

**SHEEPSCOT ISLAND COMPANY  
3 MARTIN ROAD  
GEORGETOWN, MAINE 04548**

**Special President's Letter**

January 10, 2015

Dear MacMahan Community:

Happy New Year to everyone and it is indeed a new year for the Sheepscot Island Company. The Sheepscot Island Company Plan of Conversion that was authorized and approved at the 2014 Annual Shareholders Meeting has become effective. The Company is now officially a nonprofit corporation. We have come a long way towards our goal, but much remains to be done before we can enjoy the full benefits of this milestone in our community's long history. Here are the details to date promised in my email of December 16, 2014.

Peter Allen has informed us that he will not pursue his claim, so we now have eight dissenters with appraisal rights claims to be resolved:

|                       |            |            |                  |
|-----------------------|------------|------------|------------------|
| Nathalie Taft Andrews | 52 shares  | Alex Taft  | 84 shares        |
| Albert D'Antonio      | 10 shares  | Chris Taft | 83 shares        |
| Eleanor Taft Ethridge | 5 shares   | Fred Taft  | 117 shares       |
| Franny Pinney         | 453 shares | Sandy Taft | <u>25 shares</u> |
|                       |            | TOTAL      | 813 shares       |

Yesterday the Company mailed to each dissenter an appraisal notice that includes the Board's estimate of the fair value of the Company's shares. The BerryDunn appraisal of October, which incorporates the LandVest real estate appraisal, was updated to December 31, 2014, and the Board at its December 13 meeting estimated that each of the Company's shares has a fair value of \$26.81. Therefore, the total fair value of the dissenters' 831 shares is \$21,797.

Going forward, the appraisal notice gives the dissenters until February 20 to exercise their appraisal rights by completing a specified form, and returning it and their stock certificates to the Company. Dissenters who do not do so by that date are not entitled to payment under the appraisal rights statute. Those who do exercise their appraisal rights will have an additional 20 days to withdraw their claims. After that, claims may be withdrawn only with the Board's consent. Dissenters who withdraw their claims in any of these ways will receive the rights provided under the Plan.

Those who do not withdraw their claims and who accept the Company's valuation of \$26.81 per share will be paid that amount in full payment for their shares. Dissenters who do not accept the Company's valuation will also be paid that amount, on account, and will have 30 days from the day that they receive the Company's offer of payment to notify the Company of their own estimate of fair value. The Company will then have 60 days to settle those claims. If not settled within 60 days, the Company will ask the court to determine fair value.

You should know that the Taft dissenters, joined by Franny Pinney, sent us a demand letter, received on December 24<sup>th</sup>, asking for a number of documents and the "undoing" of the easement with the Maine Coast Heritage Trust. Further, on December 29, the same dissenters filed a lawsuit against the Company seeking to have the Conversion Plan declared null and void. This follows the pattern of the first conversion and comes as no surprise. Our legal counsel have responded to the demand letter and are in

the process of responding to the lawsuit, and they are confident that the Court will find that the Plan meets the statutory requirements and is valid.

In 2014 the Company's costs for responding to the appraisal rights claims and for trying to effect a settlement were \$13,350 in appraisal fees and \$35,993 in legal fees. While everyone is concerned with the potential costs of this dispute, these costs were paid from 2014 operating profits and working capital. If in 2015 dissenter costs exceed annual profits, there would be options for funding the difference without resorting to a special assessment or increasing the annual assessment. For example, the excess could be borrowed from the Company's cash reserves and repaid from future profits. We did this with roads several years ago. The Finance Committee will be looking into cash management options.

At its January 5 meeting the Board set the 2015 Cottage Membership assessment at \$1700 and the Associate Membership fee at \$100. It was decided not to increase the annual assessment by the usual cost of living adjustment because of the Company's strong operating results in 2014 and good prospects for 2015.

The Board and I recognize that the money spent in resolving dissenters' claims is not available for other purposes. Specifically, the reductions in assessments we had anticipated following the conversion will have to be deferred. Our legal counsel are confident that our Plan will survive legal scrutiny. Without conversion, we would be at risk of similar lawsuits from other shareholders for the indefinite future. These costs are important investments in MacMahan and we look forward to enjoying all the benefits of conversion over the many decades and generations that lie ahead.

Sincerely,

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