

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 2016 (July 1, 2015 – June 30, 2016). Following review of financial reports and tax consequences for that period, the Board of Directors authorized a patronage rebate in the amount of \$454,520 to be allocated **20% as cash** and **80% as retained equity** for eligible Owners who made purchases in Fiscal Year 2016.

RETAINED EQUITY

Retained equity (80% of the 2016 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
- Is not distributed on demand and
- Cannot be allocated to reduce an Owner's required equity investment.

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

FISCAL YEAR	2003	2009	2010	2011	2012	2013	2014	2015	2016
Purchases by Owners as % of sales	55.36%	65.97%	65.40%	69.32%	70.13%	70.07%	70.75%	72.08%	72.90%
Cash rebate allocated by Board	\$25,122 (20%)	\$41,561 (20%)	\$91,433 (25%)	\$92,693 (20%)	\$64,627 (20%)	\$152,540 (20%)	\$147,483 (20%)	\$111,227 (20%)	\$90,904 (20%)
Number of eligible Owners	1,400	4,700	5,360	5,820	6,098	6,687	6,982	7,536	8,763

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

FISCAL YEAR	2003	2009	2010	2011	2012	2013	2014	2015	2016
% Cash rebate	20%	20%	25%	20%	20%	20%	20%	20%	20%
Net purchase \$100/month (\$1,200/year)	\$17.64	\$7.80	\$15.36	\$14.16	\$8.76	\$18.84	\$19.56	\$10.80	\$8.52
Net purchase \$100/week (\$5,200/year)	\$76.44	\$33.80	\$66.56	\$61.36	\$37.96	\$81.64	\$84.76	\$46.80	\$36.92

ELIGIBLE OWNERS

To be eligible for a 2016 patronage rebate, an Owner "in good standing" (current on equity payments and current contact information on file) must have shopped between July 1, 2015,

and June 30, 2016. Rebate checks will be mailed by December 1, 2016. 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 2017. To encourage Owners to promptly cash even the smallest checks, WFC is offering an incentive when you present your 2016 rebate check toward payment of a minimum \$50 purchase at WFC **before** January 1, 2017.

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:

- Damiano Center/www.damianocenter.org
- Duluth Community Garden Program/www.duluthcommunitygarden.org
- Growing Farms/www.duluthcommunityfarm.org
- Lake Superior Sustainable Farming Association/www.sfa-mn.org/lake-superior
- Second Harvest Northern Lakes Food Bank/www.northernlakesfoodbank.org
- Seeds of Success/www.communityactionduluth.org/program_seeds.html