

INTERSTATE NAVIGATION COMPANY

DIRECT TESTIMONY

OF

ROBERT D. TOBIN

April 15, 2004

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2 A. Robert D. Tobin, 43 Broad Street, New London, CT 06320.
3
4 Q. WHAT IS YOUR OCCUPATION?
5 A. I am an attorney at law.
6
7 Q. WHAT IS YOUR INTEREST IN THESE PROCEEDINGS?
8 A. I represent certain members of the Wronowski, Hewett and Tyrseck families who are
9 shareholders of Interstate Navigation Company, Nelseco Navigation Company, Interstate
10 Nav. Co., and Waterfront Realty.
11
12 Q. WHAT DOES INTERSTATE NAVIGATION COMPANY DO?
13 A. Interstate Navigation Company operates the ferry from Point Judith to Block Island.
14
15 Q. WHAT ARE YOUR CLIENTS' INTERESTS IN INTERSTATE NAVIGATION
16 COMPANY?
17 A. They own a minority of voting stock in the company and a majority of the non-voting
18 stock in the company. Thus, they do not control the company, but own the majority
19 economic interest in it.
20
21 Q. WHO OWNS THE MAJORITY OF THE VOTING STOCK IN THE COMPANY?
22 A. Susan Linda.
23
24 Q. WHAT ARE YOUR CLIENTS' INTERESTS IN NELSECO NAVIGATION CO.?
25 A. They own no voting stock in the company and own a majority interest in the non-voting
26 stock and thereby own the majority economic interest in the company.
27
28 Q. WHO CONTROLS THE COMPANY?
29 A. Susan Linda.
30
31 Q. WHAT ARE YOUR CLIENTS' INTERESTS IN WATERFRONT REALTY?

1 A. They own no voting stock in the company, a majority interest in the non-voting stock and
2 a majority economic interest in the company.

3

4 Q. WHO CONTROLS THE COMPANY?

5 A. Susan Linda.

6

7 Q. WHAT ARE YOUR CLIENTS' INTERESTS IN INTERSTATE NAV. CO.?

8 A. My clients control the voting stock of Interstate Nav. Co. and the majority of the non-
9 voting stock and therefore own the majority economic interest in the company.

10

11 Q. WHO CONTROLS THE VOTING STOCK OF INTERSTATE NAV. CO.?

12 A. John Peter Wronowski.

13

14 Q. ARE YOUR CLIENTS' INTERESTS THE SAME AS THOSE OF THE LINDA
15 FAMILY?

16 A. No. Over the last several years, there have been a number of contentious issues between
17 the minority and majority shareholders, voting and non-voting members.

18

19 Q. WITH REGARD TO THE M/V ANNA C, WHAT IS THE POSITION OF YOUR
20 CLIENTS?

21 A. The company has decided not to run the boat. The shareholders feel that the vessel
22 should be sold for fair market value.

23

24 Q. WHAT DO YOUR CLIENTS FEEL FAIR MARKET VALUE IS?

25 A. My clients feel that the fair market value of the vessel is \$3.1 million.

26

27 Q. UPON WHAT DO YOUR CLIENTS BASE THAT OPINION?

28 A. The opinion is based upon an appraisal of the vessel done for the company in February
29 2003 by a certified independent appraiser.

30

1 Q. WHAT DO YOU BELIEVE THE REPLACEMENT VALUE OF THE M/V ANNA C
2 TO BE?

3 A. I believe it is between \$11 million and \$11.5 million.
4

5 Q. UPON WHAT DO YOU BASE THAT OPINION?

6 A. I base it upon information received from Eastern Shipbuilding Group of Panama City,
7 Florida, the builder of the Anna C, who has indicated that a budget price to construct the
8 vessel today similar to the Anna C would be in the \$11 million to \$11.5 million range.
9

10 Q. HAVE YOUR CLIENTS ADVISED THE OTHER SHAREHOLDERS OF THEIR
11 POSITION?

12 A. Absolutely. My clients will oppose any sale at less than fair market value and have
13 advised the other shareholders that they are prepared to bring an action against them if
14 the vessel is sold for anything less than \$3.1 million.
15

16 Q. WHAT IS YOUR CLIENTS' POSITION WITH REGARD TO THIS RATE SETTING
17 MATTER?

18 A. While my clients are not parties to the rate setting matter, they feel that they are entitled
19 to a fair sales price for their vessel. They feel that the vessel could be sold on the open
20 market to others for a minimum of \$3.1 million and they should receive that in any sale
21 of the vessel. This is particularly true since the only significant asset of the company is
22 the vessel itself.
23

24 Q. DO YOU AGREE WITH THE POSITION OF OTHER WITNESSES THAT A FAIR
25 RENTAL VALUE SHOULD BE BASED UPON NET BOOK VALUE?

26 A. We very much disagree with that position. Interstate Navigation Company could buy
27 another vessel at \$3.1 million and be allowed to include that cost in their rate structure.
28 They should not be allowed to purchase this vessel at net book value when it has a fair
29 market value in excess of \$3 million. The shareholders of Nelseco would be better off if
30 the vessel were sold to a third party.
31

1 Q. WITH REGARD TO WATERFRONT REALTY, WHAT ARE YOUR CLIENTS'
2 INTERESTS IN THE PROCEEDING?

3 A. Again, we feel that any leasing arrangement between the company and Interstate
4 Navigation should be on a fair market value basis. Again, we have advised the other
5 shareholders that a lease at less than fair market value would violate their fiduciary duties
6 to my clients.

7
8 Q. WITH REGARD TO INTERSTATE NAV., WHAT ARE YOUR CLIENTS'
9 INTERESTS IN THE PROCEEDING?

10 A. My clients control the landing facility and have a lease with Interstate Navigation which
11 allows them to land their vessels at my clients' facility on Block Island.

12
13 Q. IN GENERAL, WHAT ARE THE TERMS OF THE LEASE?

14 A. Generally, the lease provides for a net rental of \$120,000 plus CPI, and it expires in
15 September 2004.

16
17 Q. DO YOUR CLIENTS FEEL THAT THE RENTAL IS A FAIR RENTAL AND
18 PROVIDES A FAIR RETURN ON THE VALUE OF THE PROPERTY?

19 A. Absolutely not. We have had appraisals done of the property which indicate a value in
20 excess of \$3.7 million. We recently have received an appraisal from the Block Island
21 taxing authorities which indicates that the fair market value of the property is in excess of
22 \$6 million.

23
24 Q. HAVE YOUR CLIENTS AGREED TO A LEASING ARRANGEMENT
25 COMMENCING IN SEPTEMBER 2004?

26 A. No.

27
28 Q. ARE YOUR CLIENTS WILLING TO CONSIDER A LONG TERM LEASING
29 ARRANGEMENT WITH INTERSTATE NAVIGATION?

1 A. Yes. We have been discussing a long term leasing arrangement with Interstate
2 Navigation, but have not been able to reach an agreement with regard to the terms and
3 conditions thereof.

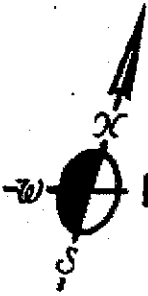
4
5 Q. WHAT WOULD YOU CONSIDER A FAIR LEASING ARRANGEMENT?

6 A. We would consider a lease which would provide a fair rate of return over the period of
7 the lease based upon the fair market value of the property. We would consider a long
8 term net net net lease which would produce a rate of return between 7% and 10% on the
9 value of the property for the shareholders.

10
11 Q. DO YOU CONSIDER THAT THERE IS A MUTUALITY OF INTEREST BETWEEN
12 THE SHAREHOLDERS OF INTERSTATE NAV. AND INTERSTATE
13 NAVIGATION?

14 A. No. Certain of the shareholders particularly in Interstate Navigation by reason of their
15 control of the company have interests which differ from the other shareholders. We have
16 reminded the other shareholders of their fiduciary duty and have told them that we will
17 take whatever action is necessary to protect the economic interest of our clients. My
18 clients are only looking to be certain that if the assets of Nelseco, Waterfront Realty, and
19 Interstate Nav. are sold or leased, that they be done on an arms length fair market basis
20 which produces the highest rate of return. We also feel that transactions which reflect
21 fair market value are fair to the rate payers as well as the shareholders.

EASTERN SHIPBLDG → TCORS



EASTERN SHIPBUILDING GROUP

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April 19, 2004

Tobin, Carberry, O'Malley, Riley & Selinger, P.C.
43 Broad Street
New London, CT 06320

Sent Via Facsimile

Attn: Mr. Robert D. Tobin, Esq.,

Dear Mr. Tobin,

As you know, we built the Anna C, a 197' x 39' x 14' vehicle/passenger ferry for the Wronowski family back in 1985 and we are glad to hear that she is still giving them good service today.

Our budget price to construct a vessel today similar to the Anna C is in the \$11,000,000 to \$11,500,000 range.

I hope this letter is of some assistance to you. If you have any further questions, please do not hesitate to contact me.

Sincerely,

EASTERN SHIPBUILDING GROUP

Brian R. D'Isernia
President

BRD/vfu