

Keweenaw Cooperative, Inc. (KCI)

**PATRONAGE REFUND POLICY**

Effective November 2010

Revised October 2011

KCI will allocate and distribute Patronage Refunds to the Members (Patrons) as provided in the Bylaws and subchapter T of the Internal Revenue Code.

To ensure this, the following timetable will be used:

**January Meeting:** The Board of Directors (BOD) will establish a Member Patronage Committee (MPC) that will make recommendations to the BOD in matters of Patronage Refund and Equity Redemption.

**February Meeting:** The BOD will discuss long and short-term capital goals and KCI's financial projections. The MPC will use this input to make recommendations.

**10 days prior to March Meeting:** The General Manager (**GM**) will calculate the Patronage Refunds and equity redemption requests and report this to the MPC.

**March Meeting:** The MPC will report to the BOD their recommendations for Patronage Refund distribution with respect to the prior year's Net Margins, and suggest an amount to be committed to equity redemption. These recommendations will be based on KCI's long and short-term capital and finance goals, number of equity redemption requests, and KCI's financial projections. The BOD will discuss the recommendations.

The MPC will also submit draft Patronage Refund letter.

The BOD will vote on final Patronage Refund distribution, additions to the Equity Redemption Pool, and the Patronage Refund letter. The cash portion of a Patronage Refund may be distributed with the option for the Patron to elect either receipt in cash payment from KCI or trade coupon redeemable in purchases from KCI.

**Seven Days Prior to Annual Meeting:** The MPC will submit final draft of the Patronage Refund letter to the President and GM for member-owner distribution.

**March Annual Meeting:** Date by which Patronage Refund notice of allocation and Equity Redemption payments is made available to member-owners.

**April 1:** Last date that Patronage Refunds not distributed at the Annual Meeting are to be distributed by mail.

**April Meeting:** The BOD must verify with the GM that all required Patronage Refund steps have been properly completed. MPC discharged from its duties.

**April 1 of the following year:** Last date that cash portion (or trade coupon – Patron's option) of Patronage Refund can be redeemed. All cash portion and trade coupon portions of Patronage Refunds

that are not redeemed on or before April 1 of the following year revert to Capital Credits for the account of the respective Patron.

Adopted By Keweenaw Cooperative, Inc.  
Board of Directors at a meeting held on  
\_\_\_\_\_, 2010.

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Secretary