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# CORNWALL CAPITAL

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March 26, 2018

## FELLOW KEWEENAW SHAREHOLDERS,

Keweenaw Land Association, Limited's ("Keweenaw" or the "company") April 12th Annual Meeting is just around the corner and we are seeking your vote in this critical election.

Cornwall greatly appreciates the strong support we have received thus far and **urges all shareholders** to vote the **WHITE** proxy card in favor of its experienced and dedicated nominees – Mr. Ian Haft, Mr. Steve Winch, and Mr. Paul Sonkin – who, if elected, will **execute Cornwall's straightforward 4 Point Plan to grow the company's cash flows, improve its operating margins, and implement best practice corporate governance.**

## CORNWALL'S STATEMENTS FOR THE RECORD

Throughout the proxy solicitation process, Cornwall has sought to share fact-based analyses with shareholders to advance informed decision-making. Where possible, Cornwall has indicated the source of its information, so all parties could conduct their own analyses.

**Keweenaw has made several statements about Cornwall and our nominees that are inaccurate.** Rather than engage in less constructive back-and-forth with Keweenaw, Cornwall would like to clarify its own position related to these points:

- Cornwall will **NOT** take management fees from Keweenaw.
- Cornwall will drastically reduce board expenses, by
  - Eliminating the Chairman's annual salary (a supplement to standard board fees) and arbitrary bonuses to select directors.
  - Reducing the size of the board (including Cornwall designees) once a truly independent board is in place.
- Cornwall will **NOT** ask for reimbursement of its proxy related expenses.
- Cornwall does **NOT** intend to replace the existing management team.
- Cornwall has **NO** interest in a "fire sale" of the company.
- Cornwall intends to **IMPLEMENT CORPORATE GOVERNANCE BEST PRACTICES** to give shareholders a voice, once and for all.
- Cornwall has a **STRAIGHT FORWARD** 4 Point Plan well suited for such a durable, asset intensive business for adoption by the Company's 17 full-time employees to return the company to success.
- Cornwall's nominees are **HIGHLY QUALIFIED**, particularly in the areas where the board has failed: capital allocation, strategy, and implementation of non-ordinary course activities.

# VOTE THE WHITE PROXY CARD TODAY!

## KEWEENAW HAS STRUGGLED OPERATIONALLY AND STRATEGICALLY LEADING TO SHAREHOLDER VALUE DESTRUCTION OVER NEAR AND LONG-TERM HORIZONS

For decades Keweenaw has pursued a flawed strategy. A combination of systematic under-harvesting and excessive costs, due to operating below scale and unnecessary expenses for non-executive board members, has led to very little cash flow. As a result, Keweenaw is perennially ranked at the bottom of its peer group on almost every operating metric imaginable. Today, more than ever before, the company's strategy is mired in confusion and contradictions. Management has reversed its policy on several important matters with explanations that are either absent or unsatisfactory. For example, the company recently embarked on a debt-financed acquisition program, with over \$22 million spent over the last 5 years, at average purchase prices greatly exceeding the company's implied valuation per acre.

Alarmingly, EBITDA has declined over this period. There is no strategic rationale for growing acreage, as the company is nowhere near achieving scale. All the while, Keweenaw has operated its harvest on inaccurate assumptions regarding its own inventory, resulting in significant under-harvesting of its resource base.

Not surprisingly, Keweenaw has experienced significant share price underperformance. In fact, total returns to shareholders over the near-term (6 month, 1 year and 3 years) and long-term (10 years) have underperformed the S&P Global Timber & Forestry USD Index (a global benchmark for timber and forestry stocks) by a daunting 16%, 34%, 52% and 101%, respectively.

Rather than act as fiduciaries to shareholders, Keweenaw's deeply entrenched board has prioritized its own job security, protecting itself through a complex web of dated corporate defenses - including a staggered board, supermajority provisions, and limitations on shareholders' ability to call shareholder meetings - designed to block open shareholder engagement and prevent good corporate governance.

A small minority of long-standing board members has effectively controlled all board and management decisions - this absence of independence has led to poor decisions that have resulted in severe deterioration of shareholder value.

## CORNWALL HAS A CLEAR 4 POINT PLAN FOR CHANGE AND VALUE CREATION

Cornwall's plan for a New Keweenaw is simple and rational. We believe there is an easily attainable opportunity to create substantial value for shareholders by:



- 1. REPOSITIONING THE COMPANY FOR CASH FLOW GROWTH** by responsibly increasing harvest rates and aligning compensation with long-term objectives;
- 2. IMPLEMENTING A COST REDUCTION STRATEGY TO IMPROVE OPERATING EXPENSES** by conducting a standard, overheard expense review to cut extraordinary costs;
- 3. REDESIGNING CORPORATE GOVERNANCE FOR SHAREHOLDER RESPONSIVENESS** by eliminating a staggered board, removing supermajority provisions, improving disclosure of timber inventory, and engaging in regular communication with shareholders; and
- 4. REPAIRING THE BALANCE SHEET** by ceasing all value-destroying acquisitions and ensuring management's focus is on value creating initiatives, paying down debt, and monetizing non-timber assets.

## **RIGHTING THE SHIP REQUIRES NEW PERSPECTIVES ON THE KEWEENAW BOARD**

Cornwall is strongly aligned with its fellow Keweenaw shareholders. We are seeking the election of our three nominees today because ***we want to help lead the company to success over the long-term.***

**Cornwall's nominees - Mr. Ian Haft, Mr. Steve Winch, and Mr. Paul Sonkin - are individuals we are confident will serve as true fiduciaries to shareholders.**

I humbly request that you vote the **WHITE** proxy card **"FOR"** Cornwall's nominees, who have the deep strategic, financial and public and private board experience required, to restore value to Keweenaw and act as true stewards of your trusted capital.

**Together, we can ensure the company is put back on a path to operational and financial success over the long-term.**

Sincerely,

**James A. Mai**

Managing Member of Cornwall GP,  
the General Partner of Cornwall Master LP



# **WHITE PROXY CARD TODAY!**

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## **REMEMBER:**

You can vote your shares by telephone or via the internet. Please follow the easy instructions on the enclosed white proxy card. Even if you have already voted, you can still return the **WHITE** card to change your vote – only your most recent vote counts.

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If you have any questions or need assistance in voting your shares, please call our proxy solicitor,

**Innisfree M&A Incorporated**  
Toll-free, at 1-888-750-5834