



Rockywold-Deephaven Camps, Inc.

February 5, 2013

Dear Fellow RDC Shareholder:

I am writing on behalf of the RDC Board to inform you of a matter of great importance that will directly affect many, and probably most, of our shareholders.

Over the past several years, RDC has experienced (a) a large increase in the number of shareholders and (b) financial success that has permitted reinvestment in our facilities and a corresponding increase in the book value of our assets. Although we have looked favorably on both of these trends, they have unintended consequences that threaten to impose a serious burden on RDC.

Unless we take action, these two trends will, in the not-too-distant future, force RDC to register as a “public company.” It would then be subject to a prohibitively expensive set of regulatory requirements imposed by the US securities laws. Under those laws, a business must register as a public company when (a) the book value of its assets exceeds \$10 million and (b) it has more than 500 “non-accredited” investors (see the enclosed Q&A materials for details). Without some action, RDC could soon meet both criteria. The camps would then be required to make filings with extensive business and financial information with the Securities and Exchange Commission and satisfy quarterly and annual reporting requirements and other regulatory burdens. Being a public company would likely cost RDC \$1 million or more annually, which would, of course, seriously threaten our viability as a business.

The obvious solution most corporations with RDC’s financial strength would probably pursue is a “reverse stock split.” This solution would require holders with fewer than some small number of shares to surrender them in return for compensation. This would reduce the number of shareholders to a number comfortably below the 500 shareholder regulatory threshold. The board has studied the pros and cons of this solution and we recognize that it has one major disadvantage peculiar to RDC. Unlike most corporations, our small shareholders are not just “small investors” in our business. Rather, because of RDC’s unique culture, they are also valued guests and members of a community who (regardless of the number of shares they own) share a reverence for RDC’s unique mission and purpose.

We are hopeful that we can find a solution that avoids this important disadvantage of a reverse split. Shareholders should, however, recognize that a reverse split is a possibility and that one may be



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inevitable if we are to ensure RDC's viability. Whether a reverse split is inevitable, and whether other options may work better, could depend critically on the feedback we receive from you concerning both the reverse split and other potential options. Some of those options are outlined in the Q&A discussion enclosed with this letter. Please read the Q&A carefully and respond to the forthcoming request from our lawyers for information about whether you qualify as an "accredited investor" under the federal securities laws. Your responses will enable us to see how close we are to the 500 non-accredited shareholder threshold.

We will discuss this issue with you when you are at the camps this summer and at the 2013 Annual Shareholders' Meeting. In the meantime, please contact me or any board member with your thoughts, ideas, and/or concerns.

We are aware that you all care deeply about RDC and want it to prosper for generations to come. We believe that your ideas and thoughts can provide crucial guidance to us as we seek to find an optimal solution to this problem.

Sincerely yours,

Richard S. Wood, Chair
RDC Board of Directors

Q&A Concerning RDC's "Too Many Stockholders" Dilemma

I. BACKGROUND INFORMATION

Why are the Camps facing this problem now?

RDC was incorporated in 1946 and at that time was owned by a few members of the Howe family. Starting in the 1970's, guests began buying shares on a limited basis. Initially, RDC's number of shareholders was quite small, as was the book value of its assets. Since that time, both the number of shareholders and the Corporation's value has grown. As of August 31, 2012, there were 532 shareholders. As of October 31, 2012, the book value of RDC's assets was approximately \$8.5 million.

The Securities and Exchange Commission (SEC) has much more rigorous regulations and compliance requirements for large companies than for small ones. In the eyes of the SEC, RDC will become a large company if and when it meets two criteria: (1) the book value of its assets exceeds \$10 million and (2) its shareholders number more than 500 non-accredited investors or more than 2,000 total investors (see below for definition of "accredited").

How much has the number of stockholders increased in the past several years?

The number of shareholders has grown steadily over the past decade. In 2003, there were 387 shareholders; in 2012 there were 532, an increase of about 37%. The increase has come primarily from guests who have purchased one or two shares from large holders, or have received one or two shares as gifts from their family members.

What percentage of holders own one share or two shares?

Approximately 45% of the current shareholders own only one or two shares of RDC stock, compared to about 35% in 2003.

What is RDC's current book value – and how is that value determined?

Book value is a company's asset value on its balance sheet as determined by accounting rules. As of October 31, 2012, RDC's book value was \$8,514,555. Book value is different from market value. It is based on what a company paid for an asset (such as land, buildings or improvements) and does not necessarily reflect current value. Notably, most of the land that RDC owns was acquired many decades ago at a much lower price than its current value.

Why is RDC's book value increasing?

Our book value will increase every year as we reinvest in our infrastructure, as we expect to do.

How long until the book value reaches the \$10 million limit that will make it subject to the stricter regulatory scheme?

Our book value has grown by about \$300,000 to \$400,000 per year over the past several years. At that rate, we estimate that we would cross the \$10 million threshold in 4-5 years.

Why does the Board of Directors believe it is important that RDC should avoid becoming a public corporation?

The RDC Board of Directors strongly believes that RDC must not become a public corporation. The reporting and other requirements for a public corporation are so burdensome and expensive that if RDC were subject to those requirements, it would no longer be profitable and its continued existence would be threatened.

What are the regulatory requirements for a public company and why are they so burdensome and expensive?

There are rigorous compliance and reporting requirements for public companies. Initially, the company's stock would need to be registered with the SEC. This would require hiring attorneys to help us draft a registration statement that we would file with the SEC. Ongoing requirements would include compliance with the Sarbanes–Oxley Act of 2002, a federal law that sets compliance and reporting standards for all U.S. public companies. RDC would need to file quarterly and annual reports with the SEC. All of this would require additional staff, legal counsel and auditors. It is estimated that the cost of compliance could exceed \$1 million annually.

Were these complicated regulatory rules really intended to apply to a corporations like RDC?

The SEC rules are meant to protect investors by requiring companies to make extensive public filings, hire auditors, etc., once they reach a certain size. The SEC measures size solely by looking at book value and the number of shareholders. The Board believes that RDC does not fit the standard model. Most of its shareholders are, first and foremost, not so much “investors” as guests and other members of a community that strongly supports RDC’s mission and purposes, some of which are not strictly business related. RDC is not a big business, having fewer than 10 full time employees. The SEC rules do not, however, distinguish between “real” large corporations and ones like RDC that simply get caught in these rules. Our lawyers have confirmed that the same rules would apply to RDC that would apply to the other companies that fit the SEC’s criteria and that there are no exemptions for corporations like RDC.

What are the options for avoiding the public company regulatory scheme?

Some possible ways that RDC could avoid becoming a public corporation are listed below. The Board has begun exploring them and invites shareholders to suggest other options.

- 1.) Reduce the number of shareholders and/or take advantage of the higher regulatory limit for “accredited investors” – There are a variety of ways to reduce the number of shareholders. Most involve some or all shareholders giving up ownership. The reverse split mentioned in the letter you have received is one obvious method. Distinguishing between two investor categories (“accredited” and “non-accredited”) in the shareholder count is another approach. Each of these two approaches is discussed in more detail below.
- 2.) Keep RDC’s book value of assets under \$10 million – This could only be accomplished by limiting future investments in the Camps. If we want to continue upgrading our buildings and systems, this approach is not acceptable.
- 3.) Obtain an exemption from the SEC – We have retained legal counsel to investigate this and have been advised that based on RDC’s situation the SEC would not grant an exemption from its registration requirements.
- 4.) Obtain legislation from Congress that would make RDC exempt from this SEC regulation – With the right political connections, this is theoretically possible but it does not appear realistic, in part because our case would not likely be viewed by regulators as compelling.

II. IS IT POSSIBLE THAT THE HIGHER REGULATORY LIMIT FOR SO-CALLED “ACCREDITED INVESTORS” WILL SOLVE THE PROBLEM OR MITIGATE IT FOR THE FORSEEABLE FUTURE?

What are the two categories of investors under the regulatory scheme?

In counting the number of shareholders, the SEC recently enacted new rules distinguishing between two types of investors: “accredited” and “non-accredited.” The new rules raised the stockholder limit from 500 to 2000 for corporations having a high enough proportion of “accredited investors”. In other words, corporations are now permitted to have up to an additional 1500 investors over the old 500 holder limit as long as the additional investors are all “accredited.” (The regulatory scheme treats “accredited” investors as likely to be more knowledgeable about investing and, therefore, more able to look out for themselves – hence, the higher limit.) The Board believes that many RDC stockholders qualify as “accredited investors”. Therefore, if we can document their status, we will be allowed the additional leeway, as detailed below.

How does the regulatory scheme define accredited and non-accredited investors?

An “accredited investor” is a shareholder who satisfies at least one of the three criteria below:

- ∑ The shareholder’s net worth (including net worth of spouse) is in excess of \$1 million, exclusive of his or her primary residence and any indebtedness on that residence.
- ∑ The shareholder’s annual income exceeds \$200,000 in each of the two most recent years with a reasonable expectation of the same income level in the current year.
- ∑ The shareholder’s joint income with a spouse exceeds \$300,000 in each of the two most recent years with a reasonable expectation of the same income level in the current year.

- Σ Trusts or other entities can also qualify as “accredited investors” if they meet specified criteria.

What are the precise limits on the number of accredited and non-accredited investors?

As long as the number of non-accredited investors remains below 500 and the total number of investors remains below 2,000, RDC would not be required to register as a “public company” regardless of the book value of the company’s assets. In other words, if, as we believe to be the case, the majority (or a near majority) of our stockholders are “accredited investors”, we would have a comfortable cushion, at least for the time being.

How can RDC take advantage of these rules for counting shareholders?

RDC is asking all shareholders to confirm their status by filling out a confidential form that you will receive from our lawyers (see more information below).

What good will tabulating the number of “accredited investors” do?

By taking inventory of “accredited investors”, we expect to be able to establish that we are not yet over the 500 non-accredited shareholder limit. This exercise will also show us how much head room (and time) we have to plan and implement a long-term solution.

III. WHAT OPTIONS ARE AVAILABLE IF THE “ACCREDITED INVESTOR” ESCAPE HATCH DOESN’T GIVE RDC ENOUGH LEEWAY TO AVOID PUBLIC COMPANY STATUS?

It is not practical to limit RDC’s book value. The logical way to prevent RDC from becoming a regulated public company is therefore to make sure that our number of shareholders does not tip us into that status. If we determine that there are still too many non-accredited holders, the number of such holders could be limited in several ways.

Would restrictions on the transfer of shares solve the problem?

The number of non-accredited stockholders could be limited if all holders would voluntarily agree not to transfer to anyone who isn’t either (a) already a shareholder or (b) an “accredited investor”. Another approach would be to amend RDC’s governance documents to impose mandatory transfer restrictions on all stockholders. One possible problem with imposing such restrictions is that many holders might wish to transfer small numbers of shares to family members before the imposition of transfer restrictions. That could significantly increase the number of non-accredited investors.

Are there other options if neither the “accredited investor” escape hatch nor transfer restrictions can solve the problem?

One approach that many other corporations have used to limit or reduce the number of shareholders is a transaction known as a “reverse stock split.” This is described in more detail below.

What is a reverse split?

In a reverse split, two or more shares of stock are “combined” into one share, each of which has a proportionately increased value. Fractions resulting from this “combination” are then eliminated (with the holders receiving something else for their fractional interests). This reduces the number shareholders by eliminating those who held so few shares before the split that, when their shares are “combined,” they total less than a whole share.

How does a reverse split work in practice?

The following example is for illustrative purposes only: Suppose a company has 10,000 outstanding shares. A 1x5 reverse split would reduce outstanding shares to 2,000, i.e. every five shares of stock owned by a shareholder would be combined into one share. Under this scenario, if shares were selling for approximately \$3,000 per share pre-split, the value of one share post-split would be approximately \$15,000. (The post-split dividend would be 5 times the pre-split dividend unless there was some change in dividend policy – keeping the total dividend the same pre-and post-split.)

(In this example, and in the Q&A that follows, “pre-split” means “before the reverse split occurs” and “post-split” means “after the reverse split occurs.”)

What are the effects of a reverse split on the holdings of shareholders and the corporation?

Continuing the 1x5 example above, suppose a shareholder currently owns a number of shares that is a multiple of five – say 20 shares. Post-split, the shareholder will own four shares. Another shareholder who owns a number of shares that is not a multiple of five, say 22 shares, would, post-split, own 4.4 shares. Similarly, a shareholder who owned four shares before the split, would own 0.8 shares after the split.

The point of the reverse split is that the corporation can, in lieu of issuing the fractions created by the split, either arrange for the sale of fractional interests as whole shares or give the stockholders, who would have received a fraction, cash or something else of value. The result is that holders of less than one share post-split (i.e., those who held fewer than five pre-split shares in the example above) would no longer be shareholders. The number of shareholders would, therefore, be reduced accordingly.

Does a reverse split or the imposition of transfer restrictions require shareholder approval?

Yes. Per RDC's corporate charter, a reverse split or the imposition of transfer restrictions requires approval of at least 65% of the outstanding shares.

Are there options other than a reverse split or the transfer restrictions approach?

The Board has discussed several ideas that could be used, perhaps in combination with a reverse split and/or transfer restrictions:

- 1.) Create incentives that would cause shareholders to want to own more shares. For example, add one year of reservation seniority for each share owned above, say, 5 shares. This could result in (a) some small shareholders buying out other small holders and (b) some families who have dispersed their shares among family members consolidating them in a single holder's hands. This would reduce the total number of holders.
- 2.) Create an entity that would accept donations of RDC shares from small holders and grant the donors some of the privileges of stockholders. One possibility would be to grant them reservation seniority and subsidized attendance at Shareholders' Weekends. This entity might be a separate non-profit corporation whose mission is to further the non-business purposes of RDC's mission. Its stockholder/members might consist of donors who contribute their small holdings of RDC shares. If there were a reverse split, this entity might buy the fractional interests that are created by the split (using funds donated by RDC for this purpose).

IV. WHAT DOES THE BOARD EXPECT TO LEARN PRIOR TO AND DURING THE DISCUSSION OF THIS MATTER AT THE SHAREHOLDER MEETING IN SEPTEMBER?

As a first, important step, the Board hopes to learn from the investor status survey you will soon receive how many shareholders are "accredited." This will permit us to assess the magnitude of the current problem.

If we do not have enough "accredited investors" to provide a sufficient cushion of safety for the foreseeable future, we hope to learn how shareholders feel about the various options.

We also hope to learn (a) the reasons why those holders who own a small number of shares became shareholders and (b) how such holders feel about proposals that might require them to either surrender their fractional shares or increase their investment.

In particular, we hope to be able to assess:

- 1.) How many holders would like to distribute their current holdings more widely among family members and would, therefore, create additional small holders as a response to an impending imposition of transfer restrictions;

- 2.) How many smaller holders would buy additional shares to avoid being eliminated in a reverse split (perhaps buying from other small holders who would be willing to sell and thereby decrease the number of holders);
- 3.) How many would be willing to have their shares consolidated with the shares of other close family members, thus possibly reducing the number of holders without the need for a reverse split;
- 4.) Whether some might be willing to contribute their shares to a non-profit corporation set up to further the environmental and other non-business missions of RDC; and
- 5.) Whether there are potentially some types of carrots (i.e., incentives) that RDC could offer smaller holders to reward them for owning a greater number of shares, and thereby cause them to take steps listed in 1-3 above.

Once we have a better sense of those matters, we will have a better sense of what will be required to solve, and the optimal way to solve, our problem.

V. WHY NOT ASK STOCKHOLDERS TO TAKE THE VOLUNTARY ACTIONS DESCRIBED ABOVE AND THEN MONITOR THE SITUATION TO DETERMINE WHETHER ANY FURTHER ACTION IS NECESSARY?

We do intend to assess whether voluntary actions are likely to be enough. It is possible that we will be able to achieve enough of a reduction in the number of non-accredited shareholders to make a “wait and see” approach make sense. We do not, however, want to be in a position where we face this problem again in the foreseeable future. We may therefore need to take one of the other solutions sooner rather than later. This may turn on the feedback we receive from you.

VI. WHAT CAN STOCKHOLDERS DO NOW TO HELP SOLVE THE PROBLEM?

First, in order to see where we stand under the non-accredited holder legal test, we need to determine how many of our shareholders are “accredited investors.” Please fill out and return the survey you will soon receive from our lawyers.

Second, until we have a solution to this problem, we ask that you think carefully before transferring your RDC shares to anyone who is not already a shareholder. RDC itself is not selling shares, so the only way that our number of shareholders will increase is if existing holders transfer their shares to non-holders. We ask you to consider avoiding such transfers, at least for the time being.

Third, once we receive initial feedback from stockholders and our lawyers have tabulated the results of the investor status survey, we may want to conduct a further survey. Such a survey may help us determine stockholders’ views about, and their likely responses to, the various possible options. We will let you know if we need further information of that type.

VII. WHAT IF A SHAREHOLDER HAS ADDITIONAL QUESTIONS OR WOULD LIKE TO OFFER SUGGESTIONS?

Please contact Richard Wood, President of RDC and Chair of its Board or any member of the Board that you know personally. The Board members and their email addresses are listed below:

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