

E V A S H E V S K I

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March 18, 2026

Shepler's Inc. d/b/a Shepler's
Mackinac Island Ferry Service
Mark J. Magyar
Attorney for Ferry Companies
201 Townsend Street
Suite 900
Lansing, MI 48933
(616) 776-7523
mmagyar@dykema.com
Sent via Electronic Mail

Mackinac Island Ferry Company, Inc.
d/b/a Arnold Transit Company
Mark J. Magyar
Attorney for Ferry Companies
201 Townsend Street
Suite 900
Lansing, MI 48933
(616) 776-7523
mmagyar@dykema.com
Sent via Electronic Mail

**RE: Regulation of 2026 Ferry Service
Rates, Fares and Schedules**

Dear Mr. Magyar,

As you are aware, the 6th Circuit Court of Appeals vacated the district court's preliminary injunction as to the regulation of the ferries' charges, prices and rates, including ancillary fees such as priority boarding and luggage fees. The Court of Appeals specifically ruled that the City "may implement Ordinance 629, or any subsequently enacted ordinance, regulating ferry rates and fares, consistent with this opinion and in accordance with the authority vested in the City by the Charter and present law."

Under Ordinance 629, the Ferry Boat Companies were required to provide any and all documentation needed for the Council to review Ferry Boat Company operations, cost to provide Ferry Boat Services, annual revenues, quantity of Service Classes provided, and any other documentation or information requested by the Council upon passage of the Ordinance. Ordinance 629 was adopted in in May of 2025 and the City has still not received the necessary documentation. The City is now demanding that you immediately send the all documents listed on Attachment A to this letter to the City no later than 20 days from the date of this letter:

Further, Ordinance 629 also requires the Ferry Boat Companies each pay an Annual Regulatory Fee of \$150,000.00 to cover the estimated 2025 cost of regulation of Ferry Boat Companies. This fee was never paid by the Ferry Boat Companies in 2025, and therefore it will be the 2026 Annual Regulatory Fee.

Ordinance 629 requires immediate compliance with the demands made in this letter. However, in the event that there is any question, the City has also adopted an Amendment to Ordinance 629 detailing each of these requirements.

Specifically, at a Special Meeting of the City Council held on March 17, 2026, and its regularly scheduled City Council Meeting on March 18, 2026, the City took the following actions:

- Passed Resolution 26-004, enclosed herewith, which amended Resolution 24-004 to clarify its findings and declarations. A copy of this Resolution is enclosed with this letter.
- Passed Ordinance 632, enclosed herewith, which amended Ordinance 629 as to certain dates, timelines and regulatory requirements and procedures, and which requires immediate compliance with the City's regulatory procedure of setting the 2026 Ferry Boat Service Rates.
- Approved the initial Annual Regulatory Fee for the 2026 year be \$150,000.00 as specified in Ordinance 629 and the Amended Ordinance 632, and directed that an invoice be sent for payment within 30 days of its date.
- Approved Attachment A of this demand letter be sent on behalf of the City of Mackinac Island City Council.

Please consider this letter to be a formal demand that Shepler's Ferry Company and Mackinac Island Ferry Company (d/b/a Arnold Transit) provide the City with the documents and information listed in the Attachment hereto within 20 days of the date of this letter. Further, this letter is a formal demand that the Ferry Boat Companies each pay the enclosed Annual Regulatory Fee Invoice within 30 days of the date of the Invoice. Failure to comply with these demands shall constitute a violation of the Ferry Boat Franchise Ordinances, the City's regulatory code under Chapter 66, Article XI, and the City's Charter, and will be subject to any and all legal ramifications of such violations.

Sincerely,



Erin K. Evashevski

CC: Margaret Doud, Mayor
Danielle Leach, Clerk
Michael Cavanaugh, Attorney for Mackinac Island
Larry Saylor, Special Council for Mackinac Island

Attachment A

I. Corporate Organization Detail

Information on the organization of the Ferry Company is needed to understand how costs are assigned to ferry service and responsibilities shared between the Hoffman Family Companies. This includes percentage ownership of the ferry companies when identifying entities within the organization that a parent organization to the ferry companies.

1. Please provide chart that shows the organization of the Ferry Company(s) and all associated subsidiaries or parent organizations. This organization chart needs to include all entities charging costs or employing personnel associated with providing ferry service to Mackinac Island.
2. Please identify all personnel charging time or to the ferry company and the organization which employ them. If any overhead costs are included in the cost of providing ferry service, identify all personnel, the entity which employs them, all functions performed by the personnel for the ferry company, and basis for determining the overhead costs.
3. Please provide audited financials for each ferry company and any parent company to the ferry companies for the last five years.
4. Please provide a list of all ferry services associated with ferry service to and from Mackinac Island, which the ferry companies charge a fee.
5. Please provide all documentation associated with the purchase of each ferry line and used to establish asset value used on balance sheets.
6. Please provide the asset value of each dock owned by the ferry companies.
7. Please provide the asset value of each parking lot owned by the ferry company.

II. Operations & Maintenance Costs and Service Volumes

1. Please provide documentation containing the following information.
 - a. List each ferry boat in the fleet, date originally entering service, which ferry line the boat is assigned, and last major overhaul.
 - b. Provide list of overhaul work performed on each boat, by year, for each of the last five years. Identify the purpose of the work, description of the work, and if the work was defined as capital or operating and maintenance expense.
 - c. Identify any major issues requiring long-term maintenance for each boat. If a boat is not in service explain the reason the boat is not in service and provide any projections for when the boat will return to service. Do not include any boats out of service due to weather problems.
 - d. Please provide copies of all Coast Guard certificates for each boat.
 - e. Please provide copies of the long-term maintenance schedule for each boat. Including date maintenance is expected to occur and estimated cost.

- f. List each shore facility needed to provide ferry service.
 - g. Provide a list of maintenance work performed on each shore facility for each of the last five years and identify if the work was defined as capital or maintenance activities.
 - h. Identify any major issues requiring long term maintenance for each shore facility.
2. Provide the maintenance costs for each boat for each of the last five years in an excel spreadsheet. Identify if the maintenance cost was classified as capital or maintenance expense. Maintenance costs should be broken down into the following categories:
 - a. Ferry Company personnel cost, broken down by labor and supervision,
 - b. New equipment cost,
 - c. Equipment refurbishment cost,
 - d. Spare parts cost, and
 - e. Services performed by outside vendors.
3. Provide the maintenance cost for each shore facility for each of the last five years in an Excel spreadsheet. Identify if the maintenance cost was classified as capital of maintenance expense. Maintenance costs should be broken down into the following categories:
 - a. Ferry Company personnel cost, broken down by labor and supervision,
 - b. New equipment cost,
 - c. Equipment refurbishment cost,
 - d. Spare parts cost, and
 - e. Services performed by outside vendors.
4. Provide the monthly operating hours for each ferry boat in service for the last five years by month.
5. Provide the number of trips to Mackinac Island for each ferry boat, by month, for each of the last five years.
6. Identify any trips ferry boats made that were not associated with providing passenger service to Mackinac Island, by month, for each of the last five years.
7. Identify the number of times each ferry boat use each shore facility (such as docks) for purposes of transporting passengers to or from Mackinac Island, by month, for each of the last five years.
8. Identify the number of times each ferry boat use each shore facility (such as docks) for purposes other than transporting passengers to or from Mackinac Island, by month, for each of the last five years. Group the trips by category of ferry service.
9. Provide the number of personal items for which a fee is charged (such as bicycles, wagons, kayaks, etc.), that are transported to and from Mackinac Island for ferry passengers, by month, for each of the last five years. Include the following information:
 - a. Type of item fee is charged,
 - b. Fee charged per item,
 - c. Number of items transported by item type, and
 - d. Total monthly revenue from personal item fees.

III. Financials Statements, Historical Costs and Service Revenues

Audited Income Statement (Operating Statement) and Balance Sheet (Statement of Net Position) information shall be provided in Xcel spreadsheet with all formulas functional. Preferred format for

financial statements is to have a pdf of the audit report, and an accompanying excel spreadsheet to match. In addition, the year-end trial balance for each year with full general ledger detail may be an efficient way to provide the sub-category detail needed. Other formats may be acceptable as long as they reflect audited financials and provide the general ledger account details necessary to confirm specific category spending.

1. Please provide the total ferry service revenue for each month of 2023, 2024 and 2025, by type of ferry service and passenger class provided, as identified in Section I.4.
2. Please provide the quantity of ferry services (tickets, baggage fees, bicycle fees, etc.) provided by type of service, for each month of 2024 and 2025. Provide separate amounts for different passenger categories (tourist, resident, worker, etc.)
3. Please provide the revenue for freight service for each month of 2024 and 2025. Include the following:
 - a. Amount of freight shipped,
 - b. Number of freight related trips which did not include passengers,
 - c. Number of freight-related trips included passengers.
4. Please provide the monthly 2024 and 2025 personnel costs by personnel category. Include the following for each personnel category:
 - a. Description of functions for each personnel category.
 - b. For hourly personnel, include the following:
 - i. Average Hourly Rate by function
 - ii. Number of hours worked.
 - iii. Part time or full-time designation
 - c. For salaried personnel, include the following:
 - i. Average monthly salary by job title
 - ii. Hours worked for each function of the employee.
5. Fuel Costs:
 - a. Provide the monthly fuel costs for 2024 and 2025 for each ferry used to perform ferry service to Mackinac Island by boat. Include the following:
 - i. Number of trips to and from island,
 - ii. Hours boats were in service,
 - b. Provide the monthly fuel costs for 2024 and 2025 for each vehicle used to support ferry service. Include the following:
 - i. Make and model of each vehicle used and the function it performed.
 - ii. Miles vehicles accumulated in the monthly period.
 - iii. Hours vehicles were in service.
6. Provide amount of overhead costs assigned to ferry service on a monthly basis for the last five years. Include following for each overhead cost:
 - a. Explanation for purpose of the cost,
 - b. Which corporate entity incurred the cost,
 - c. If portions of the total overhead costs are allocated to companies, explain the basis for the split between other companies and the Ferry companies.
7. Please provide annual property taxes paid for each of the last five years and documentation on the assessment on which the taxes were paid.
8. Please provide annual payroll and social security taxes for each of the last five years.
9. Please provide annual employee benefit costs for each of the last five years, by benefit type and employee classification. Identify each class of employee receiving those benefits.

10. Please provide the annual amount of employee bonuses paid to ferry boat employees over the last five years, by employee class.
11. Please provide the annual cost for other operating costs of the ferry companies, not included above, for each of the last five years. Include an explanation of those costs and how the costs were determined.
12. Long Term Assets
 - a. Property, plant, and equipment (PP&E)
 - b. Long-term investments
 - c. Intangible assets (patents, trademarks, goodwill)
 - d. Deferred tax assets
 - e. Long-term receivables
13. Current Assets:
 - f. Cash and cash equivalents.
 - g. Accounts receivable
 - h. Inventory
 - i. Prepaid expenses
 - j. Marketable securities
14. Current Liabilities:
 - k. Accounts payable
 - l. Short-term debt / current portion of long-term debt
 - m. Accrued expenses.
 - n. Taxes payable
 - o. Unearned/deferred revenue
15. Long-term Liabilities:
 - p. Long-term debt. Identify the assets which were funded using debt.
 - q. Pension obligations
 - r. Deferred tax liabilities
 - s. Lease obligations
 - t. Bonds payable
16. Please provide interest on debt.
17. Please provide the projected 2026 interest on debt and identify the asset which interest is paid on.
18. Please provide the depreciation expense by asset type of asset life expectancy. Include remain asset life or explain the basis for depreciation calculation.
19. Please provide the projected 2026 depreciation expense. Include explanation of the basis for the depreciation calculation.

IV. Other Work Papers

Please include other work papers that, based on the request, may be helpful.