

Explanation of Patronage Refunds

Patronage refunds are based on the profitability of the Co-op. When the Co-op makes a profit, there is potential for Owners to receive a Patronage Refund. The amount available for Patronage Refunds is calculated by figuring the percentage of owner sales to the total sales.

For example: If the Co-op's total sales in a given year are \$1,000,000, with \$400,000 or 40% of that attributable to Owner sales (patronage), and the profit for this theoretical year is \$5,000, then 40% of that profit, or \$2,000 would be available for patronage refunds to be divided among the Owners based on their purchases. If your purchases that year totaled \$4,000 this amounts to .01% of Owner sales. So, your Patronage Refund allocation would be .01% of member-sourced profit, which is \$20.00.

Due to the expense of processing the patronage refunds, if a Owner's allocated Patronage Refund is less than five dollars it is forfeit and assigned back to the Co-op's capital reserves (as per the bylaws). Based on an individual Owner's spending at the Co-op, if the patronage refund is over \$5.00, the Co-op is obligated to return a minimum of 20% of a Owner's earnings in cash with the remaining amount becoming a member-owner's capital reserve.

The decision of the percentage to return in cash to Owners in a given year is entrusted to the Keweenaw Co-op Board of Directors who selects a Patronage Refund Committee in January to review long- and short-term capital goals and financial projections and make a recommendation. The balance is added to a Owners' Capital Credits. In 2011, despite bad economic times, the Co-op did make a small profit so there is a portion of our Owners who are entitled to a Patronage refund.

As the Co-op begins to explore the possibility of moving to a new location and considers the cost, it has been decided that for 2011 we refund 20% back to the Owners retain the balance in the Capital Reserve in anticipation of the expenses involved in undertaking this exciting new venture.