

SHEEPSCOT ISLAND COMPANY
MACMAHAN ISLAND, GEORGETOWN, ME 04548

February 9, 2016

Dear MacMahan Cottage and Associate Members:

The Board met February 6 and approved a budget for 2016, attached and posted on the website, subject to Member approval in May. The Finance Committee had prepared the budget and recommended its approval. You will see that it contains a \$500 increase in the assessment, because the time has come to begin repaying our debt to ourselves by replenishing the Capital Reserve Fund, which, together with operating profits, has been used to pay litigation costs to date.

The Finance Committee also recommended combining what used to be the Annual Assessment and the Capital Reserve Assessment and permit cottage owners to spread payment out over the year. Accordingly, you will soon receive an invoice from Chris for a total of \$2600, of which \$1700 will be due within 30 days and the remaining \$900 due by November 1st. If you wish, you may pay the whole \$2600 up front and be done with it, or you may make periodic payments of the \$900 throughout the course of the season until November 1st. The unpaid portion of the \$900 will continue to show up on your statements from Chris with a November 1 due date until paid.

To date, we have spent \$186,191.90 on litigation, including appraisals and payouts, the bulk of it on the Taft/Pinney lawsuit (\$75,348.67). At the moment we are waiting for the Maine Supreme Judicial Court (a/k/a the Law Court) to schedule oral arguments on this lawsuit. On January 8th attorneys for all parties conferenced with Justice Murphy of the Business Court and it was agreed to keep the appraisal proceedings on hold. The Court and all parties will conference again on April 15th. The appraisal proceedings will probably remain on hold until we have a Law Court decision on the lawsuit.

As best as we can estimate at this time, we are going to need about \$2500/cottage to restore our financial strength and ability to maintain island infrastructure. Payment will be spread out over 5 years. At \$500/year the pain of a big lump sum is diffused, and it also gives us the opportunity to adjust the amount if the Company's finances improve (or worsen) in unanticipated ways. I wish I had better news to report, but at least at the moment, while we are in "wait mode," we are not incurring major legal expense.

Other notes on the budget:

- 1) This document is a budget-to-budget comparison: the first column is the 2015 budget; the second is the 2016 budget.
- 2) The island dump has been burned and is officially closed. Chris will bring over his family company's excavator to level it up. We will only pay transportation (barge expense) to do this. Graciously, the Martins will not charge us for use of their equipment.
- 3) The Island Raider is in the best shape it has been in for a long time. Chris worked hard in the late summer and fall to make some serious repairs and is optimistic that we can get several more years out of it.
- 4) For the first time, all our full-season employees (Chris, Ernie, Eric) will participate in our healthcare reimbursement policy. They will all have insurance and we will reimburse each \$5500 of that cost. Community members have suggested this in the past. Community appeals for healthcare emergencies are a thing of the past.
- 5) We will pay off the tractor this year with \$4200 in principal and interest.

- 6) If we need to tap into the \$65,000 line of credit we have at Bath Savings, we will pay interest only this year. We will use what we need, pay interest only, and at the end of 2016 the outstanding balance converts to a loan payable over 5 years at prime + 0% interest. We have budgeted \$3500 for interest payment this year to be sure we are covered.
- 7) Chris has conservatively estimated that there will be fewer contract projects this year. These are the projects done by outside contractors coordinated through SICO. He does anticipate that there may be more projects done by SICO staff.

The bottom line: this year's budget projects net income of \$33,745, while the 2015 budget projected \$16,000. But \$16,800 of that goes to the Capital Reserve Fund (\$400 x 42 cottages), and \$21,000 is generated from the increase in the assessment (\$500 x 42 cottages) to rebuild our financial strength in the Capital Reserve Fund.

Finally, a reminder: services will not be provided to any cottage owner who has unpaid invoices from 2015 unless arrangements for payment are made with the Superintendent or an officer of the Company. This is long-standing SICO policy. For this purpose, "services" include the following:

- cottage opening, closing and repair
- boat hauling/launching, storage, maintenance and repair
- float hanging and hauling, storage and repair
- mooring services
- ferry service
- trash pick-up and disposal
- deliveries
- firewood
- golf cart maintenance and repair
- all contract services
- fresh water
- septic service

Salt water will continue to be provided to all cottages for fire-fighting purposes without charge.

Let us hope for an early spring so that we can be in full swing by Memorial Day for our 125th season – and the 350th Georgetown celebration. The Board thanks you in advance for your continued cooperation with its policies and your patience as we wind our way through the uncharted waters of litigation. If you have any questions at all, please give me a call or shoot me an email.

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