

PATRONAGE REBATE PRIMER

The Third Cooperative Principle: Member Economic Participation

*Members contribute equitably to and democratically control the capital of the cooperative.
The economic benefits of a cooperative operation are returned to the members,
reinvested in the co-op or used to provide member services.*

Patronage rebates are the cooperative way to equitably return a portion of profit (if any) to our Owners. Patronage rebates are based on how much you purchased during the rebate period, not on how much you invested. Your ownership and continuing support made it possible for WFC to achieve the membership, sales and operating goals that resulted in a significant profit during Fiscal Year 2011 (July 1, 2010 - June 30, 2011). Following review of financial reports for that period and of plans for the future, the Board of Directors authorized a patronage rebate in the amount of \$463,465 to be allocated **20% as cash** and **80% as retained equity** for eligible Owners who made purchases in that fiscal year.

RETAINED EQUITY

Retained equity (80% of the 2011 patronage rebate) of each Owner is held by WFC until such time as the Board authorizes payment of all of the retained equity from one or more years. Retained equity represents additional investment in WFC. Retained equity is:

- Not interest bearing
- Not distributed on demand
- Cannot be allocated to reduce an Owner's required equity investment and
- Cannot be allocated to reduce the amount of an Owner's IOU.

If you decide to terminate your membership, please keep WFC advised of your current address so you can receive your retained equity in the event of an allocation after your termination.

CASH REBATE EVOLUTION

	2003	2009	2010	2011
Net income before taxes & rebate	\$226,900	\$258,506	\$516,209	\$729,272
Purchases by Owners as a percentage of sales	55.36%	65.97%	65.40%	69.32%
Cash rebate allocated by Board	\$25,122 (20%)	\$41,561 (20%)	\$91,433 (25%)	\$92,693 (20%)
Number of eligible Owners	1,400	4,700	5,360	5,820

PATRONAGE REBATE CALCULATION

WFC calculates the percentage of the rebate available for each eligible Owner in direct proportion to his/her net (after any discounts) purchases. The same rebate percentage is used to calculate each eligible Owner's rebate. The more goods you purchase at WFC, the more you benefit if a patronage rebate is allocated by the Board.

CASH REBATE EXAMPLES

	2003	2009	2010	2011
% Cash rebate	20%	20%	25%	20%
Net purchase \$100/month (\$1,200/year)	\$16.80	\$7.87	\$16.14	\$14.05
Net purchase \$100/week (\$5,200/year)	\$72.80	\$34.11	\$69.94	\$60.88

ELIGIBLE OWNERS

To be eligible for a 2011 patronage rebate, an Owner "in good standing" (current on equity and/or IOU payments and current contact information on file) must have shopped between July 1, 2010, and June 30, 2011. Pursuant to WFC's Bylaws, checks will be sent to Owners who

purchased enough products to earn at least \$5 as a cash rebate. Cash rebates under \$5 will be allocated to the capital reserve fund, however, the retained equity of each of those Owners will be allocated in the same manner as the retained equity of Owners receiving a cash rebate.

Cash rebates not distributed will not increase the rebate of any other Owners. Eligible Owners whose cash rebate did not equal at least \$5 will receive a coupon for 5% off a purchase before January 1, 2012. Rebate checks and coupons for those not receiving a cash rebate will be mailed by the end of November 2011. Watch for your **REBATE** envelope!

TAX CONSEQUENCES

Patronage rebates are not taxable income for Owners as they are derived from the purchase of goods that are generally for personal use. Although allocating a patronage rebate reduces WFC's tax liability, rebate checks not cashed will add to WFC's tax liability in 2012. As an incentive to promptly cash rebate checks, WFC is offering a 5% discount if you apply your rebate check toward a purchase before January 1, 2012.

Please cash your rebate check promptly.

If you prefer to donate your rebate, please consider these local non-profit agencies that work with WFC to create a healthy regional food system:

- Duluth CommunityFarm/www.duluthcommunityfarm.org
- Duluth Community Garden Program/www.duluthcommunitygarden.org
- Lake Superior Sustainable Farming Association/www.lssf.org
- Seeds of Success/www.communityactionduluth.org/program_seeds.html
- Slow Food Lake Superior/www.slowfoodlakesuperior.org