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September 6, 2006

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Interstate Navigation Company
Docket No. 3762

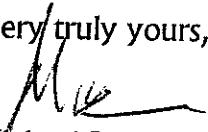
Dear Luly:

As you know, this office represents Interstate Navigation Company (Interstate).

Enclosed are an original and three copies of Interstate's Responses to the 1st set of data requests from the Division of Public Utilities and Carriers. Please note that this Response includes all answers except to 1-26 and 1-27, which will be furnished as soon as we have the information to answer those two requests.

If you have any questions, please feel free to call.

Very truly yours,


Michael R. McElroy

MRMc:tmg
IN26:06-Massaro7

cc: Susan E. Linda
Joshua Linda
Walter E. Edge, Jr., CPA
William Lueker, Esq.
David J. Effron
Allen Mandl, Esq.
Steven Scialabba
John Bell

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DATA REQUESTS (FIRST SET)

DIV 1-1. Please provide the audited financial statements for the fiscal year ended May 31, 2006. If the audited financial statements for the fiscal year ended May 31, 2006 are not presently available, please provide the un-audited financial statements for that fiscal year.

Response: Neither of these financial statements (audited or un-audited) are available at this time. Interstate's outside accountant (CPA) makes a number of adjustments to Interstate's Peachtree accounts (revenue and expense) to adjust and re-class items. The Peachtree trial balance and financial statements are meaningless before the auditor's adjustments. For example, revenues are all posted to a suspense account from the deposit slips through Peachtree and then are reallocated to the appropriate revenue class by the outside CPA. I have reviewed on occasion the Peachtree trial balances before the auditor's adjustment and found them of little value.

Interstate's CPA was forwarded this data request and told that they are to respond ASAP. As soon as the May 31st 2006 financial statements are complete I will forward them to the Division. I apologize for any inconvenience this has caused the Division.

Prepared by WEE

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-2. Referring to Schedule WEE-15, for each revenue class being adjusted, please provide a proof of revenues, showing the rate year billing units and the revenues produced by current and proposed base rates.

Response: This data request is impossible to complete in its entirety. For example, freight statistics are far too numerous to maintain and BIPCo has found no value in trying to do so therefore no revenue proof is available for freight. In addition, the rate year revenues, before the rate increase, are equal to the test year revenues. It would follow therefore that the units supporting the rate year and test year revenue would be the same. The problem is that Interstate has not attempted to accumulate the statistics for the test year (12 months ended November 31st 2006). The test year revenue was calculated by Mr. Bebyn on his Schedule DGB-3 which did not consider the units at all. Mr. Bebyn took the May 31st 2006 revenue by class and subtracted the revenue for the six months ended November 30, 2005 and then added back the revenue for the six months ended November 30, 2006. The result was the twelve months revenue for the test year ended November 30, 2006.

That said, Interstate does complete an analysis at its fiscal year end to reconcile its revenues and units of production for passenger and vehicle revenues (See schedules attached for the FYE May 31st 2005 units and revenue). These two revenue classes are the majority of Interstate's revenue.

In reviewing the May figures for this data request, I noted that the passenger revenues for May 31st (per the attached schedules) and the test year (November 30th) as filed are very close. May 31st is \$3,831,545 while the test year passenger revenue is \$3,889,918. I believe that the May units could be modified slightly to estimate the units for the test year.

I further noted that the vehicle revenue is also pretty close. The attached schedules show \$3,292,731 versus the test year of \$3,177,364. Once again the May units could be adjusted slightly to reflect an estimate of the test year units.

If this reasonableness approach is unacceptable to the Division, Interstate will take the time to put the statistics together for the test year. However, to do so will take more time than was available to respond to this first set of data requests.

Prepared by WEE

Monthly Statistics - Passenger Revenue FY 2005

COUNT	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05
AD/OW	16,970	27,852	28,846	14,874	9,440	4,042	2,574	2,038	2,031	2,694	5,105	8,653
AD/OW-New	19,793	36,949	39,419	15,579	7,241	2,365	1,378	1,051	1,219	1,548	4,634	8,201
CH/OW	1,621	4,490	5,057	998	405	247	115	66	92	142	472	527
CH/OW-New	1,658	4,236	5,453	1,049	545	297	243	66	116	143	438	664
one way	40,042	78,709	80,128	32,807	17,831	6,951	4,310	3,221	3,458	4,527	10,649	18,517
AD/OW	18,591	32,632	34,220	15,935	9,845	4,289	2,689	2,104	2,123	2,836	5,577	9,180
AD/OW-New	21,451	42,231	45,908	16,872	7,788	2,662	1,621	1,117	1,335	1,691	5,072	8,865
REVENUE	151,536.77	248,426.87	264,230.54	148,372.24	91,391.42	40,166.05	26,677.49	20,231.61	19,899.08	27,052.84	49,010.87	83,501.85
AD/OW	-	2,091.92	2,625.28	586.29	-	-	-	-	-	-	-	-
ad/7day	-	14,877.51	-	-	-	-	-	-	-	-	-	4,288.07
Group	17,573.21	41,566.22	30,136.03	2,781.21	5,371.36	(1,073.54)	(1,561.29)	(180.92)	(713.97)	(1,254.52)	(167.19)	3,372.34
CH/OW	7,666.82	21,176.34	25,082.93	5,763.72	2,219.92	1,417.08	708.88	377.99	514.99	829.55	2,549.07	2,872.17
CH/OW-New	-	168.65	107.04	10.55	-	-	-	-	-	-	-	-
ch/7day	-	836.53	-	-	-	-	-	-	-	-	-	163.21
reclac	476,515.50	909,355.10	957,937.80	412,197.45	214,038.87	78,731.15	49,953.47	37,287.35	39,420.80	52,048.70	125,336.40	224,588.50
peachtree	476,515.50	909,355.10	957,937.80	412,197.45	214,038.87	78,731.15	49,953.47	37,287.35	39,420.80	52,048.70	125,336.40	224,588.50
one way	159,203.59	287,577.82	292,045.80	154,742.80	93,611.35	41,583.13	27,386.37	20,609.60	20,414.07	27,882.39	51,559.94	90,805.30
AD/OW	476,515.50	909,355.10	957,937.80	412,197.45	214,038.87	78,731.15	49,953.47	37,287.35	39,420.80	52,048.70	125,336.40	224,588.50
4102 Passengers	455,312.50	868,505.20	917,346.73	389,936.10	205,778.07	76,000.25	49,953.47	37,287.35	39,420.80	52,048.70	125,336.40	221,218.85
4106 Pass-Block	21,203.00	22,555.30	19,613.67	12,718.85	4,821.30	3,200.60	-	-	-	-	-	3,369.65
4108 Pass-WebT	18,194.60	20,977.40	20,977.40	9,542.50	3,439.50	530.30	-	-	-	-	-	52,684.30
COMM	476,515.50	909,355.10	957,937.80	412,197.45	214,038.87	78,731.15	49,953.47	37,287.35	39,420.80	52,048.70	125,336.40	224,588.50
Total Passengers	499,051.50	928,245.10	977,989.70	434,770.55	238,109.87	102,070.65	72,150.47	55,374.35	55,667.80	71,057.70	148,598.20	248,459.60
COUNT	2,203.00	1,349.00	1,917.00	2,002.00	2,192.00	1,988.00	1,903.00	1,611.00	1,464.00	1,676.00	2,134.00	2,180.00
COMM	22,536.00	18,890.00	20,051.90	22,573.10	24,071.00	22,339.50	22,197.00	18,087.00	16,247.00	19,009.00	23,261.80	23,871.10
peachtree	22,536.00	18,890.00	20,051.90	22,573.10	24,071.00	22,339.50	22,197.00	18,087.00	16,247.00	19,009.00	23,261.80	23,871.10
comm var	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
matches Annual Rpt	-	-	-	-	-	-	-	-	-	-	-	-
REVENUE	1,170,497.63	6,313.50	19,145.58	-	-	-	-	-	-	-	-	-
COMM	140,021	156,611	-	-	-	-	-	-	-	-	-	-

Monthly Statistics - Passenger Revenue FY 2005

AD/OW	Base	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	8.93	8.92	9.16	9.68	9.94	10.36	9.93	9.93	9.80	10.04	9.60	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
	Base	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70	8.70
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	8.93	8.92	9.16	9.68	9.94	10.36	9.93	9.93	9.80	10.04	9.60	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
	AD/OW-New	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	8.73	8.72	8.96	9.48	9.74	10.16	9.73	9.73	9.60	9.84	9.40	9.45	9.45	9.45	9.45	9.45	9.45	9.45	9.45
	AD/RT	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30	14.30
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	14.53	14.52	14.76	15.58	15.54	15.96	15.53	15.53	15.40	15.84	15.20	15.25	15.25	15.25	15.25	15.25	15.25	15.25	15.25
	CH/OW	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	12.73	12.72	12.96	13.78	13.74	14.16	13.73	13.73	13.60	13.84	13.40	13.45	13.45	13.45	13.45	13.45	13.45	13.45	13.45
	CH/OW-New	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	4.73	4.72	4.96	5.78	5.74	6.16	5.73	5.73	5.60	5.84	5.40	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45
	CH/RT	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	4.23	4.22	4.46	5.28	5.24	5.66	5.23	5.23	5.10	5.34	4.90	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
	CH/RT	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10	7.10
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	7.33	7.32	7.56	8.38	8.34	8.76	8.33	8.33	8.20	8.44	8.00	8.05	8.05	8.05	8.05	8.05	8.05	8.05	8.05
	Base	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80	5.80
	fuel	0.23	0.22	0.46	0.98	1.24	1.66	1.86	1.23	1.10	1.34	0.90	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	\$	6.03	6.02	6.26	7.08	7.04	7.46	7.03	7.03	6.90	7.14	6.70	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75

Monthly Statistics - Vehicle Revenue FY 2005

COUNT	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05
Cars	5,440	8,358	8,721	5,424	3,633	1,422	1,069	895	765	881	1,800	3,366
PUSUV	1,230	1,598	1,480	779	805	441	367	401	353	462	652	884
	312	288	328	458	678	647	445	366	469	480	647	547
	149	91	75	99	166	150	100	-	143	189	179	196
Truck	746	694	671	428	453	302	296	260	258	296	459	559
	7,877	11,029	11,275	7,188	5,735	2,982	2,277	1,922	1,988	2,308	3,737	5,552
Vehicles	7,416	10,650	10,872	6,631	4,891	2,165	1,732	1,556	1,376	1,639	2,911	4,809
	461	379	403	557	844	797	545	366	612	669	826	743
REVENUE												
Cars	211,616.00	325,126.20	340,565.05	213,705.60	142,231.95	56,026.80	42,118.60	35,263.00	30,141.00	34,711.40	70,740.00	132,115.50
PUSUV	57,687.00	74,846.20	68,634.00	36,924.60	37,955.75	20,903.40	17,395.80	19,007.40	16,732.20	21,898.80	30,839.60	41,769.00
	139,858.80	130,109.93	125,797.93	80,240.70	84,927.66	56,618.44	55,493.57	48,744.35	48,369.40	55,493.57	86,052.53	104,800.36
Truck	421,829.00	540,423.13	546,817.03	346,008.80	287,930.16	155,255.04	129,836.97	112,603.95	112,063.50	130,671.07	210,175.23	299,118.01
reclac	409,161.80	530,182.33	535,986.98	330,870.90	285,115.36	133,548.64	115,007.97	103,014.75	95,242.60	112,103.77	187,632.13	278,684.86
Vehicles	421,829.00	540,423.13	546,817.03	346,008.80	287,930.16	155,255.04	129,836.97	112,603.95	112,063.50	130,671.07	210,175.23	299,118.01
	105,531.61	113,298.23	69,152.40	189,893.78	26,233.20	(610.79)	7,605.30	369,841.49	160,656.00	152,731.50	145,099.00	(64,465.11)
4112Cars-noncomm	145,445.25	181,336.06	190,718.18	119,266.43	104,885.00	41,937.05	38,479.30	33,568.30	37,961.60	45,411.60	83,378.70	95,851.75
4114Cars-comm	15,566.85	12,957.15	12,965.95	17,755.10	25,672.45	23,908.40	24,261.35	20,268.30	18,998.40	21,098.30	26,189.70	23,736.40
4116Trucks	80,335.29	69,218.57	69,625.07	51,106.31	60,780.13	52,000.05	42,891.70	36,266.13	32,404.55	39,420.50	55,400.25	66,808.75
	346,879.00	376,710.01	342,461.60	378,021.62	217,570.78	117,234.71	113,227.65	459,944.22	250,020.55	258,661.90	310,067.65	121,931.79
	(74,950.00)	(163,713.12)	(204,355.43)	32,012.82	(70,359.38)	(38,020.33)	(16,609.32)	347,340.27	137,957.05	127,990.83	99,892.42	(177,186.22)
RATE												
Base	38.90	38.90	38.90	38.90	38.90	38.90	38.90	38.90	38.90	38.90	38.90	38.90
fuel	-	0.15	0.15	0.50	0.25	0.50	0.50	0.50	0.50	0.50	0.40	0.35
Cars	\$ 38.90	\$ 38.90	\$ 39.05	\$ 39.40	\$ 39.15	\$ 39.40	\$ 39.40	\$ 39.40	\$ 39.40	\$ 39.40	\$ 39.30	\$ 39.25
Base	46.90	46.90	46.90	46.90	46.90	46.90	46.90	46.90	46.90	46.90	46.90	46.90
fuel	-	0.15	0.15	0.50	0.25	0.50	0.50	0.50	0.50	0.50	0.40	0.35
PUSUV	\$ 46.90	\$ 46.90	\$ 47.05	\$ 47.40	\$ 47.15	\$ 47.40	\$ 47.40	\$ 47.40	\$ 47.40	\$ 47.40	\$ 47.30	\$ 47.25
Base	25.70	25.70	25.70	25.70	25.70	25.70	25.70	25.70	25.70	25.70	25.70	25.70
fuel	-	0.15	0.15	0.50	0.25	0.50	0.50	0.50	0.50	0.50	0.40	0.35
PUSUV	\$ 25.70	\$ 25.70	\$ 25.85	\$ 26.20	\$ 25.95	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.10	\$ 26.05
Base	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20
fuel	-	0.15	0.15	0.50	0.25	0.50	0.50	0.50	0.50	0.50	0.40	0.35
Truck	\$ 31.20	\$ 31.20	\$ 31.35	\$ 31.70	\$ 31.45	\$ 31.70	\$ 31.70	\$ 31.70	\$ 31.70	\$ 31.70	\$ 31.60	\$ 31.55
Base	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
ave length	42.61	42.61	42.61	42.61	42.61	42.61	42.61	42.61	42.61	42.61	42.61	42.61
Truck	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48	\$ 187.48

Monthly Statistics - Cargo
FY 2005

	Freight	Charter	Mail	Total
Jun-04	107,240.27	19,938.15	5,539.92	132,718.34
Jul-04	113,015.71	18,838.60	2,772.40	134,626.71
Aug-04	98,756.78	26,849.55	-	125,606.33
Sep-04	55,746.77	22,740.40	5,555.10	84,042.27
Oct-04	47,591.53	11,181.50	2,777.55	61,550.58
Nov-04	30,853.03	5,287.10	5,555.10	41,695.23
Dec-04	38,111.84	52,153.50	-	90,265.34
Jan-05	31,133.24	4,843.65	2,777.55	38,754.44
Feb-05	22,062.32	3,218.90	5,555.10	30,836.32
Mar-05	32,636.58	5,755.95	-	38,392.53
Apr-05	53,014.55	4,429.00	5,555.10	62,998.65
May-05	75,809.63	8,365.45	2,777.55	86,952.63
	<u>705,972.25</u>	<u>183,601.75</u>	<u>38,865.37</u>	<u>928,439.37</u>

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-3. Please provide the information contained on Schedules DGB-5, DGB-5a, and DGB-5b for each month December 2005 until the most recent month available.

Response: See Attached.

Prepared by DGB

Passenger & Vehicle Revenue Derived from Fuel Factor
Interstate Navigation Company

Schedule DGB-5

Month Recovered	(A) Fuel Recovery	Average Passenger Count	Average Vehicle Count	Fuel Factor (rounded to nearest .05)	Passenger Fuel Factor Revenue	Vehicle Fuel Factor Revenue
December 2005	\$ 23,733.54	8,649	2,100	2.20	\$ 19,027.80	\$ 4,620.00
January 2006	14,302.49	7,641	1,955	1.50	11,461.50	2,932.50
February 2006	21,146.74	8,646	2,147	1.95	16,859.70	4,186.65
March 2006	14,475.69	14,780	3,021	0.80	11,824.00	2,416.80
April 2006	20,556.42	25,630	4,645	0.70	17,941.00	3,251.50
May 2006	32,009.22	45,655	6,962	0.60	27,393.00	4,177.20
June 2006	52,999.25	95,419	9,889	0.50	47,709.50	4,944.50
July 2006	65,717.52	141,237	11,547	0.45	63,556.65	5,196.15
August 2006	86,570.21	106,332	9,576	0.75	79,749.00	7,182.00
	<u>\$ 331,511.08</u>				<u>\$ 295,522.15</u>	<u>\$ 38,907.30</u>

(A) Obtained from DGB-5a

Analysis of Fuel Expense- Costs Eligible for Recovery
Interstate Navigation Company

Schedule DGB-5a

Date	(A) Gallons	(A) Average Fuel Cost	(A) Total Fuel	(B) Fuel Floor	(C) Fuel Recovery
Recovered December 2005	27,784	\$ 2.05	\$ 57,074.34	\$ 33,340.80	\$ 23,733.54
Recovered January 2006	17,105	2.04	34,828.49	20,526.00	14,302.49
Recovered February 2006	23,625	2.10	49,496.74	28,350.00	21,146.74
Recovered March 2006	18,490	1.98	36,663.69	22,188.00	14,475.69
Recovered April 2006	22,032	2.13	46,994.82	26,438.40	20,556.42
Recovered May 2006	28,802	2.31	66,571.62	34,562.40	32,009.22
Recovered June 2006	45,835	2.36	108,001.25	55,002.00	52,999.25
Recovered July 2006	61,779	2.26	139,852.32	74,134.80	65,717.52
Recovered August 2006	80,051	2.28	182,631.41	96,061.20	86,570.21
	<u>325,503</u>		<u>\$ 722,114.68</u>	<u>\$ 390,603.60</u>	<u>\$ 331,511.08</u>

(A) Obtained from DGB-5b

(B) Calculated Gallons x Floor Rate \$1.20 = Fuel Floor

(C) Total Fuel less Fuel Floor = Fuel Recovery

Analysis of Fuel Expense
Interstate Navigation Company

Date	Gallons	Price	Fuel cost	Tax	Total	Fuel Costs	Monthly Total Gallons	Average
11/1/2005	2,506	\$ 2.01	\$ 5,027.04	\$ 351.89	\$ 5,378.93			
11/4/2005	3,357	1.98	6,646.86	465.28	7,112.14			
11/8/2005	2,761	1.95	5,392.23	377.46	5,769.69			
11/11/2005	2,404	1.95	4,678.18	327.47	5,005.66			
11/15/2005	3,003	1.89	5,663.66	396.46	6,060.11			
11/18/2005	3,038	1.88	5,723.59	400.65	6,124.24			
11/22/2005	3,223	1.88	6,059.24	424.15	6,483.39			
11/25/2005	4,320	1.91	8,233.92	576.37	8,810.29			
11/29/2005	3,172	1.87	5,915.78	414.10	6,329.88			
						57,074.34	27,784	2.054216
12/6/2005	5,090	\$ 1.92	\$ 9,757.53	\$ 683.03	\$ 10,440.56			
12/13/2005	4,510	1.88	8,478.80	593.52	9,072.32			
12/20/2005	3,499	1.89	6,606.11	462.43	7,068.54			
12/27/2005	4,006	1.92	7,707.54	539.53	8,247.07			
						34,828.49	17,105	2.036158
1/3/2006	5,001	\$ 1.91	\$ 9,541.91	\$ 667.93	\$ 10,209.84			
1/10/2006	4,816	1.98	9,535.68	667.50	10,203.18			
1/17/2006	4,671	1.89	8,804.84	616.34	9,421.17			
1/24/2006	4,596	2.04	9,385.03	656.95	10,041.98			
1/31/2006	4,541	1.98	8,991.18	629.38	9,620.56			
						49,496.74	23,625	2.0951
2/8/2006	4,507	\$ 1.90	\$ 8,554.29	\$ 598.80	\$ 9,153.09			
2/15/2006	4,301	1.78	7,655.78	535.90	8,191.68			
2/22/2006	4,591	1.83	8,392.35	587.46	8,979.81			
2/28/2006	5,091	1.90	9,662.72	676.39	10,339.11			
						36,663.69	18,490	1.982893
3/7/2006	4,300	\$ 1.98	\$ 8,501.10	\$ 595.08	\$ 9,096.18			
3/14/2006	5,024	1.95	9,776.70	684.37	10,461.07			
3/21/2006	4,790	1.99	9,546.47	668.25	10,214.72			
3/25/2006	2,000	2.01	4,020.00	281.40	4,301.40			
3/28/2006	3,508	2.00	7,005.48	490.38	7,495.86			
3/31/2006	2,410	2.10	5,070.64	354.94	5,425.58			
						46,994.82	22,032	2.133025
4/6/2006	2,424	\$ 2.08	\$ 5,029.80	\$ 352.09	\$ 5,381.89			
4/7/2006	5,003	2.05	10,261.15	-	10,261.15			
4/11/2006	3,000	2.10	6,312.00	441.84	6,753.84			
4/12/2006	2,821	2.17	6,124.39	428.71	6,553.10			
4/14/2006	1,502	2.17	3,259.34	228.15	3,487.49			
4/18/2006	2,693	2.20	5,929.99	415.10	6,345.09			
4/19/2006	1,612	2.24	3,607.66	252.54	3,860.19			
4/25/2006	2,119	2.27	4,803.77	336.26	5,140.04			
4/27/2006	7,628	2.30	17,559.66	1,229.18	18,788.83			
						66,571.62	28,802	2.311354

Analysis of Fuel Expense
Interstate Navigation Company

Date	Gallons	Price	Fuel cost	Tax	Total	Monthly Total		
						Fuel Costs	Gallons	Average
5/2/2006	8,151	\$ 2.28	\$ 18,543.53	\$ 1,298.05	\$ 19,841.57			
5/5/2006	4,148	2.21	9,158.78	641.11	9,799.90			
5/9/2006	4,249	2.16	9,177.84	642.45	9,820.29			
5/12/2006	4,448	2.27	10,088.06	706.16	10,794.23			
5/16/2006	4,923	2.23	10,993.06	769.51	11,762.57			
5/19/2006	3,554	2.13	7,580.68	530.65	8,111.33			
5/23/2006	4,411	2.15	9,474.83	663.24	10,138.07			
5/26/2006	3,350	2.17	7,276.20	509.33	7,785.53			
5/27/2006	2,728	2.16	5,892.48	412.47	6,304.95			
5/30/2006	5,873	2.17	12,750.28	892.52	13,642.80			
						108,001.25	45,835	2.356305
6/2/2006	1,954	2.14	4,185.47	292.98	4,478.45			
6/3/2006	2,640	2.13	5,610.00	392.70	6,002.70			
6/5/2006	3,226	2.18	7,019.78	-	7,019.78			
6/6/2006	4,390	2.21	9,693.12	678.52	10,371.64			
6/9/2006	2,706	2.15	5,809.78	406.68	6,216.47			
6/10/2006	2,279	2.15	4,897.57	342.83	5,240.40			
6/13/2006	6,034	2.21	13,311.00	931.77	14,242.77			
6/16/2006	4,551	2.09	9,511.59	665.81	10,177.40			
6/17/2006	3,166	2.07	6,553.62	458.75	7,012.37			
6/20/2006	7,171	2.07	14,851.14	1,039.58	15,890.72			
6/23/2006	4,869	2.12	10,307.67	721.54	11,029.21			
6/24/2006	3,450	2.11	7,276.05	509.32	7,785.37			
6/27/2006	7,399	2.12	15,656.28	1,095.94	16,752.22			
6/28/2006	3,372	2.11	7,114.92	-	7,114.92			
6/30/2006	4,572	2.15	9,829.80	688.09	10,517.89			
						139,852.32	61,779	2.263752
7/2/2006	3,054	2.15	6,566.10	459.63	7,025.73			
7/5/2006	11,008	2.15	23,667.20	1,656.70	25,323.90			
7/6/2006	1,908	2.17	4,138.45	289.69	4,428.14			
7/7/2006	3,110	2.16	6,717.60	470.23	7,187.83			
7/8/2006	3,897	2.14	8,320.10	582.41	8,902.50			
7/11/2006	9,030	2.07	18,674.04	1,307.18	19,981.22			
7/13/2006	1,155	2.12	2,442.83	171.00	2,613.82			
7/14/2006	5,872	2.18	12,789.22	895.25	13,684.46			
7/15/2006	3,130	2.17	6,792.10	475.45	7,267.55			
7/18/2006	9,795	2.17	21,245.36	1,487.17	22,732.53			
7/21/2006	4,062	2.08	8,428.65	590.01	9,018.66			
7/22/2006	4,409	2.10	9,276.54	649.36	9,925.89			
7/25/2006	10,037	2.11	21,218.22	1,485.28	22,703.49			
7/28/2006	5,265	2.14	11,261.84	788.33	12,050.16			
7/28/2006	1,219	2.14	2,607.44	182.52	2,789.96			
7/29/2006	3,100	2.11	6,537.90	457.65	6,995.55			
						182,631.41	80,051	2.281438

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-4. What fuel factor is presently in effect?

Response: As of 8/31/06 the Conventional was \$.75 and the Fast Ferry was .70 but as of 9/1/06 the fast ferry rate went to \$1.00.

Prepared by DGB

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-5. Please reconcile the percentage rate increase referenced at Edge testimony, page 6, line 16 to the percentage rate increase indicated on Schedule WEE-14.

Response: It appears that a last minute adjustment was made to my schedules that was not reflected in my testimony on page 6, line 16. The schedules are correct. Please disregard the percentage increase in the testimony on page 6. Thank you for identifying this error, I will correct the error on the stand when I testify.

Prepared by WEE

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-6. Referring to Edge testimony, page 7, lines 8-12, please state the basis of Mr. Edge's belief that fast ferry revenue will not be earned in the rate year.

Response: At the time I wrote my testimony I knew about the negotiations between the parties for Interstate to purchase all of the RI assets of IHSF. At the time that information was highly confidential.

My testimony states that "This fast ferry revenue will not be earned in the rate year". Although it is not obvious, I was referring to the 2006 net operating revenue earned from the summer lease of the *M/V Athena*. I was aware that the profit from the 2006 lease operation would be greater than the profit after the purchase (2007 and beyond) because the debt service expense will be greater than the lease payments.

Now that the purchase information is no longer confidential and we have partial revenue and expense numbers from the summer of 2006, I have prepared a projection of the profit that I expect will be earned in the first full year of fast ferry operations after the IHSF purchase (see Interstate's financing filing with the Division and the attached WEE-1 filed therein). The three Interstate filings that have been recently made for the fast ferry operations (financing, rate and approval of the purchase of IHSF's RI assets) have not yet been approved but if they are there should be fast ferry profit in the rate year.

As I stated at the bottom of page 7 of my testimony there were many unknowns when I was writing my testimony and therefore I did not address the fast ferry profit in the rate year. Now that we have some answers Interstate is prepared to work with the Division to identify options for an appropriate use of the fast ferry profit. An option or options may be presented to the Commission by the parties for its approval.

Prepared by WEE

Projection of Revenues and Expenditures (purchase of IHSF)
 First Full Year of Operations
 Interstate Fast Ferry

Schedule WEE-1

		<u>Proforma 1st year</u>
Revenues:		
Calculated Round Trip Ridership (May - July 2006) *	19,388 times \$29.00	\$ 562,252
Projected Round Trip Ridership (August - October 2006)	21,500 times \$29.00	<u>623,500</u>
	Total Projected Passenger Revenue	1,185,752
Other Revenues (Bar, bike, etc)		75,000
Fuel Surcharge Revenue		195,000
Charter Revenue		<u>212,025</u>
	Total Revenue	1,667,777
Expenses:		
Salaries and wages (\$6,000 per week X 21 weeks)		126,000
Payroll taxes (10% of S&W)		12,600
Fuel (195,000 gallons * 2.20/gallon)		429,000
Maintenance:		
Annual engine top end and overhauls	Two year average	138,000
Dry Docking	Estimate	10,000
General Maintenance	Estimate	25,000
Insurance	Estimate	30,000
Advertising	Estimate	15,000
Berthing Point Judith		4,000
Bar expense		33,000
General and Administrative Expense		
Legal and accounting		
General office supplies		
Gross Receipts Taxes		
Fees (coast guard, banking, etc)		
	Total G&A Expense Estimate	100,000
<u>Debt service on \$5,600,000:</u>		
Principal	(\$5,600,000/25)	81,420
Interest	(\$5,600,000*.075)	409,003
	Total Expense	<u>1,413,023</u>
Estimated net profit		<u>\$ 254,754</u>

* See testimony page 10, lines 10-15.

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-7. Please provide workpapers supporting the calculation of annual health benefits expenses using the most current rates.

Response: See attached.

Prepared by WEE

444 Westminster Street Providence, Rhode Island 02903-3279
(401) 459-1000

INTERSTATE NAVIGATION COMPANY
SUSAN E LINDA
PO BOX 482
NEW LONDON CT 06320

GROUP NUMBER 8144 1 6	DUE DATE 05 01 06	CURRENT BILLING PERIOD FROM 05 01 06 TO 06 01 06	PAGE 5
DATE BILLED 04 07 06	BILL CYCLE F07	MEMB. REP. 10155	MKT. REP. 47

ANN DATE 02-01-92 PAB 050106 #6

SECTION 3

DETAIL OF SUBSCRIBERS FOR CURRENT BILLING PERIOD

SUBSCRIBER IDENTIFICATION NO.	SUBSCRIBER NAME	FROM	TO	CONT TYPE	CURRENT AMOUNT	RETR. AMOUNT	TOTAL AMOUNT
0272108791011	ROONEY DONALD	J 05-01-06	06-01-06	FAM	945.27	0.00	945.27
0655128144001	ROONEY MATTHEW L	05-01-06	06-01-06	FAM	945.27	0.00	945.27
107613378000	RYAN JORDAN H	05-01-06	06-01-06	FAM	945.27	0.00	945.27
0783030164000	SMITH ZACHARY C	05-01-06	06-01-06	IND	356.70	0.00	356.70
0556195159001	SVENEVIK PAUL	S 05-01-06	06-01-06	IND	356.70	0.00	356.70
0669183749000	TALLY JOHN	R 05-01-06	06-01-06	FAM	945.27	0.00	945.27
0169396198011	THIBODEAU WENDIE L	05-01-06	06-01-06	FAM	945.27	0.00	945.27
1073046473019	TRETENWAY CRISTO D	05-01-06	06-01-06	S/S	838.25	0.00	838.25

* SUBTOTAL COBRA SUBSCRIBER COUNT = 1
SUBTOTAL PACKAGE NUMBER 003

356.70 0.00 356.70
24291.46 517.21 24808.67

* TOTAL COBRA SUBSCRIBER COUNT = 1

356.70 0.00 356.70

TOTAL CURRENT BILLING PERIOD

24291.46 517.21 24808.67

FOR ASSISTANCE WITH THIS BILL, CALL MEMBERSHIP SERVICE UNIT
IN MEMBERSHIP ADMINISTRATION SERVICES, TEL. NO. 1-800-637-3718 EXT. 2364

112
291,497.52 ✓

LAST PAGE

** Rates are good thru 1-31-07*



Delta Dental of Rhode Island
 10 Charles Street
 Providence, Rhode Island 02904-2208

INVOICE

BILLING PERIOD
 FROM: 05/01/2006
 THRU: 05/31/2006

MAIL PAYMENTS TO: P.O. BOX 1178
 PROVIDENCE, RI 02901-1178

MAIL CORRESPONDENCE TO: P.O. BOX 1517
 PROVIDENCE, RI 02901-1517

Billing Office 752-6200 or 1-(800) 598-6684
 GROUP NO: 1984-0001

SUSAN E. LINDA
 INTERSTATE NAVIGATION CO
 PO BOX 482
 NEW LONDON, CT 06320-0482

4868

BILLING CODES:
 10 - ADDITION
 20 - TERMINATION
 30 - EFFECTIVE DATE CHANGE
 40 - STATUS CHANGE

SUBSCRIBER I.D.	LAST FOUR DIGITS OF SSN	NAME		RATE CODE	MAINTENANCE DATE	BILLING CODE	AMOUNT DUE		TOTAL AMOUNT DUE
		LAST	FIRST				PREVIOUS	CURRENT	

SUBSCRIBER LISTING

6606575990	5401	MCGINNES	PATRICIA	03	12-01-99				88.34
7926864040	1596	MORAN	MEGAN	03	10-01-02				88.34
6416220060	4994	MYERS	CHRIS	03	01-01-92				88.34
6704143620	5638	RAYMOND	GREGORY	01	09-01-00				30.97
5629953610	6639	REMINGTON	JAMES	03	10-01-02				88.34
5235560	1444	ROONEY	DONALD	03	03-10-97				88.34
5523268270	2173	ROONEY	MATTHEW	03	01-01-92				88.34
7628157630	0237	RYAN	JORDAN	03	05-01-01				88.34
8319394390	0561	SMITH	ZACHARY	01	12-01-05				30.97
5612276530	4347	SVENEVIK	PAUL	01	01-01-92				30.97
6915759530	3047	TALLY	JOHN	03	06-04-96				88.34
6902091730	0827	TRIBODEAU	WENDIE	03	09-02-93				88.34
7329823590	4641	TRETHEWAY	CHRISTOP	03	03-09-95				88.34

RATE CODE: 01	RATE: 30.97	NO. MEMBERS	27	CURRENT DUES:	836.19
RATE CODE: 03	RATE: 88.34	NO. MEMBERS	17	CURRENT DUES:	1,501.78

SUMMARY OF TOTALS

	SUBSCRIBER	CREDITS	DEBITS	
RETROACTIVE ADJUSTMENTS		.00	.00	
BILLING MONTH ADJUSTMENTS	0		.00	
TOTAL ADJUSTMENTS		.00	.00	.00
BILLING MONTH W/O ADJUSTMENT	44			2,337.97
NET BILLED	44			2,337.97

x 12
 28,055.64
 ✓

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-8. Referring to Edge testimony, page 14, lines 11-14, please provide documentation supporting the projected rate year increases of 15% and 8% for health insurance and Delta Dental, respectively.

Response: The 8% for Delta Dental was provided by the carrier (see attached). The 15% was calculated as follows:

Employee Insurance:

Year	Cost	% Increase	
FYE May 2003	\$203,738		S
FYE May 2004	237,728	17%	S
FYE May 2005	263,549	11%	S
FYE May 2006 *	325,000	23%	
CY Dec. 2006 **	367,370	13%	
		64%	
	Divided by 4	16%	
	Use	15%	
* Estimated ** Calculated			
S = Schedule DGB-4			

Prepared by WEE

CONFIDENTIAL - FOR ACCOUNT USE ONLY

DELTA DENTAL OF RHODE ISLAND

Summary of Monthly Prospective Premium Rates (1)
Two Year Renewal Proposal Effective February 1, 2006 through January 31, 2008

Interstate Navigation Company

Sublocation Number	Present Rates Eff. 2/1/05 - 1/31/06		Renewal Rates Eff. (2) 2/1/06 - 1/31/07		Maximum Rates Eff. (3) 2/1/07 - 1/31/08	
	Ind	Fam	Ind	Fam	Ind	Fam
	1984-0001	\$28.68	\$81.80	\$30.97	\$88.34	\$33.45
Renewal Rate Adjustment			8.00%		8.00%	
Add Students to Age 23			\$0.00	\$3.48	\$0.00	\$3.76

The Renewal Rates Include the following Plan Enhancement: Brush Biopsies

- (1) This proposal is contingent upon a signed agreement for the contract period, February 1, 2006 through January 31, 2008. Should the agreement be terminated prior to the end of the contract period, liquidation damages will be assessed to the account and payable to Delta Dental of Rhode Island.
- (2) The monthly prospective premium rates are guaranteed based upon the following enrollment assumption: 21 Individual contracts and 16 Family contracts. Any significant change in the assumed enrollment (plus or minus 10%) may result in adjustments to this renewal.
- (3) The rates effective 2/1/07-1/31/08 represent the maximum rates Interstate Navigation Company would receive which would be determined through an annual experience rating. The renewal rates include coverage for Brush Biopsies under minor restorative services.

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-9. Referring to Edge testimony, page 14, lines 24-28, please provide workpapers supporting the pro forma depreciation expense, including the cited lapse schedules.

Response: See attached.

Prepared by WEE

Lapse Schedule Summary

Asset Category	Service Life	FY 2005	FY 2006	FY 2007	FY 2008	CL 2007	Interim period
Vessels	20 - 30	\$ 586,558	\$ 629,958	\$ 600,449	\$ 588,554	\$ 594,502	\$ 350,262
Vessels Improvements	5 - 10	17,351	333,874	350,542	386,818	368,680	204,483
Office & Terminal Equipment	22 - 30	79,733	49,090	43,914	35,595	39,755	25,617
Buildings	23 - 30	36,333	30,893	23,292	18,136	20,714	13,587
Docks	20 - 30	80,894	154,583	154,583	186,262	170,422	90,173
Stagings	40	12,288	25,182	25,182	25,182	25,182	14,689
Vehicles	5	19,802	14,188	16,402	11,528	13,965	9,568
Total		\$ 832,959	\$ 1,237,767	\$ 1,214,363	\$ 1,252,074	\$ 1,233,219	\$ 708,378

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2008
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2007 ACC. DEPREC	DEPRECIATION FYE 5/31/08	FY 2008 ACC. DEPREC
VESSELS						
Manitou	6/1/1970	145,548.00		145,548.00	0.00	145,548.00
Carol Jean	6/1/1984	2,477,967.00	SL 20 yrs	2,477,967.00	0.00	2,477,967.00
Nelseco	7/1/1981	1,035,106.00	SL 25 yrs	1,035,106.00	0.00	1,035,106.00
Block Island	7/1/1997	7,637,738.00	SL 20 yrs	3,882,646.00	381,887.00	4,264,533.00
Steel Barge	1/1/1973	6,000.00	SL 30 yrs	6,000.00	0.00	6,000.00
		11,302,359.00		7,547,267.00	381,887.00	7,929,154.00
<i>Steel Barge-Disposed of per S.L.</i>		-6,000.00		-6,000.00	0.00	-6,000.00
<i>Anna C</i>	8/19/2004	3,100,000.00	SL 15 yrs	576,601.00	206,667.00	783,268.00
		14,396,359.00		8,117,868.00	588,554.00	8,706,422.00
VESSEL IMPROVEMENTS AND EQUIPMENT						
Radar-Manisee		17,532.00		17,532.00	0.00	17,532.00
Engine		30,675.00		30,675.00	0.00	30,675.00
Lifeboat Motor		1,500.00		1,500.00	0.00	1,500.00
CJ Improvements	8/23/1993	17,129.00	SL 10 yrs	17,129.00	0.00	17,129.00
Radar-Carol Jean	5/7/1993	6,062.00	SL 5 yrs	6,062.00	0.00	6,062.00
Vessel Doors-CJ	10/1/1993	7,533.00	SL 10 yrs	7,533.00	0.00	7,533.00
Radar	6/1/1996	7,840.00	SL 5 yrs	7,840.00	0.00	7,840.00
Misc. Floating Equipment		48,134.00		48,134.00	0.00	48,134.00
Radar		5,880.00		5,880.00	0.00	5,880.00
Radar		4,103.00		4,103.00	0.00	4,103.00
Bar Equipment		24,395.00		24,395.00	0.00	24,395.00
Rebuilt Engine-MV Nelseco	6/19/2000	21,943.00	SL 10 yrs	15,267.00	2,194.00	17,461.00
Life Rafts	3/16/2001	28,143.00	SL 7 yrs	24,958.00	3,185.00	28,143.00
Life Rafts	2/19/2001	23,666.00	SL 7 yrs	21,272.00	2,394.00	23,666.00
Carol Jean Repowering	5/27/2005	3,192,910.00	SL 10 yrs	642,956.00	319,291.00	962,247.00
Rafts & Water Lights-CJ	3/1/2003	14,091.00	SL 5 yrs	14,091.00	0.00	14,091.00
Radar-MV Nelseco	6/27/2003	2,822.00	SL 5 yrs	2,209.00	564.00	2,773.00
<i>Interim General Addition</i>		50,000.00	SL 3 yrs	0.00	16,666.67	16,666.67
<i>fy07 General Addition</i>		50,000.00	SL 3 yrs	0.00	16,666.67	16,666.67
<i>fy07 rebuild AnnaC port engine</i>		90,160.00	SL 10 yrs	0.00	9,016.00	9,016.00
<i>fy07 rebuild BI Stbd engine</i>		76,172.00	SL 10 yrs	0.00	7,617.20	7,617.20
<i>fy07 rebuild BI port engine</i>		76,172.00	SL 10 yrs	0.00	7,617.20	7,617.20
Communication equipment	9/27/2005	8,029.53	SL 5 yrs	3,211.82	1,605.91	4,817.73
		3,804,891.53		894,747.82	386,817.64	1,281,565.46
OFFICE & TERMINAL EQUIPMENT						
Telephones		19,080.00		19,080.00	0.00	19,080.00
Office Equipment		61,508.00		61,508.00	0.00	61,508.00
Office Equipment		19,610.00		19,610.00	0.00	19,610.00
Telephone System		22,975.00		22,975.00	0.00	22,975.00
Computers		135,307.00		135,307.00	0.00	135,307.00
Office Furniture		6,247.00		6,247.00	0.00	6,247.00
Office Equipment		13,808.00		13,808.00	0.00	13,808.00

LAPSE SCHEDULE
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	DATE OF ACQ.	COST	METHOD	FY 2007 ACC. DEPREC	DEPRECIATION FYE 5/31/08	FY 2008 ACC. DEPREC
Ticket Machine		9,931.00		9,931.00	0.00	9,931.00
Copy Machine		743.00		743.00	0.00	743.00
Ticket Machines		33,248.00		33,248.00	0.00	33,248.00
Alarm		1,663.00		1,663.00	0.00	1,663.00
Office Equipment		2,115.00		2,115.00	0.00	2,115.00
Cash Registers		1,549.00		1,549.00	0.00	1,549.00
Security System		4,380.00		4,380.00	0.00	4,380.00
Computer Equipment		2,080.00		2,080.00	0.00	2,080.00
Computer Equipment		1,398.00		1,398.00	0.00	1,398.00
Computer Equipment		1,368.00		1,368.00	0.00	1,368.00
2 Forklifts		47,904.00		47,904.00	0.00	47,904.00
Computer Equipment		2,993.00		2,993.00	0.00	2,993.00
Ticket Printer		5,242.00		5,242.00	0.00	5,242.00
Computer Equipment		7,947.00		7,947.00	0.00	7,947.00
Generator		5,350.00		5,350.00	0.00	5,350.00
Computer Equipment		6,665.00		6,665.00	0.00	6,665.00
Copy Machine		1,010.00		1,010.00	0.00	1,010.00
Copy Machine		1,315.00		1,315.00	0.00	1,315.00
Ice Machine		4,179.00		4,179.00	0.00	4,179.00
PJ Monitoring Equipment		7,966.00		7,966.00	0.00	7,966.00
PJ Computer Software		25,185.00		25,185.00	0.00	25,185.00
Power Washer		2,963.00		2,963.00	0.00	2,963.00
Beer Cooler		1,520.00		1,520.00	0.00	1,520.00
Ticket Machine		15,532.00		15,532.00	0.00	15,532.00
Copier		900.00		900.00	0.00	900.00
2 Timeclocks		1,320.00		1,320.00	0.00	1,320.00
Fax Machine		471.00		471.00	0.00	471.00
Credit Card System		34,622.00		34,622.00	0.00	34,622.00
Computer Printers		830.00		830.00	0.00	830.00
<u>EQUIPMENT (CONTINUED)</u>						
Copier	9/30/1997	695.00	SL 5 yrs	695.00	0.00	695.00
Compressor	10/1/1997	3,000.00	SL 7 yrs	3,000.00	0.00	3,000.00
Beer Cooler	5/1/1998	2,087.00	SL 5 yrs	2,087.00	0.00	2,087.00
2 Forklifts	7/15/1998	36,204.00	SL 5 yrs	36,204.00	0.00	36,204.00
Accounting Software	6/1/1999	44,427.00	SL 5 yrs	44,427.00	0.00	44,427.00
Holding Tank		52,402.00		52,402.00	0.00	52,402.00
Ticket Machine Upgrades	12/1/1999	14,031.00	SL 5 yrs	14,031.00	0.00	14,031.00
Printer	6/15/1999	496.00	SL 5 yrs	496.00	0.00	496.00
Storage Trailer	9/15/1999	2,225.00	SL 5 yrs	2,225.00	0.00	2,225.00
Cash Registers	6/30/1999	1,175.00	SL 5 yrs	1,175.00	0.00	1,175.00
Computer Equipment	10/29/1999	2,440.00	SL 5 yrs	2,440.00	0.00	2,440.00
Office Furniture	12/15/1999	6,452.00	SL 7 yrs	6,452.00	0.00	6,452.00
Office File Cabinets	12/28/1999	3,230.00	SL 7 yrs	3,230.00	0.00	3,230.00
Storage Cabinet	11/24/1999	338.00	SL 7 yrs	338.00	0.00	338.00
Office Furniture	12/31/1999	743.00	SL 7 yrs	743.00	0.00	743.00
Coffee Table	12/21/1999	188.00	SL 7 yrs	188.00	0.00	188.00
Bookcase	12/14/1999	130.00	SL 7 yrs	130.00	0.00	130.00
Chair	12/1/1999	273.00	SL 7 yrs	273.00	0.00	273.00
File Cabinet	12/1/1999	763.00	SL 7 yrs	763.00	0.00	763.00

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	DATE OF ACQ.	COST	METHOD	FY 2007 ACC. DEPREC	DEPRECIATION FYE 5/31/08	FY 2008 ACC. DEPREC
Computer Workstation	1/7/1999	570.00	SL 5 yrs	570.00	0.00	570.00
Computer Equipment	2/16/2000	2,612.00	SL 5 yrs	2,612.00	0.00	2,612.00
Computer & Monitor	2/16/2000	3,042.00	SL 5 yrs	3,042.00	0.00	3,042.00
Computer Equipment	2/16/2000	464.00	SL 5 yrs	464.00	0.00	464.00
2 Laserjet Printers	2/16/2000	1,004.00	SL 5 yrs	1,004.00	0.00	1,004.00
Computer & Monitor	4/12/2000	2,059.00	SL 5 yrs	2,059.00	0.00	2,059.00
Dot Matrix Printer	5/9/2000	658.00	SL 5 yrs	658.00	0.00	658.00
Computer Modem	4/27/2000	1,526.00	SL 5 yrs	1,526.00	0.00	1,526.00
Cash Register	6/15/2000	1,155.00	SL 5 yrs	1,155.00	0.00	1,155.00
Air Conditioners	6/30/2000	884.00	SL 7 yrs	872.00	12.00	884.00
Ice Machine	7/17/2000	3,375.00	SL 7 yrs	3,314.00	61.00	3,375.00
Boca Printer	7/20/2000	2,100.00	SL 5 yrs	2,100.00	0.00	2,100.00
Refrigerators	8/30/2000	2,058.00	SL 7 yrs	1,985.00	73.00	2,058.00
Copier	10/27/2000	900.00	SL 5 yrs	900.00	0.00	900.00
<u>EQUIPMENT (CONTINUED)</u>						
Fax Machine	12/31/2000	677.00	SL 5 yrs	677.00	0.00	677.00
Air Conditioners	1/1/1990	3,734.00		3,734.00	0.00	3,734.00
Boca Printer	8/7/2001	2,100.00	SL 5 yrs	2,100.00	0.00	2,100.00
Lexmark Printer	7/25/2001	430.00	SL 5 yrs	430.00	0.00	430.00
Cannon Personal Copier	11/20/2001	530.00	SL 5 yrs	530.00	0.00	530.00
Cherry Picker	4/8/2002	13,780.00	SL 7 yrs	10,173.00	1,969.00	12,142.00
Laptop Computer	5/1/2002	1,932.00	SL 5 yrs	1,932.00	0.00	1,932.00
3 Forklifts	1/2/2002	65,183.00	SL 7 yrs	50,440.00	9,312.00	59,752.00
Custom Software	5/1/2002	88,525.00	SL 3 yrs	88,525.00	0.00	88,525.00
Security System	7/1/2002	1,917.00	SL 7 yrs	1,324.00	274.00	1,598.00
Forklift	3/1/2003	15,073.00	SL 7 yrs	8,971.00	2,153.00	11,124.00
Used Welding Machine	12/1/2002	650.00	SL 7 yrs	411.00	93.00	504.00
Safe	3/1/2003	1,666.00	SL 7 yrs	992.00	238.00	1,230.00
IBM Personal Computer	4/1/2003	2,158.00	SL 5 yrs	1,788.00	370.00	2,158.00
Ticket Machine-Grp Sales	8/1/2002	6,700.00	SL 5 yrs	6,365.00	335.00	6,700.00
Cash Register	6/1/2002	370.00	SL 5 yrs	364.00	6.00	370.00
BM Infoprint Printer	5/1/2003	3,482.00	SL 3 yrs	3,482.00	0.00	3,482.00
BM Laptop	3/1/2003	3,733.00	SL 3 yrs	3,733.00	0.00	3,733.00
Office Furniture-PJ	6/11/2003	1,378.22	SL 7 yrs	780.00	197.00	977.00
Hot dog grill and Toaster	6/5/2003	1,152.39	SL 7 yrs	660.00	165.00	825.00
Bl Alarm System	10/24/2003	7,182.43	SL 7 yrs	3,677.00	1,026.00	4,703.00
Freight Shed	9/19/2003	1,280.00	SL 5 yrs	949.00	256.00	1,205.00
Truck Sander	10/29/2003	3,657.00	SL 7 yrs	1,871.00	522.00	2,393.00
Computer Equipment	11/21/2003	12,572.50	SL 5 yrs	8,802.00	2,515.00	11,317.00
Computer Equipment	11/21/2003	16,551.24	SL 5 yrs	11,585.00	3,310.00	14,895.00
PJ Office Furniture	2/5/2004	7,867.82	SL 7 yrs	3,747.00	1,124.00	4,871.00
Computer Equipment	12/11/2003	1,694.74	SL 5 yrs	1,172.00	339.00	1,511.00
Computer Equipment	12/11/2003	6,355.03	SL 5 yrs	4,396.00	1,271.00	5,667.00
Computer Equipment	12/23/2003	756.24	SL 5 yrs	516.00	151.00	667.00
Software	3/31/2004	27,600.58	SL 3 yrs	27,600.58	0.00	27,600.58
Computer Equipment	3/12/2004	1,568.05	SL 5 yrs	989.00	314.00	1,303.00
Office Equipment	4/3/2004	570.10	SL 7 yrs	404.00	125.00	529.00
BM Thinkpad	4/22/2004	3,450.75	SL 5 yrs	2,128.00	690.00	2,818.00

EQUIPMENT (CONTINUED)

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Lexmark Printer	5/10/2004	610.35	SL 5 yrs	376.00	122.00	498.00
Computer Equipment	5/18/2004	855.00	SL 5 yrs	527.00	171.00	698.00
Laptop Computer	6/30/2004	2,133.61	SL 5 yrs	1,244.44	426.72	1,671.16
Accounting Software/Server	6/30/2004	12,839.44	SL 3 yrs	12,482.62	356.82	12,839.44
Computer	7/1/2004	1,385.07	SL 5 yrs	808.02	277.01	1,085.03
Laptop Computer	3/11/2005	1,966.64	SL 5 yrs	868.64	393.32	1,261.96
Printer	3/22/2005	1,198.07	SL 5 yrs	519.22	239.61	758.83
cy07 forklift		23,000.00	SL 7 yrs	0.00	3,285.71	3,285.71
cy07 forklift		23,000.00	SL 7 yrs	0.00	3,285.71	3,285.71
equipment	4/18/2006	681.19	SL 5 yrs	272.48	136.24	408.72
		1,078,576.46		976,830.00	35,595.15	1,012,425.15

BUILDINGS

Terminal Building- PJ		25000		25,000.00	0.00	25,000.00
Freight Shed-PJ		44,588.00		44,588.00	0.00	44,588.00
Building Expansion		204,063.00	SL 20 yrs	181,289.00	10,203.00	191,492.00
Shed-PJ		9,670.00		9,670.00	0.00	9,670.00
Block Island Office	9/3/1993	27,331.89	SL 31.5 yr	11,935.00	868.00	12,803.00
Freight Shed-BI	1/1/1996	130,429.00	SL 10 yrs	130,429.00	0.00	130,429.00
Block Island Terminal	6/15/2002	61,901.00	SL 10 yrs	30,950.00	6,190.00	37,140.00
Remodeling BI Ticket Office	12/1/2002	25,772.00	SL 5 yrs	25,772.00	0.00	25,772.00
Roof-PJ Ticket Terminal	4/1/2003	8,746.00	SL 10 yrs	4,375.00	875.00	5,250.00
		537,500.89		464,008.00	18,136.00	482,144.00

DOCKS & RAMPS

Docks		15,901.00		15,901.00	0.00	15,901.00
Dolphin Fender Piles		13,120.00		13,120.00	0.00	13,120.00
Ramps		112,801.00		112,801.00	0.00	112,801.00
Docks		139,174.00		139,174.00	0.00	139,174.00
Docks-BI		130,367.00		130,367.00	0.00	130,367.00
Ramps-PJ		88,284.00		88,284.00	0.00	88,284.00
Ramps-PJ		130,087.00		130,087.00	0.00	130,087.00
Ramps-BI		43,865.00		43,865.00	0.00	43,865.00
Dock Improvements-PJ	6/15/1998	67,849.00	SL 10 yrs	44,100.00	6,785.00	50,885.00
Dock Improvements	5/19/1993	101,782.00	SL 10 yrs	101,782.00	0.00	101,782.00
cy07 dock		127,055.00	SL 10 yrs	0.00	12,705.50	12,705.50
cy07 pier		189,736.00	SL 10 yrs	0.00	18,973.60	18,973.60
Ramp- BI	6/15/2003	21,860.00	SL 10 yrs	8,744.00	2,186.00	10,930.00

DOCKS (CONTINUED)

Bulkhead-PJ		785,291.00	SL 100 yrs	271,416.00	78,529.00	349,945.00
Bulkhead-BI	37787	640,700.65	SL 10 yrs	198,350.00	64,070.00	262,420.00
Dock	3/16/2006	30,126.04	SL 10 yrs	6,025.20	3,012.60	9,037.80
		2,637,998.69		1,304,016.20	186,261.70	1,490,277.90

STAGING & PJ PROJECTS

Maude's Prop.-PJ Staging	10/1/1997	148,240.00	SL 40 yrs	35,826.00	3,706.00	39,532.00
Galilee Staging-PJ	6/1/1998	343,299.00	SL 40 yrs	77,238.00	8,582.00	85,820.00
Sewer Pump Out System	5/31/2006	61,385.00	SL 40 yrs	3,069.26	1,534.63	4,603.89
Terminal Bldg. Project	5/31/2006	454,360.04	SL 40 yrs	22,718.00	11,359.00	34,077.00

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INTERSTATE NAVIGATION CO.**

	DATE OF ACQ.	COST	METHOD	FY 2007 ACC. DEPREC	DEPRECIATION FYE 5/31/08	FY 2008 ACC. DEPREC
		1,007,284.04		138,851.26	25,181.63	164,032.89
VEHICLES						
1985 Ford Truck		5,500.00		5,500.00	0.00	5,500.00
Used Ford F150		12,002.00		12,002.00	0.00	12,002.00
Used Truck(Island Marine)	2/1/1998	3,740.00		3,740.00	0.00	3,740.00
1998 Ford F150	6/15/1998	8,594.00	SL 5 yrs	8,594.00	0.00	8,594.00
2000 Ford Explorer	10/15/1999	26,500.00	SL 5 yrs	26,500.00	0.00	26,500.00
2002 Volvo S-80	1/9/2002	41,771.00	SL 5 yrs	41,771.00	0.00	41,771.00
2003 Chevrolet Silverado	9/26/2003	30,740.23	SL 5 yrs	23,258.00	6,148.00	29,406.00
retirement		-31,257.38		-31,257.38	0.00	-31,257.38
2005 Ford	10/19/2005	26,900.00	SL 5 yrs	8,617.00	5,380.00	13,997.00
		124,489.85		98,724.62	11,528.00	110,252.62
TOTALS		23,587,100.46		11,995,045.89	1,252,074.12	13,247,120.02
Net Property		10,339,980.44				

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2007
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2006 ACC. DEPREC	DEPRECIATION FYE 5/31/07	FY 2007 ACC. DEPREC
<u>VESSELS</u>						
Manitou	6/1/1970	145,548.00		145,548.00	0.00	145,548.00
Carol Jean	6/1/1984	2,477,967.00	SL 20 yrs	2,477,967.00	0.00	2,477,967.00
Nelseco	7/1/1981	1,035,106.00	SL 25 yrs	1,023,211.00	11,895.00	1,035,106.00
Block Island	7/1/1997	7,637,738.00	SL 20 yrs	3,500,759.00	381,887.00	3,882,646.00
Steel Barge	1/1/1973	6,000.00	SL 30 yrs	6,000.00	0.00	6,000.00
		11,302,359.00		7,153,485.00	393,782.00	7,547,267.00
<i>Steel Barge-Disposed of per S.L.</i>		-6,000.00		-6,000.00	0.00	-6,000.00
<i>Anna C</i>	8/19/2004	3,100,000.00	SL 15 yrs	369,934.00	206,667.00	576,601.00
		14,396,359.00		7,517,419.00	600,449.00	8,117,868.00

VESSEL IMPROVEMENTS AND EQUIPMENT

Radar-Manisee		17,532.00		17,532.00	0.00	17,532.00
Engine		30,675.00		30,675.00	0.00	30,675.00
Lifeboat Motor		1,500.00		1,500.00	0.00	1,500.00
CJ Improvements	8/23/1993	17,129.00	SL 10 yrs	17,129.00	0.00	17,129.00
Radar-Carol Jean	5/7/1993	6,062.00	SL 5 yrs	6,062.00	0.00	6,062.00
Vessel Doors-CJ	10/1/1993	7,533.00	SL 10 yrs	7,533.00	0.00	7,533.00
Radar	6/1/1996	7,840.00	SL 5 yrs	7,840.00	0.00	7,840.00
Misc. Floating Equipment		48,134.00		48,134.00	0.00	48,134.00
Radar		5,880.00		5,880.00	0.00	5,880.00
Radar		4,103.00		4,103.00	0.00	4,103.00
Bar Equipment		24,395.00		24,395.00	0.00	24,395.00
Rebuilt Engine-MV Nelseco	6/19/2000	21,943.00	SL 10 yrs	13,073.00	2,194.00	15,267.00
Life Rafts	3/16/2001	28,143.00	SL 7 yrs	20,938.00	4,020.00	24,958.00
Life Rafts	2/19/2001	23,666.00	SL 7 yrs	17,891.00	3,381.00	21,272.00
Carol Jean Repowering	5/27/2005	3,192,910.00	SL 10 yrs	323,665.00	319,291.00	642,956.00
Rafts & Water Lights-CJ	3/1/2003	14,091.00	SL 5 yrs	11,272.00	2,819.00	14,091.00
Radar-MV Nelseco	6/27/2003	2,822.00	SL 5 yrs	1,645.00	564.00	2,209.00
<i>Interim General Addition</i>		50,000.00	SL 3 yrs		16,666.67	16,666.67
Communication equipment	9/27/2005	8,029.53	SL 5 yrs	1,605.91	1,605.91	3,211.82
		3,512,387.53		560,872.91	350,541.58	911,414.48

OFFICE & TERMINAL EQUIPMENT

Telephones		19,080.00		19,080.00	0.00	19,080.00
Misc Equipment		61,508.00		61,508.00	0.00	61,508.00
Office Equipment		19,610.00		19,610.00	0.00	19,610.00
Telephone System		22,975.00		22,975.00	0.00	22,975.00
Computers		135,307.00		135,307.00	0.00	135,307.00
PJ Office Furniture		6,247.00		6,247.00	0.00	6,247.00
Misc Equipment		13,808.00		13,808.00	0.00	13,808.00
Ticket Machine		9,931.00		9,931.00	0.00	9,931.00
Copy Machine		743.00		743.00	0.00	743.00
Ticket Machines		33,248.00		33,248.00	0.00	33,248.00
Alarm		1,663.00		1,663.00	0.00	1,663.00
Office Equipment		2,115.00		2,115.00	0.00	2,115.00
Cash Registers		1,549.00		1,549.00	0.00	1,549.00
Security System		4,380.00		4,380.00	0.00	4,380.00
Computer Equipment		2,080.00		2,080.00	0.00	2,080.00
Computer Equipment		1,398.00		1,398.00	0.00	1,398.00
Computer Equipment		1,368.00		1,368.00	0.00	1,368.00
2 Forklifts		47,904.00		47,904.00	0.00	47,904.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2007
INTERSTATE NAVIGATION CO.

	DATE OF			FY 2006	DEPRECIATION	FY 2007
	ACQ.	COST	METHOD	ACC. DEPREC	FYE 5/31/07	ACC. DEPREC
Computer Equipment		2,993.00		2,993.00	0.00	2,993.00
Ticket Printer		5,242.00		5,242.00	0.00	5,242.00
Computer Equipment		7,947.00		7,947.00	0.00	7,947.00
Generator		5,350.00		5,350.00	0.00	5,350.00
Computer Equipment		6,665.00		6,665.00	0.00	6,665.00
Copy Machine		1,010.00		1,010.00	0.00	1,010.00
Copy Machine		1,315.00		1,315.00	0.00	1,315.00
Ice Machine		4,179.00		4,179.00	0.00	4,179.00
PJ Monitoring Equipment		7,966.00		7,966.00	0.00	7,966.00
PJ Computer Software		25,185.00		25,185.00	0.00	25,185.00
Power Washer		2,963.00		2,963.00	0.00	2,963.00
Beer Cooler		1,520.00		1,520.00	0.00	1,520.00
Ticket Machine		15,532.00		15,532.00	0.00	15,532.00
Copier		900.00		900.00	0.00	900.00
2 Timeclocks		1,320.00		1,320.00	0.00	1,320.00
Fax Machine		471.00		471.00	0.00	471.00
Credit Card System		34,622.00		34,622.00	0.00	34,622.00
Computer Printers		830.00		830.00	0.00	830.00
<u>EQUIPMENT (CONTINUED)</u>						
Copier	9/30/1997	695.00	SL 5 yrs	695.00	0.00	695.00
Compressor	10/1/1997	3,000.00	SL 7 yrs	3,000.00	0.00	3,000.00
Beer Cooler	5/1/1998	2,087.00	SL 5 yrs	2,087.00	0.00	2,087.00
2 Forklifts	7/15/1998	36,204.00	SL 5 yrs	36,204.00	0.00	36,204.00
Accounting Software	6/1/1999	44,427.00	SL 5 yrs	44,427.00	0.00	44,427.00
Holding Tank		52,402.00		52,402.00	0.00	52,402.00
Ticket Machine Upgrades	12/1/1999	14,031.00	SL 5 yrs	14,031.00	0.00	14,031.00
Printer	6/15/1999	496.00	SL 5 yrs	496.00	0.00	496.00
Storage Trailer	9/15/1999	2,225.00	SL 5 yrs	2,225.00	0.00	2,225.00
Cash Registers	6/30/1999	1,175.00	SL 5 yrs	1,175.00	0.00	1,175.00
Computer Equipment	10/29/1999	2,440.00	SL 5 yrs	2,440.00	0.00	2,440.00
Office Furniture	12/15/1999	6,452.00	SL 7 yrs	5,993.00	459.00	6,452.00
Office File Cabinets	12/28/1999	3,230.00	SL 7 yrs	2,958.00	272.00	3,230.00
Storage Cabinet	11/24/1999	338.00	SL 7 yrs	312.00	26.00	338.00
Office Furniture	12/31/1999	743.00	SL 7 yrs	680.00	63.00	743.00
Coffee Table	12/21/1999	188.00	SL 7 yrs	173.00	15.00	188.00
Bookcase	12/14/1999	130.00	SL 7 yrs	122.00	8.00	130.00
Chair	12/1/1999	273.00	SL 7 yrs	254.00	19.00	273.00
File Cabinet	12/1/1999	763.00	SL 7 yrs	709.00	54.00	763.00
Computer Workstation	1/7/1999	570.00	SL 5 yrs	570.00	0.00	570.00
Computer Equipment	2/16/2000	2,612.00	SL 5 yrs	2,612.00	0.00	2,612.00
Computer & Monitor	2/16/2000	3,042.00	SL 5 yrs	3,042.00	0.00	3,042.00
Computer Equipment	2/16/2000	464.00	SL 5 yrs	464.00	0.00	464.00
2 Laserjet Printers	2/16/2000	1,004.00	SL 5 yrs	1,004.00	0.00	1,004.00
Computer & Monitor	4/12/2000	2,059.00	SL 5 yrs	2,059.00	0.00	2,059.00
Dot Matrix Printer	5/9/2000	658.00	SL 5 yrs	658.00	0.00	658.00
Computer Modem	4/27/2000	1,526.00	SL 5 yrs	1,526.00	0.00	1,526.00
Cash Register	6/15/2000	1,155.00	SL 5 yrs	1,155.00	0.00	1,155.00
Air Conditioners	6/30/2000	884.00	SL 7 yrs	746.00	126.00	872.00
Ice Machine	7/17/2000	3,375.00	SL 7 yrs	2,832.00	482.00	3,314.00
Boca Printer	7/20/2000	2,100.00	SL 5 yrs	2,100.00	0.00	2,100.00
Refrigerators	8/30/2000	2,058.00	SL 7 yrs	1,691.00	294.00	1,985.00
Copier	10/27/2000	900.00	SL 5 yrs	900.00	0.00	900.00
<u>EQUIPMENT (CONTINUED)</u>						
Fax Machine	12/31/2000	677.00	SL 5 yrs	677.00	0.00	677.00
Air Conditioners	1/1/1990	3,734.00		3,734.00	0.00	3,734.00
Boca Printer	8/7/2001	2,100.00	SL 5 yrs	2,030.00	70.00	2,100.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2007
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2006 ACC. DEPREC	DEPRECIATION FYE 5/31/07	FY 2007 ACC. DEPREC
Lexmark Printer	7/25/2001	430.00	SL 5 yrs	416.00	14.00	430.00
Cannon Personal Copier	11/20/2001	530.00	SL 5 yrs	477.00	53.00	530.00
Cherry Picker	4/8/2002	13,780.00	SL 7 yrs	8,204.00	1,969.00	10,173.00
Laptop Computer	5/1/2002	1,932.00	SL 5 yrs	1,576.00	356.00	1,932.00
3 Forklifts	1/2/2002	65,183.00	SL 7 yrs	41,128.00	9,312.00	50,440.00
Custom Software	5/1/2002	88,525.00	SL 3 yrs	88,525.00	0.00	88,525.00
Security System	7/1/2002	1,917.00	SL 7 yrs	1,050.00	274.00	1,324.00
Forklift	3/1/2003	15,073.00	SL 7 yrs	6,818.00	2,153.00	8,971.00
Used Welding Machine	12/1/2002	650.00	SL 7 yrs	318.00	93.00	411.00
Safe	3/1/2003	1,666.00	SL 7 yrs	754.00	238.00	992.00
IBM Personal Computer	4/1/2003	2,158.00	SL 5 yrs	1,356.00	432.00	1,788.00
Ticket Machine-Grp Sales	8/1/2002	6,700.00	SL 5 yrs	5,025.00	1,340.00	6,365.00
Cash Register	6/1/2002	370.00	SL 5 yrs	290.00	74.00	364.00
IBM Infoprint Printer	5/1/2003	3,482.00	SL 3 yrs	3,482.00	0.00	3,482.00
IBM Laptop	3/1/2003	3,733.00	SL 3 yrs	3,733.00	0.00	3,733.00
Office Furniture-PJ	6/11/2003	1,378.22	SL 7 yrs	583.00	197.00	780.00
Hot dog grill and Toaster	6/5/2003	1,152.39	SL 7 yrs	495.00	165.00	660.00
BI Alarm System	10/24/2003	7,182.43	SL 7 yrs	2,651.00	1,026.00	3,677.00
Freight Shed	9/19/2003	1,280.00	SL 5 yrs	693.00	256.00	949.00
Truck Sander	10/29/2003	3,657.00	SL 7 yrs	1,349.00	522.00	1,871.00
Computer Equipment	11/21/2003	12,572.50	SL 5 yrs	6,287.00	2,515.00	8,802.00
Computer Equipment	11/21/2003	16,551.24	SL 5 yrs	8,275.00	3,310.00	11,585.00
PJ Office Furniture	2/5/2004	7,867.82	SL 7 yrs	2,623.00	1,124.00	3,747.00
Computer Equipment	12/11/2003	1,694.74	SL 5 yrs	833.00	339.00	1,172.00
Computer Equipment	12/11/2003	6,355.03	SL 5 yrs	3,125.00	1,271.00	4,396.00
Computer Equipment	12/23/2003	756.24	SL 5 yrs	365.00	151.00	516.00
Software	3/31/2004	27,600.58	SL 3 yrs	19,933.00	7,667.58	27,600.58
Computer Equipment	3/12/2004	1,568.05	SL 5 yrs	675.00	314.00	989.00
Office Equipment	4/3/2004	570.10	SL 7 yrs	279.00	125.00	404.00
IBM Thinkpad	4/22/2004	3,450.75	SL 5 yrs	1,438.00	690.00	2,128.00
<u>EQUIPMENT (CONTINUED)</u>						
Lexmark Printer	5/10/2004	610.35	SL 5 yrs	254.00	122.00	376.00
Computer Equipment	5/18/2004	855.00	SL 5 yrs	356.00	171.00	527.00
Laptop Computer	6/30/2004	2,133.61	SL 5 yrs	817.72	426.72	1,244.44
Accounting Software/Server	6/30/2004	12,839.44	SL 3 yrs	8,202.81	4,279.81	12,482.62
Computer	7/1/2004	1,385.07	SL 5 yrs	531.01	277.01	808.02
Laptop Computer	3/11/2005	1,966.64	SL 5 yrs	475.32	393.32	868.64
Printer	3/22/2005	1,198.07	SL 5 yrs	279.61	239.61	519.22
equipment	4/18/2006	681.19	SL 5 yrs	136.24	136.24	272.48
		1,032,576.46		932,915.71	43,914.29	976,830.00

BUILDINGS

Terminal Building- PJ		25000		25,000.00	0.00	25,000.00
Freight Shed-PJ		44,588.00		44,588.00	0.00	44,588.00
Building Expansion		204,063.00	SL 20 yrs	171,086.00	10,203.00	181,289.00
Shed-PJ		9,670.00		9,670.00	0.00	9,670.00
Block Island Office	9/3/1993	27,331.89	SL 31.5 yr	11,067.00	868.00	11,935.00
Freight Shed-BI	1/1/1996	130,429.00	SL 10 yrs	130,429.00	0.00	130,429.00
Block Island Terminal	6/15/2002	61,901.00	SL 10 yrs	24,760.00	6,190.00	30,950.00
Remodeling BI Ticket Office	12/1/2002	25,772.00	SL 5 yrs	20,616.00	5,156.00	25,772.00
Roof-PJ Ticket Terminal	4/1/2003	8,746.00	SL 10 yrs	3,500.00	875.00	4,375.00
		537,500.89		440,716.00	23,292.00	464,008.00

DOCKS & RAMPS

Docks		15,901.00		15,901.00	0.00	15,901.00
Dolphin Fender Piles		13,120.00		13,120.00	0.00	13,120.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2007
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2006 ACC. DEPREC	DEPRECIATION FYE 5/31/07	FY 2007 ACC. DEPREC
Ramps		112,801.00		112,801.00	0.00	112,801.00
Docks		139,174.00		139,174.00	0.00	139,174.00
Docks-BI		130,367.00		130,367.00	0.00	130,367.00
Ramps-PJ		88,284.00		88,284.00	0.00	88,284.00
Ramps-PJ		130,087.00		130,087.00	0.00	130,087.00
Ramps-BI		43,865.00		43,865.00	0.00	43,865.00
Dock Improvements-PJ	6/15/1998	67,849.00	SL 10 yrs	37,315.00	6,785.00	44,100.00
Dock Improvements	5/19/1993	101,782.00	SL 10 yrs	101,782.00	0.00	101,782.00
Ramp- BI	6/15/2003	21,860.00	SL 10 yrs	6,558.00	2,186.00	8,744.00
<u>DOCKS (CONTINUED)</u>					0.00	
Bulkhead-PJ		785,291.00	SL 100 yrs	192,887.00	78,529.00	271,416.00
Bulkhead-BI	37787	640,700.65	SL 10 yrs	134,280.00	64,070.00	198,350.00
Dock	3/16/2006	30,126.04	SL 10 yrs	3,012.60	3,012.60	6,025.20
		2,321,207.69		1,149,433.60	154,582.60	1,304,016.20
<u>STAGING & PJ PROJECTS</u>						
Maude's Prop.-PJ Staging	10/1/1997	148,240.00	SL 40 yrs	32,120.00	3,706.00	35,826.00
Galilee Staging-PJ	6/1/1998	343,299.00	SL 40 yrs	68,656.00	8,582.00	77,238.00
Sewer Pump Out System	5/31/2006	61,385.00	SL 40 yrs	1,534.63	1,534.63	3,069.26
Terminal Bldg. Project	5/31/2006	454,360.04	SL 40 yrs	11,359.00	11,359.00	22,718.00
		1,007,284.04		113,669.63	25,181.63	138,851.26
<u>VEHICLES</u>						
1985 Ford Truck		5,500.00		5,500.00	0.00	5,500.00
Used Ford F150		12,002.00		12,002.00	0.00	12,002.00
Used Truck(Island Marine)	2/1/1998	3,740.00		3,740.00	0.00	3,740.00
1998 Ford F150	6/15/1998	8,594.00	SL 5 yrs	8,594.00	0.00	8,594.00
2000 Ford Explorer	10/15/1999	26,500.00	SL 5 yrs	26,500.00	0.00	26,500.00
2002 Volvo S-80	1/9/2002	41,771.00	SL 5 yrs	36,897.00	4,874.00	41,771.00
2003 Chevrolet Silverado	9/26/2003	30,740.23	SL 5 yrs	17,110.00	6,148.00	23,258.00
retirement		-31,257.38		-31,257.38	0.00	-31,257.38
2005 Ford	10/19/2005	26,900.00	SL 5 yrs	3,237.00	5,380.00	8,617.00
		124,489.85		82,322.62	16,402.00	98,724.62
TOTALS		22,931,805.46		10,797,349.46	1,214,363.10	12,011,712.56

Net Property 10,920,092.90

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2006
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2005 ACC. DEPREC	DEPRECIATION FYE 5/31/06	FY 2006 ACC. DEPREC
<u>VESSELS</u>						
Manitou	6/1/1970	145,548.00		145,548.00	0.00	145,548.00
Carol Jean	6/1/1984	2,477,967.00	SL 20 yrs	2,477,967.00	0.00	2,477,967.00
Nelseco	7/1/1981	1,035,106.00	SL 25 yrs	981,807.00	41,404.00	1,023,211.00
Block Island	7/1/1997	7,637,738.00	SL 20 yrs	3,118,872.00	381,887.00	3,500,759.00
Steel Barge	1/1/1973	6,000.00	SL 30 yrs	6,000.00	0.00	6,000.00
		11,302,359.00		6,730,194.00	423,291.00	7,153,485.00
<i>Steel Barge-Disposed of per S.L.</i>		-6,000.00		-6,000.00	0.00	-6,000.00
<i>Anna C</i>	8/19/2004	3,100,000.00	SL 15 yrs	163,267.00	206,667.00	369,934.00
		14,396,359.00		6,887,461.00	629,958.00	7,517,419.00

VESSEL IMPROVEMENTS AND EQUIPMENT

Radar-Manisee		17,532.00		17,532.00	0.00	17,532.00
Engine		30,675.00		30,675.00	0.00	30,675.00
Lifeboat Motor		1,500.00		1,500.00	0.00	1,500.00
CJ Improvements	8/23/1993	17,129.00	SL 10 yrs	17,129.00	0.00	17,129.00
Radar-Carol Jean	5/7/1993	6,062.00	SL 5 yrs	6,062.00	0.00	6,062.00
Vessel Doors-CJ	10/1/1993	7,533.00	SL 10 yrs	7,533.00	0.00	7,533.00
Radar	6/1/1996	7,840.00	SL 5 yrs	7,840.00	0.00	7,840.00
Misc. Floating Equipment		48,134.00		48,134.00	0.00	48,134.00
Radar		5,880.00		5,880.00	0.00	5,880.00
Radar		4,103.00		4,103.00	0.00	4,103.00
Bar Equipment		24,395.00		24,395.00	0.00	24,395.00
Rebuilt Engine-MV Nelseco	6/19/2000	21,943.00	SL 10 yrs	10,879.00	2,194.00	13,073.00
Life Rafts	3/16/2001	28,143.00	SL 7 yrs	16,918.00	4,020.00	20,938.00
Life Rafts	2/19/2001	23,666.00	SL 7 yrs	14,510.00	3,381.00	17,891.00
Carol Jean Repowering	5/27/2005	3,192,910.00	SL 10 yrs	4,374.00	319,291.00	323,665.00
Rafts & Water Lights-CJ	3/1/2003	14,091.00	SL 5 yrs	8,454.00	2,818.00	11,272.00
Radar-MV Nelseco	6/27/2003	2,822.00	SL 5 yrs	1,081.00	564.00	1,645.00
Communication equipment	9/27/2005	8,029.53	SL 5 yrs	0.00	1,605.91	1,605.91
		3,462,387.53		226,999.00	333,873.91	560,872.91

OFFICE & TERMINAL EQUIPMENT

Telephones		19,080.00		19,080.00	0.00	19,080.00
Misc Equipment		61,508.00		61,508.00	0.00	61,508.00
Office Equipment		19,610.00		19,610.00	0.00	19,610.00
Telephone System		22,975.00		22,974.00	1.00	22,975.00
Computers		135,307.00		135,307.00	0.00	135,307.00
CJ Office Furniture		6,247.00		6,247.00	0.00	6,247.00
Misc Equipment		13,808.00		13,808.00	0.00	13,808.00
Ticket Machine		9,931.00		9,931.00	0.00	9,931.00
Copy Machine		743.00		743.00	0.00	743.00
Ticket Machines		33,248.00		33,248.00	0.00	33,248.00
Alarm		1,663.00		1,663.00	0.00	1,663.00
Office Equipment		2,115.00		2,115.00	0.00	2,115.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2006
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2005 ACC. DEPREC	DEPRECIATION FYE 5/31/06	FY 2006 ACC. DEPREC
Cash Registers		1,549.00		1,549.00	0.00	1,549.00
Security System		4,380.00		4,380.00	0.00	4,380.00
Computer Equipment		2,080.00		2,080.00	0.00	2,080.00
Computer Equipment		1,398.00		1,398.00	0.00	1,398.00
Computer Equipment		1,368.00		1,368.00	0.00	1,368.00
2 Forklifts		47,904.00		47,904.00	0.00	47,904.00
Computer Equipment		2,993.00		2,993.00	0.00	2,993.00
Ticket Printer		5,242.00		5,242.00	0.00	5,242.00
Computer Equipment		7,947.00		7,947.00	0.00	7,947.00
Generator		5,350.00		5,350.00	0.00	5,350.00
Computer Equipment		6,665.00		6,665.00	0.00	6,665.00
Copy Machine		1,010.00		1,010.00	0.00	1,010.00
Copy Machine		1,315.00		1,315.00	0.00	1,315.00
Ice Machine		4,179.00		4,179.00	0.00	4,179.00
PJ Monitoring Equipment		7,966.00		7,966.00	0.00	7,966.00
PJ Computer Software		25,185.00		25,185.00	0.00	25,185.00
Power Washer		2,963.00		2,963.00	0.00	2,963.00
Beer Cooler		1,520.00		1,520.00	0.00	1,520.00
Ticket Machine		15,532.00		15,532.00	0.00	15,532.00
Copier		900.00		900.00	0.00	900.00
2 Timeclocks		1,320.00		1,320.00	0.00	1,320.00
Fax Machine		471.00		471.00	0.00	471.00
Credit Card System		34,622.00		34,622.00	0.00	34,622.00
Computer Printers		830.00		830.00	0.00	830.00
<u>EQUIPMENT (CONTINUED)</u>						
Copier	9/30/1997	695.00	SL 5 yrs	695.00	0.00	695.00
Compressor	10/1/1997	3,000.00	SL 7 yrs	3,000.00	0.00	3,000.00
Beer Cooler	5/1/1998	2,087.00	SL 5 yrs	2,087.00	0.00	2,087.00
2 Forklifts	7/15/1998	36,204.00	SL 5 yrs	36,204.00	0.00	36,204.00
Accounting Software	6/1/1999	44,427.00	SL 5 yrs	44,427.00	0.00	44,427.00
Holding Tank		52,402.00		52,402.00	0.00	52,402.00
Ticket Machine Upgrades	12/1/1999	14,031.00	SL 5 yrs	14,031.00	0.00	14,031.00
Printer	6/15/1999	496.00	SL 5 yrs	496.00	0.00	496.00
Storage Trailer	9/15/1999	2,225.00	SL 5 yrs	2,225.00	0.00	2,225.00
Cash Registers	6/30/1999	1,175.00	SL 5 yrs	1,175.00	0.00	1,175.00
Computer Equipment	10/29/1999	2,440.00	SL 5 yrs	2,440.00	0.00	2,440.00
Office Furniture	12/15/1999	6,452.00	SL 7 yrs	5,071.00	922.00	5,993.00
Office File Cabinets	12/28/1999	3,230.00	SL 7 yrs	2,497.00	461.00	2,958.00
Storage Cabinet	11/24/1999	338.00	SL 7 yrs	264.00	48.00	312.00
Office Furniture	12/31/1999	743.00	SL 7 yrs	574.00	106.00	680.00
Coffee Table	12/21/1999	188.00	SL 7 yrs	146.00	27.00	173.00
Bookcase	12/14/1999	130.00	SL 7 yrs	103.00	19.00	122.00
Chair	12/1/1999	273.00	SL 7 yrs	215.00	39.00	254.00
File Cabinet	12/1/1999	763.00	SL 7 yrs	600.00	109.00	709.00
Computer Workstation	1/7/1999	570.00	SL 5 yrs	570.00	0.00	570.00
Computer Equipment	2/16/2000	2,612.00	SL 5 yrs	2,612.00	0.00	2,612.00
Computer & Monitor	2/16/2000	3,042.00	SL 5 yrs	3,042.00	0.00	3,042.00
Computer Equipment	2/16/2000	464.00	SL 5 yrs	464.00	0.00	464.00
Laserjet Printers	2/16/2000	1,004.00	SL 5 yrs	1,004.00	0.00	1,004.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2006
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2005 ACC. DEPREC	DEPRECIATION FYE 5/31/06	FY 2006 ACC. DEPREC
Computer & Monitor	4/12/2000	2,059.00	SL 5 yrs	2,056.00	3.00	2,059.00
Dot Matrix Printer	5/9/2000	658.00	SL 5 yrs	658.00	0.00	658.00
Computer Modem	4/27/2000	1,526.00	SL 5 yrs	1,526.00	0.00	1,526.00
Cash Register	6/15/2000	1,155.00	SL 5 yrs	1,145.00	10.00	1,155.00
Air Conditioners	6/30/2000	884.00	SL 7 yrs	620.00	126.00	746.00
Ice Machine	7/17/2000	3,375.00	SL 7 yrs	2,350.00	482.00	2,832.00
Boca Printer	7/20/2000	2,100.00	SL 5 yrs	2,048.00	52.00	2,100.00
Refrigerators	8/30/2000	2,058.00	SL 7 yrs	1,397.00	294.00	1,691.00
Copier	10/27/2000	900.00	SL 5 yrs	825.00	75.00	900.00
<u>EQUIPMENT (CONTINUED)</u>						
Fax Machine	12/31/2000	677.00	SL 5 yrs	596.00	81.00	677.00
Air Conditioners	1/1/1990	3,734.00		3,734.00	0.00	3,734.00
Boca Printer	8/7/2001	2,100.00	SL 5 yrs	1,610.00	420.00	2,030.00
Lexmark Printer	7/25/2001	430.00	SL 5 yrs	330.00	86.00	416.00
Cannon Personal Copier	11/20/2001	530.00	SL 5 yrs	371.00	106.00	477.00
Cherry Picker	4/8/2002	13,780.00	SL 7 yrs	6,235.00	1,969.00	8,204.00
Laptop Computer	5/1/2002	1,932.00	SL 5 yrs	1,190.00	386.00	1,576.00
3 Forklifts	1/2/2002	65,183.00	SL 7 yrs	31,816.00	9,312.00	41,128.00
Custom Software	5/1/2002	88,525.00	SL 3 yrs	88,525.00	0.00	88,525.00
Security System	7/1/2002	1,917.00	SL 7 yrs	776.00	274.00	1,050.00
Forklift	3/1/2003	15,073.00	SL 7 yrs	4,665.00	2,153.00	6,818.00
Used Welding Machine	12/1/2002	650.00	SL 7 yrs	225.00	93.00	318.00
Safe	3/1/2003	1,666.00	SL 7 yrs	516.00	238.00	754.00
IBM Personal Computer	4/1/2003	2,158.00	SL 5 yrs	924.00	432.00	1,356.00
Ticket Machine-Grp Sales	8/1/2002	6,700.00	SL 5 yrs	3,685.00	1,340.00	5,025.00
Cash Register	6/1/2002	370.00	SL 5 yrs	216.00	74.00	290.00
IBM Infoprint Printer	5/1/2003	3,482.00	SL 3 yrs	2,419.00	1,063.00	3,482.00
IBM Laptop	3/1/2003	3,733.00	SL 3 yrs	2,695.00	1,038.00	3,733.00
Office Furniture-PJ	6/11/2003	1,378.22	SL 7 yrs	386.00	197.00	583.00
Hot dog grill and Toaster	6/5/2003	1,152.39	SL 7 yrs	330.00	165.00	495.00
BI Alarm System	10/24/2003	7,182.43	SL 7 yrs	1,625.00	1,026.00	2,651.00
Freight Shed	9/19/2003	1,280.00	SL 5 yrs	437.00	256.00	693.00
Truck Sander	10/29/2003	3,657.00	SL 7 yrs	827.00	522.00	1,349.00
Computer Equipment	11/21/2003	12,572.50	SL 5 yrs	3,772.00	2,515.00	6,287.00
Computer Equipment	11/21/2003	16,551.24	SL 5 yrs	4,965.00	3,310.00	8,275.00
PJ Office Furniture	2/5/2004	7,867.82	SL 7 yrs	1,499.00	1,124.00	2,623.00
Computer Equipment	12/11/2003	1,694.74	SL 5 yrs	494.00	339.00	833.00
Computer Equipment	12/11/2003	6,355.03	SL 5 yrs	1,854.00	1,271.00	3,125.00
Computer Equipment	12/23/2003	756.24	SL 5 yrs	214.00	151.00	365.00
Software	3/31/2004	27,600.58	SL 3 yrs	10,733.00	9,200.00	19,933.00
Computer Equipment	3/12/2004	1,568.05	SL 5 yrs	361.00	314.00	675.00
Office Equipment	4/3/2004	570.10	SL 7 yrs	154.00	125.00	279.00
BM Thinkpad	4/22/2004	3,450.75	SL 5 yrs	748.00	690.00	1,438.00
<u>EQUIPMENT (CONTINUED)</u>						
Lexmark Printer	5/10/2004	610.35	SL 5 yrs	132.00	122.00	254.00
Computer Equipment	5/18/2004	855.00	SL 5 yrs	185.00	171.00	356.00
Laptop Computer	6/30/2004	2,133.61	SL 5 yrs	391.00	426.72	817.72
Accounting Software/Server	6/30/2004	12,839.44	SL 3 yrs	3,923.00	4,279.81	8,202.81
Computer	7/1/2004	1,385.07	SL 5 yrs	254.00	277.01	531.01

**LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2006
INTERSTATE NAVIGATION CO.**

	DATE OF ACQ.	COST	METHOD	FY 2005 ACC. DEPREC	DEPRECIATION FYE 5/31/06	FY 2006 ACC. DEPREC
Laptop Computer	3/11/2005	1,966.64	SL 5 yrs	82.00	393.32	475.32
Printer	3/22/2005	1,198.07	SL 5 yrs	40.00	239.61	279.61
equipment	4/18/2006	681.19	SL 5 yrs	0.00	136.24	136.24
		1,032,576.46		883,826.00	49,089.71	932,915.71
<u>BUILDINGS</u>						
Terminal Building- PJ		25000		25,000.00	0.00	25,000.00
Freight Shed-PJ		44,588.00		44,588.00	0.00	44,588.00
Building Expansion Shed-PJ		204,063.00	SL 20 yrs	160,883.00	10,203.00	171,086.00
Block Island Office	9/3/1993	27,331.89	SL 31.5 yr	10,199.00	868.00	11,067.00
Freight Shed-BI	1/1/1996	130,429.00	SL 10 yrs	122,826.00	7,603.00	130,429.00
Block Island Terminal	6/15/2002	61,901.00	SL 10 yrs	18,570.00	6,190.00	24,760.00
Remodeling BI Ticket Office	12/1/2002	25,772.00	SL 5 yrs	15,462.00	5,154.00	20,616.00
Roof-PJ Ticket Terminal	4/1/2003	8,746.00	SL 10 yrs	2,625.00	875.00	3,500.00
		537,500.89		409,823.00	30,893.00	440,716.00
<u>DOCKS & RAMPS</u>						
Docks		15,901.00		15,901.00	0.00	15,901.00
Dolphin Fender Piles		13,120.00		13,120.00	0.00	13,120.00
Ramps		112,801.00		112,801.00	0.00	112,801.00
Docks		139,174.00		139,174.00	0.00	139,174.00
Docks-BI		130,367.00		130,367.00	0.00	130,367.00
Ramps-PJ		88,284.00		88,284.00	0.00	88,284.00
Ramps-PJ		130,087.00		130,087.00	0.00	130,087.00
Ramps-BI		43,865.00		43,865.00	0.00	43,865.00
Dock Improvements-PJ	6/15/1998	67,849.00	SL 10 yrs	30,530.00	6,785.00	37,315.00
Dock Improvements	5/19/1993	101,782.00	SL 10 yrs	101,782.00	0.00	101,782.00
Ramp- BI	6/15/2003	21,860.00	SL 10 yrs	4,372.00	2,186.00	6,558.00
					0.00	
Bulkhead-PJ		785,291.00	SL 100 yrs	114,358.00	78,529.00	192,887.00
Bulkhead-BI	37787	640,700.65	SL 10 yrs	70,210.00	64,070.00	134,280.00
Dock	3/16/2006	30,126.04	SL 10 yrs	0.00	3,012.60	3,012.60
		2,321,207.69		994,851.00	154,582.60	1,149,433.60
<u>DOCKS (CONTINUED)</u>						
<u>STAGING & PJ PROJECTS</u>						
Maude's Prop.-PJ Staging	10/1/1997	148,240.00	SL 40 yrs	28,414.00	3,706.00	32,120.00
Galilee Staging-PJ	6/1/1998	343,299.00	SL 40 yrs	60,074.00	8,582.00	68,656.00
Sewer Pump Out System	NIS	61,385.00	SL 40 yrs	0.00	1,534.63	1,534.63
Terminal Bldg. Project	NIS	454,360.04	SL 40 yrs	0.00	11,359.00	11,359.00
		1,007,284.04		88,488.00	25,181.63	113,669.63
<u>VEHICLES</u>						
1985 Ford Truck		5,500.00		5,500.00	0.00	5,500.00
Used Ford F150		12,002.00		12,002.00	0.00	12,002.00
Used Truck(Island Marine)	2/1/1998	3,740.00		3,740.00	0.00	3,740.00
1998 Ford F150	6/15/1998	8,594.00	SL 5 yrs	8,594.00	0.00	8,594.00
2000 Ford Exploror	10/15/1999	26,500.00	SL 5 yrs	30,051.00	-3,551.00	26,500.00
2002 Volvo S-80	1/9/2002	41,771.00	SL 5 yrs	28,543.00	8,354.00	36,897.00

LAPSE SCHEDULE
FIXED ASSETS AND ACCUMULATED DEPRECIATION - FY 2006
INTERSTATE NAVIGATION CO.

	DATE OF ACQ.	COST	METHOD	FY 2005 ACC. DEPREC	DEPRECIATION FYE 5/31/06	FY 2006 ACC. DEPREC
2003 Chevrolet Silverado retirement	9/26/2003	30,740.23	SL 5 yrs	10,962.00	6,148.00	17,110.00
		-31,257.38		0.00	0.00	-31,257.38
2005 Ford	10/19/2005	26,900.00	SL 5 yrs	0.00	3,237.00	3,237.00
		124,489.85		99,392.00	14,188.00	82,322.62
TOTALS		22,881,805.46		9,590,840.00	1,237,766.84	10,797,349.46
Net Property		12,084,456.00				

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-10. Please describe the methods used by the Company to calculate tax depreciation on its fixed assets. The response should include citations to relevant IRS regulations authorizing the tax depreciation methods used by the Company.

Response: See attached.

Prepared by WEE

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Bar Equipmen	01/19/89	24,395.		100.00	NP		NA	0.
		24,395.			SL	5.00	17	24,395.
Point Judith	09/01/88	59,517.		100.00	NP		NA	0.
		59,517.			SL	25.00	17	59,517.
Block Island	04/19/87	105,331.		100.00	NP		NA	0.
		105,331.			SL	19.00	19	105,331.
Point Judith	01/19/89	88,284.		100.00	NP		NA	695.
		88,284.			SL	15.00	17	87,589.
Buildings	01/19/90	204,063.		100.00	NP		NA	6,583.
		204,063.			SL	31.00	16	91,122.
PJ Ramps	01/19/90	130,087.		100.00	NP		NA	7,233.
		130,087.			SL	15.00	16	122,854.
BI Ramps	01/19/90	43,865.		100.00	NP		NA	2,441.
		43,865.			SL	15.00	16	41,424.
Computers	01/19/90	145,000.		100.00	NP		NA	0.
		145,000.			SL	7.00	16	145,000.
Air Conditio	01/19/90	3,734.		100.00	NP		NA	0.
		3,734.			SL	7.00	16	3,734.
Telephone Sy	01/19/90	22,980.		100.00	NP		NA	0.
		22,980.			SL	7.00	16	22,980.
1985 Ford Truck	01/19/89	5,500.		100.00	NP		NA	0.
		5,500.			SL	5.00	17	5,500.
Equipment	04/01/91	13,808.		100.00	NP		NA	0.
		13,808.			SL	5.00	15	13,808.
Bulkhead	06/01/91	785,291.		100.00	NP		NA	19,632.
		785,291.			SL	40.00	14	255,216.
Pt. Judith S	10/01/91	9,669.		100.00	NP		NA	0.
		9,669.			SL	10.00	14	9,669.
Lifeboat Mot	01/07/92	1,500.		100.00	NP		NA	0.
		1,500.			SL	5.00	14	1,500.
Ticket Machi	11/30/91	9,931.		100.00	NP		NA	0.
		9,931.			SL	5.00	14	9,931.
Radar	12/31/91	5,880.		100.00	NP		NA	0.
		5,880.			SL	5.00	14	5,880.
Copy Machine	02/05/92	743.		100.00	NP		NA	0.
		743.			SL	5.00	14	743.
Radars	03/18/92	4,103.		100.00	NP		NA	0.
		4,103.			SL	5.00	14	4,103.
Ticket Machi	04/28/92	33,248.		100.00	NP		NA	0.
		33,248.			SL	5.00	14	33,248.
Alarm	05/05/92	1,663.		100.00	NP		NA	0.
		1,663.			SL	5.00	14	1,663.
Ticket Machi	06/02/92	2,115.		100.00	NP		NA	0.
		2,115.			SL	5.00	13	2,115.
Cash Registe	06/16/92	1,549.		100.00	NP		NA	0.
		1,549.			SL	5.00	13	1,549.
Security Sys	06/11/92	4,380.		100.00	NP		NA	0.
		4,380.			SL	5.00	13	4,380.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Modem	06/15/92	2,080.		100.00	NP		NA	0.
		2,080.			SL	5.00	13	2,080.
Computer Ter	08/31/92	1,398.		100.00	NP		NA	0.
		1,398.			SL	5.00	13	1,398.
Nelseco II	01/01/70	1,035,117.		100.00	NP		NA	0.
		1,035,117.			SL	20.00	36	1,035,117.
Manitou	06/01/70	145,548.		100.00	NP		NA	0.
		145,548.			SL	34.00	35	145,548.
Carole Jean	01/01/80	2,429,597.		100.00	NP		NA	0.
		2,429,597.			SL	20.00	26	2,429,597.
B.I. Dock	01/01/80	28,625.		100.00	NP		NA	0.
		28,625.			SL	5.00	26	28,625.
P.J. Dock	01/01/80	48,000.		100.00	NP		NA	0.
		48,000.			SL	5.00	26	48,000.
B.I. Ramp	01/01/80	14,160.		100.00	NP		NA	0.
		14,160.			SL	25.00	26	14,160.
Parking Lot	01/01/80	25,036.		100.00	NP		NA	1,174.
		25,036.			SL	21.00	26	23,862.
P.J. Office	01/01/70	45,647.		100.00	NP		NA	0.
		45,647.			SL	29.00	36	45,647.
Vessel Imprv	08/23/93	17,129.		100.00	MACRS	10	HY	0.
		17,129.			200DB	10.00	12	17,129.
Radar- C.J.	05/07/93	6,062.		100.00	MACRS	5	HY	0.
		6,062.			200DB	5.00	13	6,062.
B.I. Office	09/03/93	27,332.		100.00	MACRS	NR	MM	658.
		27,332.			SL	39.00	12	8,726.
Computer	11/15/92	1,368.		100.00	MACRS	5	HY	0.
		1,368.			200DB	5.00	13	1,368.
2 Forklifts	07/26/93	47,904.		100.00	MACRS	5	HY	0.
		47,904.			200DB	5.00	12	47,904.
Printer	05/15/93	2,993.		100.00	MACRS	5	HY	0.
		2,993.			200DB	5.00	13	2,993.
Ticket Print	06/17/93	5,242.		100.00	MACRS	5	HY	0.
		5,242.			200DB	5.00	12	5,242.
Computer Eqp	08/18/93	7,947.		100.00	MACRS	5	HY	0.
		7,947.			200DB	5.00	12	7,947.
Dock Improv	05/19/93	101,782.		100.00	NP		NA	6,785.
		101,782.			SL	15.00	13	74,636.
Equipment	10/01/92	5,350.		100.00	NP		NA	0.
		5,350.			SL	5.00	13	5,350.
Radar	06/15/96	7,840.		100.00	MACRS	5	HY	0.
		7,840.			200DB	5.00	9	7,840.
Used Pick-Up Truck	02/15/96	12,002.		100.00	MACRS	5	HY	0.
		12,002.			200DB	5.00	10	12,002.
Copier	07/15/96	900.		100.00	MACRS	5	HY	0.
		900.			200DB	5.00	9	900.
Time Clocks-2	07/15/96	1,320.		100.00	MACRS	5	HY	0.
		1,320.			200DB	5.00	9	1,320.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004
Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
BI Freight Shed	01/01/96	130,429.		100.00	MACRS	10	HY	13,623.
		130,429.			SL	10.00	10	109,995.
Vessel Doors-CJ	10/15/93	7,533.		100.00	MACRS	10	HY	0.
		7,533.			200DB	10.00	12	7,533.
Computer Equipment	02/15/94	6,665.		100.00	MACRS	5	HY	0.
		6,665.			200DB	5.00	12	6,665.
Copy Machine	04/15/94	1,010.		100.00	MACRS	5	HY	0.
		1,010.			200DB	5.00	12	1,010.
Copy Machine	06/15/94	1,315.		100.00	MACRS	5	HY	0.
		1,315.			200DB	5.00	11	1,315.
Ice Machine	06/15/94	4,179.		100.00	MACRS	7	HY	0.
		4,179.			200DB	7.00	11	4,179.
PJ-Security System	07/15/94	7,966.		100.00	MACRS	7	HY	0.
		7,966.			200DB	7.00	11	7,966.
PJ Computer System	01/15/95	25,185.		100.00	MACRS	5	HY	0.
		25,185.			200DB	5.00	11	25,185.
Power Washer	02/15/95	2,963.		100.00	MACRS	5	HY	0.
		2,963.			200DB	5.00	11	2,963.
Beer Cooler	05/15/95	1,520.		100.00	MACRS	5	HY	0.
		1,520.			200DB	5.00	11	1,520.
Ticket Machine Software	08/15/95	15,532.		100.00	MACRS	5	HY	0.
		15,532.			200DB	5.00	10	15,532.
Printers-2	09/15/97	830.		100.00	MACRS	5	HY	0.
		830.			200DB	5.00	8	830.
Fax Machine	12/15/96	471.		100.00	MACRS	5	HY	0.
		471.			200DB	5.00	9	471.
Computer Programming-Cr	05/15/97	34,622.		100.00	MACRS	5	HY	0.
		34,622.			SL	5.00	9	34,622.
Motor Vessel-Block Isla	06/28/97	7,637,738.		100.00	MACRS	15	HY	370,039.
		7,637,738.			SL	15.00	8	4,492,409.
Used Ford Pick-up Truck	06/15/98	8,594.		100.00	MACRS	5	HY	0.
		8,594.			200DB	5.00	7	8,594.
2 Forklifts	07/15/98	36,204.		100.00	MACRS	7	HY	3,231.
		36,204.			200DB	7.00	7	31,357.
Dock Improvements-PJ	06/15/98	67,849.		100.00	MACRS	15	HY	4,523.
		67,849.			SL	15.00	7	24,877.
PJ Staging- Galiles Pro	06/01/98	343,299.		100.00	MACRS	NR	MM	8,802.
		343,299.			SL	39.00	7	52,450.
Beer Cooler	05/15/98	2,087.		100.00	MACRS	5	HY	0.
		2,087.			200DB	5.00	8	2,087.
Used Pick-up Truck	02/15/98	3,740.		100.00	MACRS	5	HY	0.
		3,740.			200DB	5.00	8	3,740.
Compressor	10/15/97	3,000.		100.00	MACRS	7	HY	141.
		3,000.			200DB	7.00	8	2,859.
Copier	10/15/97	695.		100.00	MACRS	5	HY	0.
		695.			200DB	5.00	8	695.
Maude's Property- Stagi	10/01/97	148,240.		100.00	MACRS	NR	MM	3,801.
		148,240.			SL	39.00	8	25,182.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
2000 Ford Explorer	10/15/99	26,500.		100.00	MACRS	5	HY	2,213.
		26,500.			200DB	5.00	6	24,287.
Accounting System and S	06/01/99	44,427.		100.00	NP		NA	0.
		44,427.			SL	3.00	6	44,427.
Ticket Machines	01/01/00	14,031.		100.00	MACRS	5	HY	687.
		14,031.			200DB	5.00	6	13,344.
Printer	06/15/99	496.		100.00	MACRS	5	HY	29.
		496.			200DB	5.00	6	467.
Storage Trailer	09/15/99	2,225.		100.00	MACRS	7	HY	198.
		2,225.			200DB	7.00	6	1,729.
Cash Register	06/30/99	1,175.		100.00	MACRS	5	HY	68.
		1,175.			200DB	5.00	6	1,107.
Computer Equipment	10/29/99	2,440.		100.00	MACRS	5	HY	141.
		2,440.			200DB	5.00	6	2,299.
Office Furniture	12/15/99	6,452.		100.00	MACRS	7	HY	576.
		6,452.			200DB	7.00	6	5,013.
Office File Cabinets	12/28/99	3,230.		100.00	MACRS	7	HY	288.
		3,230.			200DB	7.00	6	2,509.
Storage Cabinet	11/24/99	338.		100.00	MACRS	7	HY	30.
		338.			200DB	7.00	6	262.
Office Furniture	12/31/99	743.		100.00	MACRS	7	HY	66.
		743.			200DB	7.00	6	577.
Coffee Table	12/21/99	188.		100.00	MACRS	7	HY	17.
		188.			200DB	7.00	6	146.
Bookcase	12/14/99	130.		100.00	MACRS	7	HY	12.
		130.			200DB	7.00	6	101.
Chair	12/01/99	273.		100.00	MACRS	7	HY	24.
		273.			200DB	7.00	6	212.
File Cabinet	12/01/99	763.		100.00	MACRS	7	HY	68.
		763.			200DB	7.00	6	592.
Computer Workstation	01/07/00	570.		100.00	MACRS	7	HY	44.
		570.			200DB	7.00	6	459.
Computer Equipment	02/16/00	2,612.		100.00	MACRS	5	HY	150.
		2,612.			200DB	5.00	6	2,462.
Computer & Monitor	02/16/00	3,042.		100.00	MACRS	5	HY	175.
		3,042.			200DB	5.00	6	2,867.
Computer Equipment	02/16/00	464.		100.00	MACRS	5	HY	27.
		464.			200DB	5.00	6	437.
2 Laserjet Printers	02/16/00	1,004.		100.00	MACRS	5	HY	58.
		1,004.			200DB	5.00	6	946.
Computer & Monitor	04/12/00	2,059.		100.00	MACRS	5	HY	119.
		2,059.			200DB	5.00	6	1,940.
Dot Matrix Printer	05/09/00	658.		100.00	MACRS	5	HY	38.
		658.			200DB	5.00	6	620.
Computer Modem	04/27/00	1,526.		100.00	MACRS	5	HY	88.
		1,526.			200DB	5.00	6	1,438.
MV Nelsaco engine-rebuil	06/19/00	21,943.		100.00	MACRS	10	HY	2,194.
		21,943.			SL	10.00	5	7,679.

Interstate Navigation Co Inc 06-0807127

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Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Inflatable buoyant apps	03/16/01	28,143.		100.00	MACRS	7	HY	2,512.
		28,143.			200DB	7.00	5	19,352.
Life rafts	02/19/01	23,666.		100.00	MACRS	7	HY	2,112.
		23,666.			200DB	7.00	5	16,274.
Bar Computer	06/15/00	1,155.		100.00	MACRS	5	HY	133.
		1,155.			200DB	5.00	5	956.
Air Conditioners	06/30/00	884.		100.00	MACRS	7	HY	79.
		884.			200DB	7.00	5	608.
Ice Machine	07/17/00	3,375.		100.00	MACRS	7	HY	301.
		3,375.			200DB	7.00	5	2,321.
Boca Printer	07/20/00	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	5	1,737.
Refrigerators-all bars	08/30/00	2,058.		100.00	MACRS	7	HY	184.
		2,058.			200DB	7.00	5	1,415.
Copier	10/27/00	900.		100.00	MACRS	5	HY	103.
		900.			200DB	5.00	5	745.
Fax Machine	12/31/00	677.		100.00	MACRS	5	HY	78.
		677.			200DB	5.00	5	560.
Boca Printer	08/07/01	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	4	1,495.
Lexmark printer	07/25/01	430.		100.00	MACRS	5	HY	50.
		430.			200DB	5.00	4	306.
Cannon personal copier	11/20/01	530.		100.00	MACRS	5	HY	61.
		530.			200DB	5.00	4	378.
Cherry Picker	04/08/02	13,780.		100.00	MACRS	7	HY	1,722.
		13,780.			200DB	7.00	4	7,754.
Laptop Computer	05/01/02	1,932.		100.00	MACRS	5	HY	223.
		1,932.			200DB	5.00	4	1,375.
3-Forklifts	01/02/02	65,183.		100.00	MACRS	7	HY	8,145.
		65,183.			200DB	7.00	4	36,677.
Volvo S80	01/09/02	41,771.		100.00	MACRS	AUTO	HY	1,775.
		41,771.		X	200DB	5.00	4	10,910.
Custom Software-Credic	05/01/02	88,525.		100.00	NP		NA	27,050.
		88,525.			SL	3.00	4	61,475.
Rafts & Water Lights-HV	03/15/03	14,091.		100.00	MACRS	7	HY	2,465.
		14,091.			200DB	7.00	3	5,464.
Security System	07/15/02	1,917.		100.00	MACRS	7	HY	335.
		1,917.			200DB	7.00	3	743.
Forklift	03/15/03	15,073.		100.00	MACRS	7	HY	2,637.
		15,073.			200DB	7.00	3	5,844.
Used Welding Machine	12/15/02	650.		100.00	MACRS	7	HY	114.
		650.			200DB	7.00	3	252.
Safe	03/15/03	1,666.		100.00	MACRS	7	HY	291.
		1,666.			200DB	7.00	3	646.
IBM PC	04/15/03	2,158.		100.00	MACRS	5	HY	414.
		2,158.			200DB	5.00	3	1,122.
Ticket Machine-Group 3a	08/15/02	6,700.		100.00	MACRS	5	HY	1,286.
		6,700.			200DB	5.00	3	3,484.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Cash Register	06/15/02	370.		100.00	MACRS	5	HY	71.
		370.			200DB	5.00	3	192.
IBM Infoprint	05/15/03	3,482.		100.00	MACRS	5	HY	669.
		3,482.			200DB	5.00	3	1,810.
IBM Laptop	03/15/03	3,733.		100.00	MACRS	5	HY	717.
		3,733.			200DB	5.00	3	1,941.
Block Island Terminal	06/15/02	61,901.		100.00	MACRS	NR	MM	1,587.
		61,901.			SL	39.00	3	3,108.
Remodeling BI Ticket of	12/15/02	25,772.		100.00	MACRS	5	HY	4,948.
		25,772.			200DB	5.00	3	13,401.
PJ Ticket Terminal Roof	04/15/03	8,746.		100.00	MACRS	10	HY	875.
		8,746.			SL	10.00	3	1,312.
Radar-MV Nelseco	06/27/03	2,822.		100.00	MACRS	7	HY	691.
		2,822.			200DB	7.00	2	403.
2003 Chevrolet Silverad	09/29/03	30,740.		100.00	MACRS	5	HY	9,837.
		30,740.		X	200DB	5.00	2	6,148.
Office Furniture	06/11/03	1,378.		100.00	MACRS	7	HY	337.
		1,378.			200DB	7.00	2	197.
Hot dog grill and Toast	06/05/03	1,152.		100.00	MACRS	7	HY	282.
		1,152.			200DB	7.00	2	165.
BI Alarm System	10/24/03	7,182.		100.00	MACRS	7	HY	1,759.
		7,182.			200DB	7.00	2	1,026.
Freight Shed	09/19/03	1,280.		100.00	MACRS	7	HY	313.
		1,280.			200DB	7.00	2	183.
Sander	10/29/03	3,657.		100.00	MACRS	7	HY	896.
		3,657.			200DB	7.00	2	522.
Computer Equipment	11/21/03	12,573.		100.00	MACRS	5	HY	4,023.
		12,573.			200DB	5.00	2	2,515.
Computer Equipment	11/21/03	16,551.		100.00	MACRS	5	HY	5,296.
		16,551.			200DB	5.00	2	3,310.
PJ Office Furniture	02/05/04	7,868.		100.00	MACRS	7	HY	1,927.
		7,868.			200DB	7.00	2	1,124.
Computer Equipment	12/11/03	1,695.		100.00	MACRS	5	HY	542.
		1,695.			200DB	5.00	2	339.
Computer Equipment	12/11/03	6,355.		100.00	MACRS	5	HY	2,034.
		6,355.			200DB	5.00	2	1,271.
Computer Equipment	12/23/03	756.		100.00	MACRS	5	HY	242.
		756.			200DB	5.00	2	151.
Software-Credit Card Pr	03/31/04	27,601.		100.00	NP		NA	9,200.
		27,601.			SL	3.00	2	2,300.
Computer Equipment	03/12/04	1,568.		100.00	MACRS	5	HY	502.
		1,568.			200DB	5.00	2	314.
Office Equipment	04/03/04	873.		100.00	MACRS	5	HY	279.
		873.			200DB	5.00	2	175.
IBM Thinkpad	04/22/04	3,451.		100.00	MACRS	5	HY	1,104.
		3,451.			200DB	5.00	2	690.
Lexmark Matrix Printer	05/10/04	610.		100.00	MACRS	5	HY	195.
		610.			200DB	5.00	2	122.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Celeron Computer	05/18/04	855.		100.00	MACRS	5	HY	274.
		855.			200DB	5.00	2	171.
BI Bulkhead	06/15/03	640,701.		100.00	MACRS	15	HY	42,713.
		640,701.			SL	15.00	2	21,357.
Motor Vessel Anna	08/19/04	3,100,000.		100.00	MACRS	15	HY	103,333.
		3,100,000.			SL	15.00	1	
Carol Jean Repowering	05/27/05	3,192,910.		100.00	MACRS	10	HY	159,646.
		3,192,910.			SL	10.00	1	
Laptop computer	06/30/04	2,134.		100.00	MACRS	5	HY	427.
		2,134.			200DB	5.00	1	
Accounting software/ser	06/30/04	12,839.		100.00	NP		NA	4,280.
		12,839.			SL	3.00	1	
Computer	07/01/04	1,385.		100.00	MACRS	5	HY	277.
		1,385.			200DB	5.00	1	
Laptop Computer	03/11/05	1,967.		100.00	MACRS	5	HY	393.
		1,967.			200DB	5.00	1	
Printer	03/22/05	1,198.		100.00	MACRS	5	HY	240.
		1,198.			200DB	5.00	1	
BI-New Ramp	06/15/03	21,860.		100.00	MACRS	15	HY	1,457.
		21,860.			SL	15.00	2	729.
Total		<u>21,883,399.</u> ✓						<u>870,591.</u> ✓
		<u>21,883,399.</u> ✓						<u>10,253,529.</u> ✓



Federal 1120 Depreciation Report
Alternative Minimum Tax

Activity Form 1120 Line 20 - 2004

Passive adjustment Passive preference

Description	Real	Passive	AMT Cost	AMT Life	AMT Depr	AMT Adj
			AMT Basis	AMT Mthd	AMT Prior	AMT Pref
Bar Equipmen	<input type="checkbox"/>	<input type="checkbox"/>	24,395.	5.00	0.	0.
			24,395.	SL	24,395.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	59,517.	5.00	0.	0.
			59,517.	SL	59,517.	
Block Island	<input type="checkbox"/>	<input type="checkbox"/>	105,331.	19.00	0.	0.
			105,331.	SL	105,331.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	88,284.	15.00	695.	0.
			88,284.	SL	87,589.	
Buildings	<input type="checkbox"/>	<input type="checkbox"/>	204,063.	40.00	5,102.	1,481.
			204,063.	SL	71,069.	
PJ Ramps	<input type="checkbox"/>	<input type="checkbox"/>	130,087.	15.00	7,233.	0.
			130,087.	SL	122,854.	
BI Ramps	<input type="checkbox"/>	<input type="checkbox"/>	43,865.	15.00	2,441.	0.
			43,865.	SL	41,424.	

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-11. Please provide a schedule itemizing the income tax basis of the Company's fixed assets as of May 31, 2005 and November 30, 2005.

Response: See Attached.

Prepared by WEE

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Bar Equipmen	01/19/89	24,395.		100.00	NP		NA	0.
		24,395.			SL	5.00	17	24,395.
Point Judith	09/01/88	59,517.		100.00	NP		NA	0.
		59,517.			SL	25.00	17	59,517.
Block Island	04/19/87	105,331.		100.00	NP		NA	0.
		105,331.			SL	19.00	19	105,331.
Point Judith	01/19/89	88,284.		100.00	NP		NA	695.
		88,284.			SL	15.00	17	87,589.
Buildings	01/19/90	204,063.		100.00	NP		NA	6,583.
		204,063.			SL	31.00	16	91,122.
PJ Ramps	01/19/90	130,087.		100.00	NP		NA	7,233.
		130,087.			SL	15.00	16	122,854.
BI Ramps	01/19/90	43,865.		100.00	NP		NA	2,441.
		43,865.			SL	15.00	16	41,424.
Computers	01/19/90	145,000.		100.00	NP		NA	0.
		145,000.			SL	7.00	16	145,000.
Air Conditio	01/19/90	3,734.		100.00	NP		NA	0.
		3,734.			SL	7.00	16	3,734.
Telephone Sy	01/19/90	22,980.		100.00	NP		NA	0.
		22,980.			SL	7.00	16	22,980.
1985 Ford Truck	01/19/89	5,500.		100.00	NP		NA	0.
		5,500.			SL	5.00	17	5,500.
Equipment	04/01/91	13,808.		100.00	NP		NA	0.
		13,808.			SL	5.00	15	13,808.
Bulkhead	06/01/91	785,291.		100.00	NP		NA	19,632.
		785,291.			SL	40.00	14	255,216.
Pt. Judith S	10/01/91	9,669.		100.00	NP		NA	0.
		9,669.			SL	10.00	14	9,669.
Lifeboat Mot	01/07/92	1,500.		100.00	NP		NA	0.
		1,500.			SL	5.00	14	1,500.
Ticket Machi	11/30/91	9,931.		100.00	NP		NA	0.
		9,931.			SL	5.00	14	9,931.
Radar	12/31/91	5,880.		100.00	NP		NA	0.
		5,880.			SL	5.00	14	5,880.
Copy Machine	02/05/92	743.		100.00	NP		NA	0.
		743.			SL	5.00	14	743.
Radars	03/18/92	4,103.		100.00	NP		NA	0.
		4,103.			SL	5.00	14	4,103.
Ticket Machi	04/28/92	33,248.		100.00	NP		NA	0.
		33,248.			SL	5.00	14	33,248.
Alarm	05/05/92	1,663.		100.00	NP		NA	0.
		1,663.			SL	5.00	14	1,663.
Ticket Machi	06/02/92	2,115.		100.00	NP		NA	0.
		2,115.			SL	5.00	13	2,115.
Cash Registe	06/16/92	1,549.		100.00	NP		NA	0.
		1,549.			SL	5.00	13	1,549.
Security Sys	06/11/92	4,380.		100.00	NP		NA	0.
		4,380.			SL	5.00	13	4,380.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Modem	06/15/92	2,080.		100.00	NP		NA	0.
		2,080.			SL	5.00	13	2,080.
Computer Ter	08/31/92	1,398.		100.00	NP		NA	0.
		1,398.			SL	5.00	13	1,398.
Nelseco II	01/01/70	1,035,117.		100.00	NP		NA	0.
		1,035,117.			SL	20.00	36	1,035,117.
Manitou	06/01/70	145,548.		100.00	NP		NA	0.
		145,548.			SL	34.00	35	145,548.
Carole Jean	01/01/80	2,429,597.		100.00	NP		NA	0.
		2,429,597.			SL	20.00	26	2,429,597.
B.I. Dock	01/01/80	28,625.		100.00	NP		NA	0.
		28,625.			SL	5.00	26	28,625.
P.J. Dock	01/01/80	48,000.		100.00	NP		NA	0.
		48,000.			SL	5.00	26	48,000.
B.I. Ramp	01/01/80	14,160.		100.00	NP		NA	0.
		14,160.			SL	25.00	26	14,160.
Parking Lot	01/01/80	25,036.		100.00	NP		NA	1,174.
		25,036.			SL	21.00	26	23,862.
P.J. Office	01/01/70	45,647.		100.00	NP		NA	0.
		45,647.			SL	29.00	36	45,647.
Vessel Imprv	08/23/93	17,129.		100.00	MACRS	10	HY	0.
		17,129.			200DB	10.00	12	17,129.
Radar- C.J.	05/07/93	6,062.		100.00	MACRS	5	HY	0.
		6,062.			200DB	5.00	13	6,062.
B.I. Office	09/03/93	27,332.		100.00	MACRS	NR	MM	658.
		27,332.			SL	39.00	12	8,726.
Computer	11/15/92	1,368.		100.00	MACRS	5	HY	0.
		1,368.			200DB	5.00	13	1,368.
2 Forklifts	07/26/93	47,904.		100.00	MACRS	5	HY	0.
		47,904.			200DB	5.00	12	47,904.
Printer	05/15/93	2,993.		100.00	MACRS	5	HY	0.
		2,993.			200DB	5.00	13	2,993.
Ticket Print	06/17/93	5,242.		100.00	MACRS	5	HY	0.
		5,242.			200DB	5.00	12	5,242.
Computer Eqp	08/18/93	7,947.		100.00	MACRS	5	HY	0.
		7,947.			200DB	5.00	12	7,947.
Dock Improv	05/19/93	101,782.		100.00	NP		NA	6,785.
		101,782.			SL	15.00	13	74,636.
Equipment	10/01/92	5,350.		100.00	NP		NA	0.
		5,350.			SL	5.00	13	5,350.
Radar	06/15/96	7,840.		100.00	MACRS	5	HY	0.
		7,840.			200DB	5.00	9	7,840.
Used Pick-Up Truck	02/15/96	12,002.		100.00	MACRS	5	HY	0.
		12,002.			200DB	5.00	10	12,002.
Copier	07/15/96	900.		100.00	MACRS	5	HY	0.
		900.			200DB	5.00	9	900.
Time Clocks-2	07/15/96	1,320.		100.00	MACRS	5	HY	0.
		1,320.			200DB	5.00	9	1,320.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
BI Freight Shed	01/01/96	130,429.		100.00	MACRS	10	HY	13,623.
		130,429.			SL	10.00	10	109,995.
Vessel Doors-CJ	10/15/93	7,533.		100.00	MACRS	10	HY	0.
		7,533.			200DB	10.00	12	7,533.
Computer Equipment	02/15/94	6,665.		100.00	MACRS	5	HY	0.
		6,665.			200DB	5.00	12	6,665.
Copy Machine	04/15/94	1,010.		100.00	MACRS	5	HY	0.
		1,010.			200DB	5.00	12	1,010.
Copy Machine	06/15/94	1,315.		100.00	MACRS	5	HY	0.
		1,315.			200DB	5.00	11	1,315.
Ice Machine	06/15/94	4,179.		100.00	MACRS	7	HY	0.
		4,179.			200DB	7.00	11	4,179.
PJ-Security System	07/15/94	7,966.		100.00	MACRS	7	HY	0.
		7,966.			200DB	7.00	11	7,966.
PJ Computer System	01/15/95	25,185.		100.00	MACRS	5	HY	0.
		25,185.			200DB	5.00	11	25,185.
Power Washer	02/15/95	2,963.		100.00	MACRS	5	HY	0.
		2,963.			200DB	5.00	11	2,963.
Beer Cooler	05/15/95	1,520.		100.00	MACRS	5	HY	0.
		1,520.			200DB	5.00	11	1,520.
Ticket Machine Software	08/15/95	15,532.		100.00	MACRS	5	HY	0.
		15,532.			200DB	5.00	10	15,532.
Printers-2	09/15/97	830.		100.00	MACRS	5	HY	0.
		830.			200DB	5.00	8	830.
Fax Machine	12/15/96	471.		100.00	MACRS	5	HY	0.
		471.			200DB	5.00	9	471.
Computer Programming-Cr	05/15/97	34,622.		100.00	MACRS	5	HY	0.
		34,622.			SL	5.00	9	34,622.
Motor Vessel-Block Isla	06/28/97	7,637,738.		100.00	MACRS	15	HY	370,039.
		7,637,738.			SL	15.00	8	4,492,409.
Used Ford Pick-up Truck	06/15/98	8,594.		100.00	MACRS	5	HY	0.
		8,594.			200DB	5.00	7	8,594.
2 Forklifts	07/15/98	36,204.		100.00	MACRS	7	HY	3,231.
		36,204.			200DB	7.00	7	31,357.
Dock Improvements-PJ	06/15/98	67,849.		100.00	MACRS	15	HY	4,523.
		67,849.			SL	15.00	7	24,877.
PJ Staging- Galiles Pro	06/01/98	343,299.		100.00	MACRS	NR	MM	8,802.
		343,299.			SL	39.00	7	52,450.
Beer Cooler	05/15/98	2,087.		100.00	MACRS	5	HY	0.
		2,087.			200DB	5.00	8	2,087.
Used Pick-up Truck	02/15/98	3,740.		100.00	MACRS	5	HY	0.
		3,740.			200DB	5.00	8	3,740.
Compressor	10/15/97	3,000.		100.00	MACRS	7	HY	141.
		3,000.			200DB	7.00	8	2,859.
Copier	10/15/97	695.		100.00	MACRS	5	HY	0.
		695.			200DB	5.00	8	695.
Maude's Property- Stagi	10/01/97	148,240.		100.00	MACRS	NR	MM	3,801.
		148,240.			SL	39.00	8	25,182.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004
Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
2000 Ford Explorer	10/15/99	26,500.		100.00	MACRS	5	HY	2,213.
		26,500.			200DB	5.00	6	24,287.
Accounting System and S	06/01/99	44,427.		100.00	NP		NA	0.
		44,427.			SL	3.00	6	44,427.
Ticket Machines	01/01/00	14,031.		100.00	MACRS	5	HY	687.
		14,031.			200DB	5.00	6	13,344.
Printer	06/15/99	496.		100.00	MACRS	5	HY	29.
		496.			200DB	5.00	6	467.
Storage Trailer	09/15/99	2,225.		100.00	MACRS	7	HY	198.
		2,225.			200DB	7.00	6	1,729.
Cash Register	06/30/99	1,175.		100.00	MACRS	5	HY	68.
		1,175.			200DB	5.00	6	1,107.
Computer Equipment	10/29/99	2,440.		100.00	MACRS	5	HY	141.
		2,440.			200DB	5.00	6	2,299.
Office Furniture	12/15/99	6,452.		100.00	MACRS	7	HY	576.
		6,452.			200DB	7.00	6	5,013.
Office File Cabinets	12/28/99	3,230.		100.00	MACRS	7	HY	288.
		3,230.			200DB	7.00	6	2,509.
Storage Cabinet	11/24/99	338.		100.00	MACRS	7	HY	30.
		338.			200DB	7.00	6	262.
Office Furniture	12/31/99	743.		100.00	MACRS	7	HY	66.
		743.			200DB	7.00	6	577.
Coffee Table	12/21/99	188.		100.00	MACRS	7	HY	17.
		188.			200DB	7.00	6	146.
Bookcase	12/14/99	130.		100.00	MACRS	7	HY	12.
		130.			200DB	7.00	6	101.
Chair	12/01/99	273.		100.00	MACRS	7	HY	24.
		273.			200DB	7.00	6	212.
File Cabinet	12/01/99	763.		100.00	MACRS	7	HY	68.
		763.			200DB	7.00	6	592.
Computer Workstation	01/07/00	570.		100.00	MACRS	7	HY	44.
		570.			200DB	7.00	6	459.
Computer Equipment	02/16/00	2,612.		100.00	MACRS	5	HY	150.
		2,612.			200DB	5.00	6	2,462.
Computer & Monitor	02/16/00	3,042.		100.00	MACRS	5	HY	175.
		3,042.			200DB	5.00	6	2,867.
Computer Equipment	02/16/00	464.		100.00	MACRS	5	HY	27.
		464.			200DB	5.00	6	437.
2 Laserjet Printers	02/16/00	1,004.		100.00	MACRS	5	HY	58.
		1,004.			200DB	5.00	6	946.
Computer & Monitor	04/12/00	2,059.		100.00	MACRS	5	HY	119.
		2,059.			200DB	5.00	6	1,940.
Dot Matrix Printer	05/09/00	658.		100.00	MACRS	5	HY	38.
		658.			200DB	5.00	6	620.
Computer Modem	04/27/00	1,526.		100.00	MACRS	5	HY	88.
		1,526.			200DB	5.00	6	1,438.
MV Nelsaco engine-rabui	06/19/00	21,943.		100.00	MACRS	10	HY	2,194.
		21,943.			SL	10.00	5	7,679.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Inflatable buoyant appa	03/16/01	28,143.		100.00	MACRS	7	HY	2,512.
		28,143.			200DB	7.00	5	19,352.
Life rafts	02/19/01	23,666.		100.00	MACRS	7	HY	2,112.
		23,666.			200DB	7.00	5	16,274.
Bar Computer	06/15/00	1,155.		100.00	MACRS	5	HY	133.
		1,155.			200DB	5.00	5	956.
Air Conditioners	06/30/00	884.		100.00	MACRS	7	HY	79.
		884.			200DB	7.00	5	608.
Ice Machine	07/17/00	3,375.		100.00	MACRS	7	HY	301.
		3,375.			200DB	7.00	5	2,321.
Boca Printer	07/20/00	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	5	1,737.
Refrigerators-all bars	08/30/00	2,058.		100.00	MACRS	7	HY	184.
		2,058.			200DB	7.00	5	1,415.
Copier	10/27/00	900.		100.00	MACRS	5	HY	103.
		900.			200DB	5.00	5	745.
Fax Machine	12/31/00	677.		100.00	MACRS	5	HY	78.
		677.			200DB	5.00	5	560.
Boca Printer	08/07/01	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	4	1,495.
Lexmark printer	07/25/01	430.		100.00	MACRS	5	HY	50.
		430.			200DB	5.00	4	306.
Cannon personal copier	11/20/01	530.		100.00	MACRS	5	HY	61.
		530.			200DB	5.00	4	378.
Cherry Picker	04/08/02	13,780.		100.00	MACRS	7	HY	1,722.
		13,780.			200DB	7.00	4	7,754.
Laptop Computer	05/01/02	1,932.		100.00	MACRS	5	HY	223.
		1,932.			200DB	5.00	4	1,375.
3-Forklifts	01/02/02	65,183.		100.00	MACRS	7	HY	8,145.
		65,183.			200DB	7.00	4	36,677.
Volvo S80	01/09/02	41,771.		100.00	MACRS	AUTO	HY	1,775.
		41,771.		X	200DB	5.00	4	10,910.
Custom software-Credit	05/01/02	88,525.		100.00	NP		NA	27,050.
		88,525.			SL	3.00	4	61,475.
Rafts & Water Lights-MV	03/15/03	14,091.		100.00	MACRS	7	HY	2,465.
		14,091.			200DB	7.00	3	5,464.
Security System	07/15/02	1,917.		100.00	MACRS	7	HY	335.
		1,917.			200DB	7.00	3	743.
Forklift	03/15/03	15,073.		100.00	MACRS	7	HY	2,637.
		15,073.			200DB	7.00	3	5,844.
Used Welding Machine	12/15/02	650.		100.00	MACRS	7	HY	114.
		650.			200DB	7.00	3	252.
Safe	03/15/03	1,666.		100.00	MACRS	7	HY	291.
		1,666.			200DB	7.00	3	646.
IBM PC	04/15/03	2,158.		100.00	MACRS	5	HY	414.
		2,158.			200DB	5.00	3	1,122.
Ticket Machine-Group 88	08/15/02	6,700.		100.00	MACRS	5	HY	1,286.
		6,700.			200DB	5.00	3	3,484.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Cash Register	06/15/02	370.		100.00	MACRS	5	HY	71.
		370.			200DB	5.00	3	192.
IBM Infoprint	05/15/03	3,482.		100.00	MACRS	5	HY	669.
		3,482.			200DB	5.00	3	1,810.
IBM Laptop	03/15/03	3,733.		100.00	MACRS	5	HY	717.
		3,733.			200DB	5.00	3	1,941.
Block Island Terminal	06/15/02	61,901.		100.00	MACRS	NR	MM	1,587.
		61,901.			SL	39.00	3	3,108.
Remodeling BI Ticket Of	12/15/02	25,772.		100.00	MACRS	5	HY	4,948.
		25,772.			200DB	5.00	3	13,401.
PJ Ticket Terminal Roof	04/15/03	8,746.		100.00	MACRS	10	HY	875.
		8,746.			SL	10.00	3	1,312.
Radar-MV Nelseco	06/27/03	2,822.		100.00	MACRS	7	HY	691.
		2,822.			200DB	7.00	2	403.
2003 Chevrolet Silverad	09/29/03	30,740.		100.00	MACRS	5	HY	9,837.
		30,740.		X	200DB	5.00	2	6,148.
Office Furniture	06/11/03	1,378.		100.00	MACRS	7	HY	337.
		1,378.			200DB	7.00	2	197.
Hot dog grill and Roast	06/05/03	1,152.		100.00	MACRS	7	HY	282.
		1,152.			200DB	7.00	2	165.
BI Alarm System	10/24/03	7,182.		100.00	MACRS	7	HY	1,759.
		7,182.			200DB	7.00	2	1,026.
Freight Shed	09/19/03	1,280.		100.00	MACRS	7	HY	313.
		1,280.			200DB	7.00	2	183.
Sander	10/29/03	3,657.		100.00	MACRS	7	HY	896.
		3,657.			200DB	7.00	2	522.
Computer Equipment	11/21/03	12,573.		100.00	MACRS	5	HY	4,023.
		12,573.			200DB	5.00	2	2,515.
Computer Equipment	11/21/03	16,551.		100.00	MACRS	5	HY	5,296.
		16,551.			200DB	5.00	2	3,310.
PJ Office Furniture	02/05/04	7,868.		100.00	MACRS	7	HY	1,927.
		7,868.			200DB	7.00	2	1,124.
Computer Equipment	12/11/03	1,695.		100.00	MACRS	5	HY	542.
		1,695.			200DB	5.00	2	339.
Computer Equipment	12/11/03	6,355.		100.00	MACRS	5	HY	2,034.
		6,355.			200DB	5.00	2	1,271.
Computer Equipment	12/23/03	756.		100.00	MACRS	5	HY	242.
		756.			200DB	5.00	2	151.
Software-Credit Card Pr	03/31/04	27,601.		100.00	NP		NA	9,200.
		27,601.			SL	3.00	2	2,300.
Computer Equipment	03/12/04	1,568.		100.00	MACRS	5	HY	502.
		1,568.			200DB	5.00	2	314.
Office Equipment	04/03/04	873.		100.00	MACRS	5	HY	279.
		873.			200DB	5.00	2	175.
IBM Thinkpad	04/22/04	3,451.		100.00	MACRS	5	HY	1,104.
		3,451.			200DB	5.00	2	690.
Luxmark Matrix Printer	05/10/04	610.		100.00	MACRS	5	HY	195.
		610.			200DB	5.00	2	122.

Interstate Navigation Co Inc 06-0807127

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Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Celeron Computer	05/18/04	855.		100.00	MACRS	5	HY	274.
		855.			200DB	5.00	2	171.
BI Bulkhead	06/15/03	640,701.		100.00	MACRS	15	HY	42,713.
		640,701.			SL	15.00	2	21,357.
Motor Vessel Anna	08/19/04	3,100,000.		100.00	MACRS	15	HY	103,333.
		3,100,000.			SL	15.00	1	
Carol Jean Repowering	05/27/05	3,192,910.		100.00	MACRS	10	HY	159,646.
		3,192,910.			SL	10.00	1	
Laptop computer	06/30/04	2,134.		100.00	MACRS	5	HY	427.
		2,134.			200DB	5.00	1	
Accounting software/ser	06/30/04	12,839.		100.00	NP		NA	4,280.
		12,839.			SL	3.00	1	
Computer	07/01/04	1,385.		100.00	MACRS	5	HY	277.
		1,385.			200DB	5.00	1	
Laptop Computer	03/11/05	1,967.		100.00	MACRS	5	HY	393.
		1,967.			200DB	5.00	1	
Printer	03/22/05	1,198.		100.00	MACRS	5	HY	240.
		1,198.			200DB	5.00	1	
BI-New Ramp	06/15/03	21,860.		100.00	MACRS	15	HY	1,457.
		21,860.			SL	15.00	2	729.
Total		<u>21,883,399.</u> ✓						<u>870,591.</u> ✓
		<u>21,883,399.</u> ✓						<u>10,253,529.</u> ✓



Federal 1120 Depreciation Report
Alternative Minimum Tax

Activity Form 1120 Line 20 - 2004

Passive adjustment Passive preference

Description	Real	Passive	AMT Cost	AMT Life	AMT Depr	AMT Adj
			AMT Basis	AMT Mthd	AMT Prior	AMT Pref
Bar Equipmen	<input type="checkbox"/>	<input type="checkbox"/>	24,395.	5.00	0.	0.
			24,395.	SL	24,395.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	59,517.	5.00	0.	0.
			59,517.	SL	59,517.	
Block Island	<input type="checkbox"/>	<input type="checkbox"/>	105,331.	19.00	0.	0.
			105,331.	SL	105,331.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	88,284.	15.00	695.	0.
			88,284.	SL	87,589.	
Buildings	<input type="checkbox"/>	<input type="checkbox"/>	204,063.	40.00	5,102.	1,481.
			204,063.	SL	71,069.	
PJ Ramps	<input type="checkbox"/>	<input type="checkbox"/>	130,087.	15.00	7,233.	0.
			130,087.	SL	122,854.	
BI Ramps	<input type="checkbox"/>	<input type="checkbox"/>	43,865.	15.00	2,441.	0.
			43,865.	SL	41,424.	

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-12. Please provide a copy of the most recent federal income tax return filed by the Company.

Response: See Attached.

Prepared by WEE

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return
For calendar year 2004 or tax year beginning Jun 1, 2004, ending May 31, 2005
▶ See separate instructions.

OMB No. 1545-0123

2004

A Check if: 1 Consolidated return (attach Form 951) <input type="checkbox"/> 2 Personal holding company (attach Schedule PH) <input type="checkbox"/> 3 Personal service corp (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch M-3) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name Interstate Navigation Co Inc	B Employer identification number 06-0807127
		Number, street, and room or suite number. If a P.O. box, see instructions. P.O. Box 482	C Date incorporated 10/28/61
		City or town state ZIP code New London Ct 06320	D Total assets (see instructions) \$ 14,249,609.

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

INCOME	1 a Gross receipts or sales	8,690,329.	b Less returns & allowances	62,529.	c Balance	▶	1c	8,627,800.		
	2 Cost of goods sold (Schedule A, line 8)						2	3,862,067.		
	3 Gross profit. Subtract line 2 from line 1c						3	4,765,733.		
	4 Dividends (Schedule C, line 19)						4			
	5 Interest						5	40,034.		
	6 Gross rents						6			
	7 Gross royalties						7			
	8 Capital gain net income (attach Schedule D (Form 1120))						8			
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)						9			
	10 Other income (see instructions - attach schedule). See Other Income Statement.						10	57,152.		
	11 Total Income. Add lines 3 through 10						▶	11	4,862,919.	
DEDUCTIONS SEE INSTRUCTIONS	12 Compensation of officers (Schedule E, line 4)						12	209,467.		
	13 Salaries and wages (less employment credits)						13	269,011.		
	14 Repairs and maintenance						14	115,659.		
	15 Bad debts						15	1,239.		
	16 Rents						16	30,717.		
	17 Taxes and licenses						17	426,117.		
	18 Interest						18	486,858.		
	19 Charitable contributions (see instructions for 10% limitation)						19			
	20 Depreciation (attach Form 4562)		20	870,591.						
	21 Less depreciation claimed on Schedule A and elsewhere on return		21a					21b	870,591.	
	22 Depletion							22		
	23 Advertising							23	307,043.	
	24 Pension, profit-sharing, etc, plans							24	114,435.	
	25 Employee benefit programs							25	263,549.	
	26 Other deductions (attach schedule). See Other Deductions Statement.							26	1,813,603.	
	27 Total deductions. Add lines 12 through 26							▶	27	4,908,289.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11							28	-45,370.	
	29 Less: a Net operating loss deduction (see instructions)		29a						29c	
b Special deductions (Schedule C, line 20)		29b								
TAX AND PAYMENTS	30 Taxable income. Subtract line 29c from line 28 (see instructions if Sch C, line 12, was completed)						30	-45,370.		
	31 Total tax (Schedule J, line 11)						31	0.		
	32 Payments: a 2003 overpayment credited to 2004	32a	51,045.							
	b 2004 estimated tax payments	32b								
	c Less 2004 refund applied for on Form 4466	32c								
	d Bal	32d	51,045.							
	e Tax deposited with Form 7004	32e								
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f								
	g Credit for federal tax on fuels (attach Form 4136). See instructions	32g						32h	51,045.	
	33 Estimated tax penalty (see instructions). Check if Form 2220 is attached							33		
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed							34			
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid							35	51,045.		
36 Enter amount of line 35 you want credited to 2005 estimated tax			51,045.				▶	36	Refunded	

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

May the IRS discuss this return with the preparer shown below? (see inst) Yes No

Paid Preparer's Use Only

Preparer's signature: _____ Date: 02/07/06 Check if self-employed: Preparer's SSN or PTIN: P00533183

Firm's Name (or yours if self-employed): JOHN G. KANABIS, CPA EIN: 06-1254146

Address and ZIP code: 326 STATE ST NEW LONDON CT 06320 Phone no. (860) 442-0475

Form 1120 (2004) Interstate Navigation Co Inc

06-0807127

Page 2

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	171,271.
3	Cost of labor	3	2,033,536.
4	Additional Section 263A costs (attach schedule)	4	
5	Other costs (attach schedule) ... See Other Costs Statement	5	1,657,260.
6	Total. Add lines 1 through 5	6	3,862,067.
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	3,862,067.

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)		
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from affiliated group members and certain FSCs that are subject to the 100% deduction	100	
12	Dividends from controlled foreign corporations subject to the 85% deduction (attach Form 8895)	85	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b		

Schedule E Compensation of Officers (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	Susan Linda	040-36-4973	100.0 %	64.0 %	%	126,104.
	Joshua Linda	044-74-6048	100.0 %	0.0 %	%	83,363.
			%	%	%	
			%	%	%	
			%	%	%	
2	Total compensation of officers					209,467.
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on page 1, line 12					209,467.

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>		
Important: Members of a controlled group, see instructions.			
2a	If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):		
	(1) \$ _____ (2) \$ _____ (3) \$ _____		
b	Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$ _____		
	(2) Additional 3% tax (not more than \$100,000) \$ _____		
3	Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see instructions) <input type="checkbox"/>	3	
4	Alternative minimum tax (attach Form 4626)	4	
5	Add lines 3 and 4	5	
6a	Foreign tax credit (attach Form 1118)	6a	
b	Possessions tax credit (attach Form 5735)	6b	
c	Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (attach Form 8834)	6c	
d	General business credit. Check box(es) and indicate which forms are attached. <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____	6d	
e	Credit for prior year minimum tax (attach Form 8827)	6e	0.
f	Qualified zone academy bond credit (attach Form 8860)	6f	
7	Total credits. Add lines 6a through 6f	7	0.
8	Subtract line 7 from line 5	8	0.
9	Personal holding company tax (attach Schedule PH (Form 1120))	9	
10	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	10	
11	Total tax. Add lines 8 through 10. Enter here and page 1, line 31	11	0.

Schedule K Other Information (see instructions)

	Yes	No		Yes	No
1	Check accounting method:				
a	<input type="checkbox"/> Cash	<input checked="" type="checkbox"/> Accrual			
c	Other (specify) _____				
2	See the instructions and enter the:				
a	Business activity code no. <u>483000</u>				
b	Business activity <u>Ferry Service</u>				
c	Product or service <u>Passengers</u>				
3		X	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		
If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.					
4		X	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?		
If 'Yes,' enter name and EIN of the parent corporation _____					
5		X	At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)		
If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter % owned <u>64.00</u> . See Ques 5 Stmt					
6		X	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		
If 'Yes,' file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.					
7			At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?		X
If 'Yes,' enter: (a) Percentage owned _____ and (b) Owner's country _____					
c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____				
8			Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.					
9			Enter the amount of tax-exempt interest received or accrued during the tax year \$ _____ 0.		
10			Enter the number of shareholders at the end of the tax year (if 75 or fewer) <u>12</u>		
11			If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input checked="" type="checkbox"/>		
If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21T(b)(3)(i) or (ii) must be attached or the election will not be valid.					
12			Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ <u>379,626</u>		
13			Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?		X
If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ _____					

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Form 1120 (2004) Interstate Navigation Co Inc

06-0807127

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Note: The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered 'Yes.'

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		2,460,964.		2,258,280.
2a Trade notes and accounts receivable	279,722.		277,143.	
b Less allowance for bad debts		279,722.		277,143.
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) Ln. 6 Stmt		117,369.		207,416.
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	15,929,356.		22,209,454.	
b Less accumulated depreciation	10,253,529.	5,675,827.	11,124,120.	11,085,334.
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	512,946.		530,820.	
b Less accumulated amortization	102,589.	410,357.	155,278.	375,542.
14 Other assets (attach schedule) Ln. 14 Stmt		58,237.		45,894.
15 Total assets		9,002,476.		14,249,609.
Liabilities and Shareholders' Equity				
16 Accounts payable		299,839.		327,905.
17 Mortgages, notes, bonds payable in less than 1 year		272,884.		900,037.
18 Other current liabilities (attach sch) Ln. 18 Stmt		91,121.		94,610.
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more		5,904,534.		10,451,622.
21 Other liabilities (attach schedule) Ln. 21 Stmt		157,235.		246,406.
22 Capital stock: a Preferred stock				
b Common stock	17,600.	17,600.	17,600.	17,600.
23 Additional paid-in capital		382,951.		382,951.
24 Retained earnings - Approp (att sch)				
25 Retained earnings - Unappropriated		1,876,312.		1,828,478.
26 Adjmnt to shareholders' equity (att sch)				
27 Less cost of treasury stock				
28 Total liabilities and shareholders' equity		9,002,476.		14,249,609.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)

1 Net income (loss) per books	-47,834.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books	0.	Tax-exempt interest \$	0.
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			0.
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation .. \$	
b Charitable contributions \$	2,464.	b Charitable contribns \$	
c Travel & entertainment .. \$			
	2,464.	9 Add lines 7 and 8	0.
6 Add lines 1 through 5	-45,370.	10 Income (page 1, line 28) - line 6 less line 9	-45,370.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	1,876,312.	5 Distributions	a Cash	
2 Net income (loss) per books	-47,834.	b Stock	c Property	
3 Other increases (itemize):		6 Other decreases (itemize):		
		7 Add lines 5 and 6		
4 Add lines 1, 2, and 3	1,828,478.	8 Balance at end of year (line 4 less line 7)		1,828,478.

Form **4562**

**Depreciation and Amortization
(Including Information on Listed Property)**

OMB No. 1545-0172

2004

67

Department of the Treasury
Internal Revenue Service

See separate instructions.
Attach to your tax return.

Name(s) shown on return

Interstate Navigation Co Inc

Identifying number
06-0807127

Business or activity to which this form relates

Form 1120 Line 20

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses	1	\$102,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$410,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2003 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2005. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election (see instructions)	15	
16	Other depreciation (including ACRS) (see instructions)	16	85,073.

Part III MACRS Depreciation (Do not include listed property.) (See instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2004	17	509,590.
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2004 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		6,684.	5.0 yrs	HY	200DB	1,337.
c 7-year property						
d 10-year property		3,192,910.	10.0 yrs	HY	SL	159,646.
e 15-year property		3,100,000.	15.0 yrs	HY	SL	103,333.
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	
				MM	S/L	

Section C - Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	11,612.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	870,591.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Form 4562 (2004)

Interstate Navigation Co Inc

06-0807127

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Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No										24b If 'Yes,' is the evidence written? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost			
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)										25	
26 Property used more than 50% in a qualified business use (see instructions):											
Volvo S80	01/09/02	100.00	41,771.	41,771.	5.00	200DB/HY	1,775.				
2003 Chevrolet Silver	09/29/03	100.00	30,740.	30,740.	5.00	200DB/HY	9,837.				
27 Property used 50% or less in a qualified business use (see instructions):											
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1										28 11,612.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1										29	

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles - see instructions)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (see instructions)		

Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2004 tax year (see instructions):					
43 Amortization of costs that began before your 2004 tax year					
44 Total. Add amounts in column (f). See instructions for where to report					44

Form **4626**

Alternative Minimum Tax – Corporations

OMB No. 1545-0175

2004

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to the corporation's tax return.

Name Interstate Navigation Co Inc	Employer identification number 06-0807127
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Note: See instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

1 Taxable income or (loss) before net operating loss deduction	1	-45,370.
2 Adjustments and preferences:		
a Depreciation of post-1986 property	2a	3,919.
b Amortization of certified pollution control facilities	2b	
c Amortization of mining exploration and development costs	2c	
d Amortization of circulation expenditures (personal holding companies only)	2d	
e Adjusted gain or loss	2e	
f Long-term contracts	2f	
g Merchant marine capital construction funds	2g	
h Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2h	
i Tax shelter farm activities (personal service corporations only)	2i	
j Passive activities (closely held corporations and personal service corporations only)	2j	
k Loss limitations	2k	
l Depletion	2l	
m Tax-exempt interest income from specified private activity bonds	2m	
n Intangible drilling costs	2n	
o Other adjustments and preferences	2o	
3 Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o	3	-41,451.
4 Adjusted current earnings (ACE) adjustment:		
a ACE from line 10 of the worksheet in the instructions	4a	-38,981.
b Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount. See examples in the instructions	4b	2,470.
c Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	1,853.
d Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see instructions). Note: You <i>must</i> enter an amount on line 4d (even if line 4b is positive)	4d	3,706.
e ACE adjustment.		
• If line 4b is zero or more, enter the amount from line 4c	4e	1,853.
• If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount		
5 Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT	5	-39,598.
6 Alternative tax net operating loss deduction (see instructions)	6	
7 Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see the instructions	7	
8 Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
a Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8a	
b Multiply line 8a by 25% (.25)	8b	
c Exemption. Subtract line 8b from \$40,000 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8c	
9 Subtract line 8c from line 7. If zero or less, enter -0-	9	
10 Multiply line 9 by 20% (.20)	10	
11 Alternative minimum tax foreign tax credit (AMTFTC) (see instructions)	11	
12 Tentative minimum tax. Subtract line 11 from line 10	12	
13 Regular tax liability before all credits except the foreign tax credit and possessions tax credit	13	
14 Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return	14	

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 4626 (2004)

Form **8827**

Credit for Prior Year Minimum Tax – Corporations

OMB No. 1545-1257

Department of the Treasury
Internal Revenue Service

▶ Attach to the corporation's tax return.

2004

Name Interstate Navigation Co Inc	Employer identification number 06-0807127
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1 Alternative minimum tax (AMT) for 2003. Enter the amount from line 14 of the 2003 Form 4626	1	
2 Minimum tax credit carryforward from 2003. Enter the amount from line 9 of the 2003 Form 8827	2	136,239.
3 Enter the total of any 2003 unallowed nonconventional source fuel credit and 2003 unallowed qualified electric vehicle credit (see instructions)	3	
4 Add lines 1, 2, and 3	4	136,239.
5 Enter the corporation's 2004 regular income tax liability minus allowable tax credits (see instructions)	5	
6 Is the corporation a 'small corporation' exempt from the AMT for 2004 (see instructions)? • Yes. Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0-. • No. Complete Form 4626 for 2004 and enter the tentative minimum tax from line 12	6	
7 Subtract line 6 from line 5. If zero or less, enter -0-	7	0.
8 Minimum tax credit. Enter the smaller of line 4 or line 7 here and on Form 1120, Schedule J, line 6e or the appropriate line of the corporation's income tax return. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions	8	0.
9 Minimum tax credit carryforward to 2005. Subtract line 8 from line 4. Keep a record of this amount to carry forward and use in future years	9	136,239.

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form **8827** (2004)

Interstate Navigation Co Inc 06-0807127

Election Not to claim 50 % Special Depreciation Allowance

Attach to your return

Taxpayer hereby elects under IRC Section 168(k)(2)(C)(iii), as added by the Job Creation and Worker Assistance Act of 2002 and modified by the Jobs and Growth Tax Relief Reconciliation Act of 2003 NOT to claim the 50% special depreciation allowance for the following asset classes placed in service after May 5, 2003 for the tax year ending: May 31, 2005

ALL ELIGIBLE CLASSES OF PROPERTY

Interstate Navigation Co Inc 06-0807127

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Form 1120, Page 1, Line 10

Other Income Statement

Commissions	24,952.
US Security Grant	32,200.
Total	<u>57,152.</u>

Form 1120, Page 1, Line 26

Other Deductions Statement

Accounting	129,814.
Amortization	52,689.
Automobile and truck expense	12,451.
Bank charges	912.
Credit and collection costs	109,119.
Delivery and freight	134,194.
Dues and subscriptions	6,715.
Insurance	243,325.
Janitorial	29,588.
Legal and professional	300,172.
Miscellaneous	18,647.
Office expense	46,881.
Outside services	5,611.
Permits and fees	370.
Security	292,023.
Supplies	38,323.
Telephone	78,261.
Travel	7,070.
Utilities	77,253.
Computer Expense	63,681.
PUC Expense	43,393.
Traffic Expense	53,111.
Landing Fee Expense	70,000.
Total	<u>1,813,603.</u>

Form 1120, Page 2, Sch A, Line 5

Other Costs Statement

Charter	228,000.
Crew Expense	107,567.
Fuel & Lube	795,303.
Other Vessel Expense	11,196.
Vessel Maintenance	242,599.
Wharfage	272,595.
Total	<u>1,657,260.</u>

Form 1120, Sch K, Corporation Ownership Information
Ques 5 Stmt

Name	ID No.
Susan Linda	040-36-4973

Interstate Navigation Co Inc 06-0807127

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Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
Prepaid Expenses	81,364.	156,371.
Federal Income Tax	36,005.	51,045.
Total	<u>117,369.</u>	<u>207,416.</u>

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
Employee Loans	57,237.	44,894.
Security Deposit	1,000.	1,000.
Total	<u>58,237.</u>	<u>45,894.</u>

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
Accrued Taxes and Expenses	40,851.	57,188.
Landing Fee Payable	29,476.	12,084.
Payroll Taxes Payable	16,128.	22,380.
Sales Tax Payable	4,666.	2,958.
Total	<u>91,121.</u>	<u>94,610.</u>

Form 1120, Page 4, Schedule L, Line 21
Ln 21 Stmt

Other Liabilities:	Beginning of tax year	End of tax year
Deferred Revenue	139,735.	228,906.
Exchanges	17,500.	17,500.
Total	<u>157,235.</u>	<u>246,406.</u>

Form **7004**

(Rev. September 2003)
Department of the Treasury
Internal Revenue Service

Application for Automatic Extension of Time to File Corporation Income Tax Return

OMB No. 1545-0233

Name of corporation: Interstate Navigation Co Inc Employer identification number: 06-0807127

Number, street, and room or suite number (if a P.O. box or outside of the United States, see instructions.)

P.O. Box 482

City or town

New London

State

ZIP code

Ct

06320

Check type of return to be filed:

- Form 990-C
- Form 1120
- Form 1120-A
- Form 1120-F
- Form 1120-FSC
- Form 1120-H
- Form 1120-L
- Form 1120-ND
- Form 1120-PC
- Form 1120-POL
- Form 1120-REIT
- Form 1120-RIC
- Form 1120S
- Form 1120-SF

e Form 1120-F filers: Check here if the foreign corporation does not maintain an office or place of business in the United States

1 Request for Automatic Extension (see instructions)

a **Extension date.** I request an automatic 6-month (or, for certain corporations, 3-month) extension of time until Feb 15, 2006, to file the income tax return of the corporation named above for calendar year 20__ or tax year beginning Jun 1, 2004, and ending May 31, 2005.

b **Short tax year.** If this tax year is for less than 12 months, check reason:

- Initial return
- Final return
- Change in accounting period
- Consolidated return to be filed

2 Members of an affiliated group of corporations filing a consolidated return (consolidated group) (see instructions).

Name and address of each member of the affiliated group	Employer ID number

3 Tentative tax (see instructions) **3** 51,045.

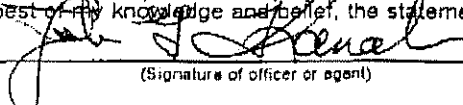
4 Payments and refundable credits: (see instructions)

a Overpayment credited from prior year	4 a	51,045.			
b Estimated tax payments for the tax year	4 b	0.			
c Less refund for the tax year applied for on Form 4466	4 c		Bal >	4 d	51,045.
e Credit for tax paid on undistributed capital gains (Form 2439)	4 e			4 f	0.
f Credit for Federal tax on fuels (Form 4136)					0.

5 Total. Add lines 4d through 4f (see instructions) **5** 51,045.

6 **Balance due.** Subtract line 5 from line 3. Deposit this amount using the Electronic Federal Tax Payment System (EFTPS) or with a Federal Tax Deposit (FTD) Coupon (see instructions) **6** 0.

Signature. Under penalties of perjury, I declare that I have been authorized by the above-named corporation to make this application, and to the best of my knowledge and belief, the statements made are true, correct, and complete.


(Signature of officer or agent)

CPA
(Title)

8/10/05
(Date)

Interstate Navigation Co Inc 06-0807127

Form 7004: Automatic Extension of Time to File

Filing Address Smart Worksheet

Minimum information needed to determine filing address:

Enter two letter state abbreviation for location of principal business, office, or agency CT

Are total assets at the end of the tax year \$10 million or more? Yes No

Send Form 7004 to: Internal Revenue Service Center
Ogden, UT 84201

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Activity Form 1120 Line 20 - 2004
Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Bar Equipmen	01/19/89	24,395.		100.00	NP		NA	0.
		24,395.			SL	5.00	17	24,395.
Point Judith	09/01/88	59,517.		100.00	NP		NA	0.
		59,517.			SL	25.00	17	59,517.
Block Island	04/19/87	105,331.		100.00	NP		NA	0.
		105,331.			SL	19.00	19	105,331.
Point Judith	01/19/89	88,284.		100.00	NP		NA	695.
		88,284.			SL	15.00	17	87,589.
Buildings	01/19/90	204,063.		100.00	NP		NA	6,583.
		204,063.			SL	31.00	16	91,122.
PJ Ramps	01/19/90	130,087.		100.00	NP		NA	7,233.
		130,087.			SL	15.00	16	122,854.
BI Ramps	01/19/90	43,865.		100.00	NP		NA	2,441.
		43,865.			SL	15.00	16	41,424.
Computers	01/19/90	145,000.		100.00	NP		NA	0.
		145,000.			SL	7.00	16	145,000.
Air Conditio	01/19/90	3,734.		100.00	NP		NA	0.
		3,734.			SL	7.00	16	3,734.
Telephone Sy	01/19/90	22,980.		100.00	NP		NA	0.
		22,980.			SL	7.00	16	22,980.
1985 Ford Truck	01/19/89	5,500.		100.00	NP		NA	0.
		5,500.			SL	5.00	17	5,500.
Equipment	04/01/91	13,808.		100.00	NP		NA	0.
		13,808.			SL	5.00	15	13,808.
Bulkhead	06/01/91	785,291.		100.00	NP		NA	19,632.
		785,291.			SL	40.00	14	255,216.
Pt. Judith S	10/01/91	9,669.		100.00	NP		NA	0.
		9,669.			SL	10.00	14	9,669.
Lifeboat Mot	01/07/92	1,500.		100.00	NP		NA	0.
		1,500.			SL	5.00	14	1,500.
Ticket Machi	11/30/91	9,931.		100.00	NP		NA	0.
		9,931.			SL	5.00	14	9,931.
Radar	12/31/91	5,880.		100.00	NP		NA	0.
		5,880.			SL	5.00	14	5,880.
Copy Machine	02/05/92	743.		100.00	NP		NA	0.
		743.			SL	5.00	14	743.
Radars	03/18/92	4,103.		100.00	NP		NA	0.
		4,103.			SL	5.00	14	4,103.
Ticket Machi	04/28/92	33,248.		100.00	NP		NA	0.
		33,248.			SL	5.00	14	33,248.
Alarm	05/05/92	1,663.		100.00	NP		NA	0.
		1,663.			SL	5.00	14	1,663.
Ticket Machi	06/02/92	2,115.		100.00	NP		NA	0.
		2,115.			SL	5.00	13	2,115.
Cash Registe	06/16/92	1,549.		100.00	NP		NA	0.
		1,549.			SL	5.00	13	1,549.
Security Sys	06/11/92	4,380.		100.00	NP		NA	0.
		4,380.			SL	5.00	13	4,380.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Modem	06/15/92	2,080.		100.00	NP		NA	0.
		2,080.			SL	5.00	13	2,080.
Computer Ter	08/31/92	1,398.		100.00	NP		NA	0.
		1,398.			SL	5.00	13	1,398.
Nelseco II	01/01/70	1,035,117.		100.00	NP		NA	0.
		1,035,117.			SL	20.00	36	1,035,117.
Manitou	06/01/70	145,548.		100.00	NP		NA	0.
		145,548.			SL	34.00	35	145,548.
Carole Jean	01/01/80	2,429,597.		100.00	NP		NA	0.
		2,429,597.			SL	20.00	26	2,429,597.
B.I. Dock	01/01/80	28,625.		100.00	NP		NA	0.
		28,625.			SL	5.00	26	28,625.
P.J. Dock	01/01/80	48,000.		100.00	NP		NA	0.
		48,000.			SL	5.00	26	48,000.
B.I. Ramp	01/01/80	14,160.		100.00	NP		NA	0.
		14,160.			SL	25.00	26	14,160.
Parking Lot	01/01/80	25,036.		100.00	NP		NA	1,174.
		25,036.			SL	21.00	26	23,862.
P.J. Office	01/01/70	45,647.		100.00	NP		NA	0.
		45,647.			SL	29.00	36	45,647.
Vessel Imprv	08/23/93	17,129.		100.00	MACRS	10	HY	0.
		17,129.			200DB	10.00	12	17,129.
Radar- C.J.	05/07/93	6,062.		100.00	MACRS	5	HY	0.
		6,062.			200DB	5.00	13	6,062.
B.I. Office	09/03/93	27,332.		100.00	MACRS	NR	MM	658.
		27,332.			SL	39.00	12	8,726.
Computer	11/15/92	1,368.		100.00	MACRS	5	HY	0.
		1,368.			200DB	5.00	13	1,368.
2 Forklifts	07/26/93	47,904.		100.00	MACRS	5	HY	0.
		47,904.			200DB	5.00	12	47,904.
Printer	05/15/93	2,993.		100.00	MACRS	5	HY	0.
		2,993.			200DB	5.00	13	2,993.
Ticket Print	06/17/93	5,242.		100.00	MACRS	5	HY	0.
		5,242.			200DB	5.00	12	5,242.
Computer Eqp	08/18/93	7,947.		100.00	MACRS	5	HY	0.
		7,947.			200DB	5.00	12	7,947.
Dock Improv	05/19/93	101,782.		100.00	NP		NA	6,785.
		101,782.			SL	15.00	13	74,636.
Equipment	10/01/92	5,350.		100.00	NP		NA	0.
		5,350.			SL	5.00	13	5,350.
Radar	06/15/96	7,840.		100.00	MACRS	5	HY	0.
		7,840.			200DB	5.00	9	7,840.
Used Pick-Up Truck	02/15/96	12,002.		100.00	MACRS	5	HY	0.
		12,002.			200DB	5.00	10	12,002.
Copier	07/15/96	900.		100.00	MACRS	5	HY	0.
		900.			200DB	5.00	9	900.
Time Clocks-2	07/15/96	1,320.		100.00	MACRS	5	HY	0.
		1,320.			200DB	5.00	9	1,320.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
BI Freight Shed	01/01/96	130,429.		100.00	MACRS	10	HY	13,623.
		130,429.			SL	10.00	10	109,995.
Vessel Doors-CJ	10/15/93	7,533.		100.00	MACRS	10	HY	0.
		7,533.			200DB	10.00	12	7,533.
Computer Equipment	02/15/94	6,665.		100.00	MACRS	5	HY	0.
		6,665.			200DB	5.00	12	6,665.
Copy Machine	04/15/94	1,010.		100.00	MACRS	5	HY	0.
		1,010.			200DB	5.00	12	1,010.
Copy Machine	06/15/94	1,315.		100.00	MACRS	5	HY	0.
		1,315.			200DB	5.00	11	1,315.
Ice Machine	06/15/94	4,179.		100.00	MACRS	7	HY	0.
		4,179.			200DB	7.00	11	4,179.
PJ-Security System	07/15/94	7,966.		100.00	MACRS	7	HY	0.
		7,966.			200DB	7.00	11	7,966.
PJ Computer System	01/15/95	25,185.		100.00	MACRS	5	HY	0.
		25,185.			200DB	5.00	11	25,185.
Power Washer	02/15/95	2,963.		100.00	MACRS	5	HY	0.
		2,963.			200DB	5.00	11	2,963.
Beer Cooler	05/15/95	1,520.		100.00	MACRS	5	HY	0.
		1,520.			200DB	5.00	11	1,520.
Ticket Machine Software	08/15/95	15,532.		100.00	MACRS	5	HY	0.
		15,532.			200DB	5.00	10	15,532.
Printers-2	09/15/97	830.		100.00	MACRS	5	HY	0.
		830.			200DB	5.00	8	830.
Fax Machine	12/15/96	471.		100.00	MACRS	5	HY	0.
		471.			200DB	5.00	9	471.
Computer Programming-Cr	05/15/97	34,622.		100.00	MACRS	5	HY	0.
		34,622.			SL	5.00	9	34,622.
Motor Vessel-Block Isla	06/28/97	7,637,738.		100.00	MACRS	15	HY	370,039.
		7,637,738.			SL	15.00	8	4,492,409.
Used Ford Pick-up Truck	06/15/98	8,594.		100.00	MACRS	5	HY	0.
		8,594.			200DB	5.00	7	8,594.
2 Forklifts	07/15/98	36,204.		100.00	MACRS	7	HY	3,231.
		36,204.			200DB	7.00	7	31,357.
Dock Improvements-PJ	06/15/98	67,849.		100.00	MACRS	15	HY	4,523.
		67,849.			SL	15.00	7	24,877.
PJ Staging- Galilee Pro	06/01/98	343,299.		100.00	MACRS	NR	MM	8,802.
		343,299.			SL	39.00	7	52,450.
Beer Cooler	05/15/98	2,087.		100.00	MACRS	5	HY	0.
		2,087.			200DB	5.00	8	2,087.
Used Pick-up Truck	02/15/98	3,740.		100.00	MACRS	5	HY	0.
		3,740.			200DB	5.00	8	3,740.
Compressor	10/15/97	3,000.		100.00	MACRS	7	HY	141.
		3,000.			200DB	7.00	8	2,859.
Copier	10/15/97	695.		100.00	MACRS	5	HY	0.
		695.			200DB	5.00	8	695.
Maude's Property- Stagi	10/01/97	148,240.		100.00	MACRS	NR	MM	3,801.
		148,240.			SL	39.00	8	25,182.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004
Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
2000 Ford Explorer	10/15/99	26,500.		100.00	MACRS	5	HY	2,213.
		26,500.			200DB	5.00	6	24,287.
Accounting System and S	06/01/99	44,427.		100.00	NP		NA	0.
		44,427.			SL	3.00	6	44,427.
Ticket Machines	01/01/00	14,031.		100.00	MACRS	5	HY	687.
		14,031.			200DB	5.00	6	13,344.
Printer	06/15/99	496.		100.00	MACRS	5	HY	29.
		496.			200DB	5.00	6	467.
Storage Trailer	09/15/99	2,225.		100.00	MACRS	7	HY	198.
		2,225.			200DB	7.00	6	1,729.
Cash Register	06/30/99	1,175.		100.00	MACRS	5	HY	68.
		1,175.			200DB	5.00	6	1,107.
Computer Equipment	10/29/99	2,440.		100.00	MACRS	5	HY	141.
		2,440.			200DB	5.00	6	2,299.
Office Furniture	12/15/99	6,452.		100.00	MACRS	7	HY	576.
		6,452.			200DB	7.00	6	5,013.
Office File Cabinets	12/28/99	3,230.		100.00	MACRS	7	HY	288.
		3,230.			200DB	7.00	6	2,509.
Storage Cabinet	11/24/99	338.		100.00	MACRS	7	HY	30.
		338.			200DB	7.00	6	262.
Office Furniture	12/31/99	743.		100.00	MACRS	7	HY	66.
		743.			200DB	7.00	6	577.
Coffee Table	12/21/99	188.		100.00	MACRS	7	HY	17.
		188.			200DB	7.00	6	146.
Bookcase	12/14/99	130.		100.00	MACRS	7	HY	12.
		130.			200DB	7.00	6	101.
Chair	12/01/99	273.		100.00	MACRS	7	HY	24.
		273.			200DB	7.00	6	212.
File Cabinet	12/01/99	763.		100.00	MACRS	7	HY	68.
		763.			200DB	7.00	6	592.
Computer Workstation	01/07/00	570.		100.00	MACRS	7	HY	44.
		570.			200DB	7.00	6	459.
Computer Equipment	02/16/00	2,612.		100.00	MACRS	5	HY	150.
		2,612.			200DB	5.00	6	2,462.
Computer & Monitor	02/16/00	3,042.		100.00	MACRS	5	HY	175.
		3,042.			200DB	5.00	6	2,867.
Computer Equipment	02/16/00	464.		100.00	MACRS	5	HY	27.
		464.			200DB	5.00	6	437.
2 Laserjet Printers	02/16/00	1,004.		100.00	MACRS	5	HY	58.
		1,004.			200DB	5.00	6	946.
Computer & Monitor	04/12/00	2,059.		100.00	MACRS	5	HY	119.
		2,059.			200DB	5.00	6	1,940.
Dot Matrix Printer	05/09/00	658.		100.00	MACRS	5	HY	38.
		658.			200DB	5.00	6	620.
Computer Modem	04/27/00	1,526.		100.00	MACRS	5	HY	88.
		1,526.			200DB	5.00	6	1,438.
HV Nelsaco engine-rebut	06/19/00	21,943.		100.00	MACRS	10	HY	2,194.
		21,943.			SL	10.00	5	7,679.

Interstate Navigation Co Inc 06-0807127

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Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Inflatable buoyant apps	03/16/01	28,143.		100.00	MACRS	7	HY	2,512.
		28,143.			200DB	7.00	5	19,352.
Life rafts	02/19/01	23,666.		100.00	MACRS	7	HY	2,112.
		23,666.			200DB	7.00	5	16,274.
Bar Computer	06/15/00	1,155.		100.00	MACRS	5	HY	133.
		1,155.			200DB	5.00	5	956.
Air Conditioners	06/30/00	884.		100.00	MACRS	7	HY	79.
		884.			200DB	7.00	5	608.
Ice Machine	07/17/00	3,375.		100.00	MACRS	7	HY	301.
		3,375.			200DB	7.00	5	2,321.
Boca Printer	07/20/00	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	5	1,737.
Refrigerators-all bars	08/30/00	2,058.		100.00	MACRS	7	HY	184.
		2,058.			200DB	7.00	5	1,415.
Copier	10/27/00	900.		100.00	MACRS	5	HY	103.
		900.			200DB	5.00	5	745.
Fax Machine	12/31/00	677.		100.00	MACRS	5	HY	78.
		677.			200DB	5.00	5	560.
Boca Printer	08/07/01	2,100.		100.00	MACRS	5	HY	242.
		2,100.			200DB	5.00	4	1,495.
Lexmark printer	07/25/01	430.		100.00	MACRS	5	HY	50.
		430.			200DB	5.00	4	306.
Cannon personal copier	11/20/01	530.		100.00	MACRS	5	HY	61.
		530.			200DB	5.00	4	378.
Cherry Picker	04/08/02	13,780.		100.00	MACRS	7	HY	1,722.
		13,780.			200DB	7.00	4	7,754.
Laptop Computer	05/01/02	1,932.		100.00	MACRS	5	HY	223.
		1,932.			200DB	5.00	4	1,375.
3-Forklifts	01/02/02	65,183.		100.00	MACRS	7	HY	8,145.
		65,183.			200DB	7.00	4	36,677.
Volvo S80	01/09/02	41,771.		100.00	MACRS	AUTO	HY	1,775.
		41,771.		X	200DB	5.00	4	10,910.
Custom Software-Credit	05/01/02	88,525.		100.00	NP		NA	27,050.
		88,525.			SL	3.00	4	61,475.
Rafts & Water Lights-MV	03/15/03	14,091.		100.00	MACRS	7	HY	2,465.
		14,091.			200DB	7.00	3	5,464.
Security System	07/15/02	1,917.		100.00	MACRS	7	HY	335.
		1,917.			200DB	7.00	3	743.
Forklift	03/15/03	15,073.		100.00	MACRS	7	HY	2,637.
		15,073.			200DB	7.00	3	5,844.
Used Welding Machine	12/15/02	650.		100.00	MACRS	7	HY	114.
		650.			200DB	7.00	3	252.
Safe	03/15/03	1,666.		100.00	MACRS	7	HY	291.
		1,666.			200DB	7.00	3	646.
IBM PC	04/15/03	2,158.		100.00	MACRS	5	HY	414.
		2,158.			200DB	5.00	3	1,122.
Ticket Machine-Group 8a	08/15/02	6,700.		100.00	MACRS	5	HY	1,286.
		6,700.			200DB	5.00	3	3,484.

Interstate Navigation Co Inc 06-0807127

Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Cash Register	06/15/02	370.		100.00	MACRS	5	HY	71.
		370.			200DB	5.00	3	192.
IBM Infoprint	05/15/03	3,482.		100.00	MACRS	5	HY	669.
		3,482.			200DB	5.00	3	1,810.
IBM Laptop	03/15/03	3,733.		100.00	MACRS	5	HY	717.
		3,733.			200DB	5.00	3	1,941.
Block Island Terminal	06/15/02	61,901.		100.00	MACRS	NR	MM	1,587.
		61,901.			SL	39.00	3	3,108.
Renodeling BI Ticket Of	12/15/02	25,772.		100.00	MACRS	5	HY	4,948.
		25,772.			200DB	5.00	3	13,401.
PJ Ticket Terminal Roo	04/15/03	8,746.		100.00	MACRS	10	HY	875.
		8,746.			SL	10.00	3	1,312.
Radar-MV Nelseco	06/27/03	2,822.		100.00	MACRS	7	HY	691.
		2,822.			200DB	7.00	2	403.
2003 Chevrolet Silverad	09/29/03	30,740.		100.00	MACRS	5	HY	9,837.
		30,740.		X	200DB	5.00	2	6,148.
Office Furniture	06/11/03	1,378.		100.00	MACRS	7	HY	337.
		1,378.			200DB	7.00	2	197.
Hot dog grill and Toast	06/05/03	1,152.		100.00	MACRS	7	HY	282.
		1,152.			200DB	7.00	2	165.
BI Alarm System	10/24/03	7,182.		100.00	MACRS	7	HY	1,759.
		7,182.			200DB	7.00	2	1,026.
Freight Shed	09/19/03	1,280.		100.00	MACRS	7	HY	313.
		1,280.			200DB	7.00	2	183.
Sander	10/29/03	3,657.		100.00	MACRS	7	HY	896.
		3,657.			200DB	7.00	2	522.
Computer Equipment	11/21/03	12,573.		100.00	MACRS	5	HY	4,023.
		12,573.			200DB	5.00	2	2,515.
Computer Equipment	11/21/03	16,551.		100.00	MACRS	5	HY	5,296.
		16,551.			200DB	5.00	2	3,310.
PJ Office Furniture	02/05/04	7,868.		100.00	MACRS	7	HY	1,927.
		7,868.			200DB	7.00	2	1,124.
Computer Equipment	12/11/03	1,695.		100.00	MACRS	5	HY	542.
		1,695.			200DB	5.00	2	339.
Computer Equipment	12/11/03	6,355.		100.00	MACRS	5	HY	2,034.
		6,355.			200DB	5.00	2	1,271.
Computer Equipment	12/23/03	756.		100.00	MACRS	5	HY	242.
		756.			200DB	5.00	2	151.
software-Credit Card Pr	03/31/04	27,601.		100.00	NP		NA	9,200.
		27,601.			SL	3.00	2	2,300.
Computer Equipment	03/12/04	1,568.		100.00	MACRS	5	HY	502.
		1,568.			200DB	5.00	2	314.
Office Equipment	04/03/04	873.		100.00	MACRS	5	HY	279.
		873.			200DB	5.00	2	175.
IBM Thinkpad	04/22/04	3,451.		100.00	MACRS	5	HY	1,104.
		3,451.			200DB	5.00	2	690.
Luxmark Matrix Printer	05/10/04	610.		100.00	MACRS	5	HY	195.
		610.			200DB	5.00	2	122.

Interstate Navigation Co Inc 06-0807127

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Federal 1120 Depreciation Report
Regular Tax

Continued

Activity Form 1120 Line 20 - 2004

Total cost of goods sold

Description	In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
Celeron Computer	05/18/04	855.		100.00	MACRS	5	HY	274.
		855.			200DB	5.00	2	171.
BI Bulkhead	06/15/03	640,701.		100.00	MACRS	15	HY	42,713.
		640,701.			SL	15.00	2	21,357.
Motor Vessel Anna C	08/19/04	3,100,000.		100.00	MACRS	15	HY	103,333.
		3,100,000.			SL	15.00	1	
Carol Jean Repowering	05/27/05	3,192,910.		100.00	MACRS	10	HY	159,646.
		3,192,910.			SL	10.00	1	
Laptop computer	06/30/04	2,134.		100.00	MACRS	5	HY	427.
		2,134.			200DB	5.00	1	
Accounting software/ser	06/30/04	12,839.		100.00	NP		NA	4,280.
		12,839.			SL	3.00	1	
Computer	07/01/04	1,385.		100.00	MACRS	5	HY	277.
		1,385.			200DB	5.00	1	
Laptop Computer	03/11/05	1,967.		100.00	MACRS	5	HY	393.
		1,967.			200DB	5.00	1	
Printer	03/22/05	1,198.		100.00	MACRS	5	HY	240.
		1,198.			200DB	5.00	1	
BI-New Ramp	06/15/03	21,860.		100.00	MACRS	15	HY	1,457.
		21,860.			SL	15.00	2	729.

Total

21,883,395. ✓
21,883,399. ✓

870,591. ✓
10,253,529. ✓



Federal 1120 Depreciation Report
Alternative Minimum Tax

Activity Form 1120 Line 20 - 2004

Passive adjustment Passive preference

Description	Real	Passive	AMT Cost	AMT Life	AMT Depr	AMT Adj
			AMT Basis	AMT Mthd	AMT Prior	AMT Pref
Bar Equipmen	<input type="checkbox"/>	<input type="checkbox"/>	24,395.	5.00	0.	0.
			24,395.	SL	24,395.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	59,517.	5.00	0.	0.
			59,517.	SL	59,517.	
Block Island	<input type="checkbox"/>	<input type="checkbox"/>	105,331.	19.00	0.	0.
			105,331.	SL	105,331.	
Point Judith	<input type="checkbox"/>	<input type="checkbox"/>	88,284.	15.00	695.	0.
			88,284.	SL	87,589.	
Buildings	<input type="checkbox"/>	<input type="checkbox"/>	204,063.	40.00	5,102.	1,481.
			204,063.	SL	71,069.	
PJ Ramps	<input type="checkbox"/>	<input type="checkbox"/>	130,087.	15.00	7,233.	0.
			130,087.	SL	122,854.	
BI Ramps	<input type="checkbox"/>	<input type="checkbox"/>	43,865.	15.00	2,441.	0.
			43,865.	SL	41,424.	

FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-13. Referring to Edge testimony, page 15, line 20, please provide a copy of the cited outside appraisal.

Response: See attached. Please note the "Conclusion on Rental" on page 57.

Prepared by WEE

Summary Report of Complete Appraisal

**Old Harbor Ferry Terminal
E/S Water Street
New Shoreham, Rhode Island**

**Effective Date
February 24, 2003**

**Report Date
February 24, 2003**

Prepared For

**Mr. Michael R. McElroy, Esquire
Schacht and McElroy
21 Dryden Lane
Providence, Rhode Island 02908**

Prepared By

**Mr. Michael Kern, MAI
Peter M. Scotti & Associates
246 Hope Street
Providence, Rhode Island 02906**

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Letter of Engagement	

February 24, 2003

246 Hope Street

Providence, RI 02906

Tel 401.421.8888

Fax 401.331.3018

885 Boston Neck Road

Narragansett, RI 02882

Tel 401.782.8803

Michael R. McElroy, Esquire
Schacht and McElroy
21 Dryden Lane
Providence, RI 02908

**RĒ: Summary Report of Complete Appraisal
Old Harbor Ferry Terminal
E/S Water Street
New Shoreham, Rhode Island**

Dear Mr. McElroy:

At your request, I have inspected and analyzed the referenced property in order to estimate the Value, In-Use of the Fee Simple interest in the property. The effective date of this appraisal is the date of property inspection, February 24, 2003 and the condition upon which the appraisal is based is "as is".

The subject property consists of a 4.05± acre site located on the easterly side of Water Street in the Old Harbor District of New Shoreham which is more commonly known as Block Island, Rhode Island. The site is improved with several one story, wood frame and wood sided structures and 400± LF of bulkhead and a 240' wood pier. The improvements are utilized for the loading and unloading of passengers, automobiles and freight from the ferries of Interstate Navigation, the principal tenant. The improvements are in average condition.

The subject property is further identified as Lots No. 149-151, of Plat No. 6, of the Tax Assessor's Plat Maps of the Town of New Shoreham, State of Rhode Island. This report may refer to the property as "the property".

Pursuant to your terms of engagement, this is a Summary Report of a Complete Appraisal. The attached Certification, Contingent Assumption and Limiting Conditions and Special Limiting Conditions, if any are integral to this appraisal and report and should be understood by all of the intended users.

Based upon the analyses and conclusions derived herein and subject to the limiting conditions and assumptions expressed, it is the conclusion of the undersigned that the estimated Value, In-Use of the Fee Simple Interest in the property as of the effective date is:

Three Million Five Hundred Thousand (\$3,500,000) - Dollars

Respectfully submitted,



Michael Kern, MAI
Senior Commercial Appraiser
Rhode Island License #A00213G



Peter M. Scotti, MAI
Review Appraiser
Rhode Island License #A00110G

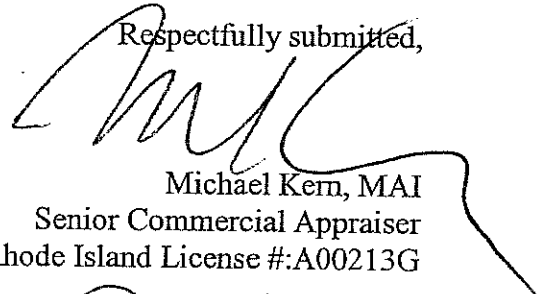
Certification

1. Michael Kern, MAI inspected the property on February 24, 2003. Peter M. Scotti, MAI did not inspect the property.
2. We, the undersigned have no present or contemplated future interest in the subject property.
3. We, the undersigned have no personal interest or bias with respect to the subject of this report or the parties involved.
4. Our fee is not contingent upon reporting a predetermined value or upon the amount of the value estimate.
5. This report sets forth all of the special and limiting conditions affecting its analyses, opinions and conclusions.
6. No one other than the undersigned performed the analyses, conclusions and opinions set forth herein.
7. This Complete Appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
8. To the best of our knowledge, statements of fact contained herein are true and correct.
9. As of the date of this report Peter M. Scotti, MAI and Michael Kern, MAI have completed the requirements of the Continuing Education Program of the Appraisal Institute.
10. This Summary Report of Complete Appraisal has been prepared in compliance with the Appraisal Institute's Standards of Professional Practice and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. It is subject to review by the Appraisal Institute and/or its' designated representatives.


In conclusion, it is our opinion, subject to the conditions and limitations expressed herein, that the Value, In-Use of the Fee Simple Interest in the property as of the effective date of this appraisal is:

Three Million Five Hundred Thousand (\$3,500,000) - Dollars

Respectfully submitted,



Michael Kern, MAI
Senior Commercial Appraiser
Rhode Island License #:A00213G



Peter M. Scotti, MAI
Review Appraiser
Rhode Island License #:A00110G

CONTINGENT & LIMITING CONDITIONS

This appraisal report, the Letter of Transmittal and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and any special limiting conditions contained in the report which are incorporated herein by reference.

1. The legal description used in this report is assumed to be correct.
2. Sketches in this report are included to assist the reader and no responsibility is assumed for accuracy. No survey has been made of the property specifically for this report.
3. No responsibility is assumed for matters legal in nature, nor is any opinion rendered as to title, which is assumed to be good and marketable. The title is assumed to be held in fee simple.
4. Information, estimates and opinions furnished by others in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy was assumed by this appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within this report. The property is appraised as though under responsible ownership and competent management.
6. Subsurface rights (minerals and oil) were not considered in making this appraisal.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions nor is the appraiser responsible for arranging engineering, which might be required to discover such factors.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within this report.

11. Unless arrangements have been previously made, no appearances in court or requirements to give testimony in respect to the subject property will be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purposes by any person other than the person to whom it is addressed without the written qualification and only in its entirety.
13. The distribution of the total valuation in this report between land and improvements applies only under the highest and best use of the subject property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. Neither all nor any part of the contents of this report, or copy thereof, shall be used for any purpose by anyone but the client, without the previous written consent of the appraiser and/or client; nor shall it be conveyed by anyone but the client to the public through advertising, public relations, news, sales or other media without the written consent and the approval by the author(s), particularly as to valuation conclusions, the identity of the appraiser or a firm.
15. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. In this appraisal assignment, the existence of potentially hazardous material in the construction or maintenance of the building, such as the presence of ureaformaldehyde foam insulation, asbestos, and/or the existence of toxic waste or radon gas, which may or may not be present on the property, has been considered. No information was obtained confirming, disproving, or leading us to suspect the existence of such hazards, except where noted. The appraiser is not qualified to detect such substances. We urge the client to retain an expert in this field if desired. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
16. On January 26, 1992, The Americans with Disabilities Act (ADA) became effective. The Act requires compliance based on each property owner's financial ability with regard to the cost to cure the property's potential physical characteristics. Given that compliance is dependent upon the specific financial ability of each owner as determined by the U.S. Justice Department, it is not possible for the appraiser to comment on either current or potential adherence to the act or its impact on value. Consequently, a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines has not been undertaken.

Special Limiting Conditions

This appraisal is further conditioned on the following:

1. That there are no additional uses that would enhance the utility and therefore the value of the subject property as currently improved. The current operation of the property appears to necessitate most of the land associated with the property. However, there may exist excess land that could be utilized for additional development of the property possibly in concert with the existing use. Obviously, this additional potential could increase the overall value of the property. However, current zoning and restrictions associated with the environmental feature are such that experts would have to be engaged in order to determine if any additional development could be entertained.

Summary of Appraisal

Property Type:	Ferry terminal, docking facility
Property Address:	E/S Water Street New Shoreham, Rhode Island
Assessed Owner:	Interstate Nav. Company
Assessor's Identification:	Plat No. 6, Lots 149-151
Property Rights Appraised:	Fee Simple
Value Appraised:	Value, In-Use
Location:	Old Harbor Commercial District
Site:	4.05± acre water fronting parcel zoned Old Harbor Commercial, OHC and Coastal.
Improvements:	Three one story wood frame and wood sided service type structures, 400± LF of bulkhead, 480± LF of pier and four docking stations.
Age:	Actual age varies, 15± year effective age, overall
Highest and Best Use:	Continuation of current use.
Estimate of Market Value:	\$3,500,000

Purpose of the Appraisal

The purpose of this appraisal is to estimate the Value, In-Use of the Fee Simple Interest to the subject property on an "as is" basis. The effective date of this appraisal is the date of property inspection, February 24, 2003.

The function of this appraisal is to provide a value estimate to the client, Michael R. McElroy, Esquire in order to make decisions regarding the property.

Value In-Use is defined¹ as:

The value a specific property has for a specific use.

Fee Simple is defined as:

An absolute fee, a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. An inheritable estate.

Leased Fee is defined as:

A property held in fee with the right to use and occupancy conveyed by lease to others. A property consisting of the right to receive ground rentals over a period of time, plus the right of ultimate repossession at the termination of the lease.²

¹ The Dictionary of Real Estate Appraisal, Second Edition. American Institute of Real Estate Appraisal, 1989.

² Real Estate Appraisal Terminology (Boyce), Page 102 and 149, respectively.

Exposure Time

Implicit in the definition of Market Value is a presumed time period over which the subject property should have been exposed to the open market in order to achieve a sale. Unfortunately the subject property is a specific use property and the value being estimated is the Value, In-Use. Specific use properties are not traded openly in the market. As such, no estimate can be offered regarding any potential exposure time for the subject property.

Scope of Appraisal

In preparing this appraisal, the appraiser:

- made a complete inspection of the subject property on February 24, 2003, accompanied by an employee of Interstate Navigation Co., the tenant,
- gathered information on improved and comparable sales; comparable rentals, operating expenses, and capitalization and yield rates;
- confirmed and analyzed the data and applied the Sales Comparison and Income Approaches to value. The Cost Approach was not applied due to the lack of land sales and the inherent difficulty in estimating the replacement cost and depreciation of the improvements. However this is an approach that would not normally have been relied upon for valuation of a property like the subject and as such the omission of this approach is not considered to have resulted in the development of a Limited Appraisal.

Competency Provision

Michael Kern, MAI and Peter M. Scotti, MAI, are certified Rhode Island and Massachusetts appraisers, whose experience, education and knowledge qualify them to competently complete this assignment.

Market Analysis

United States

The recession that began in March of 2001 officially ended in the same year and while comparison to other recessions suggests it was extremely mild and short-lived there is some bad news. Almost 100,000 manufacturing jobs were lost over this period and consumer confidence has dropped to its' lowest level (79.4%) in 10 years. Most retailers are also reporting weak sales for the just ended holiday season. The Dow Jones industrial average is down about 25% from January 2002 and the S&P 500 is down almost 25%. Overall unemployment, 5.2% (11/02) is up about 1% and non-residential building is down almost 20%.

Despite the negatives the \$8.5³ trillion national economy continues to expand but at an anemic 3.1% (III, 02). It is widely accepted that the consumer based recovery is the result of a tax rebate and very low financing costs. The federal funds rate stands at its' lowest level in 41 years, 1.25% and the prime lending rate is currently 4.25%. The average rate for a thirty year fixed mortgage is about 6%.

The low financing has fueled residential home building across the country and it is expected that sales for the year ending 2002 will exceed the 1.6 million transaction of 2001. The average price for a new home in November 2002 was \$218,900 or 51.8% more than the 2001 price. The median sale price of an existing single family home was \$158,300.

With the increase in income and spending it would be thought that inflation for all types of goods and services could become a problem but the consumer price index for all urban consumers is up less than 3.0% for 2002 and was roughly 2.5% for 2001.

As a result of the poor returns in the financial markets, the market for all types of real estate especially non-business, income producing real estate is especially strong and the availability of favorable financing is only encouraging greater interest in this area. However, there is distress in certain markets.

According to REIS, Inc. a national retail counselor, vacancy in U.S. shopping centers is increasing but at a slower rate than other commercial property. The reason for the better performance is due to a decrease in construction. REIS reports an overall vacancy of 7.1% for 2001, up about one percent from a year earlier. The average rent increased about \$0.30/SF to \$16.40. REIS predicts an increase in retail rents for 2002 of 2% and an average vacancy of 7.6%.

CB Richard Ellis recently reports a national U.S. office vacancy rate of 14.6% which is up about one percent from the 2001 estimate and representative of the worse rate in at least five years.

³ 1999 current dollars, Statistical Abstract of the U.S.

No one is quite sure what affects, if any will result from the events of September 11th but the national, regional and local economies appear to be in recovery, or at least stable and barring any additional disturbances it is projected that most real estate markets will follow a similar course.

New England

Buoyed by advances made in several New England cities including Providence, Rhode Island the regional economy remains fairly strong and quite vibrant. According to the U.S. Department of Commerce, between 1999 and 2000 Rhode Island had the greatest increase in GDP, 10.7% of any state in the nation. The \$36.4 billion dollar economy was reportedly benefited by significant gains in the finance, insurance and real estate, FIRE sector as well as increases in the retail and wholesale sector. The government sector also grew by more than 4% over this period. Other states in the region that showed significant improvement over this period include New Hampshire which posted a gain of 7.8% and Massachusetts which increased by a reported 7.1%.

Unfortunately, Massachusetts which dominates the regional economy is not faring quite well at the present time and many observers believe the state continues to be in recession. Job losses in Massachusetts continue to be announced at an alarming rate and the current 5.7% rate of unemployment places the state in the worst position of the six New England states.

According to the 2000 Census, of the six New England states three are in the top ten with regard to per capita income. Connecticut leads the country with \$40,702 per year and Massachusetts (\$37,700) and New Hampshire (\$33,169) are not very far behind. Rhode Island falls in at about number 14 with a per capita income of \$29,984 per year.

The current rate of unemployment for the region is 4.9%, (IV, 2002). Portland, Maine had one of the lowest rates in the region, and nation with a 2.6% rate and Lawrence, Massachusetts was the highest in the region. Inflation in the region is low, less than 3%.

Overall, the New England economy remains fairly strong due to its diversity and inflation is apparently not a major problem at the present time. Residential home construction continues although not at previous year's levels and median sale prices continue to show appreciation in most markets.

Rhode Island

Rhode Island is one of three New England states located on the Interstate 95 corridor between New York and Boston. Other principal infrastructure includes passenger rail service provided by Amtrak RR and the Ports of Providence and Quonset Point. The recently expanded and renovated T. F. Green Airport is enjoying significant success and has become the third most utilized airport in New England. Recent reports from the State Airport Corporation indicate that passenger volume at the airport has reportedly rebound to pre-9/11 estimates.

There are 39 communities in the State and the 2000 estimate of population as just reported by the U.S. Census Bureau is 1,048,319. This recent estimate represents a small but significant increase from the 1996 estimate of 987,000.

Like the national economy the composition of the workforce is very similar with a majority of the 500,000± labor force employed in the service sector, (education health and social services) followed by manufacturing, ±82,000 and then retail. Over the last ten years the labor force has only increased by about 4,000 or less than one percent. The average annual unemployment rate for the year just ended fluctuated between 4% and 5%. The December 2002 rate was 5.4%. Per capita personal income increased by about 11% over the last ten years. The median family income also increased but only by 3.3% to \$52,781.

Since 1990 the total number of housing units increased by 6.1% to 439,837 and of that estimate single family development lead the way with a 10.2% increase to 241,202 units. The median sale price for a single-family home in the state has been increasing steadily from less than \$125,000 in 1990 to \$156,000 in 2001 and \$188,150 for the year just ended. Fortunately, favorable financing has resulted in the median monthly mortgage payment increasing by only \$300, to \$1,205 per month. The 2000 Census also reports a drop in the median monthly rent of 11.9% from \$628 in 1990 to \$553 in 2000. However, the Rhode Island Housing and Mortgage Finance Corporation, RIHMFC reports that over the last four years the average rental for a two bedroom apartment has actually increased 39% to \$854/month. RIHMFC reports that a yearly rental should not exceed 30% of a person's annual income. [This implies a minimum annual income of ±\$34,000 to support this average rental.]

Building permits for new single family construction have decreased from the 2001 rate of 2,169 units to 2,127, or about 2.0%. As a result many communities which had moratoriums on new building or quotas have recently begun to accept applications for new permits.

Conclusions

Overall, the demographic profile of the State of Rhode Island very much resembles that of United States as evidenced in the table that follows. It is just the geography and other physical features that vary. Over the last several years the local economy performed better than the national economy but few expect this performance to continue. Therefore, assuming there is no systemic change in either economy it can be expected that the performance of the state will pretty much mirror that of the nation.

The Providence Journal also assists the University of Rhode Island in maintaining an index of leading economic indicators for the state and according to the most recent data a significant slowdown is anticipated for the next six to nine months. The projection is based on the falling index from 110.6 (II, 02) to 110.20 (III, 02).

	U.S.	R.I.
Median HH Income, yr.	\$41,994	\$42,090
Median Family Income, yr.	\$50,046	\$52,781
Per Capita Income, yr.	\$27,269	\$28,418
Population Below Poverty Level, %	12.7	11.6
Disposable Income, yr.	\$23,233	\$23,425
Median Age, years	35.3	36.7
Average HH Size, persons	2.59	2.47
Average Family Size, persons	3.14	3.07
% High School Completion	28.6	27.8
% With 4 Year Degree	15.5	15.9

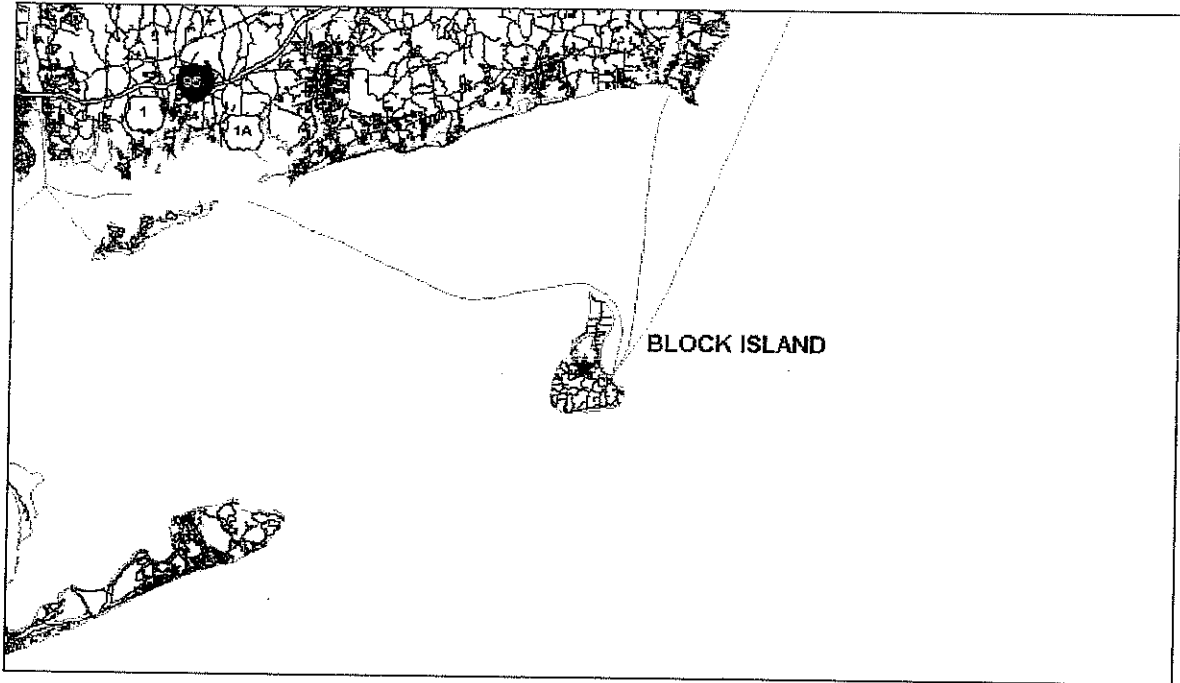
Individual Market Performance

The general picture of the industrial market is good. Prices appear stable after having appreciated about 30% since 1996 and vacancy remains very low in most market due to limited supply. Unfortunately leasing activity is very slow but speculative development has also been very low thus resulting in market stability throughout much of the state. The expectation for this market is for continued demand for owner occupied purchases of 10,000 to 30,000 SF and minimal leasing activity.

CB Richard Ellis reports that vacancy in the ±6.0 million (SF) Providence Office Market was 12.8% for 2002 which actually represents a decrease of about one percent from the 2001 rate. The overall average lease rate also increased but only by about one percent. The 2002 overall lease rate for the eight districts that comprise the market was \$20.40/SF. The range is from about \$14.00/SF for class "C" space with no parking to \$30.16/SF for class "A" space with limited (1-2 spaces/1,000 SF) available parking.

Concerns for retail property include recent reports of poor sales activity for the quarter just ended and an increasing supply of new space. Major projects recently completed include Smithfield Commons (800,000 SF), Cranston Parkade (750,000 SF), Eagle Square in Providence (270,000 SF) and numerous free standing stores throughout the state. Projects that are planned include a 200,000 SF mixed use development at Sockanoset Crossroads in Cranston. The one bright spot in this report is occupancy at the new Providence Place Mall. Reportedly the 1.3 million square foot mall is presently 98% occupied and state tax receipts are exceeding expectations.

Overall, there are concerns that most markets have an over-supply of space and with demand slackening there could be instability in most areas of the state. Therefore, occupancy is very important despite the very favorable financing.



New Shoreham

New Shoreham, also referred to as Block Island is a 10± square mile island located about five miles south of the Rhode Island coastline. The year round population of the island is about 1,010 (2000 Census) making it the least most populated community in the state. However, the island is a very popular tourist destination so the seasonal population can grow as high as 30,000. Primary access to and from the island is by Interstate Navigation's Ferry Service which sails from Old Harbor daily. The town does maintain a state airport and air traffic has increased significantly over the years. A second ferry service has also recently begun operating from New Harbor. However the operators of this service have had to seek protection from the courts since New Shoreham has enacted bylaws against such operation in Great Salt Pond.

Neither of the two principal harbors is a natural harbor, both were created in the late 1880's and both require routine maintenance in order to maintain the navigable waters. By comparison, the two harbors are fairly similar. New Harbor is closer to the mainland and therefore a shorter distance but speed limits within New Harbor just about negate any proximity advantage.

Just about all the freight and automotive shipments are made by way of Interstate Navigation's Old Harbor terminal which has the facility and capability of accommodating commercial traffic as well as passenger travel. The new ferry service provides only passenger service.

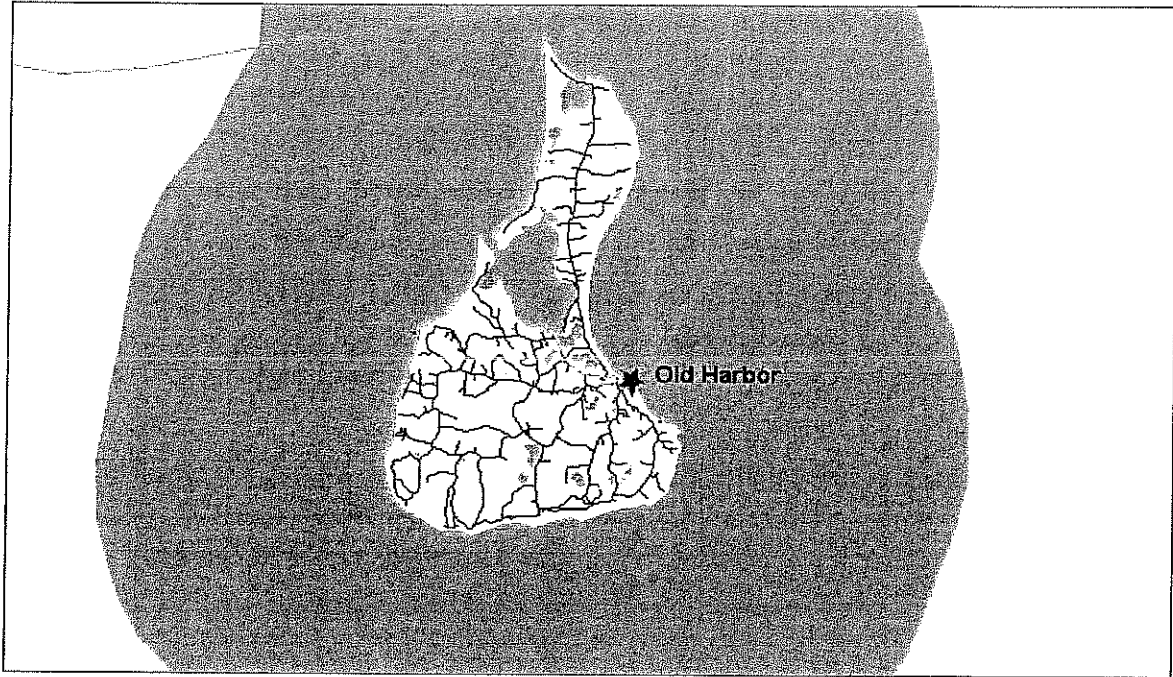
As of April 2000 there were 1,606 housing units in the Town of New Shoreham representing an increase of over 25% from the 1990 estimate. Such an increase probably represents the largest increase of any community in the state but given its size the total number is not very significant. Of the total estimate almost 70% are seasonal homes.

Primary entertainment and food and beverage service is located within the Old Harbor District but New Harbor also has some restaurants and the like. There are several public beaches on the island including the Crescent Beach which is located just north of Old Harbor. The island has a very functional roadway system and motor vehicles are the primary source of transportation.

The community produces about 800 year round employment positions of which a majority can be found in the construction trade. Obviously the demand for hospitality type work increases significantly in the summer months. The most recent estimate of unemployment is less than 5%. According to the 2000 Census the median household income is \$44,779 per year and the median family income is \$59,844/year.

The Multiple Listing Service (MLS) of Rhode Island has no report of the median sale price of homes in this community but Census Bureau information indicates that the median value of homes was \$479,300 in 2000. This estimate is probably the highest in the state and represents the significant influence of outside participants in this market.

Overall New Shoreham is a very attractive summer resort community that obviously entertains a population that is much greater than the state in which it is a part. Presently the community is in a state of unprecedented expansion and vitality but like all resort communities this could prove temporary under certain economic conditions.



Old Harbor District

The subject property is located in the Old Harbor District of the island. Old Harbor is the most intensely developed commercial district on the island and the principal destination for retail and service goods. It is also the principal location for most hospitality-related services including lodging and food and beverage establishments. Principal access to the district is from Interstate Navigation's Ferry Service on Water Street or the state airport which is about .25 mile away. The recently begun hi-speed ferry service from Point Judith to New Harbor stops at Champlins Wharf which is about .5 mile northwest of Old Harbor.

Located between Water Street and Adrian House Lane is a 40,000± SF commercial parcel that is being marketed for sale. The asking price is \$980,000 or \$24.50/SF. The property has been on the market for about one month. Other than this listing there has been no recent commercial property transactions to report or consider.

Access to Old Harbor from the open waters is via a 100' channel that has a depth of about 15 feet at MLW. The harbor is protected from open waters by a stone jetty. Reportedly the harbor is man made and requires continued attention due to the build-up of silt.

In summary, the Old Harbor Commercial District is the most attractive commercial district on the island and all indications suggest no change in this determination.

Assessment and Taxes

The subject property is assessed to:

Interstate Navigation Co.,

as follows for 2002:

Plat	Lot	Land	Building	Total	Taxes
6	149	\$ 478,500	\$ -0-	\$ 478,500	\$ 4,712.27
6	150	\$ 653,400	\$ 60,750	\$ 714,150	\$ 7,032.95
6	151	\$1,045,440	\$183,490	\$1,228,930	\$12,102.50
Total		\$2,177,340	\$244,240	\$2,421,580	\$23,847.72

The 2002 tax rate for the Town of New Shoreham was \$12.31/\$1,000. Taxes are based on 80% of the total assessed value. Assessments are based on a revaluation that was conducted in 1992. A new revaluation is currently underway and will be implemented for the 2004 fiscal year.

Zoning

The subject property is located within the Coastal zoning district as well as the Old Harbor Commercial district. In addition three zoning district overlays are imposed over the underlying zone. The three overlays include the Flood Plain overlay, the Historic overlay and the Waterfront overlay.

According to the Zoning Ordinance when a lot is divided by zoning district boundaries the regulations of either district shall apply except that the regulations for one district shall not be extended into the other district for a distance of more than 30 feet. The Ordinance also indicates that the regulations that are applicable to the overlays are in addition to the regulations of the underlying zoning district.

Based on the split zoning of the subject and the imposition of the three overlays it is not possible to offer any opinion as to the potential use of the subject property as if vacant or if there exists potential for any additional development of the property. The most that can be offered in this regard is to provide some insight as to whether the current use is legally permitted.

A number of uses are permitted in the Old Harbor Commercial zoning district including parking lots and Waterfront Uses as defined in Section 318 and 415. Uses which are allowed in the Coastal zoning district include Waterfront Uses (Section 318 and 415) and any use allowed by special permit.

Uses permitted in the Waterfront zoning district as described in Section 318 are limited to recreation and shellfishing. Uses permitted by special exception (within the specifically designated area of the subject) include terminal facilities for passengers, vehicles and freight.

According to Article 4 of the Ordinance which pertains to the issuance of special use permits, use of the subject property for a marine transport facility is allowed but must meet the standards of the Old Harbor Plan. The details of this plan were not available for review.

Based on this cursory examination of the applicable zoning which pertains to the subject property it is concluded, with reservation that the current use of the property for a passenger, freight and vehicle ferry terminal is allowed by special use permit. Whether any additional development could be entertained upon or at the subject property is not known.

It should be noted that the Town of New Shoreham through its Zoning Ordinance has adopted a bylaw that prohibits the operation of a ferry service in the Great Salt Pond. Great Salt Pond provides access to New Harbor which is the only stop for the new hi-speed ferry. The owners or operators of the ferry service have successfully appealed a denial to obtain a variance to continue this operation in Superior Court and the matter is now before the Rhode Island Supreme Court.

Flood Zone Information

According to a review of Community Panel #440036-0004D, of the National Flood Insurance Rate Maps, which Map is dated September 30, 1995, a majority of the land associated with the subject property appears located in a flood hazard zone identified as V-6 and a base flood elevation of 12 feet has been established. The implication of this classification is that flood hazard insurance, if available is required and secondly any building improvement which is intended for human habitation must be constructed with a base floor elevation that is at least 12 feet above sea level.

Naturally these conditions have the affect of increasing development costs and yearly operating expenses for any improvement of this property. Additionally, the Town of New Shoreham has a zoning overlay for property that falls within a designated flood hazard zone. According to the Ordinance permitted uses within the flood control overlay are those uses that do not require a building permit or uses that are permitted only by special permit. Uses allowed by special permit include major land development projects, affordable housing, inns and hotels as well as the current use which is a marine transport facility. The latter must be consistent with the Old Harbor Plan, a historic district overlay for the Old Harbor Commercial district.

Sales History/Marketing

According to an investigation of the municipal records there has been no recent (within the last five years) conveyance of the subject property. The contact person and the client indicate that the property is not being offered for sale and there are no offers to purchase being considered.

Identification of the Subject Property

The subject property was identified by the client as the property of Interstate Nav. Company as located on Water Street in the community of New Shoreham, Rhode Island. According to an investigation of Tax Assessor Records Interstate Nav is the assessed owner of three parcels located on Water Street, Lots 149-151, of Plat 6.

Further investigation at the Town Clerk's Office indicates that the assessed owner acquired property in the vicinity of the subject as evidenced by a deed recorded on Page 29, of Book 67 of the Land Evidence Records. Review of the legal descriptions recorded with this conveyance, see addenda for copies, indicates similarities to the properties identified by the Assessor. Therefore, the appraiser concludes that the subject of this appraisal are the three properties identified by the Assessor as being the property of Interstate Nav.

This valuation concerns only the real property and does not attempt to value any personal property or business interests of the current tenants or occupants.

Easements/Encroachments/Encumbrances

A review of the aforementioned legal descriptions indicates that there are several easements and right of ways, ROWs associated with the property including rights, if any associated with public access to the water. For the most part these easements and ROWs appear not to adversely affect the current use of the property. Therefore, no adjustments have been made to the value estimates for any loss or infringement in the rights that would be conveyed by a sale of the Fee Simple Interest in the property.

Environmental

The appraiser was not provided any information relative to the environmental status and condition of the subject property. The appraiser assumes the subject is not affected by any adverse condition that would affect marketability, occupancy and value.

Property Description

Site

The property consists of three lots that together comprise one, generally rectangular shaped parcel of 176,200± SF, or 4.05± acres. The site is below the grade of Water Street and continues decreasing in elevation to the point where the land meets the waterfront of Old Harbor. The property has approximately 519 linear feet of frontage on Water Street and about 609 LF of waterfront on Old Harbor. Not all the Water Street frontage is contiguous but the frontage does provide for two points of access to the property. The property abuts commercial property to the north and a municipal street to the south. The frontage is interrupted by several commercial use properties.

The property is known as the Interstate Navigation Commuter Ferry Terminal where primary ferry service to and from the island is provided. Interstate Navigation's Ferry Service is the principal means of transport for freight, passengers and automobiles to the island. Last year the service transported approximately 300,000 visitors to the island from Point Judith, Newport and New London, CT.

The water frontage is improved with 400± LF of steel bulkhead that is presently being replaced. The bulkhead is additionally improved with two commercial docking stations that accommodate two hydraulic dock levelers. In addition to the two docking stations the waterfront is improved with a 240 LF wood pier that extends into the harbor. The pier can reportedly accommodate two additional ferries but is unlikely capable of supporting the heavy load of automobiles or freight. Thus the ferries that utilize this pier provide mostly passenger service.

The depth of the water immediately in front of the subject property ranges from about 5 feet (MLW) to about 10 feet, (MLW). At the very southernmost waterfront point where the bulkhead meets the land the water just about reaches the bulkhead indicating that the water is very shallow at this point. At the end of the 240' pier the water depth is approximately 13 feet, (MLW).

Site drainage appears adequate and soil conditions are assumed supportive of conventional waterfront type development as evidenced by improvements to the site and surrounding property.

Off Site Improvements:

Off site improvements include overhead street lighting and some sidewalks. Old Harbor is protected by a stone jetty that extends out into Block Island sound.

Utilities:

The building site is reportedly connected to all available utilities including municipal water and sanitary sewer, electricity and telephone.

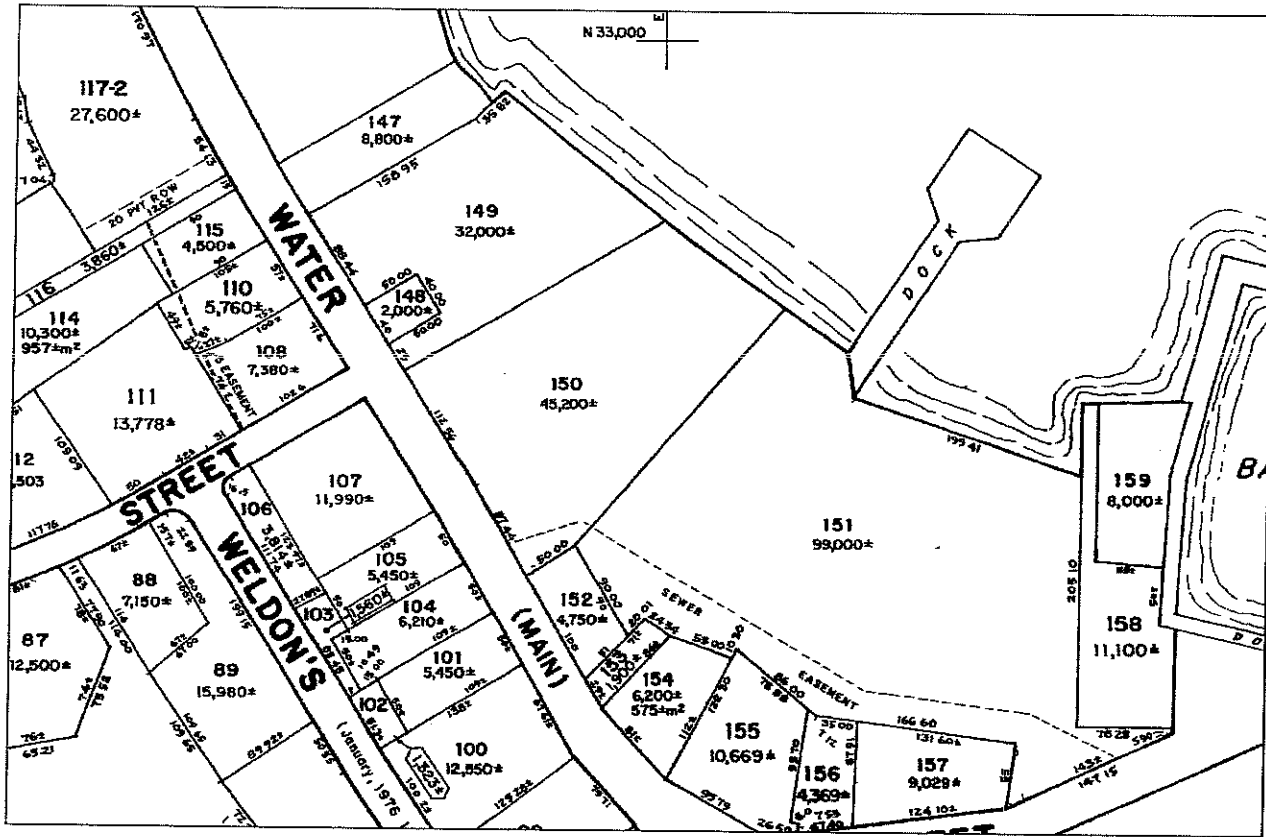
Site Improvements:

In addition to the waterfront improvements the property is improved with about 100,000 SF of asphalt paved parking area. The parking lot can reportedly accommodate about 100 cars of long term parking, awaiting ferry service and an additional 20-30 cars for short term parking. The property is also improved with several areas of landscaping that consist principally of lawn and a pole and rope fence.

Conclusions, Site

Overall, the site is probably the largest commercial waterfront parcel in the community and certainly the largest commercial parcel located on Old Harbor. It also has the most frontage on Old Harbor thus permitting any reasonable waterfront development including marina, commercial wharf or mixed use only limited by the depth of the water and restrictions placed upon the property by those agencies that govern development within these areas. Such agencies include New Shoreham zoning, Rhode Island Coastal Resource Management Council, CRMC, U.S. Army Corp of Engineers and of course Rhode Island Department of Environmental Management, RIDEM.

Applicable Portion of Plat Map



Building Improvement

The subject property is improved with three buildings, one of which is not owned by the property owner and therefore excluded from the appraisal. The building is owned by the Town of New Shoreham and is utilized as a visitor's station. The two other buildings include a freight building and a passenger ticket building. The buildings are described as follows.

Freight Terminal Building

The freight terminal building is a one story wood and steel frame structure that was built on slab, circa 1994. The estimated Gross Building Area (GBA) is 1,500 SF. The structure is utilized to store freight going to and from the island both in bulk form and for individual pick-up. The exterior of the structure consists of natural wood shingle walls that are about 10 feet in height, asphalt composition shingle roof and several wood double hung windows. The north wall is also improved with two overhead doors that are at grade.

The interior of the structure is apportioned into a small office and the remainder is open storage area. The interior finish of the storage area consists of concrete floor and wood walls and ceiling that are painted. The interior finish of the office is slightly more attractive but generally similar.

The structure is heated by an oil fired forced warm air furnace. The oil is stored in a 275-gallon tank located in the structure. Electricity is provided by a 200 ampere, three-phase system that likely serves other areas of the property.

Overall, the building improvement is in average condition and does not require attention to any deferred maintenance. The structure also offers average utility for the type of use that is being made of the building. The property is not burdened by any known external condition that would increase the depreciation of the property above that which is typical for other similar property in the district and market. As such, the effective age of the property is estimated at 15± years.

Passenger Terminal Building

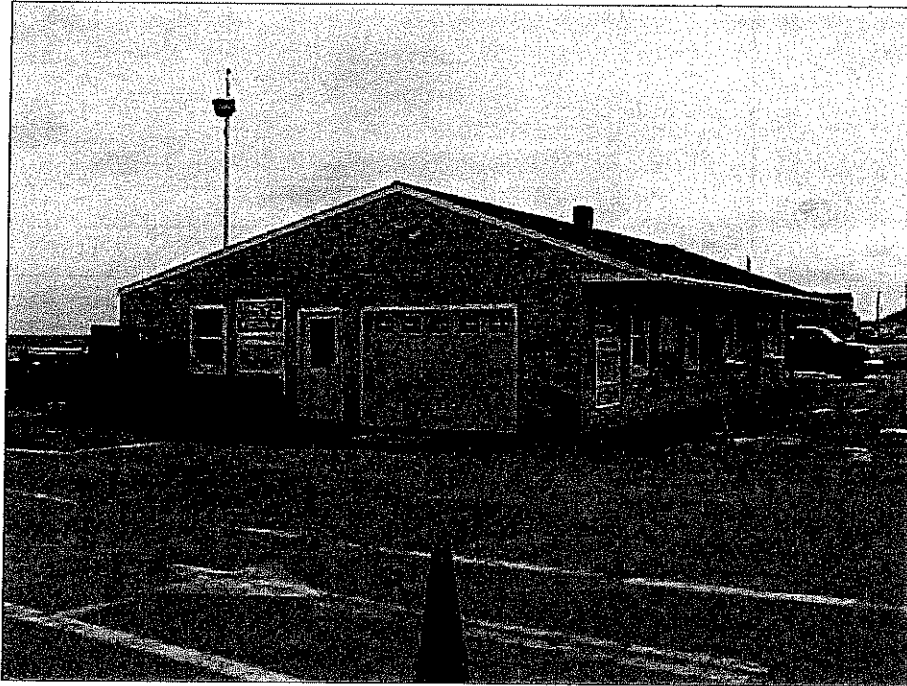
The passenger terminal building is a one story, wood and steel frame structure that was built on slab, circa 1992. The estimated GBA of this building is 1,812± SF. The structure was added on to in 2002 and completed renovated at the time of the addition. The building is utilized to house the passenger ticket operation of Interstate Navigation as well as to store liquor and other goods utilized in the operation of the vessels. The exterior of the structure consists of natural wood shingle walls that are about 10 feet in height, asphalt or fiberglass shingle roof and several wood double hung windows. The north wall is improved with one overhead doors that is at grade.

The interior of the structure is apportioned into a small office, passenger waiting area with adjoining restrooms and the remainder open storage area. The interior finish of the storage area consists of concrete floor and wood walls and ceiling that are painted. The interior finish of the office and waiting areas is more attractive and includes ceramic tile flooring, sheetrock walls that are taped and painted and an acoustic tile ceiling. The waiting area has two, three fixture lavatories.

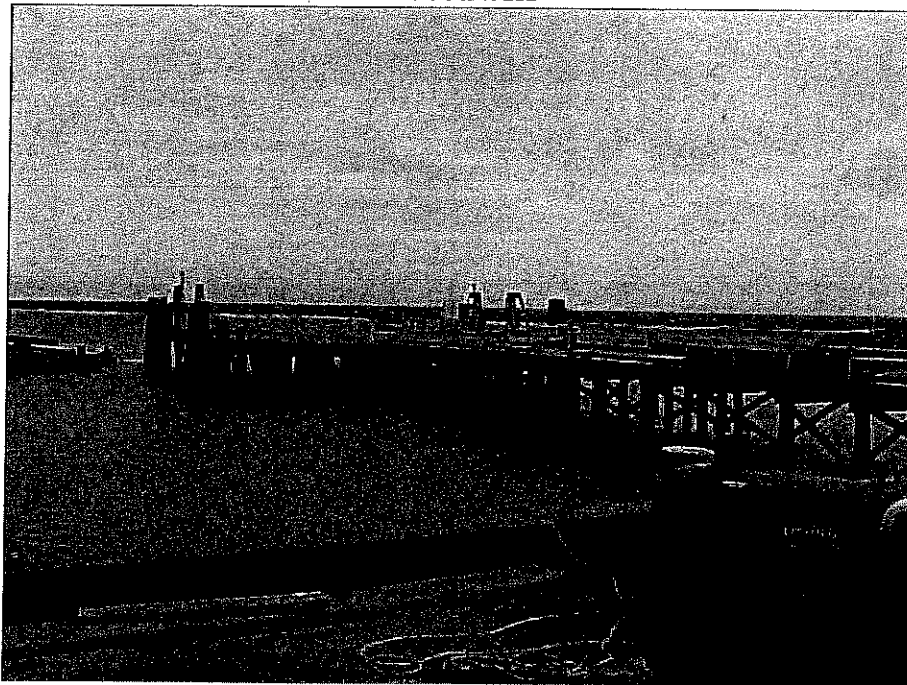
The structure is heated by an oil fired forced warm air furnace. The oil is stored in a 275-gallon tank located in the structure. Electricity is provided by a 200-ampere service and the building is equipped with a fire alarm and closed circuit television cameras.

Overall, the building improvement is in good condition and does not require any attention to any deferred maintenance. The structure also offers average utility for the type of use that is being made of the building. The property is not burdened by any known external condition that would increase the depreciation of the property above that which is typical for other similar property in the district and market. As such, the effective age of the property is estimated at 10± years.

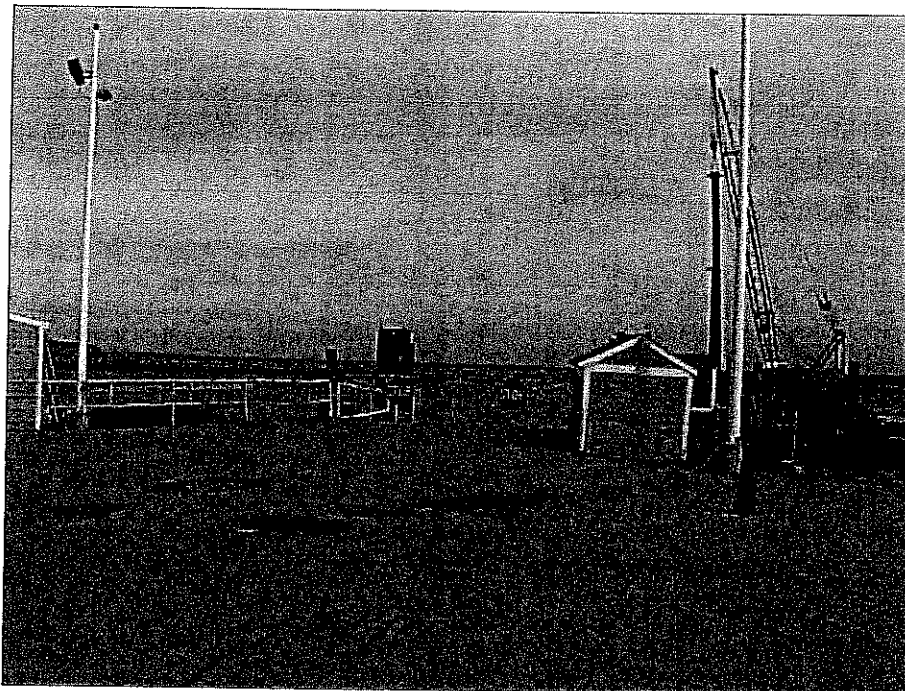
Passenger Ticket Building



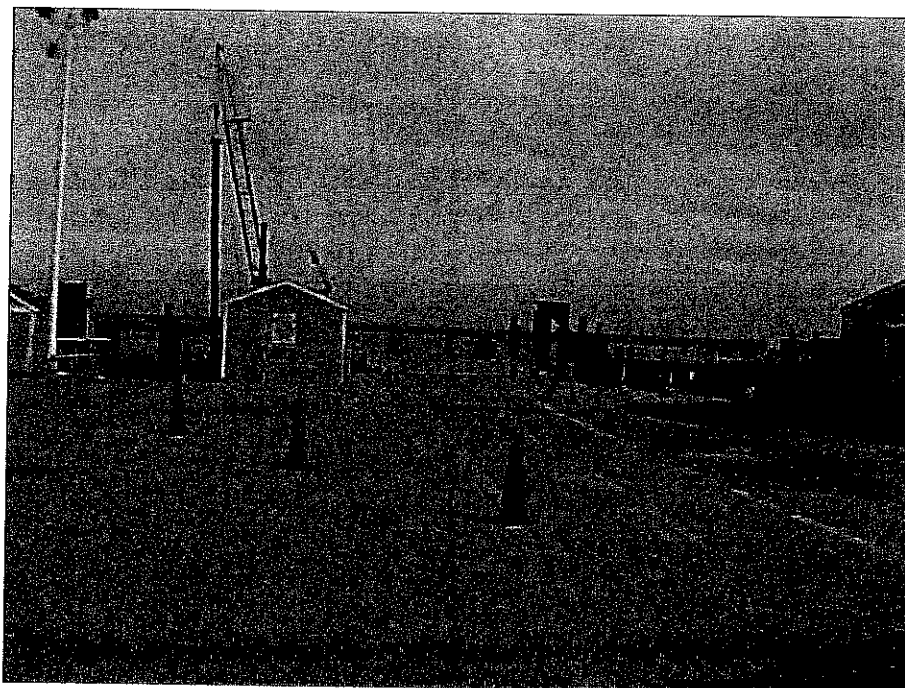
Wood Pier



Ferry Docking Station



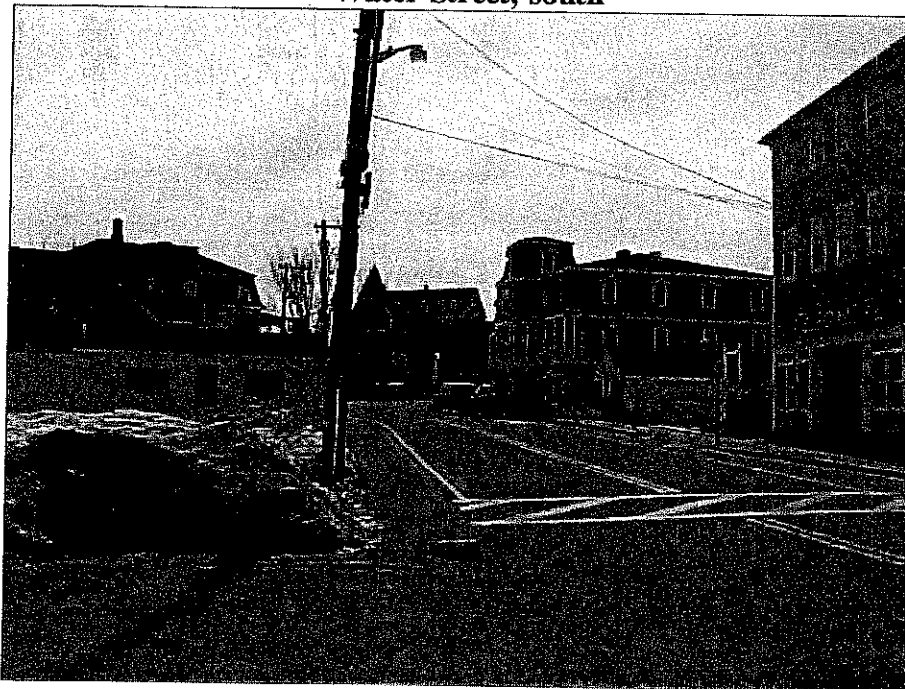
Ferry Docking Station



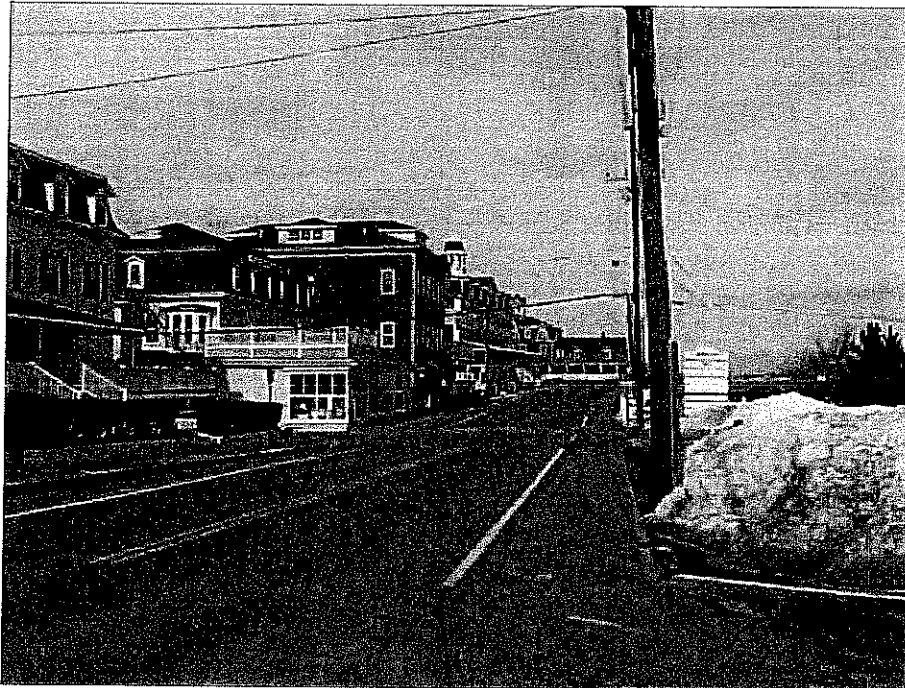
Property Across Street



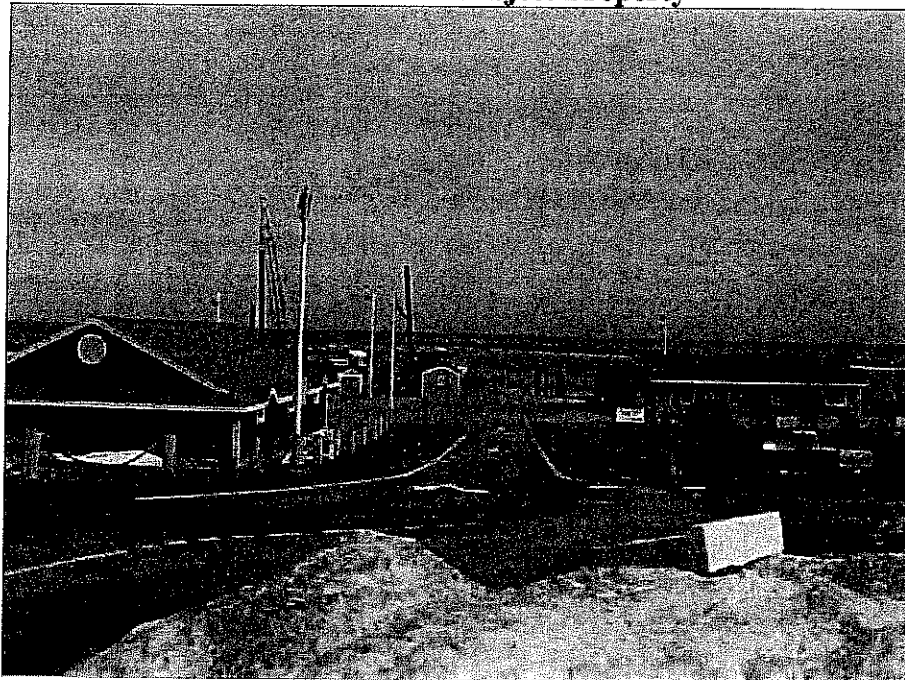
Water Street, south



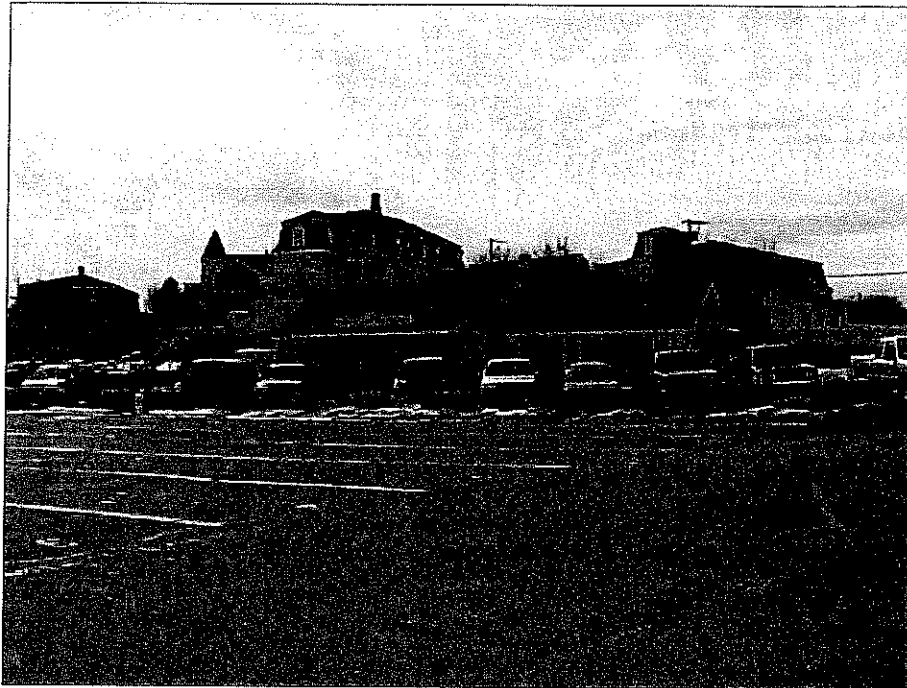
Water Street, north



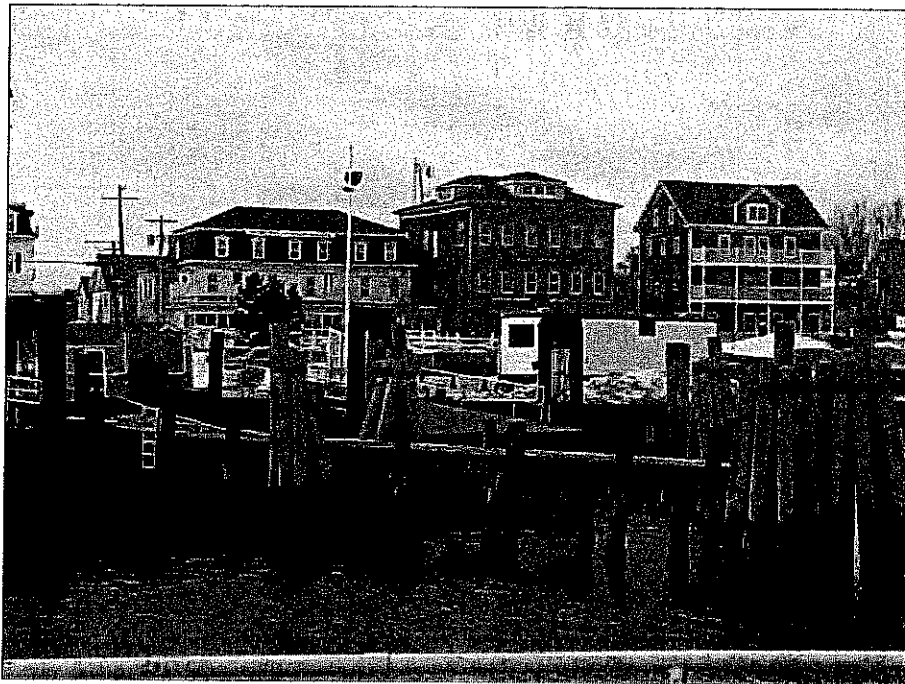
Access Point to Subject Property



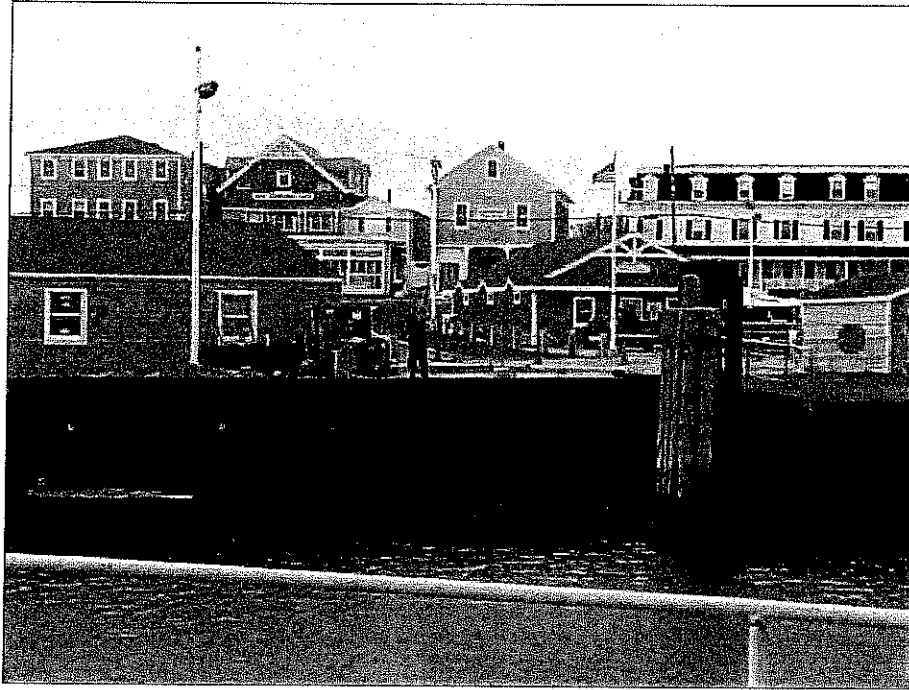
Block Island Visitor's Center



View of Bulkhead/Docking Station From Pier



View of Bulkhead, from Pier



Highest and Best Use

Real Estate is valued in terms of its highest and best use. The highest and best use of the land (or site) if vacant and available for use may be different from the highest and best use of the improved property. This will be true when the improvement is not an appropriate use and yet makes a contribution to total property value in excess of the value of the site.

DEFINITION: Highest and Best Use (Highest and Most Profitable Use; Optimum Use) is that reasonable and probable use which will support the highest present value as of the date of the appraisal. Alternatively, it is the most profitable likely use to which a property can be put. It may be measured in terms of the present worth of the highest net return that the property can be expected to produce over a stipulated long run period of time.

In estimating Highest and Best Use, the appraiser goes through essentially four stages of analysis, which are described as follows:

1. possible use or those uses which are physically possible for the site in question;
2. permissible uses or uses which are legally permissible and physically possible for the site in question;
3. feasible use or possible and permissible uses which will produce a net return to the owner of the site;
4. highest and best use, or, among the feasible uses, that use which will produce the highest net return or the highest present worth to an owner.

Highest and Best Use, Conclusions

Highest and Best Use, as though vacant: The subject is a specific use property. The value being sought is the Value, In-Use. As such there is no necessity for performing a Highest and Best Use analysis. In addition, as earlier noted this appraisal is conditioned on the assumption that there are no additional uses of the property that would enhance the utility and therefore the value of the property as herein derived.

VALUATION

General

There are three basic approaches that may be used by appraisers to estimate value. The three approaches include the Sales Comparison Approach, the Cost Approach and the Income Approach. All three rely heavily upon market data and as such the greater and more reliable the data, the greater the support for the value estimate.

The Sales Comparison Approach is based on the principal of substitution whereby an informed purchaser will pay no more for a property than it would cost to acquire a property which offers similar utility. The approach essentially involves the comparison of several similar properties that have recently sold, to the subject property.

The underlying principal of the Cost Approach is also substitution since the same purchaser will be willing to pay no more for a property than that which it cost to develop a similar property, offering like utility. Valuation via the Cost Approach involves estimating the reproduction, or replacement cost of the improvement, making appropriate deductions for accrued depreciation (from all sources) and adding to this estimate the value of the site.

The Income Approach consists of methods and techniques used to analyze a property's potential to generate income and converts this estimate of income into an estimate of value by capitalization. In basic terms, the greater the income, the greater the value.

Sales Comparison Approach

In estimating the value of the subject property via the Sales Comparison Approach three sales were obtained that are considered sufficiently comparable to provide an indication of the value of the subject property as presently improved. The three sales include two properties located in Fairhaven, Massachusetts and a third located in Warren RI. Information on a fourth sale located in New London, Connecticut was obtained after the writing of this report but is included in the addenda for informational purposes. Each property was personally surveyed by the appraiser as evidenced by the photographs that accompany the data and attempts have been made to verify the information utilized with an informed party to the transaction.

The basic unit of comparison upon which this sales comparison is based is the sale price per square foot of land area but within the analysis of the sales consideration is given to the amount of bulkhead and wharf that improve each property. Following is the information on the three comparable sales and the adjustment methodology utilized to equate the sale prices of the comparables to the subject.

Waterfront Land Sale #1

Address: 279 Water Street, Warren, Rhode Island
Location: Warren Waterfront

Plat/Lot: 4/96 and 132
Zoning: Waterfront
Grantor: Harbor Construction of Rhode Island
Grantee: Anawan Realty, Inc.
Book/Page: 341/349
Date of Sale: August 7, 2000
Sale Price: \$1,010,000
Financing: Private financing, Cash sale
Verification: Municipal Records/Deed
Marketing Time: Sold at auction

Property Description

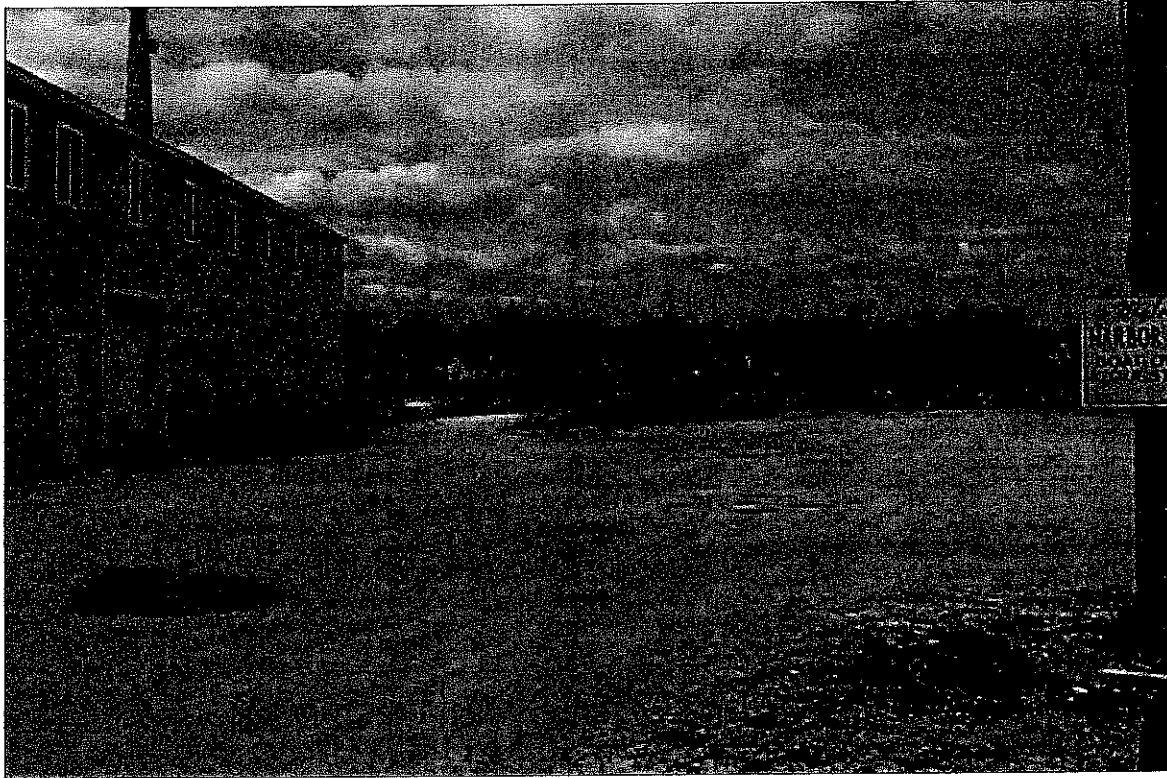
Land Area: 49,223± SF
Frontage: 175± LF on Water Street
Shape: Basically rectangular
Gross Building Area: 7,248± SF
Construction: Three wood and masonry constructed buildings improved this property at the time of sale.
Utilities: All
Land to Building Ratio: 6.79:1
Features: 421 LF of bulkhead

Unit of Comparison

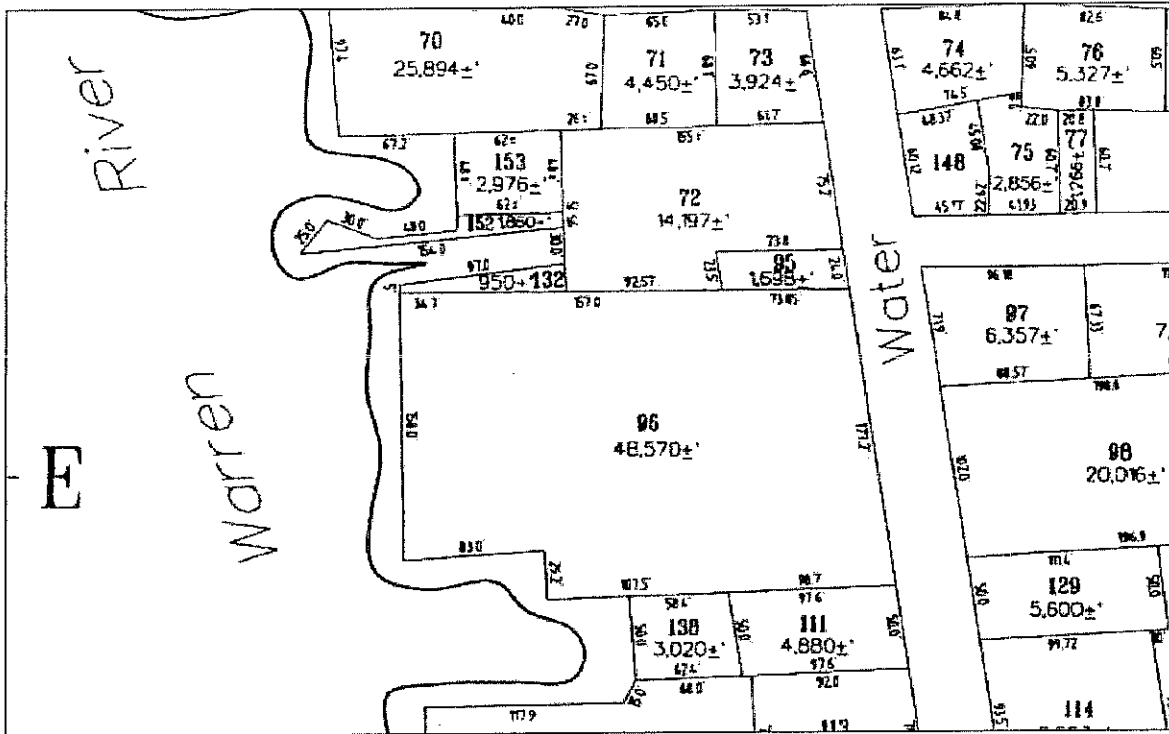
Price per SF of land area: \$20.52/SF

Comments: This property was sold at auction. Reportedly there were approvals in place for a marina with 25 boat docks and repair services as well. Access to this property from the water is via a very narrow channel with a MLW depth of 7' to 10'.

**Comparable Sale #1
279 Water Street
Warren, Rhode Island**



Applicable Portion of Plat Map, Warren Property



Waterfront Land Sale #2

Address: Water Street and Union Streets, Fairhaven, MA
 Location: Kelly's Wharf

 Plat/Lot: 7/11, 12, and 13
 Zoning: Industrial
 Grantor: Golten Leasing Co.
 Grantee: Kelly Dock and Marine Co.
 Book/Page: Land Court Cert. #19115
 Date of Sale: September 5, 2000
 Sale Price: \$1,040,000
 Financing: Cash sale
 Verification: Municipal Records/Deed
 Marketing Time: N/A

Property Description

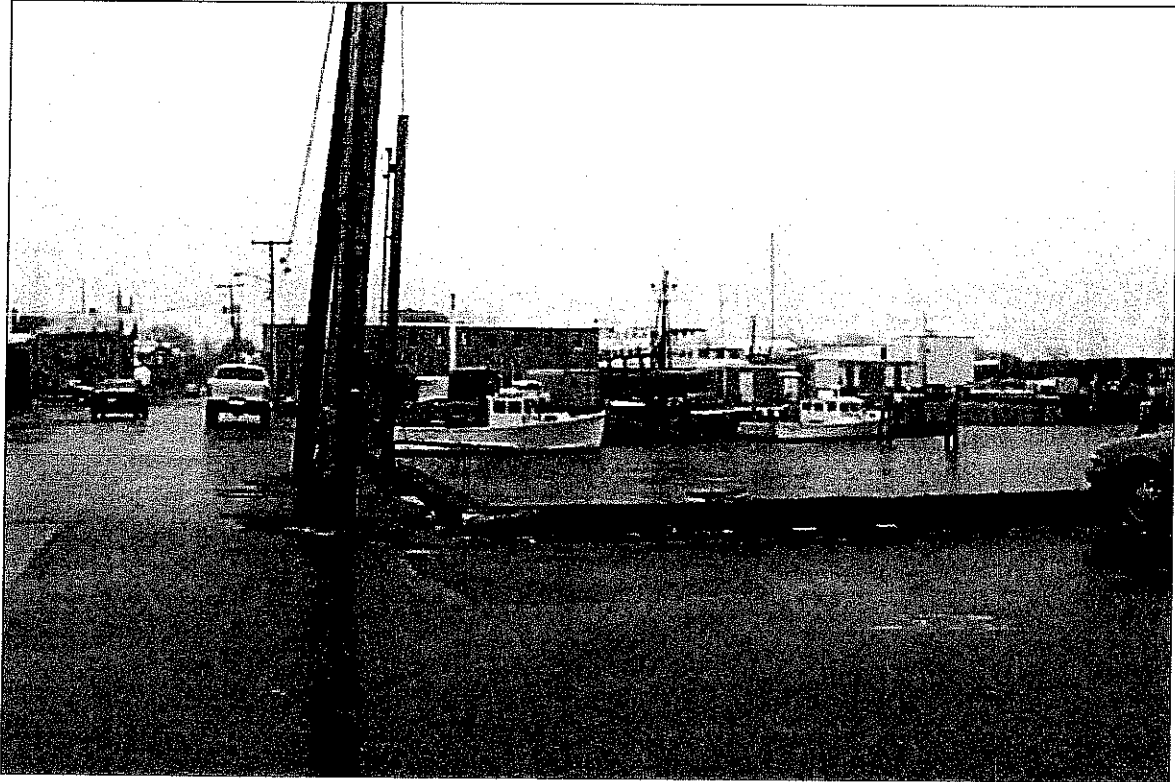
Land Area: 118,804± SF/2.72± acres
 Frontage: 250 LF on Water St., 274± LF on Union St.
 Shape: Irregular but functional
 Gross Building Area: N/A
 Construction: Several marine related buildings improved this property at the time of sale.
 Utilities: All
 Land to Building Ratio: N/A
 Features: 284± LF of bulkhead

Unit of Comparison

Price per SF of land area: \$8.76/SF

Comments: This is the sale of the former Norlantic Diesel property located on Kelly's Wharf. The property had been vacant for several years prior to sale. Access to this property from the water is via the Acushnet River and the depth in front of this property ranges from 10' to 12' at MLW. The conveyance included prior restrictions of record that include a prohibition of any disturbance of the waters west of this area.

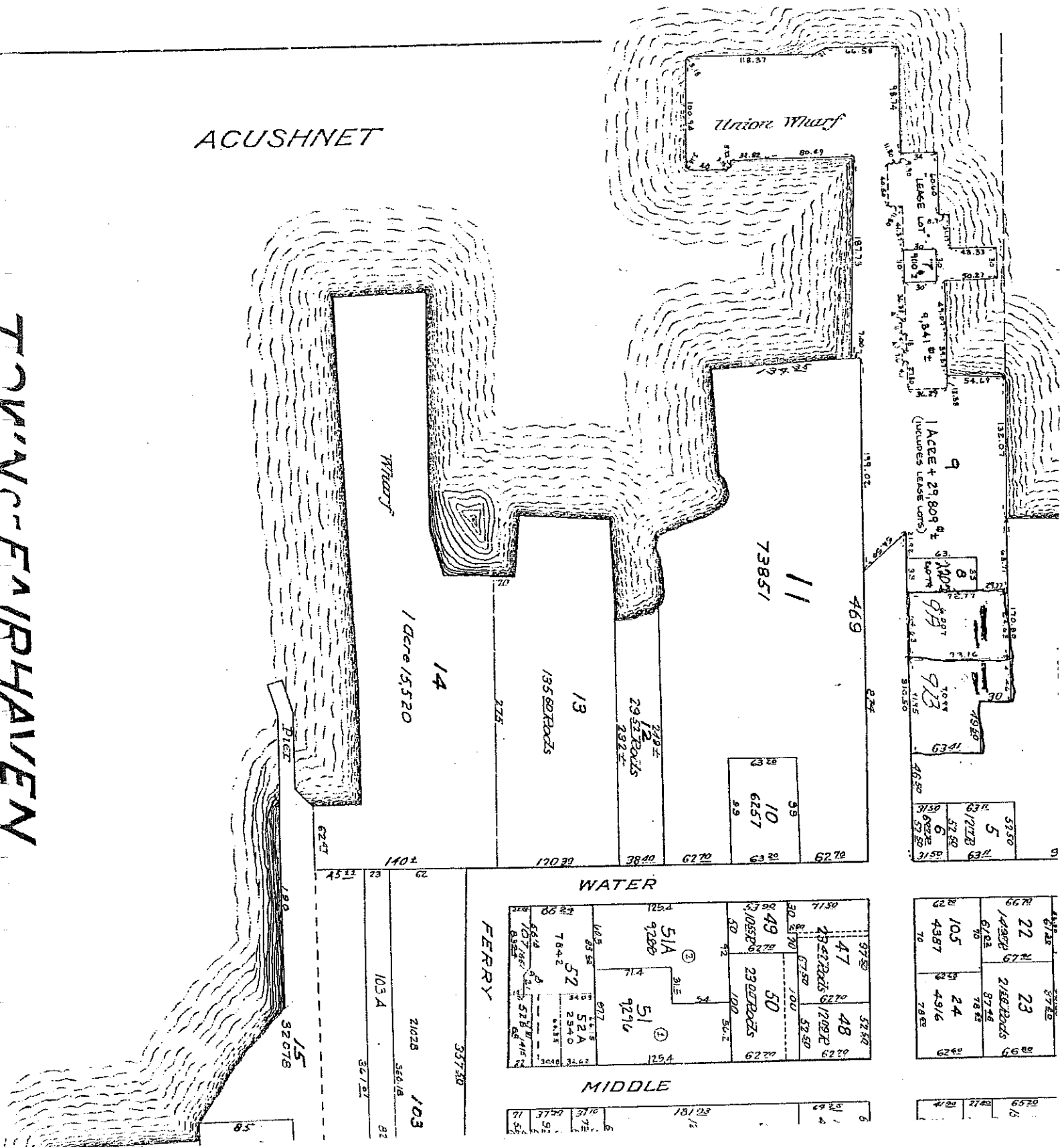
**Comparable Sale #2
Water and Unions Streets
Fairhaven, Massachusetts**



Applicable Portion of Plat Map for Comparable Sales #2 and #3

TOWN OF FAIRHAVEN

ACUSHNET



Waterfront Land Sale #3

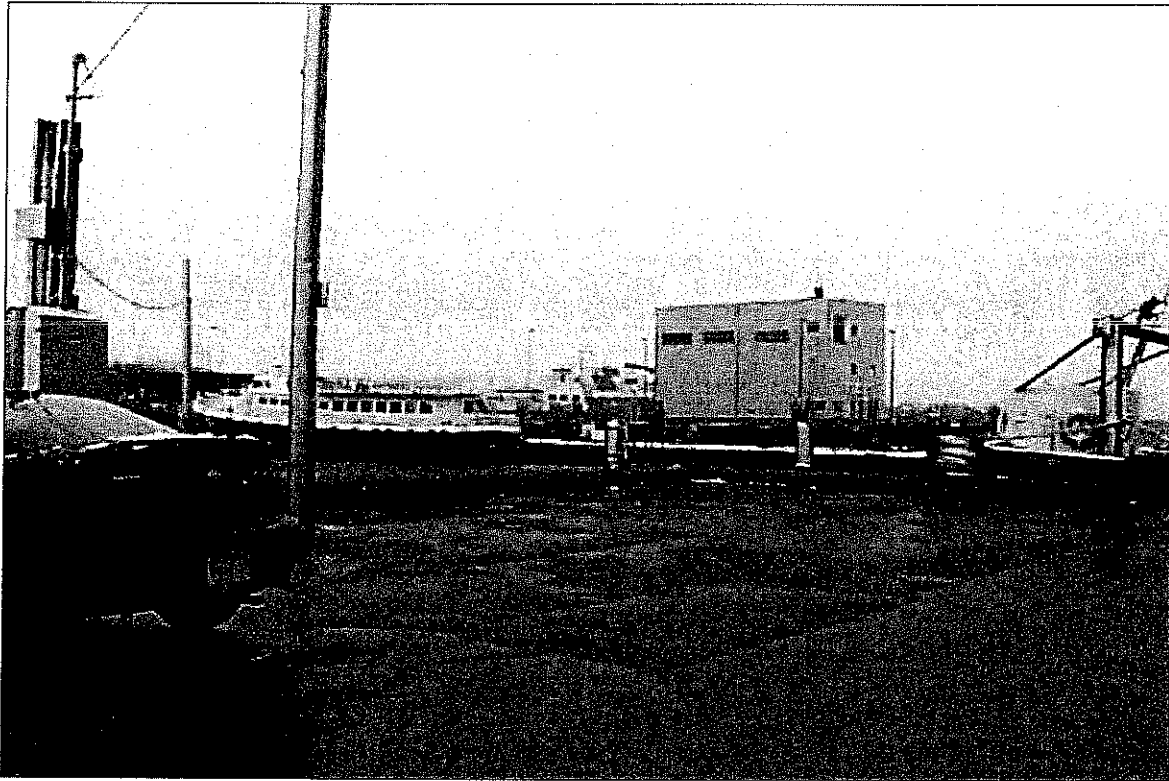
Address	Main, Water and Ferry Streets, Fairhaven, MA
Location	Hathaway-Braley Wharf
Plat/Lot	7/14, 15 and 103A
Grantor	Hathaway-Braley Wharf Co.
Grantee	MV Nantucket Steamship Authority
Book / Page	4913/54
Sale Price	\$2,815,159
Date of Sale	March 2, 2001
Financing	Cash sale
Verification	Municipal records/Deed

Property Description

Land Area	124,219± SF or 2.85 acres
Shape	Generally rectangular
Frontage	350± LF on Ferry St. and 150± LF on Main St
Zoning:	Industrial
Bulkhead:	1,115 LF on Acushnet River
Utilities	All
Features:	Several waterfront buildings built circa 1935 and totaling 22,377± SF improved the property at the time of sale.
Price \$/SF:	\$22.66/SF of land without consideration for buildings

Comment: This property was purchased by the Steamship Authority for maintenance of their vessels. The buildings offered little contributory value to the property at the time of sale. The same comments regarding access to this property as were made for CS#2 are applicable here with the exception that the water depth in front of this property is slightly more attractive, 15' to 17', MLW.

**Comparable Sale #3
Hathaway Braley Wharf
Fairhaven, Massachusetts**



Analysis of Comparable Sales

Property Rights Conveyed:

Each of the sales represents the transfer of the Fee Simple Interest in the properties which is the same interest being valued with regard to the subject property. Therefore, no adjustments are necessary for rights conveyed.

Financing:

In all three cases the conveyances involved cash to seller transactions. Therefore, no adjustments are necessary for atypical conditions of sale.

Conditions of Sale:

An adjustment is considered necessary for Comparable Sale #1 (CS#1) because this property sold at auction and is therefore considered a distressed transaction. Typically the sale of distressed properties results in concessions of anywhere from 5% to 25% but in this instance the sale was reportedly attended by over 50 potential buyers and there was a pre-marketing effort made by the auctioneer. Thus no significant concession was likely given and as such no adjustment is made for conditions of sale.

Market Conditions:

The effective date of the appraisal is February 2003. The three comparable sales transpired over the last two or so years during market conditions that are not substantially different from the effective date. As such no adjustments are made for market conditions or time.

Location:

Consideration for any adjustment that may be attributable to location differences is based on an analysis of such things as the availability of alternative and potentially competing sites and the seasonal nature of the subject property. Obviously there is no alternative to the subject property for a ferry dock. There are only two harbors on the island and one of those harbors currently does not permit the use of the property for a ferry transportation facility. Therefore, the subject facility is the only facility currently permitted for such use.

Secondly, and just about as important as the first item is the seasonal nature of the subject operation. The subject is the only facility to permit the use of the property for a ferry terminal but the operation while not totally seasonal certainly performs at more profitable levels in the summer months. And just like with any seasonal dependent operation there is a certain amount of risk and expense involved in this type of operation. Therefore, for comparison purposes the location of the subject is considered generally average.

In comparison to the subject, all three comparable sales are located on the mainland and as such there are alternative properties that could offer similar utility and therefore been considered for purchase. Therefore, from this perspective all three comparable sales are inferior with regard to location.

On the other hand, all three of the comparable sales also offer the potential for year round utility and while most waterfront properties are not normally thought of as being available for year round utility or income generation the potential for such use is certainly a consideration. Therefore, in overall terms the location of the three comparable sales are considered generally similar to the subject. Thus no adjustments are made for location.

Physical Characteristics

Land to Bulkhead/Pier Ratio, SF to LF

The subject property has 400 LF of bulkhead and another 440± LF of pier. Therefore, using the 176,400± SF of land which comprises the subject property a ratio of about 200 SF of land for every one linear foot of bulkhead or pier is obtained. Using the same type of formula the ratios of Comparable Sales #1 and #3 are superior while the ratio of CS#2 is inferior.

Based on an analysis of the variation in potential income that can be derived from the various components of a waterfront property, i.e.: wharfage, land rent and pier rent it is concluded that a property with a significantly superior land to bulkhead ratio (lower estimate) garner about 30% greater income. As such, it is concluded that the greater income translates into greater value and therefore a positive adjustment of 30% is made to CS#2 while similar but converse negative adjustments are made to Comparable Sales #1 and #3.

Utilities:

All three comparable sales have access to the same utilities as the subject. Therefore, no adjustments are made for utilities.

Comparable Sale Adjustment Summary

Data	Subject	C#1	C#2	C#3
Property Location	Block Island	Warren, RI	Fairhaven	Fairhaven
Sale Price, \$/SF		\$20.52	\$8.76	\$22.66
Rights Conveyed	F.S.	F.S.	F.S.	F.S.
Adjustment		0	0	0
Financing		Cash	Cash	Cash
Adjustment		0	0	0
Conditions of Sale		Sold @ Auction	Normal	Normal
Adjustment		0	0	0
Market Conditions	February 03	July 00	September 00	March 01
Adjustment		0	0	0
Market Adjusted SP.		\$20.52	\$8.76	\$22.66
Location	Average, Ltd. potential for competition, seasonal	Average; potential for competition but year round	Average; potential for competition but year round	Average; potential for competition but year round
Adjustment		0	0	0
Physical Characteristics				
Land to Bulkhead Ratio; SF/one LF	220	100	418	111
Adjustment		-15%	+30%	-15%
Buildings	3,372 SF	See discussion that follows.		
Adjustment		0	0	0
Utilities	All	All	All	All
Adjustment		0	0	0
Total Adjustment		-15%	+30%	-15%
Indicated Price, \$/SF		\$17.44	\$11.40	\$19.26

Conclusion

Based on the preceding analysis of the three sales, the indicated unit value range for the subject is \$11.40/SF to \$19.26/SF. In the final analysis greatest consideration is given to the value estimates obtained from Comparable Sales #1 and #3 as these two sales appear to offer greater support for a value at the upper end of the range. Therefore, with just about equal consideration given to the two unit values obtained from these two sales a final unit value of \$18.50/SF is concluded appropriate for the subject property.

Calculations are as follow:

$$\text{\$18.50/SF X 176,418}\pm\text{ SF} = \text{\$3,263,733}$$

Lastly a \$300,000 positive adjustment is made to the indicated value to reflect the almost new 3,372 SF of building that improves the subject property. The three comparable sales were at the time of sale improved with various building improvements but the condition of the improvements was in all cases pretty bad and as such there was little contributory value associated with these improvements. The subject improvements are in good condition and because the subject is an island property the expense of building these structures was likely substantial. Therefore, the \$300,000 adjustment which represents a cost per square foot of about \$100.00 is considered appropriate.

Therefore the indicated value of the subject property as derived via the Sales Comparison Approach is \$3,563,733 which is round to \$3,500,000.

Income Approach

Valuation of the subject property via the Income Approach is accomplished by Direct Capitalization of the estimated stabilized net income that the subject property is projected to generate from a single lease of the entire property. Presently the property is leased to a related entity the terms of which are as follows:

Lease Summary

Lessor: Interstate Nav. Company
Lessee: Interstate Navigation Company
Term: 10/1/1999-9/30/2004
Leased Area: Old Harbor Ferry Terminal, exclusive of Vistors Center
Options: N/A
Annual Base Rental: \$120,000/year 1, adjusted by CPI thereafter.
Additional Rental: All real estate taxes, operating expenses (including insurance) and maintenance; net lease.
Comments: Lessor reserves the right to use the premises for any business controlled or owned by John P. Wronowski.

Comments on Existing Tenancies and Rentals

The existing lease is a net lease whereby in addition to the base rental the tenant is required to pay for all maintenance of the property as well as insurance, property taxes and any operational expenses. With the inclusion of the additional expenses the gross rental (to the tenant) could be significantly greater than the specified base rental. For instance it is known that the harbor requires almost continuous dredging due to silt build-up and presently the tenant is installing a new steel bulkhead at a reported cost of \$1,000,000.

While not specifically excluding the contribution made by the existing buildings the lease does not address the fact that over the last several years the lessee has substantially renovated the two buildings. Therefore, the building now contribute substantial value to the overall property and must be considered as such.

According to conversations with industry participants the yearly rental for an island docking facility is likely to be about 5% of gross revenue from all operations of the property. Financial information provided by Interstate Navigation, the tenant indicates that over the last two years gross revenue from operations has ranged from about \$7.1 million to \$7.5 million. This suggests that the applicable rental for the subject facility should be in the range of \$355,000 to \$375,000 per year. The participants did not specify whether the additional expenses of maintenance, property taxes and the like should be included in this estimate but it is assumed so since exclusion of these expenses would result in little, if any return on investment.

Financial information provided by the client and estimations made by the appraiser indicate that the following expenses are appropriate for application to the subject property.

Property taxes	\$23,847 (actual)
Insurance	\$25,000 (estimated)
Repairs and Maintenance	\$60,000 (from actual, but annualized)

Deduction of these expenses from the above noted range of gross rental results in a net rental range of \$246,153 to \$266,153 per year. This suggests that the current contract rental of \$120,000/year is substantially below market. In order to verify this conclusion the following three rentals are utilized to estimate the Market Rental of the subject property. Note that the rentals do not specifically address any building improvements to the property and as such consideration for the subject buildings will be addressed at the conclusion of the approach.

Plat Map Not Available**Comparable Rental #1****Rowe Wharf, Gloucester, MA**

Address: 6 Rowe Sq., Gloucester, MA
Location: North of the subject about 150 miles
Lessor: Gloucester Marine Terminal
Lessee: sureBet Casinos of Gloucester, LLC.
Description: A portion of the 2.01 acre parcel identified as Lot4, of Plat 11 sufficient to accommodate the 200' casino boat, MV Entertainer. The leased property includes parking for a minimum 100 cars as well as wharf space to provide a ticket office and area for boarding of passengers and materials.
Term: 5 years commencing 5/2001
Option: One, 5 year option with beginning rental of \$175,000/yr.
Rental: Year 1, minimum of \$82,500, years 2-5 \$150,000/yr.
Additional Rental: Base rental is increased by % change in CPI. In addition to base rental tenant is obliged to pay 50% of property taxes and all directly metered utility costs.

Comments: The effective yearly rental for this lease is over \$140,000/year with the inclusion of the CPI adjustment. This property was the subject of a sale in 1997 from General Mills Corp. for reported consideration of \$600,000.

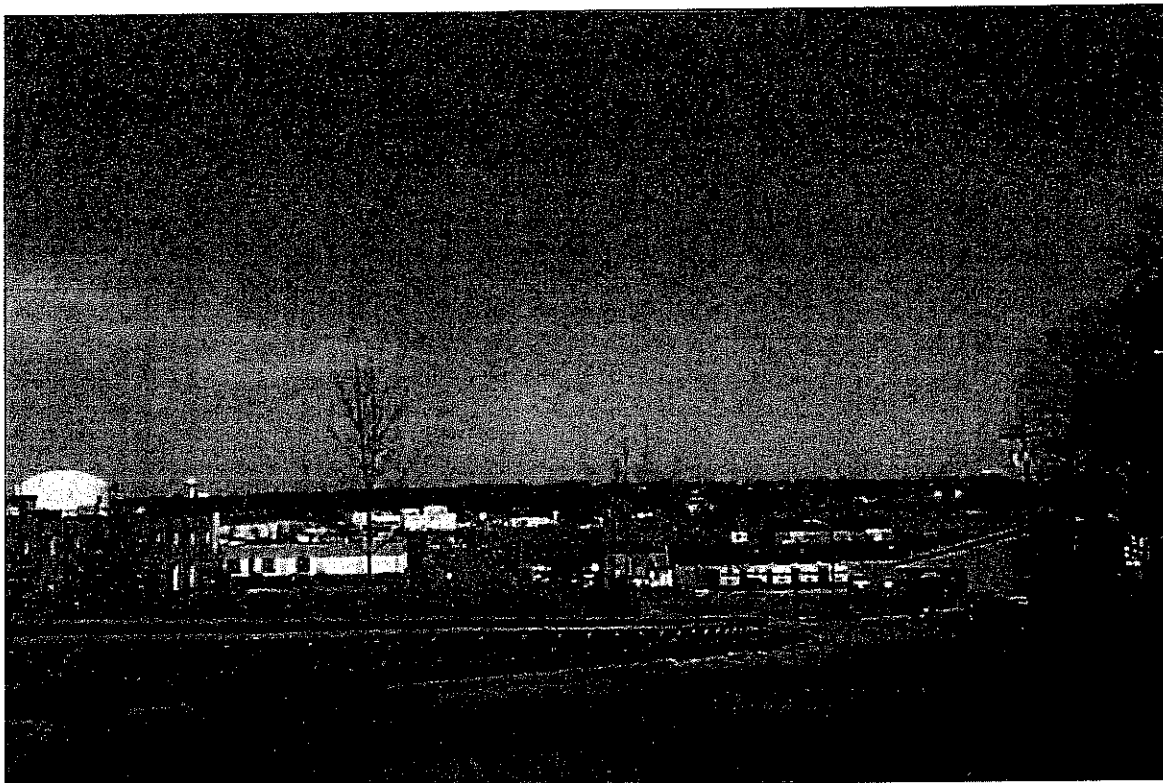


Comparable Rental #2

Port of Galilee, Narragansett, RI

Address: Various parcels
 Location: RI. Mainland about 7 miles north of subject
 Lessor: State of RI, Department of Environmental Management
 Lessee: Various tenants
 Description: Individual parcels range in size from about 5,000 SF to over 2.0 acres. Some include wharfage others are land only. Water depth is sufficient to accommodate moderate size vessels.
 Term: Typically year to year
 Option: Yearly renewals are typical
 Rental: Land typically rents from \$0.50/SF to ±\$0.70/SF. Pier rents add another ±\$40.00/LF and bulkhead about another \$25.00/LF.
 Additional Rental: Any individual utilities and basic maintenance.

Comments: For purposes of comparison, a property similar to the subject with about 175,000 SF of land, 500 LF of bulkhead and 400± LF of pier would result in gross yearly rental of approximately \$100,000 per year based on the quoted rentals at this facility. However, the lessor is a state agency and as such there is no profit imputed into these rentals. The land is also tax exempt.



**Comparable Rental #3
Port of Providence, RI**

Address: Various parcels
 Location: Land west of the Providence Harbor
 Lessor: ProvPort
 Lessee: Various tenants, most recent is Bishop Terminal
 Description: ProvPort has about 125 acres of industrial zoned land that is accessible to rail, road and the 30' draft of the Providence Harbor. The property includes about 5,000 LF of wharf, some piers, and various conduits for the transportation of fluids, freight and scrap materials.
 Term: Typically about five years
 Option: Renewal options are typically included in the leases
 Rental: Land typically rents for about \$0.70/SF. With the inclusion of wharfage and dockage the gross rental (to the land) is about \$1.00/SF.
 Additional Rental: Any individual utilities and building or equipment maintenance. Property taxes on the land are paid by the lessor as is most maintenance associated with the bulkhead.

Comments: The most recent lease to Bishop Terminal is for a parcel of land of about 176,565 SF. The lease provides for access to the wharf but most tenants including this one do not obtain exclusive use of the docks. The additional rental for dockage and wharfage is based on vessel tonnage and cargo.

Analysis of Comparable Rentals

Comparable Rental #1

Of the three rentals this comparable is probably the most similar to the subject because it is located on the north shore of Boston where like the subject the availability of competing property is very limited. Therefore, a location adjustment is not indicated.

However the effective rental of \$140,000/year actually reflects a site area and dock that is about half the size of the subject and therefore requires the application of a substantial positive adjustment for area, the intensity of which nearly doubles the rental. In addition a rather substantial negative adjustment is indicated for terms of rental since this contract does not require the tenant to pay for maintenance. Thus the actual rental received by the lessor or landlord is estimated to be about \$30,000 less per year. In conclusion the estimate of Market Rental for the subject as indicated by this comparable is in the range of \$225,000 per year.

Comparable Rental #2

This comparable consists of a number of rentals located in the state operated Port of Galilee. Rentals within this Port are typically net of property taxes, since the state is exempt from taxation. The rentals are also net of maintenance. With the inclusion of a commensurate amount of bulkhead a parcel similar in size to the subject would rent for about \$150,000 per year.

From a location perspective this port is considered inferior to the subject since the smaller size vessels accommodated at this port have many alternatives to consider. Therefore, unlike Comparable Rental #1 this comparable is considered inferior to the subject with regard to location. A significant positive adjustment is therefore indicated and the intensity of the adjustment is based on a comparison of this facility with CR#1. The indicated adjustment is a positive 50%.

Lastly, since this comparable includes the expense of maintenance a negative adjustment is indicated and the intensity of the adjustment is based on information derived from operations of the subject property. The actual adjustment is a negative \$15,000 per year. Based on these considerations the indicated rental of the subject as interpreted from this rental is about \$205,000 per year.

Comparable Rental #3

This comparable represents the recent consummation of a lease in the Port of Providence. The \$176,565/year rental of this particular parcel includes non-exclusive use of the wharf and dock. Though it may be thought that there exists many alternatives to this facility there are few ports with a 30' draft this far north in Narragansett Bay. Thus a significant location adjustment such as that made to CR#2 is not applicable in this instance. Rather a more moderate positive adjustment of 25% is made to this rental which is mostly relative to a difference in the underlying value of the land and the lack of exclusive use of the wharf and dock.

ProvPort is a for profit operation and as such there are property taxes paid by the lessor on this facility. Therefore a negative adjustment is indicated for property taxes as well as the expense of maintenance which is also absorbed by the lessor. The intensity of the adjustment, a negative \$30,000 is based on the estimated expense of property taxes and maintenance. Thus the indicated rental of the subject property as derived from this comparable is \pm \$185,000 per year.

Conclusion on Rental

Based upon the adjustment methodology utilized, an adjusted rental range of \$185,000 to \$225,000 per year was obtained from the three comparable rentals. The indicated rental of the subject as determined from gross sales is in the range of \$250,000 per year. With just about equal consideration given to the rental obtained from CR#1 which required the least adjustment and the \$250,000 estimate provided from the gross sales estimate a Market Rental of \$237,500 is concluded appropriate for the subject property. The Potential Gross Income, PGI of the subject is therefore \$237,500 per year.

General Vacancy/Credit Loss

The subject is for all intents and purpose a single tenant property that is not easily replaced. As such, the potential for vacancy is certainly minimal if not non-existent. However, credit loss and untimely payments are always a possibility. Therefore, a deduction of 1% of the PGI is made for credit loss.

Tenant Improvements/Leasing Commissions

The subject property is in average condition and requires no attention to any deferred maintenance. It is therefore unlikely that the lessor, or owner will have to offer any money for a tenant improvement allowance. As such, no expense is budgeted for tenant improvements.

It is also unlikely that the owner/lessor will have to pay a commission to lease the property due to the limited availability of competing space. Therefore, no deduction is made for any leasing commissions.

Expenses

Despite the net rental structure of the projected contract rental the owner or lessor will bear the burden of certain managerial type expenses and of course any necessary reserves. Based on the analysis of information provided by the client the following expenses are considered appropriate for application to the subject.

Expense Estimation and Application

Management

Most single tenant properties expense management at no more than 4.0% of the Effective Gross Income (EGI). According to information obtained from several property management firms including the asset management department of several area banks such an amount should be sufficient to provide adequate property management to include site inspections and a review of accounting. Therefore, an expense of 4.0% of the EGI is utilized.

Reserves

A reserve budget typically concerns the replacement of the major building and property components including resurfacing of the parking lots, replacement of major building components and in the case of the subject property piers and bulkhead. However the subject's projected net rental requires the tenant to not only perform routine maintenance but to make capital improvements as well. As such, no expense is budgeted for reserves for replacement.

Legal/Professional

The yearly expense for legal and professional fees is estimated at \$2,500 which is relatively high but anticipated given the potential for disagreement with state and local authorities on many facets of the subject property.

Reconstructed Income/Expense Budget

Potential Gross Income		\$237,500/yr.
Less vacancy/credit loss (1.0%)		(\$ 2,375)
Tenant improvement allowance		(\$ -0-)
Less leasing commissions		(\$ -0-)
Effective Gross Income		\$235,125/yr
Expenses: p/year		
Management @ 4.0%	\$ 9,405	
Reserves	\$ -0-	
Professional fees	<u>\$ 2,500</u>	
Total	\$ 11,905	

Net Operating Income (NOI) is equal to Effective Gross Income less Total Expenses, or **\$223,220/year.**

Capitalization of Net Income

The next step is to capitalize the net income estimate by an appropriate overall rate. The income associated with the subject is essentially derived from the land. Therefore land capitalization rates are appropriate. In the addenda are two commercial property sales which at the time of sale had land leases in effect. The rental and sale prices of the two sales provide rates of return (capitalization) to the land in the range of .08 to .10. However, the two sales are old and represent days when commercial mortgage rates were in the range of 8.0% to 10.0%. Presently, commercial mortgage financing for good quality property is in the range of about 6.0%. Equity returns have also decreased substantially. Therefore, a capitalization rate of 7.0% to 8.0% is considered appropriate for application to the subject and a final rate of 7.5% is utilized.

$$\begin{aligned} \text{Value} &= \text{Net Operating Income} / \text{Overall Rate} \\ \text{Value} &= \$223,220 / .0750 \\ \text{Value} &= \$2,976,267, \text{ round to } \$3,000,000 \end{aligned}$$

Lastly a \$300,000 positive adjustment is made to the indicated value to reflect the almost new 3,372 SF of building that improves the property. The three comparable rentals do not include consideration for any building improvements. The rental expressed as a percentage of gross revenue may involve some consideration for the building improvements of the subject but it is likely less than actual.

The subject improvements are in good condition and because the improvements are located on an island property the expense of building these structures was likely substantial. Therefore, the \$300,000 adjustment which represents a cost per square foot of about \$100.00 is considered reasonable.

Therefore the indicated value of the subject property as derived via the Sales Comparison Approach is \$3,300,000.

Reconciliation and Final Value Estimate

The indicated values derived via the two approaches to value are, as follows:

Sales Comparison Approach - \$3,500,000

Income Approach - \$3,300,000

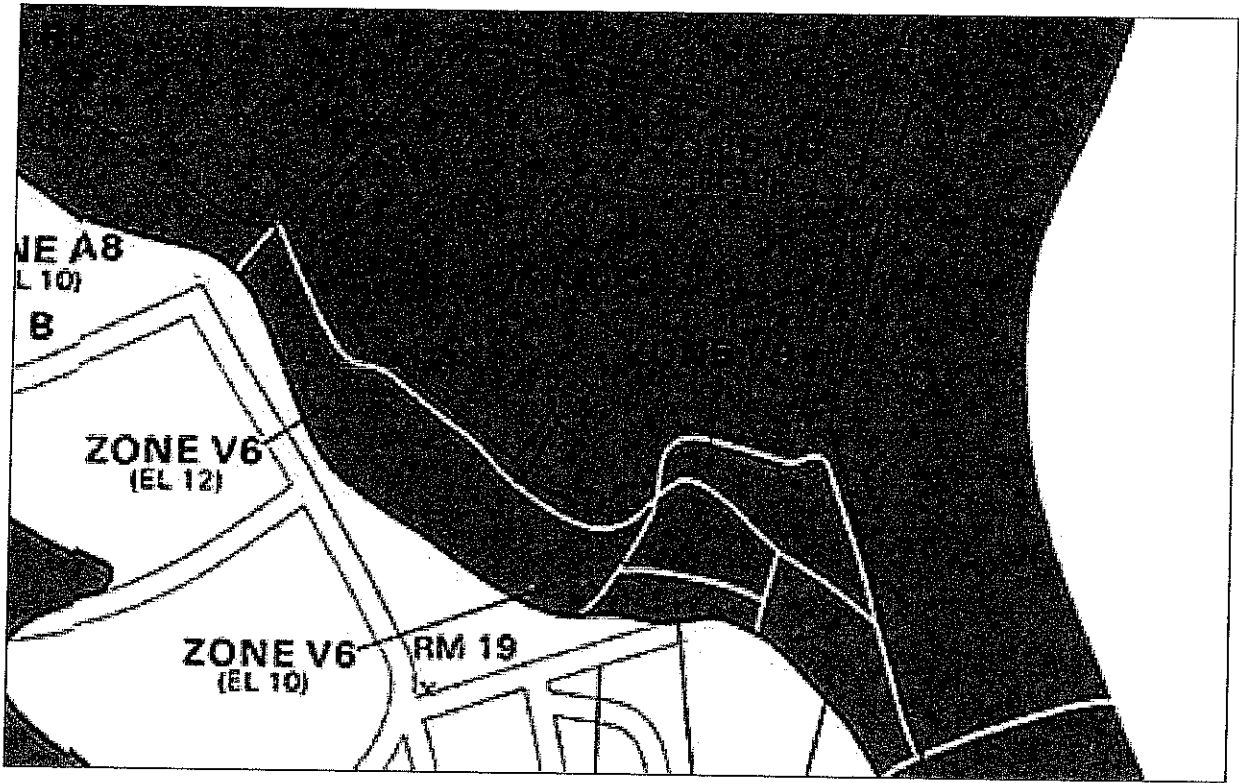
Application of the two approaches to value produced a value range that differs by less than 10% suggesting that there is support for either value to be chosen as the final indicator of value. However, in the final analysis greatest consideration is given to the value that resulted from the application of the Sales Comparison Approach due to the availability of data and the fact that market participants are more familiar with this approach and therefore place greater weight upon its results. The estimate derived from the application of the Income Approach supports this estimate but several additional steps had to be made in order to obtain an estimate of value via this approach. Naturally these additional steps could add less reliability to the resultant value estimate.

The Cost Approach was not applied mostly because there was insufficient information available regarding the type and size of the various sites improvements as well as the additional expense of constructing anything on island. Some analysts suggest that the increased cost of island construction can be more than 30% greater than the cost of construction on the mainland.

Therefore, it is my opinion that as of the effective date of this appraisal, the Market Value of the subject property is:

Three Million Five Hundred Thousand (\$3,500,000) - Dollars

Flood Map



Informational Waterfront Land Sale #1

Address	Central Vermont Pier, New London, CT
Location	Thames River
Plat/Lot	N/A
Grantor	CV Properties
Grantee	State of CT, Dept. of Transportation
Book / Page	1201/267
Sale Price	\$2,975,000
Date of Sale	May 18, 2001
Financing	Cash sale
Verification	Robert Silverstein and CT Dot.

Property Description

Land Area	364,162± SF or 8.36 acres
Shape	N/A
Frontage	3,023± LF of water frontage, 800± LF is deep water
Zoning:	Waterfront Commercial
Bulkhead:	1,000± LF earthen pier
Utilities	All
Features:	One office type building, circa 1890 and a large above ground fuel tank.
Price \$/SF:	\$8.17/SF of land

Comment: This property reportedly had some contamination due to its previous use as a salt storage depot. The pier is also reported to be in fair condition and likely requiring significant improvement.

Unimproved Comparable Sale #1**Quik Cava**

Address: 1588 Mineral Spring Ave., North Providence, (State Route 15)
Location: Just west of intersection with Route 146

Plat/Lot: 4/502, 504, 506 and a portion of 488, 490, and 492
Zoning: 60±% Business and 40±% Residential
Grantor: Korpacz
Grantee: Shore, Donald
Date of Sale: March 18, 1994
Sale Price: \$340,000
Book/Page: 269/573
Financing: N/A
Verification: Municipal Records/Deed/Grantee

Property Description

Land Area: 34,547 SF
Shape: Rectangular
Frontage: 180± LF on Mineral Spring Avenue, 200± LF on Derby Avenue
and 180± LF on Hopwell Avenue
Gross Building Area: 1,900± SF
Construction: Old, one story former retail building razed after purchase
Utilities: All

Unit of Comparison

Price per SF of GBA: \$13.54/SF of land, see comments

Comments: At the time of sale this property was improved with a 1,900 SF retail building that was razed after purchase. The cost of demolition is estimated at \$3.00/SF or \$5,700 which increases the sale price to \$345,700.

Subsequent to the razing of the older improvement about 22,000 SF of this property was leased to Quik Cava for a term of 10 years commencing 5/95. The yearly rental for the first five-year term is reported to be \$40,000, net. Therefore, the indicated return to the land is 10.5% with consideration given to applicable expenses of about 10%.
(\$36,000±/\$347,500)

Unimproved Comparable Sale #2**Bertucci's Pizza**

Address: 1920 Post Road, Route 1, Warwick RI
Location: Proximate to the T.F. Greene Airport

Plat/Lot: 322/346
Zoning: General Business
Grantor: Sherman and Gerber
Grantee: Renaissance Development
Date of Sale: December 31, 1991
Sale Price: \$858,000
Book/Page: 211/121
Financing: N/A
Verification: Municipal Records/Deed

Property Description

Land Area: 34,983 SF
Shape: Basically Rectangular
Frontage: 200± LF on Post Road
Gross Building Area: 5,000± SF Bertucci's Pizza
Utilities: All

Unit of Comparison

Price per SF of Land: \$24.53/SF

Comments: This property was purchased subsequent to the consummation of a 1990 lease for a period of 20 years. The initial ten-year rental of this lease is \$70,000/year which results in a return to the land of about 8.00% with consideration given to escalations and expenses.

**QUALIFICATIONS OF MICHAEL KERN, MAI
SENIOR APPRAISER/BROKER
PETER M. SCOTTI & ASSOCIATES, INC.
PROVIDENCE, RHODE ISLAND 02903**

GENERAL ACTIVITIES

Associate of Peter M. Scotti for the past fourteen years. Daily activities consists mostly of appraisal and brokerage of commercial, industry and investment property. Specialty brokerage and appraisal of hospitality, recreation and specific use property. Geographic area of expertise include all of Rhode Island and portions of Southeastern Massachusetts.

EDUCATION

Formal:

Graduate, University of Rhode Island, 1981: BA, Economics.

Specific:

Successfully completed the following courses in the pursuit of membership within the Appraisal Institute;

S.R.E.A.-	Course 101, Introduction to Appraising Real Property Course 102, Applied Property Valuation Course 201, Principles of Income Property Appraising Course 202, Applied Income Property Valuation
A.I. -	Course 500, Narrative Report Writing Course 410, Standards of Professional Practice, Part A Course 420, Standards of Professional Practice, Part B

Recent Seminars:

A.I. -	The Expert Values the Business 9/00
A.I. -	Appraising for Federal Agencies 2/01
A.I. -	Appraising from Blueprints and Specifications 3/00
A.I. -	Appraisal of Local Retail Properties 5/99
A.I. -	Appraising and The Internet 4/99
A.I. -	Office Building Valuation 1/99
A.I. -	Uniform Standards of Professional Appraisal Practice (USPAP) 4/98
A.I. -	Analysis of Operating Expenses 2/98

MEMBERSHIP:

Appraisal Institute, Member #11007
Continuing Education Completed
Vice President, RI Chapter of Appraisal Institute, 1999, 2000, 2001
President, RI Chapter of Appraisal Institute, 2002
Board of Directors, RI Chapter of Appraisal Institute, 2003

LICENSURE

Certified General Appraiser, State of Rhode Island: #A00213G
Certified General Appraiser, Commonwealth of Massachusetts: #2829 CG
Broker, State of Rhode Island # B14926

APPRAISALS FOR:

Financial Institutions:

- Fleet Bank, Providence, R.I. and Boston, MA
- Compass Bank, New Bedford, MA
- Citizens Saving Bank, Providence, RI
- Home Loan and Investment Bank, Providence, RI
- South Shore Bank, Boston MA
- First National Bank of New England, Hartford, CT
- Bank Rhode Island, Providence, RI

Regulatory Agencies:

- Federal Deposit Insurance Corporation, Franklin, MA
- R.I. Depositors Economic Protection Corporation, Warwick, RI

Governments\ Municipalities:

- City of Providence, Rhode Island, Department of Planning
- State of Rhode Island, Department of Administration
- United States Postal Service
- United States Marshals Office, Providence, RI
- Rhode Island Department of Transportation (RIDOT)

Religious\Civic:

- Catholic Diocese of Providence, RI
- Salvation Army, Providence, RI
- University of Rhode Island, Kingston, RI

Attorney(s)\Private:

- Boyajian, Harrington, & Richardson
- Lipsev & Skolnick
- Grande, Law Offices
- Hinckley, Allen and Snyder
- Adler, Pollock & Sheehan

QUALIFICATIONS OF PETER M. SCOTTI, MAI
 RHODE ISLAND STATE CERTIFIED
 RHODE ISLAND CERTIFICATION NO. A00110G
 MASSACHUSETTS CERTIFICATION NO. 2805
 REALTOR AND APPRAISAL SPECIALIST
 PETER M. SCOTTI & ASSOCIATES

Engaged in Real Estate business for 28 years.

W. Henry Coleman, Inc., Office Manager, 1974-1980
 Providence Land Co., Treasurer/Principal, 1980-1983
 Henry W. Cooke Co., Chief Appraiser/Principal, 1983-1988
 Peter M. Scotti & Associates, President, 1988-Present

Licensed Real Estate Broker State of Rhode Island, License #B14864
 Licensed Real Estate Appraiser, State of Rhode Island, License #A00110G
 Licensed Real Estate Appraiser, Commonwealth of Massachusetts, License #2805
 Graduate of Washington and Jefferson College, Bachelor of Arts Degree, Economics/Political Science

Member:

Appraisal Institute Member, MAI
 Appraisal Institute - Senior Real Property Appraiser, SRPA
 State of Rhode Island Appraisal Board, Vice Chairman
 RI Chapter Appraisal Institute/Board of Directors
 Greater Providence Board of Realtors/Board of Directors, 1987
 Vice President, R.I.A.R./CID, 1989
 National Association of Realtors
 Greater Providence Chamber of Commerce

Successfully completed the following:

GRI - Course #1 & #2
 SREA - Course #101 - Introduction to Appraising Real Property- Challenged 1986
 Course #102 - Applied Property Valuation - Challenged 1986
 Course #201 - Principles of Income Property Appraising - 1989
 Course #202 - Applied Income Property Valuation - 1989
 Course #413 - Professional Practice Seminar - 10/89
 Course #1410 - Standards of Professional Practice Part A - 3/93
 Course #1410 - Standards of Professional Practice Part B - 12/95

Seminars -

Appraising Apartments Seminar
 FNMA/Multi-Family, Condo Seminar & Workshop - 7/90
 Demonstration Report Seminar - 11/91
 Comprehensive Review Seminar - 2/93
 Appraisal of Complex Residential Properties - 3/93
 Feasibility Analysis - 5/93
 Valuation of Leased Fee Interest - 10/93
 Appraising Troubled Properties Seminar - 6/94
 Highest & Best Use Seminar
 Market Extractions Income Properties - 4/95
 Appraisal Practices for Litigation - 9/95
 Mock Trial Seminar - 9/95
 Economic Factors in Real Estate Appraisal - 4/96
 Comprehensive Appraisal Workshop - 9/96

Instructor - University of Rhode Island, Extension Division
 "Introduction to Real Estate Appraisal"
 "Fundamentals of Real Estate"
 "Income Property Appraisal"
 Guest Lecturer, Johnson & Wales College,
 "Fundamentals of Real Estate"

Qualified as an Expert Witness in the following Cities and/or
 Towns, Zoning Board of Review:

Barrington, Bristol, Burrillville, Central Falls, Coventry, Cranston, Cumberland, East Greenwich, East
 Providence, Exeter, Foster, Glocester, Jamestown, Johnston, Lincoln, Middletown, Narragansett,
 Newport, New Shoreham, North Kingstown, North Providence, Pawtucket, Portsmouth, Providence,
 Richmond, Smithfield, South Kingstown, Tiverton, Warren, Warwick, West Warwick, Seekonk, MA.

Town of Barrington, Tax Review Board
 Town of Bristol, Tax Review Board
 City of Cranston, Tax Review Board
 Town of Cumberland, Town Council
 Town of Johnston, Tax Review Board
 Town of Lincoln, Town Council
 Town of Narragansett, Tax Review Board
 Town of North Kingstown, Tax Review Board
 Town of North Kingstown, Town Council
 Town of North Providence, Town Council
 City of Pawtucket, Tax Review Board
 City of Providence, Tax Review Board
 Town of South Kingstown, Tax Review Board
 City of Warwick, Tax Review Board
 Town of West Greenwich, Tax Review Board

Qualified as a Real Estate Expert to Testify:

Family Court, District Court, Superior Court - State of Rhode Island; United States Bankruptcy Court;
 U.S. District Court

Appraisals for:

Fleet National Bank
 Citizens Trust Company
 First Bank & Trust Company
 Bank Rhode Island
 Home Loan & Investment Co.
 First International Bank of New England
 First Bank & Trust Company
 Compass Bank, Massachusetts
 Westminster Development Bank
 Union Bank
 Greenwood Credit Union
 Coastway Credit Union
 Merrill-Lynch Relocation
 Home-Equity
 Texaco Corporation
 Merritt Oil Co.
 Blue Cross/Blue Shield

Metropolitan Insurance Corporation
Puritan Life Insurance Company
City of Providence
City of Woonsocket
City of Pawtucket
Town of North Kingston
Town of Middletown
Town of Richmond
Town of Somerset
Town of Portsmouth
Coastal Resource Management Council/State of Rhode Island
Department of Environmental Management/State of Rhode Island
Department of Transportation/State of Rhode Island
Department of Administration / State of Rhode Island
State of Rhode Island Port Authority
United States GSA/U.S. Small business Administration
Rhode Island Housing Mortgage Finance Corporation
Bristol County Water Authority
Providence Water Supply Board
Edwards & Angell
Winograd, Shine & Zacks
Blais, Cunningham, Crowe, Chester
Lynch & Greenfield
Carroll, Kelly & Murphy
Boyajian, Harrington & Richardson
Hinckley, Allen, Snyder & Comen
Adler Pollack & Sheehan
Vetter & White

TO ALL PEOPLE TO WHOM THESE PRESENTS SHALL COME, GREETING:

KNOW YE, THAT John H. Wronowski and Anna C. Wronowski for the consideration of love and affection received to their full satisfaction do remise, release and forever QUIT-CLAIM unto the Interstate Nav. Company, a Connecticut corporation, and its successors and assigns forever, all the right, title, interest, claim and demand whatsoever as the said Releasors have or ought to have in or to three contiguous lots on Water Street in Block Island, Rhode Island, shown on Assessor's Plat #6, Lots 149, 150 and 151, as more fully described on Schedule A hereto.

TO HAVE AND TO HOLD the premises, with all the appurtenances, unto the said Releasee, its successors and assigns forever, so that neither the Releasors nor their heirs nor any other person under the Releasors or them shall hereafter have any claim, right or title in or to the premises, or any part thereof, but therefrom the Releasors and they are by these presents forever barred and excluded.

IN WITNESS WHEREOF, the Releasors have herunto set their hands and seals this 28th day of December, 1984.

SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF

Richard E. Gaskin
Richard E. Gaskin
Richard Mac Murray
Richard Mac Murray

John H. Wronowski
JOHN H. WRONOWSKI
Anna C. Wronowski
ANNA C. WRONOWSKI

STATE OF CONNECTICUT)
COUNTY OF) ss:

On this the 28th day of December, 1984, before me, SAM SCHLOFER the undersigned officer, personally appeared JOHN H. WRONOWSKI and ANNA C. WRONOWSKI, known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand.

Received for record December 29, 1984 @ 10:53 a.m. by Janice C. Rutan, Town Clerk

Sam Schlofer
NOTARY PUBLIC
my commission expires 1/1/85
SAM SCHLOFER

The conveyance is such that no tax stamps are required. R.E. Gaskin

Attaches 5 1984

QUIT-CLAIM DEED

B.I. Realty, Inc., a Rhode Island corporation (hereinafter referred to as "Grantor") for consideration paid, grants to John H. Aronowski of Montville, Connecticut (hereinafter referred to as "Grantee") with QUIT-CLAIM COVENANTS

A certain tract or parcel of land with building and improvements thereon, situated at the Old Harbor in the Town of New Shoreham, County of Washington, State of Rhode Island bounded and described as follows:

Beginning at an iron pipe at the northwesterly corner of the premises hereby described and the north-easterly corner of land now or formerly of William Earl Dodge; said iron pipe is located 50 feet easterly from the easterly line of Main Street; thence running south $15^{\circ}-10'-30''$ east bounded westerly by land now or formerly of William Earl Dodge ninety (90) feet to the south-easterly corner of said Dodge land; thence running north $53^{\circ}-30'$ east bounded southerly by land now or formerly of Lyman J. Lynch twenty (20) feet; thence running south 42° east bounded westerly by said Lynch land twenty-four and $6/10$ (24.6) feet; thence running south 57° east bounded southwesterly by land of James M. and Dorothy M. Sullivan fifty-three (53) feet; thence running north 40° east bounded southerly by land now or formerly belonging to the Trustee for Children of Nicholas Ball and Cassius J. Ball ten and $3/10$ (10.3) feet; thence running south 38° east bounded westerly by land now or formerly belonging to the Trustee for Children of Nicholas Ball and Cassius J. Ball eighty-six (86) feet; thence running south 73° east bounded southwesterly by land now or formerly belonging to the Nicholas Ball Estate one hundred sixty-six and $6/10$ (166.6) feet; thence running south 23° west bounded westerly by land now or formerly belonging to the Nicholas Ball Estate fifty-five (55) feet to the northerly line of Main Street; thence running north $77^{\circ}-10'$ east bounded southerly by Main Street one hundred forty-three (143) feet more or less; thence running north 66° east bounded southerly by said Main Street to a point in the northerly line of Main Street which is on range with the southerly line of a building designated as building "A" on the plan to be recorded with this description; thence running westerly along the southerly line of said building "A" eighty (80) feet more or less to a line which is ten (10) feet westerly from and parallel with the westerly line of a parcel of land designated as parcel "B" on the plan to be recorded with this description; thence running north 14° east on said line which is ten (10) feet westerly from and parallel with the westerly line of said parcel of land designated as parcel "B" on the plan to be recorded with this description two hundred fifteen (215) feet more or less to the Old Harbor; thence running northwesterly bounded north-easterly by the Old Harbor two hundred ninety (290) feet more or less to the southerly line of land now or formerly belonging to Edwin R. Pierce; thence running south 53° west bounded northerly by land now or formerly belonging to Edwin R. Pierce two hundred thirty-one (231) feet more or less to the point of beginning, being that area delineated in green upon the annexed plan entitled "Map of Land in New Shoreham, R.I. Belonging to B.I. Realty, Inc. By Waterman Engineering Co. Nov. 1958 Revised August 19, 1964."

Schedule A

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Reserving a perpetual right to the Grantor, its Grantees, successors or assigns, owners from time to time of all or any part of adjacent land now owned by Grantor, to erect and maintain a fence along the inland boundaries of said parcel hereby conveyed and along the inland boundaries of any adjacent property acquired or utilized by Grantee, or his successors in title, but no segments of such boundaries which intercept any roadway shall be fenced, nor shall the boundary of said parcel hereby conveyed which is common to such adjacent property acquired or utilized by Grantee or his successors in title.

Reserving, further, a perpetual right to the Grantor, its grantees, successors or assigns, owners from time to time of all or any part of adjacent land now owned by Grantor, to have access acrossland hereby conveyed to the south of a building designated by the letter "A" on said annexed plan for the purposes of maintaining and repairing said building so long as the same shall be in existence.

This conveyance is made subject to all restrictions and encumbrances of record and to real estate taxes assessed as of December 31, 1963.

IN WITNESS WHEREOF the said B.I. Realty, Inc., has caused this instrument to be executed and its corporate seal affixed by its duly authorized officer on this the 25 day of August, 1964.

In the presence of:

B. I. REALTY, INC.

Robert A. Mercer

By Paul A. Filippi
President

STATE OF RHODE ISLAND
COUNTY OF WASHINGTON

In New Shoreham on the 25th day of August, 1964, before me personally appeared Paul A. Filippi, President of B.I. Realty, Inc., to me known and known by me to be the party executing the foregoing instrument for and on behalf of the corporation, and he acknowledged said instrument by him executed to be his free act and deed and the free act and deed of the corporation.

U.S.I.R.

\$22.00

Cancelled

Received for Record August 25, 1964 @ 3:00 o'clock P.M.

Recorded and Verified

Robert A. Mercer Notary Public
Robert A. Mercer
Town Clerk

Schedule A

2PWB

INDENTURE

INDENTURE made this 25th day of August, 1964, by and between John H. Wronowski and wife Anna Wronowski of Montville, Connecticut, and B.I. Realty, Inc., a Rhode Island corporation.

WHEREAS, John H. Wronowski is seized in fee simple of a parcel of land delineated in green upon the annexed plan entitled "Map of Land in New Shoreham, R.I. Belonging to B.I. Realty, Inc. By Waterman Engineering Co. Nov. 1958 Revised August 19, 1964", (hereinafter referred to as "Parcel") said Parcel having been conveyed to John H. Wronowski by B.I. Realty, Inc., by deed of even date, and

WHEREAS, it is the intention of the parties that for a period of thirty (30) years no buildings shall be erected upon a certain area of said Parcel, and that said area shall be used only for a roadway and public parking area, and

WHEREAS, it is the intention of the parties that no portion of said Parcel for a period of thirty (30) years shall be used for selling or dispensing food or liquor or in providing lodgings, and

WHEREAS, it is the intention of the parties that for a period of ten (10) years or for so long as John H. Wronowski has any direct or indirect interest of ownership in said Parcel, whichever last expires, the said Parcel shall be used exclusively for the operation of a commercial ferry, and

WHEREAS, it is the intention of the parties that no fence shall be erected along the common boundary of said Parcel and retained land of B.I. Realty, Inc., and

WHEREAS, it is the intention of the parties that B.I. Realty, Inc., shall be granted a first refusal upon the sale of said Parcel or any portion thereof.

Now therefore this indenture Witnesseth:

That in consideration of the sum of Ten Dollars (\$10) and other good and valuable consideration paid by B.I. Realty, Inc., to John H. Wronowski and wife Anna Wronowski, the receipt whereof is hereby acknowledged and with intent to bind all persons in whom said Parcel hereinabove described, or any portion thereof,

Schedule A

2PWB

shall from time to time be vested, for themselves and their successors in title hereby covenant with B.I. Realty, Inc., its successors and assigns, as follows:

(1) Not, for a period of thirty (30) years from the date hereof, to erect any building other than a building to be used exclusively for toilet facilities upon that portion of said Parcel indicated as the cross-hatched area in the attached plan entitled "Map of Land in New Shoreham, R.I. Belonging to B.I. Realty, Inc. By Waterman Engineering Co. Nov. 1958 Revised August 19, 1964", and bounded and described as follows:

A certain tract or parcel of land situated at the Old Harbor, in the Town of New Shoreham, County of Washington, State of Rhode Island, bounded and described as follows:

Beginning at the mean high water line of the Old Harbor, said point of beginning the northeasterly corner of the parcel herein described; thence running south 11° west two hundred fifteen (215) feet more or less along a line which is ten (10) feet westerly from and parallel with the westerly line of a parcel of land designated as parcel "B" on a plan to be recorded with this description, thence running easterly along a line on range of and along the southerly side of a building designated by the letter "A" on a plan to be recorded with this description to the northerly line of Main Street; thence running westerly along the northerly line of Main Street one hundred fifty (150) feet more or less to the southeasterly corner of land now or formerly belonging to the NicholasBall Estate; thence running north 20° east bounded westerly by said NicholasBall Estate fifty-five (55) feet; thence running north 70° west bounded southerly by said NicholasBall Estate one hundred sixty-six and 6/10 (166.6) feet to the northwesterly corner of said Nicholas Ball Estate; thence running north 33° west bounded southwesterly by land belonging now or formerly to the Trustee for Children of Nicholas Ball and Cassius J. Ball fifty (50) feet more or less; thence running north about 12° east sixty (60) feet more or less; thence turning a right angle and running easterly two hundred (200) feet; thence turning a right angle and running northerly on a line fifty (50) feet westerly from and parallel with the first course herein described one hundred twenty-five (125) feet more or less to the mean high water line of Old Harbor; thence easterly along said high water line fifty (50) feet more or less to the point of beginning.

(2) Not, for a period of thirty (30) years from the date hereof, to use or permit the use of any portion of the cross-hatched area described in Item (1), supra, for any purposes other than for a roadway and for parking vehicles, except as provided in Item (1), supra.

Schedule A

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(3) Not, for a period of thirty (30) years from the date hereof, to use or permit the use of any portion of said Parcel for the operation of any business engaged in selling or dispensing of food or liquor or in providing lodgings.

(4) For a period of ten (10) years from the date hereof or for so long as Wronowski has any direct or indirect interest of ownership in said Parcel, whichever last expires, to use or permit the use of any portion of said Parcel exclusively for the operation of a business involved in the operation of commercial ferry and freight warehouse and accessory uses.

(5) Not, for a period of thirty (30) years from date hereof, to construct a fence of any kind along the common boundary of said Parcel and retained land of B.I. Realty, Inc.

For the above stated consideration John H. Wronowski and wife Anna Wronowski further covenant and agree that in the event they shall receive at any time within Ten (10) years from the date of this instrument a bona fide offer from a third party to purchase said Parcel, or any portion thereof, at a specified price and they shall decide to sell the same for such amount, John H. Wronowski and Anna Wronowski shall promptly give to B.I. Realty, Inc., notice of the terms of such offer and of their willingness to sell for the price offered, and B.I. Realty, Inc., shall have the first refusal and privilege (hereinafter referred to as an "Option") of purchasing such premises at such price, provided however that such Option shall be exercised within thirty (30) days after B. I. Realty, Inc., receives such notice from them, and that notice of acceptance shall be in writing addressed to John H. Wronowski and Anna Wronowski notifying them that purchase will be made of said Parcel, or any portion thereof, for the amount specified in said offer. In the event B.I. Realty, Inc., does not exercise said Option within the period specified, John H. Wronowski and Anna Wronowski may sell said property to the party making the offer. If for any reason said property is not sold to such party, notice of any subsequent bona fide offer acceptable to

Schedule A

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them shall be given to E.I. Realty, Inc., upon the same terms and conditions for acceptance or rejection as hereinabove provided. In the event E.I. Realty, Inc., exercises the Option granted hereunder, it shall have a reasonable time (but in no event less than thirty (30) days) within which to examine the title of said property and to arrange its financing of the purchase of said property. It is agreed that a condemnation or a taking by eminent domain shall not be deemed to constitute "a bona fide offer" within the meaning of this provision.

IN WITNESS WHEREOF, the said John H. Wronowski and wife Anna Wronowski have hereunto set their hands and seals.

John H. Wronowski (L.S.)

Anna Wronowski (L.S.)

STATE OF RHODE ISLAND
COUNTY OF WASHINGTON

In New Shoreham on the 25th day of August, 1964, before me personally appeared John H. Wronowski, to me known and known by me to be the party executing the foregoing instrument, and he acknowledged said instrument, by him executed, to be his free act and deed.

Robert A. Mercer Notary Public

STATE OF RHODE ISLAND
COUNTY OF WASHINGTON

In New Shoreham on the 25th day of August, 1964, before me personally appeared Anna Wronowski, to me known and known by me to be the party executing the foregoing instrument, and she acknowledged said instrument, by her executed, to be her free act and deed.

Robert A. Mercer Notary Public

Received for Record August 25, 1964 @ 3:05 o'clock P.M.
Recorded and Verified

Asst. P. C. ...
Town Clerk

Schedule A

KNOW ALL MEN BY THESE PRESENTS, that I, EDWIN R. PIERCE, of the Town of Osterville, County of Barnstable, Commonwealth of Massachusetts, in consideration of the sum of Ten (\$10.00) Dollars and other good and valuable considerations to me paid by JOHN WRONOWSKI, of New London, State of Connecticut, the receipt whereof is hereby acknowledged, do hereby remise, release and forever QUITCLAIM unto the said JOHN WRONOWSKI, his heirs and assigns, all my right, title and interest in and to that certain lot or parcel of land, situated in the Town of New Shoreham, County of Washington, State of Rhode Island, and bounded and described as follows:

BEGINNING at the Northwesterly corner of the lot or parcel hereby conveyed, at a point marked by an iron pipe set in the easterly line of Main Street, also known as Water Street, at the point of intersection of said Northwesterly corner with the Southwesterly corner of the land now or formerly of Frank C. Payne; thence turning an interior angle of eighty eight degrees (88°) forty seven (47') minutes and running in a generally easterly direction one hundred ninety four and sixty six one-hundredths (194.66) feet, to a point marked by an iron pipe, said point being the point of high water mark, bounded Northerly by said land now or formerly of Frank C. Payne; thence turning an interior angle of (106°) one hundred six degrees, sixteen (16') minutes and running in a generally southeasterly direction along said high water mark or line one hundred sixty one and sixty-two one hundredths (161.62) feet to a point, said point being the Southeasterly corner of the premises herein conveyed, and the Northeasterly corner of land now or formerly of John Wronowski, bounded Northeasterly by the waters of the Atlantic Ocean, or Old Harbor, so-called; thence turning and running in a generally westerly direction, two hundred thirty five (235) feet to a point, said point being the Southwesterly corner of land now or formerly of John Wronowski, said point being two hundred (200) feet north on Main Street, from a point on said Main Street marked by an iron pipe set in the easterly line of Main Street at the point of intersection of the Southwesterly corner of said land now or formerly of John Wronowski and the Northwesterly corner of land now or formerly of Melvin R. Rose; bounded Southerly by land now or formerly of John Wronowski; thence turning an angle of ninety (90°) degrees and running in a generally Northwesterly direction twenty five (25) feet along said easterly line of said Main Street, bounded Southwesterly by said Main Street to a point; thence turning an angle of ninety (90°) degrees and running in a generally easterly direction a distance of fifty (50) feet to a point, bounded Northerly by land of John P. Gray, et ux; thence to an angle of ninety (90°) degrees running in a generally

Schedule A

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Northerly direction a distance of forty (40) feet to a point bounded Northwesterly by said land of John F. Gray, et ux; thence turning an angle of ninety(90°) degrees and running in a generally Westerly direction a distance of fifty (50) feet to a point in the easterly line of Main Street, bounded Southeasterly by said land of John F. Gray, et ux; thence turning an angle of ninety (90°) degrees and running in a generally Northwesterly direction eighty eight and forty-four one hundredths (88.44) feet along the easterly line of Main Street to the point or place of beginning.

BE ALL said measurements more or less, or however otherwise the same may be bounded or described.

BEING a portion of the same premises conveyed to this grantor by two certain deeds: one from Benjamin Wistar Morris, Jr., dated October 14, 1955 and recorded in the Land Evidence of said New Shoreham in Volume 26 at Page 393; and the other from Erma L. Goolley, dated September 18, 1958, and recorded in said Land Evidence of New Shoreham in Volume 27 at Page 343.

FOR a more particular description of the hereinbefore described lot or parcel of land, reference is made to a certain plat entitled "Plat of Land in New Shoreham, R. I., Surveyed for Benjamin Morris by Waterman Engineering Co. Jan., 1949" which said plat is recorded in said Land Evidence of New Shoreham with that certain deed from William O. Ball, Trustee, to said Benjamin Wistar Morris, Jr., and which said plat is hereby made a part hereto to all intents and purposes as if annexed hereto.

THE above described lot or parcel is conveyed subject to possible public rights in or concerning the shore or bank bounding said parcel on the sea, expressly including any right of way along said shore or bank or right of fishing, or other common shore rights, but nothing herein contained shall be deemed to constitute or be construed as constituting an admission that any such rights in fact exist; subject to seaweed and shore rights reserved in a certain deed from Nathaniel Sands to Nicholas Ball, dated Oct. 14, 1851 and recorded in Volume 12 at Page 407, and subject to such rights in and to drain pipes, if any, located in and upon said Lot or parcel.

TO HAVE AND TO HOLD the aforegranted premises, with all the privileges and appurtenances to the same belonging, to the said JOHN WRONOWSKI, his heirs and assigns, to their use and behoof forever.

AND I, URSULA M. PIERCE, wife of the said EDWIN R. PIERCE in consideration of the sum paid as aforesaid, do hereby release and forever quitclaim unto the said grantee, his heirs and assigns all my right of dower in and to the aforesaid premises.

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FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-14. Please explain the increase in the lease expense for Old Harbor from fiscal 2004 to fiscal 2005.

Response: The increase in wharfage from FYE 2004 to FYE 2005 is \$36,170 (\$272,595-\$236,425 per DGB-4). The increase in the Old Harbor lease payments were the result of a cost of living adjustment and the complete phase in of the new rent as shown on page 57 of the appraisal provided in response to Div-1-13.

Prepared by WEE

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-15. Referring to Edge testimony, page 15, lines 21-22, please provide documentation supporting the increase for the Port Judith lease.

Response: There is no written documentation at this time. Under the Point Judith leases with DEM, the state sets the increase. We have not received formal notice of the increase, which will take effect on 1/1/07. The projected increases are the result of Interstate's legal counsel speaking to DEM's legal counsel. We anticipate that this total increase should be known before the hearings and Interstate will update this data request as soon as Interstate is notified of the actual increase.

Prepared by WEE

LAST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-16. Referring to Schedule WEE-8, please explain the contingency reserve of \$50,000 in the year ended May 31, 2005.

Response: I provided some explanation of the reserve on page 17, lines 16-21 of my prefiled testimony. For additional clarification I provide the following:

Interstate budgets the Homeland Security restricted allowance each year. As a precautionary matter Interstate does not budget all of the funds allowed by the PUC. A reserve of \$50,000 is left unbudgeted to cover additional costs should the terror threat level (i. e. the MARSEC level) be elevated. During an increase in the threat level Interstate must increase its vigilance by adding personnel (possibly including security personnel) to provide more checking of passengers, freight, vehicles and the vessels. These added labor costs are normally in the form of OT.

Near the end of the year, if it appears that the funds may not be needed they are either spent on homeland security activities or carried over to fund the reserve for the next year.

Prepared by WEE

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-17. Referring to Schedule WEE-8, please explain why equipment and capital additions are charged to this expense account.

Response: When Interstate provided the original Federal estimates to the Commission for their review and approval they included both operating and capital expenditures, all of which were identified as needed for Homeland Security. The Commission reviewed the Federal guidelines and approved an allowance that included adequate funds to cover both operating and capital items relating to homeland security.

The Homeland Security account is a “pay as you go” account covering all expenditures (operating and capital) of the homeland security operations of Interstate. Because it is a “pay as you go” type account capital items that are purchased are written off in the year of acquisition. Ratepayers do not have to pay interest on borrowing or future depreciation as a result of the Commission’s establishment of this fund.

Prepared by WEE

FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-18. Does the Company actually charge expenditures related to equipment and capital additions to the homeland security expense account as those expenditures are incurred?

Response: Yes and no. Many of the Homeland Security capital expenditure items have been charged directly to the Homeland Security account as they were purchased. However, for example certain components of the Point Judith Project identified by Interstate's Company Security Officer (former Block Island Police Chief, William McCombe) as Homeland Security items were first charged to the capital account (construction in progress), and then, at year end or when the project was closed, Interstate made an adjustment to charge the Homeland Security related activity to the Homeland Security account.

Prepared by WEE

IRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-19. Please itemize the \$246,350 charged to homeland security expense in the test year.

Response: See the attached detail general ledgers for the four Homeland Security accounts.

Prepared by DGB

P&L

PUC Rate Year	FYE 2005	FYE 2005	FYE 2005	FYE 2005	FYE 2006	FYE 2006
	Nov-04	May-05	Dec1-May 31	Nov-05	Nov-05	Projected
7505 Homeland Security-Startup	4,839	7,792	2,953			2,953
7506 Homeland Security-Equipment	49,012	52,279	3,267		3,890	7,157
7507 Homeland Security-Personnel	98,686	205,486	106,800		105,793	212,593
7508 Homeland Security-Operations	10,104	26,466	16,362		7,285	23,647
	395,946					246,350

Interstate Navigation Company
General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Traus Description	Debit Amt	Credit Amt	Balance
				Current Period Change	139.43		139.43
	4/1/06			Beginning Balance			13,044.99
	5/1/06			Beginning Balance			13,044.99
	5/31/06			Ending Balance			13,044.99
7505 Homeland Security-Star	6/1/04			Beginning Balance			
	6/23/04	15814	PJ	Perunington-Sprague Company - Bill's Office/Security	256.90		
	6/29/04	53379	PJ	Arnold Lumber Co. - Security Office	498.41		
	6/30/04	623-630	PJ	Robert Hoey - Renovations/Bill's Office	1,290.00		
	7/1/04			Current Period Change	2,045.31		2,045.31
	7/2/04	1392	PJ	Beginning Balance Tidal Communications, LLC - Bill's Office/Security	630.26		2,045.31
	7/5/04	7/05/04/Stm	PJ	Staples Credit Plan - Bill's office/Security	835.33		
	7/22/04	7/22/04/Stmt	PJ	The Home Depot - #7109814/Parts-Air Conditioner	203.73		
	8/1/04			Current Period Change	1,669.32		1,669.32
	9/1/04			Beginning Balance			3,714.63
	10/1/04			Beginning Balance			3,714.63
	11/1/04			Beginning Balance			3,714.63
	11/21/04	1319	PJ	Beginning Balance Tyler Electrical Services, Inc - B.McCombe Office	1,124.00		3,714.63
	12/1/04			Current Period Change	1,124.00		1,124.00
	1/1/05			Beginning Balance			4,838.63
	2/1/05			Beginning Balance			4,838.63
	2/9/05	0007603-IN	PJ	Beginning Balance Cornell-Carr Company, Inc. - Doors/CJ/Security	2,800.00		4,838.63
	2/22/05	0007622-IN	PJ	Cornell-Carr Company, Inc. - Shipping/CJ Doors	153.55		
	3/1/05			Current Period Change	2,953.55		2,953.55
	4/1/05			Beginning Balance			7,792.18
	5/1/05			Beginning Balance			7,792.18
	5/31/05			Beginning Balance Fiscal Year End Balance			7,792.18
	6/1/05			Beginning Balance			
	7/1/05			Beginning Balance			
	8/1/05			Beginning Balance			
	9/1/05			Beginning Balance			
	10/1/05			Beginning Balance			
	11/1/05			Beginning Balance			
	12/1/05			Beginning Balance			
	1/1/06			Beginning Balance			
	2/1/06			Beginning Balance			
	3/1/06			Beginning Balance			
	4/1/06			Beginning Balance			
	5/1/06			Beginning Balance			
	5/31/06			Ending Balance			
7506 Homeland Security-Equ	6/1/04			Beginning Balance			
	6/1/04	0071380-in	PJ	Cornell-Carr Company, Inc. - Door/Security -May 28, 2004 invoice	1,891.00		
	6/2/04	0007146-IN	PJ	Cornell-Carr Company, Inc. - Shipping/Door	128.79		
	6/2/04	1266	PJ	Tyler Electrical Services, inc - BI Dock/Lighting	4,920.00		
	6/2/04	52704	PJ	Statewide Fence Builders, Inc. - Fencing/Standby Lot	1,405.00		

246,350

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	6/7/04	60757	PJ	Shanix, Inc. - BI Dock	7,807.29		
	6/11/04	Stm6/11/04	PJ	American Express - Night Vision Glasses	5,834.39		
	6/11/04	60755	PJ	Shanix, Inc. - MV BI	5,885.15		
	6/14/04	60767	PJ	Shanix, Inc. - Carol Jean	5,885.15		
	6/24/04	4684	PJ	Statewide Fence Builders, Inc. - Fencing	1,404.14		
	6/27/04	6/27/04/Stmt	PJ	Citibank Visa - Dell Computer/Security	1,684.17		
	6/29/04	10567	PJ	Seaport Communications Co - 3 Radios	959.79		
	7/1/04			Current Period Change	37,804.87		37,804.87
	7/1/04			Beginning Balance			37,804.87
	7/1/04	60925	PJ	Shanix, Inc. - BI Dock	794.62		
	7/5/04	1268	PJ	Tyler Electrical Services, Inc - Camera installation	1,634.00		
	8/1/04			Current Period Change	2,428.62		2,428.62
	8/1/04			Beginning Balance			40,233.49
	8/12/04	96648119	PJ	McMaster-Carr Supply Co. - Lock	33.26		
	8/13/04	19600	PJ	Park-Roway Company - Locks	146.05		
	8/27/04	8/27/04Stmt	PJ	Citibank Visa - Am Pwn/Security	305.84		
	9/1/04			Current Period Change	485.15		485.15
	10/1/04			Beginning Balance			40,718.64
	10/1/04			Beginning Balance			40,718.64
	10/1/04	60919/6/28/04	PJ	Shanix, Inc. - MVNelseco/Security	4,883.30		
	10/27/04	10/27/04STM	PJ	Citibank Visa - West Marine	2,032.99		
	10/27/04	10/27/04STM	PJ	Citibank Visa - Armchair Sailor	1,376.77		
	11/1/04			Current Period Change	8,293.06		8,293.06
	12/1/04			Beginning Balance			49,011.70
	12/1/04			Beginning Balance			49,011.70
	12/20/04	28621	PJ	Compu-Call, Inc. - Computer/Matty's Office	1,395.93		
	12/20/04	28623	PJ	Compi-Call, Inc. - Matty's Computer	179.90		
	1/1/05			Current Period Change	1,575.83		1,575.83
	2/1/05			Beginning Balance			50,587.53
	2/1/05			Beginning Balance			50,587.53
	2/4/05	29400	PJ	Compu-Call, Inc. - IBM PC/Matty	809.49		
	3/1/05			Current Period Change	809.49		809.49
	3/1/05			Beginning Balance			51,397.02
	4/1/05			Beginning Balance			51,397.02
	4/24/05	1359	PJ	Tyler Electrical Services, Inc - Security Lighting/BID	882.00		
	5/1/05			Current Period Change	882.00		882.00
	5/1/05			Beginning Balance			52,279.02
	5/31/05			Fiscal Year End Balance			52,279.02
	6/1/05			Beginning Balance			
	6/17/05	24793749	PJ	McMaster-Carr Supply Co. - Gate/Engineerom	168.87		
	7/1/05			Current Period Change	168.87		168.87
	7/1/05			Beginning Balance			168.87
	7/14/05	Jun/Stmt	PJ	Bank One - ID	300.13		
	7/19/05	424631190442	PJ	Wholesalers/Security Chase Card Services - GalCalls/Security items	134.30		
	7/21/05	51789	PJ	Print Source - CK In Forms	479.53		
	8/1/05			Current Period Change	913.96		913.96
	8/1/05			Beginning Balance			1,082.83
	8/15/05	72805	PJ	Hobe, J. Chris - Staples/3 Tables	112.16		
	8/19/05	Stmt/Jly	PJ	Chase Card Services -	164.88		

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	8/19/05	Stmt/Jly	PJ	Gal-Galls, Inc Chase Card Services - Gal-Galls, Inc.	118.35		
	9/1/05			Current Period Change	395.39		395.39
	9/19/05	Stmt.	PJ	Beginning Balance Chase Card Services - Gal Galls, Inc.-Vests	37.47		1,478.22
	10/1/05			Current Period Change	37.47		37.47
	10/19/05	Stmt/10-29-05	PJ	Beginning Balance Chase Card Services - ChartPlotter/MVBI	1,925.99		1,515.69
	11/1/05			Current Period Change	1,925.99		1,925.99
	11/30/05	21193	PJ	Beginning Balance Park-Roway Company - Security Locks/MVBI	448.34		3,441.68
				Current Period Change	448.34		448.34
	12/1/05			Beginning Balance			3,890.02
	12/9/05	21234	PJ	Park-Roway Company - Security/MVBI	130.38		
	12/22/05	7913	PJ	Techno Logo, Inc. - Crew Jackets	2,732.15		
	12/22/05	64872-D	PJ	Shanix, Inc. - Camera's/New Freight Bldg	7,000.00		
	12/22/05	74983-D	PJ	Shanix, Inc. - SecurityCamera's/Freight bldg	3,500.00		
	12/30/05	21301	PJ	Park-Roway Company - Repair parts	40.31		
				Current Period Change	13,402.84		13,402.84
	1/1/06			Beginning Balance			17,292.86
	2/1/06			Beginning Balance			17,292.86
	2/7/06	7977	PJ	Techno Logo, Inc. - Crew jackets	147.34		
	2/10/06	21471	PJ	Airhart Electric, Inc. - New Lights/PJ dock	2,500.00		
	2/14/06	21477	PJ	Park-Roway Company - Locks/Security/MV BI	606.74		
	2/15/06	0008289-IN	PJ	Cornell-Carr Company, Inc. - New Windows/Carol Jean	3,400.00		
				Current Period Change	6,654.08		6,654.08
	3/1/06			Beginning Balance			23,946.94
	4/1/06			Beginning Balance			23,946.94
	5/1/06			Beginning Balance			23,946.94
	5/31/06			Ending Balance			23,946.94
7507 Homeland Security-Pers	6/1/04			Beginning Balance			
	7/1/04			Beginning Balance			
	7/1/04	16070	PJ	Schacht & McElroy - Emergency Preparedness	2,692.57		
				Current Period Change	2,692.57		2,692.57
	8/1/04			Beginning Balance			2,692.57
	8/2/04	16099	PJ	Schacht & McElroy - Emergency Preparedness	643.50		
				Current Period Change	643.50		643.50
	9/1/04			Beginning Balance			3,336.07
	9/1/04	16126	PJ	Schacht & McElroy - Emergency Preparedness	484.00		
				Current Period Change	484.00		484.00
	10/1/04			Beginning Balance			3,820.07
	10/1/04	16153	PJ	Schacht & McElroy - Emergency Preparedness	1,196.25		
				Current Period Change	1,196.25		1,196.25
	11/1/04			Beginning Balance			5,016.32
	11/1/04	16188	PJ	Schacht & McElroy - Emergency Preparedness	1,515.25		
	11/30/04	NOV12	GENJ	to accrue legal fees for emerg. preparedness	827.75		
	11/30/04	NOV25	GENJ	TO RECLASSIFY P/R	30,390.50		

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	11/30/04	NOV25	GENJ	FOR CO.SECURITY ADMIN. FOR JUN-NOV TO RECLASSIFY P/R FOR LOT	45,021.12		
	11/30/04	NOV25	GENJ	ATTENDANTS FOR JUN-NOV TO RECLASSIFY HEALTH INS FOR LOT ATTENDANT FOR JUN-NOV	5,476.75		
	11/30/04	NOV25	GENJ	TO RECLASSIFY FICA EXPENSE PAID FOR SECURITY PERS. FOR JUN-NOV	5,768.99		
	11/30/04	NOV25	GENJ	TO RECLASSIFY RI EMPLOYMENT TAXES FOR SEC PERSON. FOR JUN-NOV	4,268.53		
	11/30/04	NOV25	GENJ	TO RECLASSIFY FED UNEMP COMP FOR SEC PERS. FOR JUN -NOV	400.68		
				Current Period Change	93,669.57		93,669.57
	12/1/04			Beginning Balance			98,685.89
	1/1/05			Beginning Balance			98,685.89
	2/1/05			Beginning Balance			98,685.89
	3/1/05			Beginning Balance			98,685.89
	3/1/05	16327	PJ	Schacht & McElroy - Emergency Preparedness	351.00		
				Current Period Change	351.00		351.00
	4/1/05			Beginning Balance			99,036.89
	4/1/05	16359	PJ	Schacht & McElroy - Emergency Preparedness	1,350.00		
				Current Period Change	1,350.00		1,350.00
	5/1/05			Beginning Balance			100,386.89
	5/31/05	MAY16	GENJ	TO RECLASSIFY WAGES AND HEALTH INS FOR SECURITY PERSONNEL PER S. LINDA SCHEDULE	102,186.92		
	5/31/05	MAY16	GENJ	TO RECLASSIFY LEGAL FEES FOR SECURITY PURPOSES	2,912.00		
				Current Period Change	105,098.92		105,098.92
	5/31/05			Fiscal Year End Balance			205,485.81
	6/1/05			Beginning Balance			
	7/1/05			Beginning Balance			
	7/1/05	16452	PJ	Schacht & McElroy - Emergency Preparedness	225.00		
				Current Period Change	225.00		225.00
	8/1/05			Beginning Balance			225.00
	8/1/05	16475	PJ	Schacht & McElroy - Emergency Preparedness	1,710.00		
				Current Period Change	1,710.00		1,710.00
	9/1/05			Beginning Balance			1,935.00
	9/1/05	16501	PJ	Schacht & McElroy - Emergency Preparedness	882.00		
	9/2/05	116	PJ	B&E Consulting, LLC - Security	186.88		
	9/30/05	16531	PJ	Schacht & McElroy - Emergency Preparedness	480.00		
				Current Period Change	1,548.88		1,548.88
	10/1/05			Beginning Balance			3,483.88
	11/1/05			Beginning Balance			3,483.88
	11/1/05	16559	PJ	Schacht & McElroy - Emergency Preparedness	477.00		
	11/29/05	16585	PJ	Schacht & McElroy - Emergency Preparedness	225.00		
	11/30/05	SECURITY	GENJ	TO RECLASSIFY HEALTH INS PAID	2,779.87		

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	11/30/05	SECURITY	GENJ	FOR PJ DOCK SECURITY PERSONNEL TO RECLASSIFY PJ DOCK SECURITY PERSONNEL	36,763.60		
	11/30/05	SECURITY	GENJ	SALARIES TO RECLASSIFY SECURITY OFFICER SALARY	36,690.20		
	11/30/05	SECURITY	GENJ	TO RECLASSIFY SALARY FOR DIVING PERSONNEL	2,354.25		
	11/30/05	SECURITY	GENJ	TO RECLASSIFY HEALTH INS PAID FOR BI DOCK SECURITY PERSONNEL	333.96		
	11/30/05	SECURITY	GENJ	TO RECLASSIFY BI DOCK SECURITY PERSONNEL SALARIES	22,685.11		
	12/1/05			Current Period Change	102,308.99		102,308.99
	1/1/06			Beginning Balance			105,792.87
	1/3/06	16610	PJ	Schacht & McElroy - Emergency Preparedness	426.00		105,792.87
	2/1/06			Current Period Change	426.00		426.00
	2/1/06	16636	PJ	Schacht & McElroy - Emergency Preparedness	289.80		106,218.87
	3/1/06			Current Period Change	289.80		289.80
	3/1/06	16663	PJ	Schacht & McElroy - Emergency Preparedness	53.55		106,508.67
	4/1/06			Current Period Change	53.55		53.55
	5/1/06			Beginning Balance			106,562.22
	5/31/06			Beginning Balance			106,562.22
	5/31/06			Ending Balance			106,562.22
7508 Homeland Security-Ope	6/1/04			Beginning Balance			
	6/1/04	4120029819	PJ	Cingular Wireless - Carphone/Ray	50.59		
	6/5/04	657650143/6/0	PJ	Cingular Wireless - Janette Cell Phone	116.66		
	6/10/04	3057874268	PJ	Verizon Wireless - Chris Hobe	65.72		
	6/12/04	73320563	PJ	ADT Security Services - BI Dock	113.75		
	6/15/04	974493213/6/1	PJ	Nextel Communications	782.50		
	6/15/04	659372708/6/1	PJ	Cingular Wireless - Matty	68.57		
	6/28/04	R56458	PJ	Engineered Security Systems, I	150.00		
	7/1/04			Current Period Change	1,347.79		1,347.79
	7/1/04			Beginning Balance			1,347.79
	7/1/04	410029819/7/0	PJ	Cingular Wireless - Ray	45.30		
	7/5/04	657650143/6/0	PJ	Cingular Wireless - Janette	112.73		
	7/10/04	75292582	PJ	ADT Security Services - BI Buildings	113.75		
	7/15/04	974493213/7/1	PJ	Nextel Communications	654.74		
	8/1/04			Current Period Change	926.52		926.52
	8/1/04			Beginning Balance			2,274.31
	8/1/04	410029819/8/0	PJ	Cingular Wireless - Janette	62.81		
	8/5/04	657650143/8/0	PJ	Cingular Wireless - Janette	115.83		
	8/11/04	11320	CDJ	Chris Trettheway - Phone Expense	80.00		
	8/11/04	659372708/8/1	PJ	Cingular Wireless - Matty	136.09		

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	8/14/04	77265179	PJ	ADT Security Services - BI Buildings	113.75		
	8/14/04	77265205	PJ	ADT Security Services - NL office	238.02		
	8/14/04	3068914891	PJ	Chris Myers - Phone expenses	46.00		
	8/15/04	974493213/9/1	PJ	Nextel Communications	383.56		
	8/15/04	8/15/04/Stmt	PJ	Verizon Wireless - Hobe	75.06		
	8/16/04	3069570932	PJ	Chris Tretheway - Phone Expenses	46.00		
	8/28/04	N33563731	PJ	Arch Wireless Current Period Change	35.60 1,332.72		1,332.72
	9/1/04			Beginning Balance			3,607.03
	9/1/04	410029819/9/0	PJ	Cingular Wireless - Ray	57.90		
	9/11/04	79276861	PJ	ADT Security Services - BI Buildings	120.01		
	9/14/04	1016699642/9/	PJ	Chris Myers - Phone expenses	46.00		
	9/15/04	9974493213/9/	PJ	Nextel Communications	273.75		
	9/21/04	9/21/04/Stmt	PJ	Bank One - TheCarPhoneStore/Batter y	53.49		
	9/23/04	3076327968	PJ	Verizon Wireless - Janette	80.51		
	9/28/04	N3356373J	PJ	Arch Wireless - Matty Current Period Change	36.13 667.79		667.79
	10/1/04			Beginning Balance			4,274.82
	10/1/04	410029819/10/	PJ	Cingular Wireless - R.Linda	54.81		
	10/1/04	103820103/9/1	PJ	Chris Tretheway - Phone Expenses	46.00		
	10/5/04	10/05/04/Stm	PJ	Cingular Wireless - Janette	112.56		
	10/9/04	81242787	PJ	ADT Security Services - BI offices	120.01		
	10/15/04	P51160	PJ	Engineered Security Systems, I - Repairs	84.53		
	10/17/04	659372708/10/	PJ	Cingular Wireless - Matty	61.18		
	10/20/04	659372608/10/	PJ	Cingular Wireless - Janette	127.43		
	10/25/04	2692	CDJ	Chris Myers - Telephone Expenses	46.00		
	10/25/04	2696	CDJ	Hobe, J. Chris - Telephone Expense	46.00		
	10/28/04	48459	PJ	Print Source Current Period Change	21.08 719.60		719.60
	11/1/04			Beginning Balance			4,994.42
	11/1/04	82787761	PJ	ADT Security Services - NL office	11.45		
	11/1/04	410029819/11/	PJ	Cingular Wireless - RL/Carphone	58.93		
	11/4/04	82909639	PJ	ADT Security Services - Repairs/NL office	10.60		
	11/5/04	657650143/11/	PJ	Cingular Wireless - Janette	106.45		
	11/10/04	974493213/11/	PJ	Nextel Communications	447.76		
	11/10/04	3085436785	PJ	Hobe, J. Chris - Phone expenses	46.00		
	11/13/04	83185391	PJ	ADT Security Services - NL office	251.10		
	11/13/04	83185364	PJ	ADT Security Services - BI offices	120.01		
	11/14/04	3086204680	PJ	Chris Myers - Phone Expenses	46.00		
	11/16/04	3079880689	PJ	Chris Tretheway - Phone Expenses	46.00		
	11/30/04	659372708/St	PJ	Cingular Wireless - Matty	258.79		
	11/30/04	NOV26	GENJ	TO RECLASSIFY PHONE EXPENSE FOR SECURITY JUN-NOV	4,227.47		
	11/30/04	NOV26	GENJ	TO RECLASSIFY UTILITY COSTS FOR	788.37		

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	11/30/04	NOV26	GENJ	SECURITY JUN-NOV TO RECLASSIFY	450.00		
	11/30/04	NOV26	GENJ	ADVERTISING FOR SECURITY JUN-NOV TO RECLASSIFY	150.00		
	11/30/04	NOV26	GENJ	ALARM FEES FOR JUN-NOV TO RECLASSIFY	695.02		
	11/30/04	NOV26	GENJ	ALARM FEES FOR JUN-NOV TO RECLASSIFY	476.04		
	11/30/04	NOV26	GENJ	ALARM FEES FOR JUN-NOV TO RECLASSIFY	3,295.95		
				DIVING FOR SECURITY JUN-NOV			
				Current Period Change	1,485.94		11,485.94
	12/1/04			Beginning Balance			16,480.36
	12/1/04	410029819/No	PJ	Cingular Wireless - Ray	150.54		
	12/5/04	657650143/12/	PJ	Cingular Wireless - Janette	109.50		
	12/11/04	851919466	PJ	ADT Security Services - BI buildings	120.01		
	12/14/04	3091488430	PJ	Chris Myers - Phone Expenses	46.00		
	12/15/04	86030302	PJ	ADT Security Services - Repairs/NL office	42.80		
	12/15/04	R57699	PJ	Engineered Security Systems, I - Security Monitoring	150.00		
	12/15/04	974493213/12/	PJ	Nextel Communications	341.35		
	12/16/04	3091757377	PJ	Chris Tretheway - Phone Expense	46.00		
	12/20/04	659372708/12	PJ	Cingular Wireless - Car Phone/R.Linda	169.87		
	12/21/04	11663	CDJ	Chris Tretheway - Telephone Expense	46.00		
				Current Period Change	1,222.07		1,222.07
	1/1/05			Beginning Balance			17,702.43
	1/1/05	410029819/1/0	PJ	Cingular Wireless - RL	60.30		
	1/5/05	657650143/Jan	PJ	Cingular Wireless - Janette	116.19		
	1/8/05	807140875	PJ	ADT Security Services - BI Buildings	120.01		
	1/14/05	309807276/1/1	PJ	Chris Myers - phone expense	46.00		
	1/15/05	974493213/Jan	PJ	Nextel Communications	104.17		
	1/20/05	R58503	PJ	Engineered Security Systems, I - Alarm Testing/PJ Building	270.00		
	1/30/05	2957	CDJ	Chris Tretheway - Phone expenses	46.00		
	1/30/05	6059372708/1/	PJ	Cingular Wireless - Matty	106.17		
				Current Period Change	868.84		868.84
	2/1/05			Beginning Balance			18,571.27
	2/1/05	410029819/2/1	PJ	Cingular Wireless - RL	55.09		
	2/5/05	657650143/2/0	PJ	Cingular Wireless - JANETTE	5.15		
	2/10/05	3102266606	PJ	Hobe, J. Chris - Phone Expenses	92.00		
	2/11/05	31024929022	PJ	Verizon Wireless - Janette	42.58		
	2/11/05	3102431174	PJ	Verizon Wireless - MVBI	93.39		
	2/12/05	89084566	PJ	ADT Security Services - BI Buildings	120.01		
	2/12/05	89084588	PJ	ADT Security Services - NL office	251.10		
	2/14/05	3103048377	PJ	Chris Myers - Phone Expenses	46.00		
	2/15/05	974493213/2/1	PJ	Nextel Communications	41.30		
	2/16/05	3103434443	PJ	Chris Tretheway - Phone expenses	46.00		

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	2/23/05	3104833215	PJ	Verizon Wireless - Janette	80.04		
				Current Period Change	872.66		872.66
	3/1/05			Beginning Balance			19,443.93
	3/11/05	3107975547	PJ	Verizon Wireless - MVBI	50.32		
	3/12/05	91084575	PJ	ADT Security Services - BI Buildings	120.01		
	3/14/05	659372708/3/0	PJ	Cingular Wireless - Matty	125.00		
	3/14/05	3108749458	PJ	Chris Myers - Phone Expenses	46.00		
	3/15/05	974493213/3/1	PJ	Nextel Communications	41.36		
	3/16/05	3/16/05/stmt	PJ	Bank One - Verizon Wiris/MVBI	42.79		
	3/22/05	Z3356373C	PJ	Arch Wireless - Matty	35.60		
	3/23/05	3110537613	PJ	Verizon Wireless - Janette	80.04		
	3/30/05	11807	CDJ	Chris Tretheway - Phone Expenses	46.00		
	3/31/05	659372708/3.3	PJ	Cingular Wireless - Matt Rooney	2.14		
	3/31/05	410029819/3/0	PJ	Cingular Wireless - R.Linda	110.49		
				Current Period Change	699.75		699.75
	4/1/05			Beginning Balance			20,143.68
	4/1/05	410029819/Ma	PJ	Cingular Wireless - R.Linda	51.42		
	4/9/05	93013722	PJ	ADT Security Services - BI buildings	120.01		
	4/10/05	974493213/4-1	PJ	Nextel Communications	26.72		
	4/11/05	3113522043	PJ	Verizon Wireless - Boat Cellphones	100.06		
	4/14/05	3114152737	PJ	Chris Myers - Cell phone	46.00		
	4/16/05	3114553299	PJ	Chris Tretheway - Phone Expense	46.00		
	4/19/05	11Months	PJ	William McCombe - Phone	506.00		
				Expenses/11Months			
	4/19/05	11Months	PJ	Joshua Linda - Phone expenses/11 Months	1,100.00		
	4/19/05	41905/STMT	PJ	Bank One - Verizon Wireless	42.79		
	4/23/05	31159960388	PJ	Verizon Wireless - Janette	80.04		
				Current Period Change	2,119.04		2,119.04
	5/1/05			Beginning Balance			22,262.72
	5/1/05	410029819/5/0	PJ	Cingular Wireless - R.Linda	6.03		
	5/2/05	11836	CDJ	Janette Centracchio - Phone expenses	120.00		
	5/10/05	974493213/Ma	PJ	Nextel Communications	26.74		
	5/14/05	94951271	PJ	ADT Security Services - NL office	251.10		
	5/14/05	94951250	PJ	ADT Security Services - Block Island Dock	120.01		
	5/17/05	659372708/Ap	PJ	Cingular Wireless - Matty	661.52		
	5/26/05	3769	CDJ	William McCombe - Phone Expense	46.00		
	5/26/05	3770	CDJ	Joshua Linda - Phone Expense	100.00		
	5/31/05	96446395	PJ	ADT Security Services - RI Bldg	152.17		
	5/31/05	MAY16	GENJ	TO RECLASSIFY UTILITIES, TELEPHONE AND DIVING(T. KENNEDY) FOR SECURITY	2,719.82		
				Current Period Change	4,203.39		4,203.39
	5/31/05			Fiscal Year End Balance			26,466.11
	6/1/05			Beginning Balance			
	6/8/05	11855	CDJ	Chris Tretheway - CellPhone	46.00		
	6/8/05	11856	CDJ	Chris Myers - CellPhone	46.00		
	6/11/05	'96952160	PJ	ADT Security Services - ---	120.01		

Interstate Navigation Company
General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	6/14/05	3125148378	PJ	BI Buildings Chris Myers - Phone expense	46.00		
	6/15/05	R59224	PJ	Engineered Security Systems, I - Alarm Monitoring/PJ	150.00		
	6/24/05	659372708/Jly	PJ	Cingular Wireless - CellPhone/Matty	302.85		
	6/27/05	3988	CDJ	Joshua Linda - Phone Expenses/June	100.00		
	6/27/05	3989	CDJ	William McCombe - Phone Expense/June	46.00		
	7/1/05			Current Period Change	856.86		856.86
	7/9/05	98894787	PJ	Beginning Balance ADT Security Services - BI Alarms	120.01		856.86
	7/12/05	3997	CDJ	Chris Tretheway - Cell Phone	46.00		
	7/19/05	424631190442	PJ	Chase Card Services - VerizonWireless	74.86		
	7/19/05	424631190442	PJ	Chase Card Services - VerizonWireless		53.47	
	7/19/05	424631190442	PJ	Chase Card Services - Cingular/cellphone	60.40		
	8/1/05			Current Period Change	301.27	53.47	247.80
	8/1/05	410029819/Jly	PJ	Beginning Balance Cingular Wireless - CellPhone/R.Linda	241.36		1,104.66
	8/9/05	4335	CDJ	Joshua Linda - CellphoneExpense	100.00		
	8/9/05	4336	CDJ	William McCombe - Cellphone Expense	46.00		
	8/12/05	00708792	PJ	ADT Security Services - BI Freight office	18.63		
	8/13/05	00841895	PJ	ADT Security Services - BI Offices	120.01		
	8/13/05	00841918	PJ	ADT Security Services - NL office	251.10		
	8/15/05	4338	CDJ	Chris Tretheway - Cell Phone Expenses	46.00		
	8/15/05	May - Aug	PJ	Hobe, J. Chris - Phone Expense/May-Aug	184.00		
	8/15/05	August	PJ	Joshua Linda - Phone Expense	100.00		
	8/15/05	August	PJ	William McCombe - Phone Expense/August	46.00		
	8/15/05	July/August	PJ	Chris Myers - Phone Expense/July	46.00		
	8/26/05	Aug	PJ	Chris Myers - Aug Phone Expense	46.00		
	8/27/05	Aug/Stmt	PJ	Citibank Visa - Cingular/Matty	289.71		
	9/1/05			Current Period Change	1,534.81		1,534.81
	9/1/05	A33563731	PJ	Beginning Balance Arch Wireless - Matty	39.38		2,639.47
	9/1/05	659372708/St	PJ	Cingular Wireless - Matty	170.03		
	9/6/05	4484	CDJ	Chris Tretheway - CellPhone Expense	46.00		
	9/7/05	52177	PJ	Print Source - Vehicle forms	659.82		
	9/10/05	02846100	PJ	ADT Security Services - BI Buildings	126.61		
	9/14/05	3142551006	PJ	Chris Myers - CellPhone	46.00		
	9/16/05	3142805179	PJ	Chris Tretheway - Phone Expense	46.00		
	9/30/05	Sept	PJ	Joshua Linda - Cellphone	100.00		
	9/30/05	Sept	PJ	William McCombe - CellPhone	46.00		
	10/1/05			Current Period Change	1,279.84		1,279.84
	10/1/05	A3356373J	PJ	Beginning Balance Arch Wireless - Matty	39.97		3,919.31

Interstate Navigation Company
General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	10/8/05	4846977	PJ	ADT Security Services - BI Buildings	126.61		
	10/10/05	3147273379	PJ	Hobe, J. Chris - Phone Expense/Oct	46.00		
	10/11/05	3147604845	PJ	Verizon Wireless - Vessels/Cellphones	199.45		
	10/14/05	3148249032	PJ	Chris Myers - Phone expense	46.00		
	10/19/05	Stmt/10-29-05	PJ	Chase Card Services - Verizon/Cellphones/all Ve ssels	400.87		
				Current Period Change	858.90		858.90
	11/1/05			Beginning Balance			4,778.21
	11/7/05	4873	CDJ	Joshua Linda - Phone Expense/October	100.00		
	11/7/05	4874	CDJ	William McCombe - Phone Expense/October	46.00		
	11/11/05	3153247033	PJ	Verizon Wireless - Vessel Cellphones	57.30		
	11/12/05	06820011	PJ	ADT Security Services - NL office	264.91		
	11/12/05	06819988	PJ	ADT Security Services - BI Dock	126.61		
	11/16/05	3154149967	PJ	Chris Tretheway - Cellphone	46.00		
	11/30/05	SECURITY	GENJ	TO RECLASSIFY UTILITIES AND TELEPHONE FOR BI SECURITY OFFICE	1,866.29		
				Current Period Change	2,507.11		2,507.11
	12/1/05			Beginning Balance			7,285.32
	12/8/05	3158420285	PJ	Verizon Wireless - Cellphone/J. Tally	75.88		
	12/9/05	5088	CDJ	Joshua Linda - CellPhone/November	100.00		
	12/9/05	5089	CDJ	William McCombe - CellPhone/November	46.00		
	12/10/05	08762121	PJ	ADT Security Services - BI Buildings	126.61		
	12/10/05	3158780774	PJ	Hobe, J. Chris - Hobe/Nov Phone expense	46.00		
	12/11/05	3159217768	PJ	Verizon Wireless - Cellphones/vessels	83.49		
	12/14/05	P52386	PJ	Engineered Security Systems, I - Freight bldg	217.45		
	12/15/05	R60508	PJ	Engineered Security Systems, I - Security monitoring	60.00		
	12/15/05	R60510	PJ	Engineered Security Systems, I - Monitoring	150.00		
	12/16/05	3160119283	PJ	Chris Tretheway - Cellphone	46.00		
	12/16/05	659372708/Ma	PJ	Cingular Wireless - Cellphone/Matty	26.26		
	12/20/05	5095	CDJ	Chris Tretheway - Phone Expense/October	46.00		
	12/20/05	5096	CDJ	Chris Myers - Phone Expense/Nov	46.00		
	12/30/05	5170	CDJ	Joshua Linda - Phone Expense	100.00		
	12/30/05	5171	CDJ	William McCombe - Phone Expense/December	46.00		
				Current Period Change	1,215.69		1,215.69
	1/1/06			Beginning Balance			8,501.01
	1/5/06	3159664616	PJ	Chris Myers - CellPhone	46.00		
	1/6/06	401-466-2261/	PJ	Verizon - Bill's office	54.20		
	1/7/06	20615044	PJ	ADT Security Services - BI offices	126.61		
	1/11/06	3164832519	PJ	Verizon Wireless - Vessels	114.00		
	1/14/06	3165284239	PJ	Chris Myers - Cell Phone	46.00		

Interstate Navigation Company
General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

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Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	1/16/06	3165739972	PJ	Chris Tretheway - Cellphone expenses	46.00		
	1/19/06	10424745	PJ	United Builders Supply Co., In - Pallett Covers	101.65		
	1/20/06	R61322	PJ	Engineered Security Systems, I - Annual fire alarm testing/PJ	270.00		
	1/25/06	659372708/Jan	PJ	Cingular Wireless - Matty/cellphone	74.62		
	1/26/06	53382	PJ	Print Source - Security forms	244.64		
	1/31/06	2-2930/Jan 31	PJ	Block Island Power Co - Bill's office	181.29		
	1/31/06	2-2940/Jan 31	PJ	Block Island Power Co - Streetlight	15.45		
				Current Period Change	1,320.46		1,320.46
	2/1/06			Beginning Balance			9,821.47
	2/6/06	401-466-2261/	PJ	Verizon - Bill's office	103.79		
	2/8/06	5509	CDJ	Joshua Linda - Cellphone/January	100.00		
	2/8/06	5510	CDJ	William McCombe - CellPhone/January	46.00		
	2/11/06	22497876	PJ	ADT Security Services - BI Buildings	126.61		
	2/11/06	22497891	PJ	ADT Security Services - NL office	264.92		
	2/14/06	3170956942	PJ	Chris Myers - Cellphone	46.00		
	2/16/06	3171413055	PJ	Chris Tretheway - Cellphone	46.00		
	2/28/06	40029819	PJ	Cingular Wireless - R.Linda	96.87		
				Current Period Change	830.19		830.19
	3/1/06			Beginning Balance			10,651.66
	3/1/06	5603	CDJ	Hobe, J. Chris - Cellphone	46.00		
	3/1/06	2-2930/Feb 06	PJ	Block Island Power Co - Security office	82.32		
	3/1/06	2-2940/Feb 06	PJ	Block Island Power Co - Streetlight	15.45		
	3/1/06	410029819/Fe	PJ	Cingular Wireless - Cellphone/RLinda/SLinda	96.87		
	3/7/06	5614	CDJ	Joshua Linda - CellPhone/February	100.00		
	3/7/06	5615	CDJ	William McCombe - CellPhone/February	46.00		
	3/10/06	659372708/Ma	PJ	Cingular Wireless - CellPhone/Matty	63.93		
				Current Period Change	450.57		450.57
	4/1/06			Beginning Balance			11,102.23
	5/1/06			Beginning Balance			11,102.23
	5/31/06			Ending Balance			11,102.23
7510 Trash Removal/Waste R	6/1/04			Beginning Balance			
	6/1/04	0438729-1390	PJ	Waste Management - Montville	132.38		
	6/11/04	10269	PJ	Western Oil Inc. - Waste oil	1,313.00		
	6/30/04	56156	PJ	D.W. Transport & Leasing, Inc. - Disposal/Grit	1,289.60		
	6/30/04	55323	PJ	D.W. Transport & Leasing, Inc. - Removal/Grit	1,488.76		
	6/30/04	56225	PJ	D.W. Transport & Leasing, Inc. - Removal/Grit	1,421.16		
	6/30/04	63004/Strnt	PJ	Block Island Recycling	718.90		
				Current Period Change	6,363.80		6,363.80
	7/1/04			Beginning Balance			6,363.80
	7/2/04	10342	PJ	Western Oil Inc. -	104.00		

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-20. Please explain the factors causing the level of increases in local transfer expense.

Response: The increase in local transfer expense over the past four years is for the most part a matter of volume increases. People on the Island are using UPS more each year. There have also been small increases in the rates charged by UPS to its customers and increases by Lambs Package Services to deliver the packages. Of course, Interstate receives revenue from UPS to carry the packages on the ferry and to deliver them to the customers on Block Island. Interstate makes money on these transactions.

Prepared by WEE

FIRST SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-21. Please explain the increase in advertising expense from fiscal year 2003 to fiscal year 2004 and from fiscal year 2004 to fiscal year 2005.

Response: Advertising costs have increased each year because of increases from the media (TV, Radio, Newsprint, etc.). In addition, Interstate has broadened its market for advertising in an attempt to stave off its loss of passengers as a result of competition. I have attached the 2006 advertising budget to provide the Division a better understanding of the complexity of the advertising done by Interstate.

Prepared by WEE

2006 MEDIA BUDGET/SCHEDULE BUDGET

PRINT (NEWSPAPERS/MAGAZINES)

Boston Globe South 3" x 6" 9 Sundays \$972 per ad (6x rate)	\$ 8,748.00
Boston Globe Magazine 3" x 5.5" Sunday Travel 1x (bulk rate, with regular paper)	5,918.00
Boston Magazine 1/6 page 1 \$2415 per ad (bulk rate)	2,415.00
Campground Maps large ad in 3 maps \$352 per ad (3x rate)	1,056.00
Providence Journal 2 col. x 4" 8 Thurs. \$1002.40 per ad (bulk rate)	8,019.20
Providence Journal 2 col. x 4" 3 Thurs. \$671.68 per ad (bulk rate+add a daily)	2,015.04
Providence Journal 2 col. x 4" 3 Sundays \$1190.08 per ad (bulk rate)	3,570.24
Providence Journal Summer Guide 2 col. x 3.75" (bulk rate) est. 5% increase	800.00
The Day 2 col. x 5" ad 8 Sundays-Travel Section \$488.60 ea., 75 col. in. rate	3,908.80
East Bay Living Magazine 1/3 page July	1,058.85
East Bay Newspapers, Summer Fun Guide, May 24 2 col. x 4 \$235.30 per ad	236.30
East Bay Newspapers, July 4th 2 col. x 4 \$235.30 (per ad)	236.30
East Bay Newspapers, Father's Day Directory 2" x 2.875" \$60 per ad 2x	120.00
•Go Westerly 1/6 page \$435 (per ad)	435.00
Hartford Courant Activity Guide 1/16th pg May 14th (est. rate)	400.00
•Hartford Courant Spring Vacation Guide Brochure pages	1,160.00
Hartford Courant Summer Vacation Guide Brochure pages	776.00
Jamestown Press Summer Guide 1, 2 (1/4th page) \$135.30 ea	270.60
•Jamestown Journal Pocket Guide, 1/2 pg, plus sep. photo and advertorial copy	825.00
Jewish Advocate, Dining Guide & Guide to Summer 5" x 7" \$922.40 per ad	1,844.80
Jewish Ledger 1/4 page 3 May-July \$586 per ad	1,758.00
•Jewish Voice & Herald full page w/color, June 23rd, Guide to Jewish Living in RI	1,300.00
Life Publications 1/8 page May & June \$833 per ad, 7 high income towns	1,666.00
Life Publications, Destination Shoreline (special section) June 3 col. x 4"	960.00
•Mystic Coast & Country Membership 2006	600.00
•Narragansett HS Sports Posters Spring 06	318.00
Narragansett HS Sports Posters Fall 06	318.00
•Natural New England 1/2 page Spring & Summer Issues \$564 (per ad)	1,128.00
•New England Group Tour Planner 06 1/6 page	833.00
New Haven Register 2 col. x 4" 12x Weekend Guide (Fri.) \$400.00 ea.	4,800.00
New Haven Register 2 col. x 4" Magazine Summer Escapes	580.00
•Newport Chamber of Commerce Directory 1/8 page	465.00
Newport Daily News 3 col. x 6" 12 Thursdays, \$335 per ad	4,020.00
Newport Daily News Summer Activity Guide 1/4 page \$335	335.00
•Newport Life, Best Read Guide 1/4 page \$1449 (per ad)	1,449.00
•Newport Life, Summer Guide 1/3 page \$1000 (3x discount)	1,000.00
•Newport Life, Newport County 1/3 page \$1000 (3x discount)	1,000.00
•Newport Map by Citimaps (Hyatt) with web listing 1/4 panel	736.00
Newport This Week 5 col x 4", 13 weeks, \$280 per ad	3,640.00
Newport This Week 1/3 p. Summer Guide, color, last's year's rate	945.00
O'Jornal 1/4 page 3 in August \$206 (per ad) plus 3 add. ads for 40 tickets	618.00
•Prime Time (Senior Living) 1/4 page 5x: May-Sept \$412 per ad	2,060.00
Providence Monthly 1/4 insert \$450 per ad, June, July, Aug.	1,350.00
Providence Phoenix, Summer Preview 4" x 6" \$1252 (3x rate, combo)	1,252.00
Boston Phoenix, Summer Preview 4" x 6" \$1252 (3x rate, combo)	1,252.00
Portland Phoenix, Summer Preview 4" x 6" \$1252 (3x rate, combo)	1,252.00
Providence Phoenix 9 ads 1/4 pg., trade 450 tickets	0.00
The Resident 1/4th page (4 col. x 4") 6x: June-Aug. \$508.25 ea.	3,049.50

•RI Family Guide 1/8 page \$347 (per ad)	347.00
RI Kids Directory 1/2 page 4x: June, July, Aug., Sept. \$383 per ad	1,532.00
•South County Living 1/4 page 4x May-Aug. \$195 per ad	780.00
South Shore Living 1/3 page July \$612 per ad	612.00
TNT Vacations insert, 6-months (May-Oct.)	2,060.00
This Week in South County 12 issues May-October biweekly, 1/4 pg, \$112.00 ea	1,344.00
Traveler Publications 1/8 page 5x: May-Sept. \$521 per ad	2,605.00
Westerly Sun Guide/West.-Pawt./Charlston Prss/Wood Riv Prss 9 combos \$227.70 ea	2,049.30
Westerly Sun Summer Fun Guide, 1/2 pg, 5/25 & 7/1, \$216.50 ea.	433.00
Westerly Sun, Summer Fun Drops 20k brochures 5x June-August \$235 per drop	1,175.00
Willimantic Chronicle, Summer Guide/Chronicle Shopper 2" x 4" May \$101 per ad	202.00
Willimantic Chronicle, Summer Guide/Chronicle Shopper 2" x 4" June \$51 (4x dis.)	102.00
•Yankee Magazine Travel Guide, 1/6 pg., w/ reader service labels	1,646.00

Total Print \$ 97,384.93
 • Already placed

NEW PRINT (NEWSPAPERS/MAGAZINES) MEDIA BUDGET/SCHEDULE 2006

Bulletin Newspapers (Boston) 1/4 page in 4 papers \$724.25 (4x rate)	\$ 2,897.00
New Haven Register Luxury Living Magazine 1/4 page 2x 5/24, 8/23 \$648 per ad	1,296.00
New England Newspaper Directory listing \$63 (per listing)	63.00
Boston Metro 1/8 page 5 Thursdays \$1358 per ad (bulk rate)	6,790.00
•Fun Trek Resource Map 2" x 3.25"	1,058.00
•Mystic Country Resource Guide 1/6 page	2,277.00
Senior Citizen Publications (RI) 3" x 4" 4 papers \$416.50 (per ad)	1,666.00
Senior Citizen Guide to CT 1/2 page	1,118.00
•Shop Till You Drop (RI free pub) 1/2 page, 4 zones, Summer	1,885.00

Total Print \$ 19,050.00
 • Already placed

Print \$ 116,434.93

2006 ADVERTISING SUPPORT BUDGET

Media Budget Development

\$ 5,000

Prepare advertising budget, including recommended newsprint, radio and television placement, size, frequency and costs, for advertising the Rhode Island to Block Island Ferry for the summer of 2006. Research expanded outdoor media buy in Rhode Island. Expand newsprint and radio to Worcester and Boston markets. Expand internet and other media options.

Ad Mechanicals

\$ 150 per ad avg.

Prepare ad mechanicals as required using new ad design. Reset type as required for rates and schedule changes. Provide mechanicals to publications as required. Does not include rush production charges or overnight mail charges.

Print Ad Placement

\$ 800/mo. avg.

Handle placement of ads in all print publications. Placement will be billed on a time and materials basis.

Radio Advertising Placement

\$ 600/mo. avg.

Set frequency schedule and write donuts as required for approved radio advertising schedule. Handle placement of radio schedule with designated radio stations and develop promotions to increase exposure for the Block Island Ferry. Placement will be billed on a time and materials basis.

Television Advertising Placement

\$ 500/mo. avg.

Set frequency and handle placement of 30-second TV spot with designated cable systems and broadcast channels. Placement will be billed on a time and materials basis.

Other Advertising Placement

\$ 300/mo. avg.

Handle placement of other media including yellow pages and outdoor. Placement will be billed on a time and materials basis.

5,000

24,400

36,400

RADIO

<u>WPRO-FM</u> (Providence) 12 spots/week for 4 wks. (6/20-7/10) W-F 7a-10a 1 spot/wk, W-F 10a-3p 2 spot/wk, W-F 3p-6p 1 spot/wk, W-F 6p-mid 2 spots/wk, W-Sa 6a-mid 3 spot/wk, Sa 10a-3p 1 spot/wk, Sa 3p-7p 1 spot/wk, Su 10a-2p 1 spot/wk. Plus 286 tickets in trade for M-Su 6a-mid 6 spot/wk (\$4480 value).	\$ 5,760.00
<u>WWLI-FM</u> (Providence) 15 spots/week for 4 wks. (6/5-6/26) W-F 6a-10a 1 spot/wk, W-F 10a-3p 2 spot/wk, W-F 3p-7p 1 spot/wk, W-F 7p-mid 3 spots/wk, W-Sa 6a-12p 3 spot/wk, Sa 10a-6p 3 spot/wk. Su 9a-2p 2 spots/wk. Plus 286 tickets in trade for M-Su 6a-12a 6 spot/wk (\$4480 value).	5,720.00
<u>Lite Rock 105</u> (Providence) 5 wks promotion. (6/26-7/30) Name mentioned in 80 pre-recorded and 80 live promos each month. Logo/link online www.literock105fm.com , 10 commercials to air in week of 7/30. Plus 210 tickets in trade (\$3286.50 value).	2,400.00
<u>WCTK-98.1 FM</u> Providence Country 52 spots over 4 wks M-F 5:30a-9p 6 spots/wk, Sat 7a-3p 3 spots/wk, Sun 6a-10p 2 spots/wk, M-Su 5a-10p 2 spots/wk, plus 40 spots in trade value \$2600 for 193 tickets, M-S 6a-12mid	2,760.00
<u>WPRO-AM</u> Providence 60 spots and 30 billboards over 3 weeks W-F 10/wk 60-sec 6a-7p, Sat-Sun 6 60-sec 7a-2p, M-Tu 2/wk 4 60-sec 12m-12m M-F 10/wk 6a-7p 10-sec billboards plus trade 200 tickets for Morning Drive giveaway	3,570.00
<u>WWBB-FM B101</u> 2 weeks (6/23-7/6) 36 spots over 4 weeks, July-Aug per week: W-F 6a-12n 3 spots, 12n-6p 3 spots, Sat. 6a-10p. Plus 9 spots for 30 tickets.	3,000.00
<u>WBLO-FM 90 60</u> : weather sponsorships per mo. for June, July, Aug. 6a-8p, 7 days per week. Also mentioned live with an opening billboard on each weather forecast. Plus 78 tickets in trade for half of buy (\$1215 value).	1,215.00
<u>WBRU-FM 70 60</u> : over 7 weeks in June-July M-Sat. 6a-midnight. Plus 258 tickets in trade for half of buy (\$4025 value).	4,025.00
<u>WCRI-FM 95.9 RI</u> Classical, Weather sponsorships, June-Aug, 156 60: spots during 13-wk sponsorship, 130 :30 promos. Plus \$1565 for 100 tickets in trade for 68 60: spots.	2,205.00
<u>WCRI-FM 95.9 RI</u> Classical, Virtual Arts Festival, May, 25 60: spots plus 40 :30 spots in week prior to festival.	735.00

WJZS-FM 99.3 Swing (Newport) 12 weeks 120 spots 2,640.00
W-F 6a-10p 5 spots/wk, 3p-7p 5 spots/wk,
plus W-Sat 6a-10p 4 spots/wk for 104 spots in trade (\$1560) for 115 tickets.
Plus bonus Weather Report Sponsorships M-F

WADK-AM 1540 (Newport) 10 weeks 90 60: spots 1,980.00
9 spots/week, 5 spots per week M-F 6a-9a and 4 spots per week 4p-6p.
Plus trade 75 60-sec promotional mentions over 12 weeks,
\$1500 value in trade for 110 tickets.

WSRS-FM (Worcester) 9 spots/wk for 3 weeks 4,995.00
M-F 7a-10a 9 spots per week
Plus 128 tickets in trade for 14 additional spots on WSRS & WTAG-AM (\$2000 value).
2/16.

WODS-FM 103.3 Boston oldies, 21 spots over 1 week 3,235.00
M-F 5a-10a 3 spots, 6a-10a 1 spot, 10a-3p 2 spots, 3p-7p 1 spot, 6a-8p 2 spots,
6 a-12m 2 spots; Sa-Sun 7a-6p 5 spots, M-Sun 5a-5a 5 spots.
Plus 29 tickets in trade (\$450 value) and inclusion on their website for one month.

WROR-FM (Boston) 15 spots/week for 3 wks, 45 spots total. 4,250.00
Th-F 6a-7a 3 spots/wk, Th-F 7p-10p 4 spots/wk,
W-F 10a-3p 2 spot/wk, W-F 3p-6p 1 spot/wk, Sa-Su 7a-10p 41 spots/wk,
Th-Su 6a-6p 4 spot/wk. Plus 30 20: promos, 2-week contest on WROR.com,
Grand Prize Trip to Block Island. Plus 100 tickets in trade (\$1750 value).

WZLX-FM 103.3 Boston Classic Rock, 51 spots in weeks prior to holidays 5,001.00
Th-F 5:30a-10p 6 spots/wk, Sa-Sun 6a-12m 8 spots/wk, F-Sun 6a-1a 3 spots/wk.
Plus 20 tickets in trade for one week of the prizepack promotion of 10 live mentions
and website link for two weeks in July.

Total Radio

\$53,491.00

TELEVISION

32

WJAR TV 10 NBC 28 spots over 4 wks, 4 M-F 5:30-6a Sunrise, \$10,300.00
 4 M-F 7-9a Today Show, 4 M-F 12-12:30 Noon News, 4 M-F 5:30-6p
 5:30 News, 4 M-F 12:35a-1:35a Conan, 4 Sat 6a-10a Weekend Sunrise,
 4 Sun 7a-10a Weekend Sunrise.

WPRI Channel 12 CBS 47 spots over 5 wks every other week, 5,060.00
 6/19-8/19, 10 Southern NE Early Shows 6-7a M-F, 10 CBS Early
 Show 7-9 a M-F, 7 News at Noon 12-12:30p M-F, 5 5PM News 5-5:30p
 M-F, 5 5:30PM News 5:30-6p M-F, 3 Sat AM 9-11a,
 5 EyeWitness News Sun 7-9a, 1 CBS Sunday Morning 9-10:30a
 Plus 26 spots in trade (\$2000 value).

WNAC TV Fox 64 9 spots per week for 4 weeks, 36 total, plus trade 6,480.00
 per week: 3 spots M-F 9a-4p; 3 spots M-F 4p-8; 3 spots 10-11p
 Plus \$3200 trade for 18 spots 5p-12 mid rotation, 204 tickets

WLNE 6 ABC (6/28-7/4) 24 spots for one week (Aug). 2,040.00
 M-Su 5-8pm 1 spot, M-F 5p-8p Dr. Phil, ABC 6 News, ET/Insider 7 spots,
 M-Fr 11p-11:30p News 4 spots. Plus \$940 of 15 spots during morning and
 noon rotators & 2 during ET/Insider for 60 tickets.

UPN/WB28 72 spots over 3 weeks, 30 M-F 6a-9a Daily Buzz, 3,780.00
 12 M-F 12p-4p Daily Rotator, 9 4p-7p Fringe Rotator, 32 M 7th Heaven 10-11p,
 3 Sat 10:30-11a Phantom Gourmet, 3 Sat 9p-10p Gilmore Girls, 12 Sa-Su 12p-6p,
 Plus 24 spots during rotators in trade for 60 tickets.

Cox Cable 345 spots over 9 weeks, 6/26-8/27 5,478.00
 Discovery Su 8p-9p 1 spot/wk; M-F 9a-7p 3 spots/wk
 ESPN (including Red Sox coverage) M-F 6a-10a 2 spots/wk
 TNT Movies, Law & Order, Alias, NYPD Blue, Judging Amy, etc. M-F 9a-12a 3 spots/wk
 Fox News M-Su 6a-12a 3 spots/wk
 CNBC Financial News, Stock Trends, Market Watch, Talk, etc. M-F 6a-12a, 5 spots/wk
 The History Channel M-Su 10a-12a 3 spots/wk; M-F 9p-10p 3 spots/wk
 MSNBC Imus in the Morning, News, HardBall, News, etc. M-F 6a-12a, 5 spots/wk
 Travel M-F 3p-12m 5 spots/wk; Su 8p-9p 1 spot/week
 RI News Su 9a-10a 1 spot/wk; M-Su 6a-12m 5 spots/wk
 The Golf Channel M-Su 6a-12a
 Plus trade valued at \$1409 for 90 tkts applied to the networks in schedule.

Total TV \$ 33,138.00

OUTDOOR

✓ RI/MA Bulletin Billboards \$ 60,000.00
3 large bulletin billboards on I-95/I-195 \$9,000 (per bulletin per mo.), July & Aug.
1 bulletin on Rt 10 \$3,000 (per bulletin per mo.), July & Aug.
Average of 449,000 views per day.

C ✓ RI Poster Billboards 10,480.00
Posters in Newport and Providence area, 5 per month in July & August
\$5,240 (per month). Average of 170,000 views per day.

Production Cost

To print 1 posterboard \$180, 8 total posters (3 extra for replacement if needed) 540.00
To print 1 vinyl bulletin \$1,680, 4 total bulletins 6,720.00

Total Outdoor \$ 77,940.00

•Already placed

INTERNET

www.newportri.com banner ad for May-July, \$235 (per month) \$ 705.00
www.visitnewengland.com banner ad July 05-July 06 353.00
www.visitnewengland.com listing July 05-July 06, 3 listings \$292 (per listing) 875.00
www.thejewishadvocate.com banner ad for May \$442 (per month) 442.00
www.thejewishadvocate.com free banner ad with purchase of Summer Guide 0.00

Total Internet \$ 2,375.00

IRST SET OF DATA REQUESTS C.
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-22. Please provide the basis of the projected 5% increase in advertising expense from calendar year 2006 to calendar year 2007.

Response: The 5% increase estimated by Interstate was a conservative percentage increase given the increase in advertising costs over the past four years.

Year	Cost	% Increase
FY 2003 *	\$196,917	
FY 2004 *	249,388	26.7%
FY 2005 *	307,043	23.1%
FY 2006	319,779	4.1%
Estimated 2007		5.0%
* From DGB-4		

Prepared by WEE

FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-23. Referring to Schedule WEE-10, in fiscal year 2005, what were the amounts of legal fees related to "Island Hi-Speed Ferry" and "CPCN"?

Response: IHSF was \$10,173.25 while CPCN was \$39,882.75.

Prepared by WEE (assisted by Mr. McElroy's office staff)

FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-24. Please itemize the \$69,318 of Other Professional Fees incurred in the test year, and explain the distinction from Professional Services expense.

Response: See attached. It should be noted that the detail per the attached is about \$14,000 less than the amount calculated by Mr. Bebyn on his schedule DGB- 3. The difference is the result of a misclassification in the November 2005 trial balance.

Prepared by DGB

Interstate Navigation Company

General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
				Current Period Change	29,695.30		29,695.30
	12/1/05			Beginning Balance			139,006.05
	1/1/06			Beginning Balance			139,006.05
	1/3/06	16609	PJ	Schacht & McElroy - HLighSpeed Ferry/CPCN	399.00		
	1/3/06	16612	PJ	Schacht & McElroy - Fuel Surcharge	702.00		
	1/3/06	16613	PJ	Schacht & McElroy - General Matters	10,056.30		
	1/3/06	16614	PJ	Schacht & McElroy - Hi-Speed Ferry	2,232.00		
				Current Period Change	13,389.30		13,389.30
	2/1/06			Beginning Balance			152,395.35
	2/1/06	16634	PJ	Schacht & McElroy - Bieliewski suit	53.55		
	2/1/06	16635	PJ	Schacht & McElroy - CPCN	2,129.40		
	2/1/06	16637	PJ	Schacht & McElroy - Fuel Surcharge	1,052.10		
	2/1/06	16638	PJ	Schacht & McElroy - General Matters	9,980.65		
	2/1/06	16639	PJ	Schacht & McElroy - Hi-SpeedFerry/Loan/Purc hase Agreement	10,861.20		
				Current Period Change	24,076.90		24,076.90
	3/1/06			Beginning Balance			176,472.25
	3/1/06	16665	PJ	Schacht & McElroy - General Matters	4,046.55		
	3/1/06	030106	PJ	Schacht & McElroy - Fuel Surcharge	461.70		
	3/1/06	1666	PJ	Schacht & McElroy - Hi-Speed Ferry	6,385.05		
	3/1/06	16662	PJ	Schacht & McElroy - INC/CPCN-Hi Speed Ferry	790.65		
				Current Period Change	11,683.95		11,683.95
	4/1/06			Beginning Balance			188,156.20
	5/1/06			Beginning Balance			188,156.20
	5/31/06			Ending Balance			188,156.20
8320 Other Professional Fees	6/1/04			Beginning Balance			
	6/1/04	15901	PJ	Trion Cmmunications - Lobbying	3,500.00		
	6/7/04	YTD5.04	PJ	QMP	850.00		
	6/16/04	61606	PJ	Joseph R. Lapenta - CompanyMeeting/Cust.Se rv	1,337.00		
	6/30/04	15962	PJ	Trion Cmmunications	24.76		
	6/30/04	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co. Current Period Change	590.59		6,302.35
				Beginning Balance	6,302.35		6,302.35
	7/1/04			Beginning Balance			
	7/1/04	16021	PJ	Trion Cmmunications - Lobbying	3,500.00		
	7/31/04	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co. Current Period Change	586.41		4,086.41
				Beginning Balance	4,086.41		10,388.76
	8/1/04			Beginning Balance			
	8/31/04	F19207-d1-1-A	PJ	Mass Mutual Life Ins Co. Current Period Change	585.96		585.96
				Beginning Balance	585.96		10,974.72
	9/1/04			Beginning Balance			
	9/30/04	F19207-1-1-A1	PJ	Mass Mutual Life Ins Co. Current Period Change	587.92		587.92
				Beginning Balance	587.92		11,562.64
	10/1/04			Beginning Balance			
	10/31/04	10/31/04/Sum	PJ	Mass Mutual Life Ins Co. Current Period Change	590.61		590.61
				Beginning Balance	590.61		12,153.25
	11/1/04			Beginning Balance			
	11/30/04	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co. TO ACCRUE PROF	592.98		
	11/30/04	NOV12	GENJ	FEES AS OF 11/30/04 Current Period Change	1,270.00		
				Beginning Balance	1,862.98		1,862.98
	12/1/04			Beginning Balance			14,016.23

Interstate Navigation Company

General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	12/31/04	FL92070-1-1-	PJ	Mass Mutual Life Ins Co.	598.33		
				Current Period Change	598.33		598.33
	1/1/05			Beginning Balance			14,614.56
	1/3/05	16361	PJ	Trion Cmmunications - Lobbying	3,500.00		
	1/10/05	4885	PJ	Peter M. Scotti & Associates, - Appraisal/Sunflower Rest	2,385.25		
	1/31/05	FL9207-1-1-AI	PJ	Mass Mutual Life Ins Co.	592.84		
	1/31/05	16421	PJ	Trion Cmmunications - Lobbying	30.00		
				Current Period Change	6,508.09		6,508.09
	2/1/05			Beginning Balance			21,122.65
	2/1/05	16447	PJ	Trion Cmmunications - Lobbying	3,500.00		
	2/22/05	811252	PJ	GEI Consultants, Inc. - BallardsMarina	805.00		
	2/28/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	596.06		
				Current Period Change	4,901.06		4,901.06
	3/1/05			Beginning Balance			26,023.71
	3/1/05	16515	PJ	Trion Cmmunications - Lobbying	3,500.00		
	3/22/05	811394	PJ	GEI Consultants, Inc. - Ballards Marina	1,325.00		
	3/31/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	588.43		
				Current Period Change	5,413.43		5,413.43
	4/1/05			Beginning Balance			31,437.14
	4/1/05	16590	PJ	Trion Cmmunications - Lobbying	3,500.00		
	4/30/05	Appraisals	PJ	Simonitsch, James T. - Tugs/ThamesTowboat	2,618.42		
	4/30/05	FL9207//	PJ	Mass Mutual Life Ins Co.	1,637.76		
				Current Period Change	7,756.18		7,756.18
	5/1/05			Beginning Balance			39,193.32
	5/1/05	16664	PJ	Trion Cmmunications - Lobbying	3,500.00		
	5/24/05	811721	PJ	GEI Consultants, Inc. - WQC/Ballards Marina	5,459.42		
	5/31/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	620.73		
	5/31/05	MAY19	GENJ	TO RECORD	3,475.77		
				ACCRUALS AT 5/31/05			
				Current Period Change	13,055.92		13,055.92
	5/31/05			Fiscal Year End Balance			52,249.24
	6/1/05			Beginning Balance			
	6/1/05	16727	PJ	Trion Cmmunications - Lobbying	3,500.00		
	6/21/05	Appraisal/CJ	PJ	Simonitsch, James T. - Appraisal/Carol Jean	2,192.54		
	6/30/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	618.60		
				Current Period Change	6,311.14		6,311.14
	7/1/05			Beginning Balance			6,311.14
	7/1/05	16785	PJ	Trion Cmmunications - Lobbying	3,500.00		
	7/31/05	FL 9207-1-1-A	PJ	Mass Mutual Life Ins Co.	623.39		
				Current Period Change	4,123.39		4,123.39
	8/1/05			Beginning Balance			10,434.53
	8/31/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	622.86		
				Current Period Change	622.86		622.86
	9/1/05			Beginning Balance			11,057.39
	9/10/05	91005/	PJ	Russell E. Sergeant, A.I.A. - "Sunflower Project"	410.00		
	9/30/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	624.46		
				Current Period Change	1,034.46		1,034.46
	10/1/05			Beginning Balance			12,091.85
	10/15/05	Sunflower	PJ	Russell E. Sergeant, A.I.A. - architectural services	1,260.00		
	10/31/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	615.88		
				Current Period Change	1,875.88		1,875.88

Interstate Navigation Company
General Ledger

For the Period From Jun 1, 2004 to May 31, 2006

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID Account Description	Date	Reference	Jrnl	Trans Description	Debit Amt	Credit Amt	Balance
	11/1/05			Beginning Balance			13,967.73
	11/22/05	812619	PJ	GEI Consultants, Inc. - Bulkhead inspection	1,544.53		
	11/22/05	812615	PJ	GEI Consultants, Inc. - Dredging permit	165.00		
	11/30/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	621.95		
	11/30/05	NOV22	GENJ	TO RECORD ACCRUALS	770.00		
				Current Period Change	3,101.48		3,101.48
	12/1/05			Beginning Balance			17,069.21
	12/1/05	NOV22	GENJ	TO RECORD ACCRUALS		770.00	
	12/2/05	2005-274	PJ	John W. Gilbert Associates, Inc - D-270/Anna C	440.00		
	12/16/05	3040	PJ	Boundaries, LLC - PJ Bulkhead inspection	770.00		
	12/31/05	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	623.23		
				Current Period Change	1,833.23	770.00	1,063.23
	1/1/06			Beginning Balance			18,132.44
	1/1/06	60	PJ	New Harbor Group - Lobbying	2,000.00		
	1/3/06	2006-9	PJ	John W. Gilbert Associates, Inc - Anna C	111.90		
	1/6/06	10606	PJ	Russell E. Sergeant, A.L.A. - Sunflower Project	900.00		
	1/31/06	FL9207-1-1-A1	PJ	Mass Mutual Life Ins Co.	627.84		
				Current Period Change	3,639.74		3,639.74
	2/1/06			Beginning Balance			21,772.18
	2/1/06	83	PJ	New Harbor Group - Lobbying	2,000.00		
	2/27/06	104	PJ	New Harbor Group - Lobbying	2,000.00		
	2/28/06	FL9207-1-1-A	PJ	Mass Mutual Life Ins Co.	626.34		
				Current Period Change	4,626.34		4,626.34
	3/1/06			Beginning Balance			26,398.52
	4/1/06			Beginning Balance			26,398.52
	5/1/06			Beginning Balance			26,398.52
	5/31/06			Ending Balance			26,398.52
8400 Profit Sharing/Pension E	6/1/04			Beginning Balance			
	6/30/04	11223	CDJ	Anna C. Wronowski - Profit Sharing/Pension Expense	4,500.00		
				Current Period Change	4,500.00		4,500.00
	7/1/04			Beginning Balance			4,500.00
	7/27/04	11297	CDJ	Anna C. Wronowski - ACW	4,500.00		
				Current Period Change	4,500.00		4,500.00
	8/1/04			Beginning Balance			9,000.00
	8/30/04	11465	CDJ	Anna C. Wronowski - Pension	4,500.00		
				Current Period Change	4,500.00		4,500.00
	9/1/04			Beginning Balance			13,500.00
	9/27/04	11568	CDJ	Anna C. Wronowski	4,500.00		
				Current Period Change	4,500.00		4,500.00
	10/1/04			Beginning Balance			18,000.00
	10/28/04	11598	CDJ	Anna C. Wronowski	4,500.00		
				Current Period Change	4,500.00		4,500.00
	11/1/04			Beginning Balance			22,500.00
	11/30/04	11/30/04/	PJ	Anna C. Wronowski	4,500.00		
	11/30/04	NOV10	GENJ	TO ACCRUE PENSION FOR 6 MONTHS	30,984.72		
				Current Period Change	35,484.72		35,484.72
	12/1/04			Beginning Balance			57,984.72
	12/28/04	11680	CDJ	Anna C. Wronowski	4,500.00		
				Current Period Change	4,500.00		4,500.00
	1/1/05			Beginning Balance			62,484.72
	1/30/05	2954	CDJ	Anna C. Wronowski	4,500.00		

FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-25. Please provide documentation supporting the insurance renewal expenses for 2006 on page 21 of Edge testimony.

Response: See Attached.

Walter

2006 PREMIUM SUMMARY

Interest	2003 Expiring Premium	2004 Expiring Premium	2005 Expiring Premium	2006 Renewal Premium
Commercial Property/Inland Marine	\$ 7,047	\$ 5,824	\$ 7,529	\$ 6,776
Electronic Data Processing	Included	Included	Included	Included
Piers and Docks (\$300,000)	\$ 3,000	\$ 5,629	\$ 5,629	\$ 5,337
Commercial General Liability (1,000,000)	\$ 1,536	\$ 1,624	\$ 1,624	\$ 1,611
Hull & Machinery (\$23,025,000) <u>(an annual increase of \$9,625,000)</u>	\$98,686	\$88,977	\$82,526	\$131,242
Breach of Warranty (\$7,000,000)	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Protection & Indemnity (1,000,000)	\$60,104	\$55,803	\$52,757	\$ 53,164
Vessel Pollution Liability (5,000,000)	\$ 4,599	\$ 4,599	\$ 4,849	\$ 5,850
Excess Marine Liabilities (9,000,000)	\$23,169	\$21,318	\$20,785	\$ 22,440
Primary Bumbershoot (1,000,000)	\$ 5,000	\$ 4,708	\$ 4,708	\$ 4,758
Excess Bumbershoot (9,000,000)	\$15,714	\$15,714	\$15,714	\$ 15,714
(Short Term) Excess (10,000,000)	<u>\$ 5,000</u>	<u>\$ 5,200</u>	<u>\$ 5,000</u>	<u>Pending</u>
Total	\$227,355	\$212,896	\$204,621	\$250,392

+ 5,000.
+ 5,794.
+ 11,947.
+ 2,826.

Auto
Fire

Optional Federal Terrorism (TRIA) coverage available for additional premium \$5,794.

Bus

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FIRST SET OF DATA REQUESTS C
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-26. Referring to Edge testimony, page 22, please provide support for the emergency maintenance expense of \$50,000.

Response: To be provided.

FIRST SET OF DATA REQUESTS C.
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 1-27. Please provide the actual emergency vessel maintenance expense incurred in each of the last five fiscal years.

Response: To be provided.