
(Increase) decrease in assessments receivable	(499,896)	(4,080,542)
(Increase) decrease in prepaids/deposits	(22,254)	(19,003)
(Increase) decrease in other assets	(120,957)	(26,159)
Increase (decrease) in accrued expenses	185,110	211,256
Increase (decrease) in grants payable and state grant obligations	(3,815,399)	7,486,646
Total adjustments	(4,271,795)	3,573,185
Net cash provided by (used in) operating activities	(3,455,274)	4,756,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	—	(5,376)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,455,274)	4,751,351
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	4,751,351	—
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 1,296,077	\$ 4,751,351

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

NOTE 1 - THE ORGANIZATION

The National Oilheat Research Alliance, Inc. (the Alliance) is a non-profit trade organization developed under the National Oilheat Research Alliance Act of 2000 (NORA), Public Law 106-469, legislation passed by the U.S. Congress and signed into law in November 2000. The Alliance was created to educate consumers about the benefits of oil heat, to perform research and development, and technical training to provide better customer service. The Alliance's Board consists of members from the oil heat industry, retail markets, wholesale distributors, public members, and representatives from the states with the highest oil heat sales. The Alliance was incorporated on January 31, 2001.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles in the United States of America.

Accounting Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amount of assets, liabilities, revenue and the disclosure of contingencies, if any at the date of the financial statements.

Assessment Revenue

The NORA law requires wholesale distributors of No. 1 distillate and No. 2 dyed distillate to remit an assessment of two tenths of one cent per gallon at the point of sale. If the No. 1 distillate or No. 2 dyed distillate is imported after the point of sale, the assessment is to be made when the product enters the United States. The assessments are to be remitted to the Alliance quarterly.

Assessments Receivable

An estimate of assessments to be received, but not remitted to the Alliance at the end of the reporting period, are made based on industry statistics.

Property and Equipment

Property and equipment purchased in excess of \$1,000 are recorded at cost. Depreciation of furniture, office and computer equipment is computed by using the straight-line method over the estimated useful lives of the assets. Estimated useful lives by category are:

- Office equipment 5 years
- Computer equipment 3 years
- Cash and Cash Equivalents

The Alliance considers all investments with original maturities of three months or less to be cash equivalents.

Consumer Education

Consumer Education costs are expensed as incurred. Consumer Education activities include direct communications with consumers through broadcast media (television and radio) and direct mail. Total costs for the years ended December 31, 2002 and 2001 were \$8,471,000 and \$52,000, respectively.

Concentrations of Credit Risk

The Alliance maintains cash deposits with Merrill Lynch in excess of federally insured limits of \$100,000. However, the Securities Investor Protection Corporation (SIPC) protects securities and cash in Merrill Lynch accounts for up to \$500,000 per client for securities (including up to \$100,000 for cash). Merrill Lynch has also obtained coverage in excess of the SIPC limits.

Interest Income

Interest income earned on the Alliance's cash deposits is not allocated to specific projects. When the budgeting and cash flow needs of the Alliance are more readily determinable, interest income will be utilized to advance the Alliance's programs.

NOTE 3 - INCOME TAX STATUS

The Alliance qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(6). Consequently, the Alliance is exempt from Federal and state income tax except for income tax on unrelated business income. There were no unrelated business activities in 2002 and 2001.

NOTE 4 - COMMITMENTS

Accounting Firm

The Alliance has contracted with an accounting firm to maintain the accounting records, prepare monthly and annual financial statements, assist in the preparation of the annual budget, and to monitor the collection of the Alliance assessment revenue. The contract expires on August 1, 2003 and contains two automatic annual renewal options. The average monthly commitment is \$7,500.

Office Building

The Alliance entered an operating lease for office space. The lease calls for monthly payments of \$2,515, contains a term of twelve months and is renewable each year. Rent expense for the years ended December 31, 2002 and 2001 totaled \$29,644 and \$25,978, respectively.

NOTE 5 - ADMINISTRATIVE EXPENSE CAP

NORA, Public Law 106-469, requires that the Alliance limit expenditures for "Administrative" expenses to ten percent of gross revenue generated by assessment remittances for the first year, and seven percent for every year thereafter.

NOTE 6 - PROGRAM SERVICES

Research and Development

The Alliance committed 3.95 percent in 2002 and 3.6 percent in 2001 of assessment revenue, net of collection costs and the Board designated reserve, for oil heat research and development grants. The 2002 commitment totaled \$554,271. The 2001 commitment totaled \$380,431.

Education and Training

The Alliance committed 3.95 percent in 2002 and 3.6 percent in 2001 of assessment revenue, net of collection costs and the Board designated reserve, for grants related to education and training. The 2002 commitment totaled \$554,271. The 2001 commitment totaled \$380,431.

State Grants

The Alliance has committed 83.8 percent in 2002 and 76.2 percent in 2001 of net assessment revenue for state grants. The 2002 and 2001 commitments totaled \$11,772,201 and \$8,084,149, respectively. The Alliance is mandated by law to establish a program coordinating the operation of the Alliance with the operator of any similar state or local program. Remittances to state programs are required to equal 15 percent of the assessment revenue collected in the state. During 2002, the Alliance is distributing 92 percent of the net assessment revenue as follows:

Assessment revenue	\$ 14,637,440
Less: collection costs	(242,059)
Less: Board designated net assets	(350,000)
Net assessment revenue	\$ 14,045,381
Grants and state grants (91.71 percent of net assessment revenue)	\$ 12,880,743

Included in state grant obligations at December 31, 2002 is \$300,000 committed to the national consumer education effort. The Alliance intends to utilize this commitment to help fund the current consumer education project.

NOTE 7 - GRANTS PAYABLE

The Alliance enters into various grant agreements which may require periodic payments of grant funds. The outstanding grant liability at December 31, 2002 and 2001 was \$446,745 and \$527,097, respectively.

NOTE 8 - BOARD DESIGNATED NET ASSETS

The Board has designated an amount equal to ten percent of annual assessments to be reserved in response to unpredictable weather patterns. The funds will be utilized in future years, with Board approval, to advance the Alliance's programs. The Boards' designated net assets at December 31, 2002 totaled \$1,455,555.

NOTE 9 - ASSESSMENT AND COLLECTION COSTS

Assessments and collection costs include the costs incurred to process annual assessments, to publicize the collection system and to ascertain compliance as stipulated by NORA law. Collection costs consist of the following:

Legal fees	\$ 114,055
Accounting fees	108,776
Other administrative costs	19,228
Total	\$ 242,059

INDEPENDENT AUDITOR'S REPORT

Board of Directors

National Oilheat Research Alliance, Inc.

Alexandria, Virginia

We have audited the accompanying statements of financial position of the National Oilheat Research Alliance, Inc. as of December 31, 2002 and 2001, and the related statements of activities and cash flows and for the year ended December 31, 2002 and for the period from inception (January 31, 2001) to December 31, 2001. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Oilheat Research Alliance, Inc. as of December 31, 2002 and 2001, and the change in its net assets and its cash flows for the year ended December 31, 2002 and for the period from inception (January 31, 2001) to December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

ROSS, LANGAN & McKENDREE, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

McLEAN, VIRGINIA 22101

March 4, 2003

National Oilheat Research Alliance
211 North Union Street, Suite 100
Alexandria, VA 22314
Phone: 703-519-4204
Fax: 703-519-4205
E-mail: info@nora-oilheat.org



www.nora-oilheat.org

The site for industry affairs and information

www.noraed.org

The NORA Education Center for technicians

www.oilheatamerica.com

The public access site for Oilheat information

NORA • John Huber • 211 North Union Street, Suite 100 • Alexandria, VA 22314 • Phone: 703-519-4204 • E-mail: jhuber@nora-oilheat.org

CONNECTICUT

Eugene Guilford, Jr.
Independent Conn. Petroleum Assn.
10 Alcap Ridge
Cromwell, CT 06416
Phone: 860-613-2041
E-mail: gene@icpa.org

IDAHO

Suzanne Budge Schaefer
Idaho Petroleum Marketers Assn.
SBS Associates LLC
PO Box 984
Boise, ID 83701-0984
Phone: 208-345-6632
E-mail: sbs@icehouse.net

INDIANA

Scot Imus
Indiana Petroleum Marketers Association
101 W. Washington St., Ste. 1338E
Indianapolis, IN 46204-3413
Phone: 317-633-4662
E-mail: simus@ipca.org

KENTUCKY

Richard Maxedon
Kentucky Petroleum Marketers Assn.
622 Shelby Street
Frankfort, KY 40601-3460
Phone: 502-875-3738
E-mail: kpma@kpma.net

MAINE

Jamie Py
Maine Oil Dealers Association
25 Greenwood Road
PO Box 249
Brunswick, ME 04011
Phone: 207-729-5298
E-mail: jamie@meoil.com

MASSACHUSETTS

Michael Ferrante
Mass. Oilheat Council
118 Cedar Street
Wellesley Hills, MA 02481
Phone: 781-237-0730
E-mail: mferrante@massoilheat.org

MID-ATLANTIC REGION

DELAWARE, MARYLAND, WASHINGTON DC

Peter Horrigan
Mid-Atlantic Petroleum Distributors Assn.
1517 Ritchie Highway, Suite 206
Arnold, MD 21012
Phone: 410-349-0808
E-mail: petegwyn@aol.com

NEVADA

Peter Krueger
NV Petro. Marketers & C-Store Assn.
PO Box 12431
Reno, NV 89510
Phone: 775-348-1888
E-mail: nvoilheat@amsgr.net

NEW ENGLAND REGION

Jack Sullivan
New England Fuel Institute
PO Box 9137
Watertown, MA 02471-9137
Phone: 617-924-1000
E-mail: nefi@nefi.com

NEW HAMPSHIRE

Robert Garside
Oil Heat Council of NH
PO Box 152
Fremont, NH 03044
Phone: 603-895-3808
E-mail: bgarside@nhoilheat.com

NEW JERSEY

Eric DeGesero
Fuel Merchants Assn. of New Jersey
66 Morris Ave.
PO Box 477
Springfield, NJ 07081-0477
Phone: 973-467-1400
E-mail: edegesero@fmanj.org

NEW YORK STATE

Thomas Peters
Empire State Petroleum Association
111 Washington Avenue, #203
Albany, NY 12210-2208
Phone: 518-449-0702
E-mail: tpeters@espa.net

NEW YORK — LONG ISLAND

Kevin Rooney
Oil Heat Institute of Long Island
601 Veterans Highway
Hauppauge, NY 11788
Phone: 631-360-0200
E-mail: info@ohili.org

NEW YORK — NEW YORK CITY

John Maniscalco
New York Oil Heating Association
14 Penn Plaza, Suite 1202
New York, NY 10122
Phone: 212-695-1380
E-mail: info@nyoha.org

NORTH CAROLINA

Gary Harris
North Carolina Petroleum Marketers
7300 Glenwood Avenue
Raleigh, NC 27612
Phone: 919-782-4411
E-mail: gfarris@ncpma.org

OHIO

Karen Dreyer
Ohio Petroleum Marketers & C-Store Assn.
4242 Tuller Road, Suite B
Dublin OH 43017
Phone: 614-792-5212
E-mail: kdreyer@opmca.org

OREGON

Steve O'Toole
Oregon Petroleum Marketers Assn.
7070 Southwest Fir Loop, #150
Tigard, OR 97223
Phone: 503-670-1777
E-mail: opma@hevanet.com

PENNSYLVANIA

John Kulik
PA Petroleum Marketers & C-Store Assn.
PO Box 68
Highspire, PA 17034-0068
Phone: 717-902-0210
E-mail: jkulik@ppmcsa.org

RHODE ISLAND

Peter Lombardi, Jr.
Oil Heat Institute of Rhode Island
1395 Atwood Avenue, Suite 209A
Johnston, RI 02919-4931
Phone: 401-464-8000
E-mail: peter@ohi.necoxmail.com

VERMONT

Shane Sweet
Vermont Fuel Dealers Assn.
PO Box 60
Manchester, VT 05254
Phone: 802-375-0000
E-mail: vtpetro@sover.net

VIRGINIA

Michael J. O'Connor
VA Petroleum, Convenience and Grocery Assn.
6716 Patterson Avenue
Richmond, VA 23226
Phone: 804-282-7534
E-mail: vapmacs@mindspring.com

WASHINGTON

Lea Gaskill
Pacific Northwest Oil Heat Council
3820 Stone Way North
Seattle, WA 98103
Phone: 206-548-1500
E-mail: lea@pnwoilheat.com

WISCONSIN

Robert Bartlett
Petroleum Marketers Association of Wisconsin
121 South Pinckney Street, #300
Madison, WI 53703
Phone: 608-256-7555
E-mail: bbartlett@pmawwacs.org

