

**KEWEENAW COOPERATIVE, INC.
EQUITY REDEMPTION POLICY**

Effective Date: January 12, 2011

It is the policy of Keweenaw Cooperative, Inc. (the **Co-op**) to redeem or repurchase capital stock and Capital Credits that it has issued as the Co-op's financial condition permits. The plan of funding redemption/repurchase of Equity Interests follows:

1. **Authorization.** All equity redemptions and repurchases are subject to authorization by the Board of Directors in accordance with the Articles of Incorporation.
2. **Payment.** Equity redemption may be by payment in cash or in-kind at the par value of capital stock or the Stated Value of Capital Credits to be redeemed unless otherwise provided in the Articles of Incorporation or written subscription for the Equity Interest.
3. **Discount.** Equity redemption or repurchase may be at a discount from par or stated value as permitted in this policy or in the Articles of Incorporation.
4. **Current Funding.** The amount of equity redemption and repurchase is limited to funds that the Board expressly allocates for this purpose and as the Co-op's financial condition permits.
5. **Definitions.** For purposes of this policy:
 - A. **Board** means the Board of Directors of Keweenaw Cooperative, Inc.
 - B. **Equity Interests** means capital stock and Capital Credits issued by the Co-op to a Member or other holder.
 - C. **Membership Stock** means the share of Common stock that a Member is required to own in order to qualify for Membership in the Co-op.
 - D. **Patronage Stock** means Capital Credits issued on account of the non-cash portion of Patronage Refunds distributed to the Co-op's Patrons.
6. **Equity Redemption Fund.** The Board will establish and authorize specific amounts for an **Equity Redemption Fund** to fund equity redemption and repurchase of Equity Interests. No redemption or

repurchase of Equity Interests will occur except from funds or other property expressly authorized and allocated to the Equity Redemption Fund by the Board. The Board may, but is not obligated to, allocate funds or other property to the Equity Redemption Fund as the Co-op's financial condition, in the sole judgment of the Board, permits. An example of an amount that the Co-op's financial condition may permit to be added to the Equity Redemption Fund is cash or other property in excess of amounts that should, in the Board's judgment, be retained to meet the Co-op's current and anticipated requirements for working capital, debt service, operations, capital expenditures and capital reserves.

7. **Equity Redemption From the Equity Redemption Fund.** The Board will authorize redemption or repurchase of Equity Interests from funds allocated to the Equity Redemption Fund by applying the funds in various amounts to the following:
 - A. **Revolving Plan.** The general plan is to redeem Equity Interests that are made eligible for redemption according to a Revolving Plan on the basis of earliest first date of issue of the Equity Interest (i.e., first in – first out). Membership Stock deferred to the Revolving Plan will be converted to Capital Credits for this purpose.
 - B. **Membership Stock.** Membership Stock is not eligible for redemption or repurchase, except for the following:
 1. **Voluntarily Terminated Member.** Membership Stock issued to Members in good standing who withdraw from Membership and make a written request for redemption within three months of withdrawal. Requests for redemption in any year will generally be honored on the basis of first issued – first redeemed. If the Equity Redemption Fund allocation for voluntarily terminated Members is insufficient to cover all requests, the Board may defer redemption to the Revolving Plan, or to the following year to be redeemed with other requests for redemption by voluntarily withdrawn Members from funds made available for redemption in that year. In the latter case, the request will be honored on the basis of earliest request and as if the Common stock was "first issued" before Common stock requested for redemption in the subsequent year, regardless of the actual date of issue.
 2. **Deceased Members.** Membership Stock issued to a deceased Member whose personal representative makes a written request for redemption within one year of the date of death. Requests for redemption in any year will be honored

on the basis of first issued Common stock – first redeemed. If the Equity Redemption Fund allocation for deceased Member requests is insufficient to cover all requests, unredeemed requests will carry over to the following year and will be redeemed from funds made available for this purpose in that year on the basis of earliest request and as if the Common stock was "first issued" before Common stock requested for redemption in the subsequent year, regardless of the actual date of issue.

3. **Other Membership Stock.** Membership stock issued to deceased or voluntarily terminated Members for whom a timely request for redemption is not made, and the Membership Stock of Members who are terminated for cause or who default on an installment of a payment plan for purchase of Membership Stock (only the amount actually paid, in the case of default) are deferred to the Revolving Plan.
8. **Other Redemptions.** The Board may authorize redemptions of Preferred stock of any series, if, when, and in the amount and order the Board considers fair to the Co-op and its Members. If a written subscription for Preferred stock specifies terms of redemption, the subscribed stock will be redeemed in accordance with those specifications.
9. **Re-Purchase.** The Board may authorize, on a case-by-case basis, repurchase of Equity Interests issued by the Co-op at a present value discount (based on early payment compared to the Revolving Plan) in connection with an offset against a holder's obligation to the Co-op as provided in the Articles of Incorporation, or for other facts and circumstances (such as hardship or settlement of the estate of a deceased Member) that the Board finds compelling and in the interest of the Co-op and its Members.
10. **Board Discretion.** Unless otherwise provided in a written subscription or other investment agreement that is authorized by the Board, the Board is not obligated to authorize any equity redemption or repurchase, and may defer or decide not to authorize any redemption or repurchase, regardless of precedent or past practice.
11. **Notice and Transfer of Equity Interests.** Each holder of Equity Interests in the Co-op is responsible for keeping the Co-op informed of the holder's current address, legal status, and availability to receive proceeds of equity redemption or repurchase. A corporate equityholder (including an LLC or other formally organized entity) that dissolves or otherwise winds up its affairs must inform the Co-op of the dissolution and who received the

corporate holder's Equity Interests in liquidation. **An equity holder may not transfer any Equity Interest without written consent of the Board.**

12. **Forfeiture Of Equity Interests.** The Co-op may send a request for confirmation to any holder of Equity Interests that become eligible for redemption at the holder's address shown in the Co-op's records. In this case, redemption of the Equity Interests is subject to receipt of the holder's written confirmation of the holder's current address and availability to receive and accept redemption proceeds. If a holder has no documented contact with the Co-op for three (3) years and fails to provide the requested confirmation, the Equity Interests of that holder may be forfeited to the Co-op.
13. **Amendment.** Subject to the Articles and Bylaws and any written subscription or other investment agreement authorized by the Board, this policy may be amended, repealed or replaced by the Board at any time.

This policy was adopted at a regular meeting of the Board on January 12, 2011.

Secretary