

SHEEPSCOT ISLAND COMPANY  
MACMAHAN ISLAND  
GEORGETOWN, MAINE

February 11, 2016

Dear SICO Cottage Members,

As reported in Lucy's letter in November and again this past week, legal challenges by several former shareholders have caused the Company to incur significant additional costs in the process of converting to non-profit status. Due to the excellent work by Chris Martin and his staff, some of those costs were offset by 2014 and 2015 operating income, and we expect that ongoing future income will offset more. However, in order to restore the reserves from which much of those costs were paid, and knowing that there will be further costs as the litigation continues, we have had to increase the assessment paid by Cottage owners that underwrites the cost of maintaining the Island infrastructure – roads, equipment, docks, fire safety, etc.

Over the past two years, we have been approached by islanders who strongly support the conversion but are concerned about the resulting financial impact. This has fallen into two distinct categories – those worried about the ability of some Cottage Members to pay an increased assessment, and those who would like to “support the effort” by underwriting some of the costs borne by SICO. In response to those concerns, the Board has authorized the following:

1. Any increased assessment will be spread across a five year period. The need to continue the increased assessment would be evaluated yearly throughout the five year period, and decreased when possible.
2. The creation of a “MacMahan Assistance Fund.” This fund will provide one year grants to offset the cost of the increased assessment for Cottage Members for whom the increase would be a financial hardship. Those who wish to provide funds may do so confidentially, with funds to be distributed to applicants based on fund availability and need as determined in confidence by the SICO president and/or vice president. Discretion for both donors and recipients will be a priority. We have been advised that grants will be tax-free non-reportable gifts to the Cottage Member recipients and will not be tax deductible by the donors. Community members wishing to contribute to the fund should contact Martha Kennedy.

The attachment outlines the mechanics of the fund. We will announce an application deadline after the MacMahan season has begun.

3. Contributions may be made to SICO for the express purpose of offsetting its conversion costs and would therefore decrease the burden borne by the Cottage Members. We have been advised that such contributions would not be taxable income to the Company nor deductible by the donors. Community members

wishing to contribute directly to SICO to defray conversion costs can do so by making additional payments directly to Chris Martin. Please note on the payment “apply to conversion costs.”

4. Continue the historic practice of allowing individuals to negotiate payment plans for outstanding bills with the Island Superintendent and/or officers of the Company.

These are four approaches that the Board has identified that respect the concerns that have been brought to us and address the financial realities we face in the coming years. If you have additional approaches or thoughts, please share them with Lucy and/or Martha.

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