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September 19, 2006

Luly Massaro, Clerk
Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: Interstate Navigation Company
Docket Nos. D-06-53

Dear Luly:

Enclosed for filing in this docket is a Stipulation between Interstate Navigation Company and the Town of New Shoreham. This Stipulation contains my original signature and an e-mailed signature from Alan D. Mandl, attorney for the Town of New Shoreham. An original and nine copies are enclosed.

My understanding is that Mr. Mandl will be sending an original of his signature to you as well.

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

Very truly yours,


Michael R. McElroy

MRMc:tmg

In26:IHSF Loan Approval-Massar03

cc: Susan E. Linda
Joshua Linda
Walter E. Edge, Jr.
Service List

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

Interstate Navigation Company)
Petition Seeking Division Approvals)
to Implement Interstate's Purchase)
of the Rhode Island Assets of Island)
Hi-Speed Ferry)

Docket No. D-06-53

**STIPULATION BETWEEN INTERSTATE NAVIGATION COMPANY AND
TOWN OF NEW SHOREHAM**

Interstate Navigation Company ("Interstate") and the Town of New Shoreham ("Town") submit for approval by the Division this Stipulation.

1. Interstate and the Town agree that in the event that the Division approves the proposed purchase by Interstate of the Rhode Island Assets of Island Hi-Speed Ferry ("IHSF"), the transfer of IHSF's fast ferry CPCN (the "New Harbor CPCN") to Interstate, and the holding of the New Harbor CPCN and the Newport leg of Interstate's fast ferry CPCN by Interstate in abeyance (dormancy), Interstate shall provide the Town with written notice at least 180 days in advance of any date(s) as of which Interstate proposes to reactivate (a) the New Harbor CPCN or (b) the Newport leg of Interstate's fast ferry CPCN. CPCN reactivation shall mean the commencement of scheduled or chartered fast ferry operations to/from Newport and/or to/from New Harbor.

2. Interstate and the Town agree that the provision of formal advance notice to the Town of any planned reactivation of the New Harbor CPCN will aid the Town in its upland preparations for the influx of additional ferry passengers at the New Harbor docking location and facilitate cooperation between the Town and Interstate.
3. Similarly, Interstate and the Town agree that the provision of formal advance notice to the Town of any planned reactivation of the Newport leg of Interstate's fast ferry CPCN will aid the Town in its upland preparations for the influx of additional ferry passengers at the Old Harbor docking location and facilitate cooperation between the Town and Interstate.
4. Subject to the Division's inclusion of the Interstate commitment contained in paragraph 1 above as a condition for the Division approvals (a) requested by Interstate from the Division as referenced in paragraph 1 above and (b) required under the Asset Purchase Agreement filed with the Division on August 31, 2006, the Town does not oppose the Division's granting such approvals.
5. Nothing in the foregoing terms of this Stipulation shall limit the ability of any party to take any position in any future Division proceedings or pending or future Commission proceedings regarding conventional ferry quality of service issues, financing applications filed by Interstate or ratemaking issues related to Interstate's conventional and fast ferry operations.

6. Nothing in the foregoing terms of this Stipulation shall preclude the Town from submitting comments to the Division regarding Interstate's financing approval application pending in Division Docket No. D-06-51.
7. By entering into this Stipulation, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this agreement or any other party, and nothing in this agreement shall preclude any party to this agreement or any other party from taking any position in any future proceeding regarding such unsettled matters.
8. This Stipulation is the result of a negotiated settlement. The discussions which have produced this Stipulation have been conducted with the explicit understanding that all discussions relating hereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings. The agreement by any party to the terms of this Stipulation shall not be construed as an agreement as to any matter of fact or law beyond the terms hereof. In the event that the Division rejects this Stipulation, or modifies this Stipulation or any provision therein, then this Stipulation shall be deemed withdrawn and shall be null and void in all respects.
9. The execution of this Stipulation has been authorized by the Town.
10. This Stipulation may be executed in counterparts.

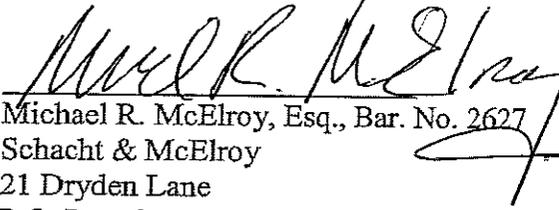
11. The Parties hereby submit this Stipulation to the Division for approval.

IN WITNESS WHEREOF, this document has been executed by the appropriate representative of the parties identified below, each being fully authorized to do so. Dated this 18th day of September, 2006.

RESPECTFULLY SUBMITTED,

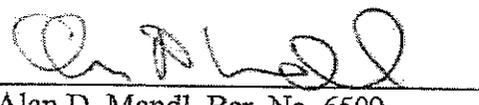
INTERSTATE NAVIGATION
COMPANY

By its Attorney,


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TOWN OF NEW SHOREHAM

By its Attorney,


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