



Keweenaw Land Association, Limited
(a Michigan Corporation)

Quarterly Report for the period ended March 31st, 2020

1801 East Cloverland Drive, PO Box 188
Ironwood, MI 49938
(Address of principal executive offices)

Issuer's telephone number: (906) 932-3410

Number of shares outstanding of common stock as of May 6, 2020: 1,296,812

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GLOSSARY

The following abbreviations, acronyms, or terms may be used in this document and shall have the adjacent meanings set forth below:

Board Foot (BF)	A measurement of solid lumber 12 inches x 12 inches x 1 inch. When used in conjunction with sawtimber or logs, it is a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs when the measurement system was developed in the 1800's. Sawmill technology has changed since the scale was originally created and the actual output of lumber from a Board Feet of Logs varies from mill to mill, depending on their technology but it is the standard unit of measurement for buying and selling logs.
MBF	A thousand board feet.
Cord	A measurement of piled logs measuring 4'X 4'X 8' equaling 128 cubic feet. The number of cubic feet of solid wood per cord is not constant but varies based on characteristics of the wood and method of piling. The actual cubic foot volume of solid wood ranges from 64 to 91 cubic feet per cord. Due to this variability the conversion of cord to board foot measurement also varies. Keweenaw uses the conversion of 2.2 cords per 1,000 board feet.
Production Mix	The ratio of a category of production to total production.
Pulpwood	Logs cut primarily to be converted to wood pulp for the manufacture of paper, fiberboard, or other wood fiber products.
REIT	Real Estate Investment Trust
Sawbolts	A lower grade or smaller size sawtimber typically sawn for the manufacture of pallets or other coarse wood products.
Sawlogs	A higher grade or larger size sawtimber sawn for the manufacture of furniture grade lumber, flooring lumber, or other high-quality wood products.
Sawtimber	A category of logs suitable for veneer, sawlogs, or sawbolts.
TRS	Taxable REIT Subsidiary
Veneer	A category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture, and cabinetry veneer.
Strata Timber Inventory	Strata level inventory is a methodology of grouping forest stands of similar species, stocking and relative age for estimating timber volumes and other metrics. It allows for developing strong statistical standards and forest volumes estimates at the total property and species level.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report of Keweenaw Land Association, Limited and subsidiaries (“Keweenaw Land Association”, “Keweenaw”, “the Company”, “we”, “our”, or “us”) may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In addition, Keweenaw Land Association, or the executive officers on Keweenaw Land Association’s behalf, may from time to time make forward-looking statements in reports and other documents or in connection with written or oral statements made to the press, potential investors, or others. Keweenaw intends for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in the Securities Act and the Exchange Act.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “continue,” or other similar words. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. Forward-looking statements are not guarantees of performance and are based on certain assumptions. Forward looking statements discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements in this report include statements anticipating delivery of income, value and long-term returns through sustainable harvests, opportunistic asset sales, and selective acquisitions. Expected future net income (loss) depends on many factors including among others expected uses of cash generated from operations; expected sources and adequacy of capital resources and liquidity; change in depletion rates; change in merchantable timber book value and standing timber inventory volume. Any deviation from these assumptions may lead to fluctuations in future net income (loss).

Any such forward-looking statements are based on a number of assumptions involving judgments and are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from our historical experience and our present expectations. See Section 1A *Risk Factors* in this Annual Report. With respect to our ongoing business, these risks and uncertainties include, but are not limited to, the risks discussed in Section 1A herein. Accordingly, readers are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this report. Keweenaw makes no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and Keweenaw does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Issuer Information

Title and class of security:	Common Shares (no par value)
Transfer Agent:	EQ Shareowner Services 1110 Centre Point Curve Suite 101 Mendota Heights, MN 55120
Chief Executive Officer:	Mark A. Sherman
Board of Directors:	John D. Enlow, Sr. Ian D. Haft Peter C. Madden James A. Mai Paul D. Sonkin Steven Winch

Section 1. FINANCIAL INFORMATION

The information furnished in the accompanying unaudited condensed consolidated balance sheets and related condensed consolidated income statements, stockholders' equity, and statement of cash flows reflect all adjustments, consisting solely of normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements. These results of operations for the three months ended March 31, 2020, are not necessarily indicative of the operating results expected for the full year.

KEWEENAW LAND ASSOCIATION, LIMITED
Condensed Statements of Consolidated Income
(Unaudited)

	Three Months Ended	
	March 31	
	2020	2019
Revenues		
Timber Sales	\$ 5,871,822	\$ 4,745,324
Land Sales	88,918	640,000
Lease Income, Mineral Royalties and Service Fees	145,884	149,742
Total Revenues	6,106,625	5,535,066
Cost of Sales		
Timber Cost of Sales	4,354,570	3,665,748
Land Cost of Sales	23,299	43,862
Timber Operations Forestry Expense	206,511	168,542
Land Management Costs	102,066	104,538
Total Cost of Sales	4,686,445	3,982,690
Gross Profit	1,420,180	1,552,376
Selling, General & Administration Expenses	553,340	731,968
Nonrecurring Expenses	-	153,579
Operating Income	866,839	666,829
Other Income	-	1,503,226
Other Expense		
Interest Expense	87,645	189,046
Earnings Before Income Taxes	779,195	1,981,009
Provisions for State and Federal Income Taxes	214,793	480,924
Net Income	564,402	1,500,085
Other Comprehensive Income (Loss), Net of Tax		
Unrealized Gains (Losses) on Securities		
Unrealized Holding Gain/(Loss) Arising During the Period	-	206,110
Less: Reclassification for Gain Included in Net Income	-	(1,180,365)
Other Comprehensive Income (Loss)	-	(974,255)
Comprehensive Income	\$ 564,402	\$ 525,830
Net Income Per Share:		
Basic	\$ 0.43	\$ 1.15
Diluted	\$ 0.43	\$ 1.15
Weighted Average Shares Outstanding:		
Basic	1,300,306	1,302,787
Diluted	1,300,656	1,302,787

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,647,362	\$ 2,433,989
Cash Held in Escrow	187,832	141,844
Accounts Receivable, Net of Allowances for Doubtful Accounts \$33,078 and \$19,147, respectively	1,199,291	838,510
Prepaid Assets	348,247	267,032
Log Inventory	243,228	144,542
Federal Income Tax Receivable	136,489	264,653
Other Current Assets	36,999	36,999
Total Current Assets	<u>3,799,449</u>	<u>4,127,569</u>
Non-Current Assets		
Timber and Timberlands, Net of Depletion	26,799,766	26,965,969
Prepaid Developed Lot Costs	379,808	379,808
Property, Plant and Equipment, Net of Depreciation	1,179,909	1,211,205
Total Non-Current Assets	<u>28,359,483</u>	<u>28,556,982</u>
TOTAL ASSETS	<u>\$ 32,158,931</u>	<u>\$ 32,684,551</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 175,465	\$ 288,513
Other Accrued Liabilities	527,560	660,115
Total Current Liabilities	<u>703,025</u>	<u>948,628</u>
Non-Current Liabilities		
Long Term Debt	9,542,725	10,036,827
Non-Current State and Federal Deferred Income Tax Liability	129,572	115,411
Total Non-Current Liabilities	<u>9,672,297</u>	<u>10,152,238</u>
Total Liabilities	<u>10,375,322</u>	<u>11,100,866</u>
Stockholders' Equity		
Common Stock (10,000,000 shares authorized, no par value, 1,300,306 and 1,302,387 shares issued and outstanding, respectively)	85,029	85,397
Retained Earnings	21,698,580	21,498,288
Total Stockholders' Equity	<u>21,783,609</u>	<u>21,583,685</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 32,158,931</u>	<u>\$ 32,684,551</u>

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	<u>Common Stock</u>		<u>Accumulated</u>		<u>Retained</u>		<u>Total</u>
	<u>Issued</u>	<u>Amount</u>	<u>Other</u>	<u>Comprehensive</u>	<u>Earnings</u>		<u>Shareholders'</u>
			<u>Income</u>				<u>Equity</u>
December 31, 2018 Balance	1,301,550	\$ 85,111	\$ 974,255		\$ 19,035,089		\$ 20,094,455
Changes during the period ended March 31, 2019:							
Comprehensive Income:							
Net Income (Loss)	-	-	-		1,500,085		1,500,085
Other Comprehensive Income:							
Unrealized Gain on Securities,							
Net of Tax Expense	-	-	206,110		-		206,110
Less: Reclassification for Gain Included in Net Income			(1,180,365)				(1,180,365)
Shares Issued to Directors & Officers	1,237	81	-		99,636		99,717
Shares purchased	-	-	-		-		-
March 31, 2019 Balance	1,302,787	\$ 85,192	\$ -		\$ 20,634,810		\$ 20,720,002
Changes during the period ended March 31, 2020:							
Comprehensive Income:							
Net Income (Loss)	-	-	-		564,402		564,402
Shares Issued to Directors & Officers	-	-	-		-		-
Shares purchased	(5,623)	(368)	-		(364,110)		(364,478)
March 31, 2020 Balance	1,300,306	\$ 85,029	\$ -		\$ 21,698,580		\$ 21,783,609

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	March 31	
	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Net Income	\$ 564,402	\$ 1,500,085
Adjustments to Reconcile Net Income to Net Cash From Operating Activities:		
Depletion, Depreciation and Amortization	218,570	183,554
Amortization of Loan Costs	5,898	5,898
(Gain) on Sale of Securities	-	(1,494,133)
(Gain) on Sale of Land	(65,619)	(596,138)
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	(360,781)	(167,824)
Decrease (Increase) in Prepaid Assets	(81,215)	(81,648)
Decrease (Increase) in Log Inventory	(98,686)	77,130
Decrease (Increase) in Federal Income Tax Receivable	128,164	49,044
Increase (Decrease) in Deposits and Accounts Payable	(113,048)	178,177
Increase (Decrease) in Deferred State and Federal Income Tax	14,161	388,406
Increase (Decrease) in Other Accrued Liabilities	(132,555)	27,204
Net Cash Flow From Operating Activities	<u>79,291</u>	<u>69,755</u>
Cash Flow From Investing Activities:		
Purchases of Property and Equipment	-	(30,456)
Proceeds from Sale of Securities	-	2,599,625
Primary Road Construction Expenditures	(34,866)	-
Proceeds from Land Sales/Development, Net	79,414	613,970
Net Cash Flow From Investing Activities	<u>44,548</u>	<u>3,183,139</u>
Cash Flows From Financing Activities		
Payments on Long Term Debt	(500,000)	(500,000)
Repurchase of Common Stock	(364,478)	
Issuance of Common Stock	-	99,716
Net Cash Flow From Financing Activities	<u>(864,478)</u>	<u>(400,284)</u>
Change in Cash and Cash Equivalents and Cash Held in Escrow	(740,639)	2,852,610
Cash and Cash Equivalents and Cash Held in Escrow, beginning of period	<u>2,575,833</u>	<u>2,739,990</u>
Cash and Cash Equivalents and Cash Held in Escrow, end of period	<u>\$ 1,835,194</u>	<u>\$ 5,592,600</u>

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its wholly owned subsidiaries. Significant inter-company accounts and transactions have been eliminated. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) of the United States of America.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period.

Segment Reporting

The Company is primarily in the business of managing and harvesting timber which is considered to be one reporting segment. The Company has no other reportable segments.

Reclassification

Certain prior period amounts have been reclassified to conform with the current period's financial statement presentation. These reclassifications had no impact on net income or shareholders' equity as previously reported.

Cash and Equivalents and Cash Held in Escrow

Highly liquid investments with maturity of three months or less when purchased are generally considered to be cash equivalents. Cash held in escrow represents amounts being held by a third-party brokerage for the purposes of facilitating the Company's share repurchase program.

Accounts Receivable and Bad Debts

The Company extends unsecured credit to some of its customers and uses the allowance method for accounting for bad debts. Management evaluates all accounts receivable at the balance sheet date to determine the allowance.

Investment in Marketable Securities

Management determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates such determination at each balance sheet date. Marketable securities are classified as available for sale and are carried at fair market value, with the unrealized gains and losses, net of state and federal income taxes, reported as accumulated other comprehensive income in a separate component of stockholders' equity. All marketable securities were sold during the first quarter of 2019.

Log Inventory

Log inventory is valued at the lower of cost or market using the average cost method.

Timber and Timberlands

Timber and Timberlands consist of the recorded costs of holdings. Timber depletion charges are based on these recorded values and the properties' estimated reserves, utilizing the pooling method. In addition, permanent logging road construction costs incurred net of related depreciation have been capitalized and included in timber and timberlands.

Road Building Costs

The Company has an accounting policy to identify, classify, and depreciate or capitalize road-building costs consistent with GAAP. Logging roads constructed under the policy are classified as either permanent or secondary logging roads. Permanent logging roads are those roads, culverts, bridges, and other improvements constructed to provide regional access to a series of timber stands and/or other logging roads, which are continuously maintained for an indefinite period. Secondary logging roads are those roads, culverts, bridges, and other improvements constructed for the sole purpose to provide access to particular, identifiable stands of timber for the purpose of harvest and transport of logs from those specific stands. The accounting treatment adopted is that costs expended on permanent roads are capitalized. Roadbed costs are treated as permanent costs of the land. Costs of road surfacing, culverts, bridges, and other improvements on permanent roads are capitalized and depreciated over 15 years. All expenditures for secondary roads are charged to prepaid expense and written off over the period of the scheduled, related timber stand harvest.

Prepaid Developed Lot Costs

Prepaid developed lot costs include the costs of those properties assigned for development, as well as all accumulated expenditures for lot development.

Property, Plant, and Equipment

Assets are individually identified on the depreciation schedule. Assets are carried at cost and the provision for depreciation is generally computed using the straight-line method over the estimated useful lives of the assets among major asset classes from 3 to 40 years. Buildings are depreciated over 10 -40 years, office furniture, machinery and equipment over 3 to 7 years, vehicles over 5 years, and land improvements over 15 years, all using the straight-line method. Salvage value is assigned to vehicles and other significant assets and for those assets, depreciation is used over the useful life until the salvage value is reached. Management reviews the salvage value of each of these assets at the end of each year to determine if the salvage value is reasonable. If the estimated fair market value is less than the salvage value, the asset is written down to the estimated fair market value.

Deferred Income Taxes

Deferred income taxes are determined utilizing a liability approach. This method gives consideration to the future tax consequences associated with the differences between the financial accounting and tax basis of assets and liabilities.

Common Stock

All Keweenaw common shares previously purchased by the Company are considered authorized but unissued shares. The cost basis for Keweenaw's common shares was determined to be \$0.065392 per share. This is the amount credited to common stock when stock is issued. The excess of the issue price over cost is credited to retained earnings.

Fair Value Measurements

Management has reported all significant financial assets and liabilities at their fair value in Footnote 14 to the financial statements. With the exception of financial instruments, which are carried at fair value in the balance sheet, all other assets and liabilities are represented in the balance sheet at historical cost.

Recent Accounting Pronouncements:

In February 2016, the FASB issued guidance that revised the accounting for leases. The guidance is intended to improve financial reporting of leasing transactions by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The guidance is effective for our first quarter of fiscal year 2021. We are currently evaluating the impact of this guidance but have not yet determined the effect on our consolidated financial statements.

ASC 606 Revenue from Contracts with Customers

In May 2014, the FASB issued guidance on the recognition of revenue from contracts with customers. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services.

Timber

The Company recognizes revenue when control of promised goods or services (“performance obligations”) is transferred to a customer in an amount that reflects the consideration expected in exchange for those goods or services (“transaction price”).

The Company generally satisfies performance obligations within a year of entering into a contract, and therefore has applied the disclosure exemption found under ASC 606-10-50-14. There were no unsatisfied performance obligations as of March 31, 2020 or March 31, 2019. The Company generally collects payment within a year of satisfying performance obligations, and therefore has elected not to adjust revenues for a financing component.

The Company maintains master contracts or purchase agreements with each of its timber customers. Contract types include: Delivered wood and Stumpage (pay as cut). Specific price lists identify prices, terms and conditions for the transaction price and delivery point for each sale. Price lists are updated periodically to reflect market conditions.

Contract Type	Performance Obligation	Revenue Recognition	General Terms of Payment
Delivered Wood	Wood type delivered to customer	Upon Delivery (point-in-time)	Weekly or Net 15
Stumpage (pay as cut)	Harvest rights	Paid as Cut (point-in-time)	Weekly or Net 15

Real Estate

Revenue from sale of real estate (Higher and Best Use (“HBU”) or Non-core timberland) is recognized when title passes to the buyer and full payment has been delivered to the seller as consideration for the sale generally at the closing of the sale.

Non-Timber revenue

Non-timber revenue generally comprises gravel royalties and lease income from hunting, recreational and mineral leases. This income is generally recognized according to the contractual terms which renew on an annual basis.

The following tables present our revenue from contracts with customers disaggregated by product type:

Revenue From Contracts with Customers	3 Months Ended March 31	
	2020	2019
Sawtimber	\$ 2,136,151	\$ 1,718,401
Pulpwood	3,735,671	3,026,923
Total Timber Revenue	5,871,822	4,745,324
Mineral Royalties	3,000	21,174
Service Contracts	53,360	52,252
Total Non-Timber Revenue	\$ 56,360	\$ 73,426
Non-strategic Timberland Sales	88,918	640,000
Total Real Estate Sales	\$ 88,918	\$ 640,000
Total Revenue from Contracts with Customers	\$ 6,017,101	\$ 5,458,750
Lease Income	89,524	76,316
Total Revenue	\$ 6,106,625	\$ 5,535,066

The following tables present our timber revenue disaggregated by contract type:

Timber Revenue Disaggregated by Contract Type	3 Months Ended March 31	
	2020	2019
Delivered Wood	\$ 5,775,179	\$ 4,745,324
Stumpage (Pay as Cut)	96,643	-
Total Timber Revenue	5,871,822	4,745,324

Contract Balances

The timing of revenue recognition, invoicing, and cash collections results in accounts receivable on the Consolidated Balance Sheets. Accounts receivable are recorded when the Company has an unconditional right to consideration for completed performance under the contract. There were no contract liabilities related to payments received in advance of performance under any contract as of March 31, 2020 or 2019.

2. Investments in Marketable Securities

There were no securities classified as available for sale as of March 31, 2020. All securities were sold in the first quarter of 2019.

Realized gains and losses are determined using the specific identification method.

3. Timber and Timberlands

The following is a summary of the timber and timberlands and permanent logging roads at cost, less accumulated depletion, and road depreciation as of March 31, 2020 and December 31, 2019, respectively:

	March 31, 2020	December 31, 2019
Land and Mineral Holdings	\$ 9,729,812	\$ 9,743,289
Timber	23,346,295	23,346,609
Permanent Logging Roads	1,132,050	1,097,184
Properties at Cost	34,208,157	34,187,082
Less: Accumulated Timber Depletion	(6,915,428)	(6,736,461)
Less: Accumulated Road Depreciation	(492,963)	(484,651)
Net Carrying Value	\$ 26,799,766	\$ 26,965,969

The timber depletion expense and depreciation expense for permanent logging roads is as follows:

	3 Months Ended March 31,	
	2020	2019
Timber Depletion Expense	\$ 178,963	\$ 144,898
Depreciation Expense for Permanent Logging Roads	\$ 8,015	\$ 7,558

The Company did not complete any timberland acquisitions during the first quarter of 2020 or 2019, respectively.

4. Prepaid Developed Lot Costs

The Company capitalizes the development costs for lots available for sale and these costs plus the cost of the lots are shown on the balance sheet. There were no lot sales in the first quarter of 2020 or 2019, respectively. On March 31, 2020, there were 23 lots remaining for sale.

5. Property, Plant, and Equipment

A summary of property, plant and equipment, at cost, less accumulated depreciation is as follows:

	March 31, 2020	December 31, 2019
Buildings	\$ 415,862	\$ 415,862
Furniture, Equipment, and Accessories	1,102,949	1,102,949
Machinery and Vehicles	407,792	407,792
Land Improvements	847,056	847,056
Equipment at Cost	2,773,659	2,773,659
Less: Accumulated Depreciation	(1,593,751)	(1,562,454)
Equipment, Net of Depreciation	\$ 1,179,908	\$ 1,211,205

The Company recorded depreciation expense for property, plant and equipment as follows:

	3 Months Ended March 31,	
	2020	2019
Depreciation Expense	\$ 31,592	\$ 31,099

6. Lines of Credit and Long-Term Debt

Keweenaw Land Association maintains banking relationships with Wells Fargo Bank, N.A., and Metropolitan Life (MetLife).

The Company has a combined unsecured line of credit with Wells Fargo Bank in the amount of \$1,000,000 to be used as an operating line of credit, and also for the purpose of standby letter of credit availability at a variable interest rate equal to the Wells Fargo Bank prime rate plus 0.25% for a one-year commitment and interest to be paid monthly. Significant covenants under this arrangement with Wells Fargo Bank require Keweenaw to ensure working capital as of the end of the year of not less than \$1,000,000 and maintain a debt service ratio of 1.25 to 1.00.

A ten-year interest-only loan with MetLife at 3.05% per annum, principal balance of \$5,000,000, dated December 9, 2016, had a balance of \$4,500,000 on December 31, 2019. According to the terms of the loan, up to 10% of the original principal balance can be repaid annually during the life of the loan without penalty. The maturity date on this loan is December 9, 2026. During the first quarter of 2020, \$500,000 was paid down without penalty. As of March 31, 2020, the balance outstanding was \$4,000,000.

Keweenaw also maintains a five-year revolving line of credit in the amount of \$25,000,000 with a maturity date of December 6, 2021, with MetLife which carries an interest rate of 3-month LIBOR plus 150 basis points and .0875% on the uncommitted funds if the average unused portion is more than 50% of the maximum draw. If the average unused portion is 50% or less of the maximum draw, interest of .0375% is charged. Once the facility is used, there is the option of terming out the amount borrowed at the existing 10-year Treasury note rate plus 150 basis points. In 2019, \$8,000,000 from a combination of proceeds from the sale of securities and cash on hand after the sale of the conservation easement was applied to the outstanding balance of the MetLife line of credit. A total of \$5,700,000 remains drawn on this line of credit as of March 31, 2020, representing no change from \$5,700,000 as of December 31, 2019. A significant covenant under this arrangement with MetLife requires Keweenaw to not allow the outstanding principal balance of the loan to exceed 35% of the value of the timberlands owned by Keweenaw. As security for these loans, MetLife holds a lien on 164,823 acres of Keweenaw's timberlands.

In addition to the financial covenants listed above, the debt agreements include customary covenants that limit the incurrence of debt and the disposition of assets, among others. On March 31, 2020, Keweenaw was in compliance

with all applicable covenants.

On March 31, 2020, the Company had one standby letter of credit amounting to \$21,000 outstanding for the purpose of backing performance bonds required by the USDA Forest Service in connection with on-going timber stumpage and road-use contracts with the Company. A second standby letter in the amount of \$500,000 existed as a payment bond to the Forest Service. No balance was owed on the \$521,000 committed against the \$1,000,000 line of credit as of March 31, 2020.

The following table summarizes the long-term debt of the Company on March 31, 2020, and December 31, 2019:

	March 31, 2020	December 31, 2019
Long-term Debt	\$ 4,000,000	\$ 4,500,000
Five-year Revolver	5,700,000	5,700,000
Less Unamortized Loan Costs	(157,275)	(163,173)
Total	\$ 9,542,725	\$ 10,036,827

7. Retirement Plans

The Company is the sponsor of a 401(k) deferred compensation plan. The Company makes matching contributions equal to 50 percent of employee elective deferrals, not to exceed 5 percent of compensation as defined in the plan. In addition, the Company makes discretionary contributions to the plan in the amount of 5 percent of base compensation. Expenses related to the Company's 401(k) plan were:

	3 Months Ended March 31,	
	2020	2019
Total 401(k) Expense	\$ 24,756	\$ 20,581

8. Concentration of Credit Risk

Keweenaw is located in Ironwood, Michigan. The Company grants credit without collateral to its approved customers, most of whom are located in Wisconsin and Upper Michigan. The Company has not experienced any significant losses from uncollectible customer accounts. For the quarter ending March 31, 2020, five customers accounted for approximately 27%, 21%, 6%, 5% and 5%, respectively of the Company's consolidated net sales. In 2019 five customers accounted for approximately 28%, 17%, 7%, 6% and 5%, respectively of the Company's consolidated net sales. For the quarter ending March 31, 2020, five customers accounted for approximately 24%, 16%, 12%, 12% and 8%, respectively, of the Company's consolidated receivables. In 2019, four customers accounted for approximately 30%, 14%, 9% and 7% respectively, of the Company's consolidated receivables.

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of Federal Deposit Insurance Corporation ("FDIC") insurance coverage, and as a result, there is concentration of credit risk related to amounts on deposits in excess of FDIC insurance coverage. The Company had \$1,397,362 and \$2,021,518 in cash and cash equivalents as of March 31, 2020 and December 31, 2019,

respectively, in excess of FDIC-insured limits.

9. Leases

In 2016, the Company began leasing logging equipment under long-term leases. The leases are operating leases. During the quarters ending March 31, 2020 and 2019, lease expense was \$52,679 and \$50,913, respectively. The Company has the option to purchase the two pieces of equipment for \$150,000 and \$90,000, respectively, at the end of the respective leases in May 2020. The Company also has the option to renew the leases for monthly payments of \$7,729 and \$4,569 for 12 monthly payments. If the renewal option is selected, the option to purchase drops to \$65,000 and \$40,000, respectively. The remaining lease obligation for 2020 is \$29,872.

10. Non-Recurring Expenses

During the quarters ending March 31, 2020 and 2019 the Company considered the following transactions to be unusual, infrequent, or non-recurring. The Real Estate Investment Trust (REIT) services are related to converting the Company to a REIT and include legal, tax and accounting services for reorganizing the Company. The change of control costs are related to executive transitions and additional work provided by board members to ensure smooth continued operations as a result of the change of control in 2018. During the first quarter of 2020 the Company did not incur any expenses that it considers to be non-recurring. The following table represents the non-recurring charges in the first quarter of 2020 and 2019 of \$0 and \$153,579, respectively.

	3 Months Ended	
	March 31,	
	2020	2019
REIT Services	\$ -	\$ 25,211
Change of Control Costs	-	128,368
Total	\$ -	\$ 153,579

11. Other Income

The Company sold all its marketable securities in early 2019. A summary of the Company's other income is detail in the table below:

	3 Months Ended	
	March 31,	
	2020	2019
Investments	\$ -	\$ 9,093.00
Securities Sales	-	1,494,133
Total	\$ -	\$ 1,503,226

12. Stock Based Compensation

On August 27, 2018, the Company established a restricted stock compensation plan for eligible employees (the "Incentive Plan"). There were no shares issued in the first quarter of 2020 and 37 shares issued without restrictions

in the first quarter of 2019. The shares issued are subject to various restrictions including forfeiture should the employees not meet the terms of the vesting period. There are 95,786 shares of the Company's Common Stock available for incentive awards under the Incentive Plan.

13. Earnings Per Share

The following table provides the details and calculations of the basic and diluted earnings per share:

	3 Months Ended	
	March 31,	
	2020	2019
Net Income	\$ 564,402	\$ 1,500,085
Shares used for basic earnings per common share	1,299,956	1,302,387
Performance or restricted shares	350	231
Shares used for dilutive earnings per common share	1,300,306	1,302,618
Basic earnings per common share	\$ 0.43	\$ 1.15
Dilutive earnings per common share	0.43	1.15

14. Fair Value Measurements of Financial Instruments

A three-level hierarchy prioritizes inputs used to measure fair value as follows:

Level 1 inputs value financial assets and liabilities based on unadjusted quoted market prices within active markets.

Level 2 inputs, other than those inputs included in Level 1, are based primarily on quoted prices for similar assets or liabilities in active or inactive markets.

Level 3 inputs which are primarily valued using management's assumptions that market participants would utilize in pricing the asset or liability. These are unobservable inputs based on assumptions that may include price models, discounted cash flow methodologies and similar techniques.

The following table represents the carrying amount and estimated fair values of financial instruments held by Keweenaw as of March 31, 2020 and December 31, 2019 using market information and appropriate valuations under GAAP:

	March 31, 2020			December 31, 2019		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Cash and Cash Equivalents	\$ 1,647,362	\$ 1,647,362	\$ -	\$ 2,433,989	\$ 2,433,989	\$ -
Cash Held in Escrow	187,832	187,832	-	141,844	141,844	-
Long Term Debt	9,700,000	-	9,700,000	10,200,000	-	10,200,000

Keweenaw uses the following methods or assumptions to estimate the fair value of its financial instruments:

Cash and cash equivalents and cash held in escrow – carrying amount is equal to the fair market value

Long term debt – carrying amount is equal to the fair market value

The Company did not have any level 3 financial instruments as of March 31, 2020 and December 31, 2019.

15. Significant Risks and Uncertainties

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic. As of the date of these financial statements, the U.S. and global economies were already experiencing pronounced negative effects. Keweenaw Land Association's business model supports the manufacturing and distribution of forest products, which meets an exemption that allows for its continued operation as determined pursuant to guidance issued by the Director of the U.S. Cybersecurity and Infrastructure Security Agency (the "CISA Guidance"). While the disruption is expected to be temporary, the extent and duration of the economic disruption remains unclear. We expect that this matter may negatively impact our results, but due to the uncertainty inherent in this challenging environment, the related financial impact cannot be reasonably estimated at this time. Please refer to Section 5 – "Risk Factors" for a more detailed discussion of the COVID-19 pandemic and its impact on our business.

Section 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our accompanying consolidated financial statements and notes thereto. See also "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Overview

As of March 31, 2020, Keweenaw, a land and timber management company, owned 183,432 acres of surface land and 401,793 acres of subsurface mineral rights in the western Upper Peninsula of Michigan and northern Wisconsin. Keweenaw derives the majority of our net income from the sale of logs harvested from our forestlands, and from the purchase of stumpage from public and private timber sources. Keweenaw also generates other revenue from recreational leases, mineral rights leases, sale of sand and gravel, and by providing wood scaling and inventory management services for various customers.

Liquidity and Capital Resources

Keweenaw's first quarter net cash flows from operations was \$79,291 in 2020 versus \$69,755 in the prior year period. Timber sales volume increased by 24% in the first quarter 2020 over the prior year period to 47,254 cords from 38,136, respectively. With the increased sales volume, sales revenue also increased 24% in the first quarter 2020 by \$1,126,498, to \$5,871,822 up from \$4,745,324 in the prior year period.

Keweenaw sold 58 acres of forest land in first quarter 2020 totaling \$88,918 for a per acre gross value of \$1,533. This compares to sales of 234 acres in the prior year period totaling \$640,000 for a per acre gross value of \$2,735.

There were no capital expenditures in the first quarter 2020 other than primary road building for \$34,866. Capital expenditures totaled \$30,456 in the prior year period for the purchase of a Company vehicle and desktop computers.

On March 31, 2020, Keweenaw had \$1,676,329 in cash and cash equivalents on hand compared to \$5,592,600 at the end of the prior year period. In the first quarter 2020 and the prior year period, no dividends were paid to shareholders and no new shares were issued in the first quarter 2020, however 1,200 shares were issued in the prior year period as part of the Board's annual compensation package for \$97,200.

The Company continues reducing existing debt, and a principal payment of \$500,000 was applied to the fixed rate long-term loan in the first quarter 2020 and the prior year period, respectively. The next payment window for the fixed rate long-term loan is July 2020 and for the five-year revolver is May 31, 2020.

The Company has a credit arrangement at Wells Fargo Bank, N.A., which provides for a total of \$1,000,000 operating line-of-credit availability to satisfy short-term operating cash needs and to fund standby letters-of-credit in guarantee of performance on public bid timber stumpage contracts with the USDA Forest Service.

Keweenaw did not borrow on its short-term line of credit with Wells Fargo in the first quarter 2020 or 2019. On March 31, 2020, there was no outstanding balance on its short-term line of credit. If necessary, short-term borrowing and repayment would occur using the automatic balance transfer feature of Keweenaw's primary business checking account and its operating line of credit. On Keweenaw's \$1,000,000 operating line of credit, two letters of credit totaling \$521,000 were outstanding at the end of the first quarter 2020, though no balance was owed on either letter.

In December 2016, the Company borrowed \$5,000,000 from MetLife at an interest rate of 3.05%. Terms of the 10-year interest-only loan with MetLife include quarterly interest payments of 3.05% of the principal amount. Up to 10% of the principal balance may be paid annually without prepayment penalty. The maturity date of the loan is December 9, 2026. Total interest paid in the first quarter 2020 on this loan was \$30,500 compared to \$38,125 in the prior year period. In the first quarter 2020, \$500,000 was paid on the principal which is the same as the prior year period. The current loan balance was \$4,000,000 as of March 31, 2020.

Also, in December 2016, Keweenaw secured a debt facility with MetLife in the form of a \$25,000,000 revolver allowing the Company immediate access to cash for general corporate purposes. In March 2017, the Company borrowed \$12,700,000 against the revolver to fund the purchase of 14,356 acres of timberland in Iron County, Wisconsin. An additional \$1,000,000 was borrowed to fund the purchase of 2,784 acres in Gogebic County. At the end of the first quarter 2020, a total of \$19,300,000 was available for the strategic needs of the Company, compared to \$11,300,000 for the prior year period. Fees and interest associated with the revolver include quarterly payments on the unused facility of 0.0875%. Once the facility is used, there is the option to finance the amount borrowed at the existing 10-year Treasury note rate plus 150 basis points. Interest paid in the first quarter 2020 on this loan totaled \$47,025 compared to \$143,964 in prior year period. The current debt facility outstanding balance was \$5,700,000 as of March 31, 2020.

Results of Operations

Timber Sales & Operations

For the quarter ended March 31, 2020 Keweenaw's timber sales volume totaled 47,254 cords (113,410 tons). The first quarter sales volume was 24% higher than the prior year period volume of 38,136 cords (91,526 tons). The first quarter sales included 39,979 cords from Company land and 7,275 cords from procured stumpage versus the prior year period harvests of 35,093 cords from Company land and 3,043 cords from procured sources.

The first quarter 2020 gross timber revenues were up by 24% at \$5,871,822 versus the prior year period gross

revenues of \$4,745,324. The first quarter Company land timber revenues were \$4,860,492 up 11% over the prior year period Company land gross revenues of \$4,382,683. The first quarter 2020 gross sales from procured stumpage were up 64% at \$1,011,330 versus prior year period procured stumpage gross sales of \$362,641.

Timber sales volumes, sales product mix and net sales prices are presented as a comparison in the following tables as of the first quarter 2020 and 2019, respectively.

	3 Month Ended		% Change
	March 31		
	2020	2019	
Timber Production Volume (cords)			
Sawtimber ⁽¹⁾	11,151	9,014	23.7%
Pulpwood	36,103	29,035	24.3%
Total	<u>47,254</u>	<u>38,049</u>	<u>24.2%</u>
Product Mix			
Sawtimber	24%	24%	
Pulpwood	76%	76%	
Net Timber Sales Price (per cord) ⁽²⁾			
Sawtimber	\$86.05	\$86.07	0.0%
Pulpwood	16.59	11.74	41.3%
Total	<u>\$32.98</u>	<u>\$29.32</u>	<u>12.5%</u>

(1) Includes Veneer, Sawlogs and Sawbolts

(2) Net prices per cord are net of logging, hauling, road, stumpage and depletion costs

The increase in the first quarter 2020 timber revenues over the prior year period were principally driven by volume changes quarter over quarter. The total impact of those changes is reflected below:

Sales	3 Months Ended March 31,			2019
	2020	Changes Attributed to:		
		Volume	Price/Mix	
Sawtimber	\$ 2,136,151	23.7%	0.5%	\$ 1,718,401
Pulpwood	<u>3,735,671</u>	<u>24.0%</u>	<u>-0.6%</u>	<u>3,026,923</u>
Total	<u>\$ 5,871,822</u>	<u>12.6%</u>	<u>-0.1%</u>	<u>\$ 4,745,324</u>

Costs of Operations

Contract logging and freight costs represent the majority of the Company's log production expense. Total first quarter 2020 logging and freight costs increased by 21% to \$3,645,637 versus the prior year period logging and freight costs of \$3,019,276. This increased cost was entirely attributable to the 24% increase in harvest volume quarter over quarter. On a per unit basis, however, the first quarter 2020 logging and freight costs declined by \$2.02 per cord to \$77.15 per cord versus the prior year periods per unit cost of \$79.17 per cord. The per unit decline was due to the increase in the sale of stumpage in the first quarter 2020 over the prior year period of 2,631 cords. Stumpage sales have no logging and freight expenses associated with them and effectively reduce overall per unit costs.

Costs associated with construction, maintenance and improvement of the Company's logging roads is a major element of Keweenaw's production cost. The first quarter 2020 road-building expenses were up 11% to \$246,048 versus the prior year period of \$221,720. The increase was driven by the 24% increase in the first quarter 2020 harvest volume. On a per unit of sales basis, road costs went down by \$0.60/cord to \$5.21 per sales cord versus the prior year period of \$5.81 per sales cord.

Depletion and procured stumpage expenses increased to \$449,942 for the first quarter 2020 from \$206,733 for the prior year period. On a per unit basis the first quarter 2020 depletion and procured stumpage expenses rose to \$9.52 per cord versus the prior year period expense of \$5.42 per cord. The increase in depletion and stumpage expense was driven by the increase in procured stumpage sales of 4,232 cords in the first quarter 2020 over the prior year period.

Other operating expenses (Yard Costs) are associated with the costs of operating Keweenaw's merchandising woodyard. Those costs declined to \$81,866 in the first quarter 2020 from \$102,476 in the prior year period.

The first quarter 2020 and 2019 logging & freight, road, depletion/stumpage, and other costs are listed below.

Production Cost Per Cord	3 Months Ended March 31,	
	2020	2019
Logging/Freight	\$ 77.15	\$ 79.17
Roads	5.21	5.81
Depletion/Stumpage	9.52	5.42
Yard Costs	1.73	2.69

Other Revenue and Income

Other first quarter 2020 income includes mineral royalties, lease and rental income, service fees and land sales of \$243,802, down from \$2,292,968 in the prior year period. Keweenaw liquidated its securities portfolio in the first quarter of 2019 for a gain of \$1,494,133 being the key driver.

Income from these various sources is somewhat unpredictable in nature and can vary widely from year to year. The breakdown of other income by category is reflected below.

The summary of other revenue and income is as follows:

	3 Months Ended March 31,	
	2020	2019
Lease Income, Mineral Royalties, and Service Fees	\$ 145,884	\$ 149,742
Land Sales	88,918	640,000
Investments	-	9,093
Securities Sales	-	1,494,133
Total	\$ 234,802	\$ 2,292,968

Real estate sales summary is included below:

Real Estate Sales	3 Months Ended	
	March 31,	
	2020	2019
Acres Sold	58	234
Gross	\$ 88,918	\$ 640,000
\$ Acre/Gross	1,533	2,735

Selling, General and Administrative Expense

For the first quarter 2020, Selling, General and Administrative expenses were \$553,340, compared to \$731,968 for prior year period. This represents a decrease of 24% or \$178,628, primarily due to lower legal fees and professional services regarding corporate governance.

Non-recurring Expenses

Non-recurring charges for the first quarter 2020 are \$0, compared to \$153,579 for the prior year period. The prior year period non-recurring costs were in relation to some corporate change of control and REIT consulting costs.

	3 Months Ended	
	March 31,	
	2020	2019
REIT Services	\$ -	\$ 25,211
Change of Control Costs	-	128,368
Total	\$ -	\$ 153,579

Section 3. OTHER MANAGEMENT DISCUSSIONS

Share Repurchase

On December 21, 2019, Keweenaw initiated a stock repurchase program authorizing up to \$1,000,000 in aggregate value of Common Stock to be repurchased. In connection with the repurchase program Keweenaw entered into a 10b5-1 plan during an open trading window while it was not in possession of material non-public information to facilitate the repurchase of its Common Stock. The actual timing, number and value of shares repurchased under the program will be determined by the plan broker at its discretion and will depend on a number of factors subject to the 10b5-1 trading plan.

During the quarter ending March 31, 2020, Keweenaw repurchased 5,623 shares of stock at an average cost of \$64.82 for a total repurchase cost of \$364,478. The program is authorized by the Board of Directors to continue until May 31, 2020. The program may be discontinued at any time. Repurchases made during the first quarter of 2020 are detailed in the following table:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31	2,227	\$70.72	3,044	\$785,170
February 1-29	937	\$71.02	3,981	\$718,625
March 1-31	2,459	\$57.11	6,440	\$578,183
Total	5,623	\$64.82	6,440	\$578,183

As of the report date May 6, 2020, Keweenaw has repurchased an additional 3,494 shares at an average price of \$59.14 for a total repurchase cost of \$206,641.

Section 4. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by governmental authorities.

Section 5. RISK FACTORS

The following risk factors supplement the risk factors contained under the heading “Risk Factors” set forth in Section 1A of our 2019 Annual Report. The risk factors contained in our 2019 Annual Report and supplemented hereby could affect our business, financial condition, or results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in the 2019 Annual Report and this Quarterly Report, as applicable, because they could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before you buy our common stock, you should know that investing in our common stock involves risks, including the risks described below and in the 2019 Annual Report. The risk factors that are highlighted here and in the 2019 Annual Report are not the only ones we face. If the adverse matters referred to in any of the risk factors actually occur, our business, financial condition, or operations could be adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Industry and Our Business

The novel coronavirus disease (COVID-19) pandemic has impacted and is expected to continue to impact our business, financial condition, and results of operations.

The COVID-19 pandemic has caused significant disruptions across domestic and international economies and financial markets. While we believe we are well-positioned to successfully navigate this difficult and evolving environment, our business and financial results have been and will continue to be impacted.

Downturns in house-building activity and other lumber-heavy activities may adversely impact us. The housing markets strongly impact both our timberland and real estate operations. Much of the higher value wood we produce is used in house-building and house-renovation activities, and downturns in such markets can impact the demand for our wood products which, in turn, has the potential to materially adversely affect our operations. On March 24, 2020, Michigan Governor Gretchen Whitmer issued a stay-at-home order that severely limited the operations of all but “essential businesses.” While the forest products industry has been designated a “critical infrastructure” industry pursuant to the CISA guidance, the construction business generally is not considered an “essential business” under the Michigan order and, as a result, residential and other construction projects involving wood supplies have been dramatically reduced. The impact of the order along with the economy-wide downturn associated with the COVID-19 outbreak has impacted and will continue to impact our results.

In addition, our operating results and cash flows are materially affected by supply and demand for timber more broadly. Timber prices are affected by changes in timber availability at the local, national, and international level. The COVID-19 outbreak has caused the demand for timber to plummet both internationally and regionally. We believe this is attributable to a number of factors, including (as noted above) disruptions in the operations of residential and public construction businesses, decreases in real estate investment activity and reduced household furniture sales, among others. Despite a strong start to 2020 and continued success in some areas of our business, we have experienced reduced demand for timber, especially from customers in the construction industry. While we anticipate that demand will increase as economic and market conditions return to normal, this is contingent on a number of complex and interrelated factors which makes it difficult to predict with confidence when such a return to ordinary conditions will occur. If our customers are unable to return to and sustain similar levels of timber demand, or if they are unable to fulfill their existing contractual purchase obligations, our cash flows and financial condition may be negatively impacted. Further, while we have not yet experienced reduced sales to pulp and paper, saw, sawtimber, or other mills that we generally supply to, we cannot guarantee that present levels will be sustained in the current environment.

While we believe we have navigated this challenging environment with some success thus far, we remain vigilant and cannot guarantee future success. The COVID-19 pandemic may expose our business, financial condition, and results of operations to risks that could have a negative impact on your investment.

Risks Related to Our Common Stock

We have witnessed relatively low historic trading volumes of our common stock and have limited market capitalization, and, as a result, the trading prices of our common stock may be more volatile than would an investment in a more liquid security, especially during the economic and market disruptions caused by the COVID-19 pandemic.

Our common stock is thinly traded, and we have a small public float. Many brokers are restricted from trading in our stock due to lack of sufficient public information, restrictions on pink sheet securities or other factors. These factors can make trading our stock more volatile than trading in a more heavily traded security, or a security in a larger, more well-established company. This volatility may be exacerbated during the current economic and market disruptions caused by the COVID-19 pandemic. It is possible that investors will seek out investments in larger companies with more stable market capitalizations and economies of scale to weather the current challenging environment. This prospective volatility increases the risk of investing in our common stock and can drive down the price of our common stock and reduce opportunities for investors to buy or sell our common stock.

The risk factors contained in our 2019 Annual Report as supplemented by the risk factors contained in this Quarterly Report could affect our business, financial condition, or results of operations. All risk factors should be read together

with the forward-looking statements contained in this Quarterly Report and the 2019 Annual Report, as applicable, because they could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before you buy our common stock, you should know that investing in our common stock involves risks, including the risks described above and in the 2019 Annual Report. The risk factors that are highlighted here and in the 2019 Annual Report are not the only ones Keweenaw faces. If the adverse matters referred to in any of the risk factors actually occur, our business, financial condition, or operations could be adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Section 6. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic. As of the date of this Quarterly Report, the U.S. and global economies were already experiencing pronounced negative effects. Keweenaw Land Association's business model supports the manufacturing and distribution of forest products, which meets an exemption that allows for its continued operation as determined pursuant to the CISA Guidance. While the disruption is expected to be temporary, the extent and duration of the economic disruption remains unclear. We expect that this matter may negatively impact our results, but due to the uncertainty inherent in this challenging environment, the related financial impact cannot be reasonably estimated at this time. Please refer to Section 5 – "Risk Factors" for a more detailed discussion of the COVID-19 pandemic and its impact on our business.