

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

February 19, 2015

Dear MacMahan Community:

The Board and I wanted to provide a status report on the SICO conversion to non-profit status and related proceedings. As you know from my letter of January 10<sup>th</sup>, SICO is now a non-profit company. Of the original dissenters, one is withdrawing his claim and the remaining 8 must confirm their claims by February 20<sup>th</sup> in order to continue. Based on the Board's valuation, the total value of their shares is \$21,797. As you will recall from our many meetings and information sessions, we prepared for this contingency but were always hopeful that islanders who disagreed with the conversion would not feel the need to move forward with appraisal rights. On numerous occasions we have offered to discuss with the dissenters what it is they want changed, but they have said only that they want to undo the conversion.

We learned on December 29<sup>th</sup> that 7 of the 8 remaining dissenters (Frances Pinney, Nathalie Taft Andrews, Eleanor Taft Ethridge, and Sandy, Fred, Alexander and Christopher Taft), representing 7% of the shares voted at the Annual Meeting, also filed a lawsuit against the Company seeking to have the Conversion Plan declared null and void. This followed a demand letter of December 24<sup>th</sup> seeking to have the easement with Maine Coast Heritage Trust (MCHT) undone. This latter request is not a focus for the Company at present, but our legal counsel has alerted MCHT that some legal action may be forthcoming. The lawsuit, however, has been a significant focus for both the Special Committee and the Board.

The Board felt strongly that the community needed to know the latest updates, and equally important, the Board position on the above events. At a Special Meeting on February 14<sup>th</sup>, the following motion proposed by Jean Rincón was approved by a 6-2(Taft, Brown) vote with one abstention (Myers):

*Motion: That the board present and distribute via email blast the following statement to the community.*

- 1. We believe in the merits of the Conversion Plan and are committed to defending it.*
- 2. We believe that in the two year process we did our best to respectfully consider and make provisions for the concerns that were communicated to us by (formerly) shareholders. We are satisfied that we did our best to give sufficient time and opportunity for them to express and for us to address their concerns in the process.*
- 3. We believe that any possible flaw in the process was not significant enough or egregious enough to warrant anyone putting the company under financial pressure for the purpose of invalidating the Plan. We also believe that any further adjustments or improvements to the plan can and should be accomplished over time through dialogue and member vote, not through litigation.*
- 4. We believe defending the Conversion Plan is the right thing to do for the company and the community. We believe we have the best legal counsel available and that we are on solid legal ground for doing so.*
- 5. We are committed to fully representing and supporting the needs of all members of the company, and are confident that the above statements reflect that purpose. We welcome comments or feedback from any or all. Please direct any communications to Lucy Stinson, [lstinson5@comcast.net](mailto:lstinson5@comcast.net).*

The Board is mindful that 87% of the shares that were voted were voted in support of the Plan of Conversion. It is also aware that a very small minority is causing the Board to have to make unpleasant decisions and to spend good Company money to defend both the Company and the Plan. So far it has cost the Company over \$70,000, of which \$13,500 was for Plan implementation, \$14,000 was for the appraisal, and the remainder for special legal counsel for appraisal rights and the lawsuit. As reported in my letter of January 10<sup>th</sup>, operating profits for 2014 have covered most of the expenses to date. The Finance Committee is advising us on this as well.

We have two legal matters that we are currently tracking: (1) the appraisal rights process, and (2) a lawsuit filed by the Taft dissenters and Franny Pinney.

- The dissenters (those claiming appraisal rights) have until February 20<sup>th</sup> to return their paperwork to us that allows them to continue the process of being bought out by the Company. If they do not agree with our appraisal, then the process will stretch out as they get their own appraisal or find some other basis for challenging ours.
- The plaintiffs in the lawsuit have filed a response to our Motion to Dismiss the lawsuit, and we will be filing a response to that very soon. The case has been assigned to Justice Murphy in Business Court in Cumberland County. The Court is in the process of scheduling oral argument for March, so a decision before Memorial Day is possible.

We invite your active participation and support, and encourage you to make your voices heard. One of the changes to the draft by-laws requested and enacted was to allow Cottage Members to have stronger input in the direction of the company and all that goes with it. The Board and I are counting on your continued engagement in this process as we continue to speak on the behalf of the community who overwhelmingly supported the plan for conversion.

If you have not returned the Cottage Membership application that came from Chris Martin by email, we ask that you please return it as soon as possible. Page 3 of this letter is a copy of that application. Membership allows you and your family to become active participants in SICO, and most importantly to vote at meetings. The first such vote is projected for Memorial Day weekend, when the budget will be submitted to the members for approval. Chris Martin and the Finance Committee are hard at work on it now.

The Special Committee has been invaluable to the Board. They have proved to be nimble and smart, and they have put in untold hours. Management of these legal issues would not have been possible without their guidance.

Thank you all for your attention and your patience as we work our way through this, and please, contact me if you have questions.

Lucy Stinson  
SICO President

PS: See next page for Cottage Membership application. If you have multiple owners, each can send a form. Also, we can fill in the Town Map number when we get your form back. Return to SICO, 3 Martin Road, Georgetown, ME 04548.

**SHEEPSCOT ISLAND COMPANY**

**CERTIFICATE OF COTTAGE MEMBERSHIP**

The undersigned, being all the owners of the Cottage on MacMahan Island in Georgetown, Maine, identified below are entitled to one COTTAGE MEMBERSHIP in the SHEEPSCOT ISLAND COMPANY, (the "Company").

In accordance with the provisions of ARTICLE II, Section 1.A. of the Company By-Laws effective January 1, 2015, we hereby accept Cottage Membership in the Company and agree to comply with said Company By-Laws as may be amended from time to time and to pay when due all fees and assessments that the Company may impose as a condition of membership.

Cottage Owners:

Cottage Name:

Town Map No.:

Signatures: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

\* \* \* \* \*

The Company acknowledges that the person(s) named above hold a Cottage Membership in the Company for the Cottage identified above and for so long as they are the owners of said Cottage and pay all assessments and fees required to maintain membership, are entitled to the rights, privileges and entitlements appertaining thereto as set forth in the By-Laws of the Company.

Date: \_\_\_\_\_

Sheepscot Island Company

By: \_\_\_\_\_