



**Third Quarter Report**  
**For the Period Ending September 30, 2009**  
**Issue Date October 31, 2009**

*Highlights*

**Third Quarter 2009 Net Income of \$0.42 Per Share**

To our Shareholders:

Keweenaw Land Association, Limited announces a Third Quarter 2009 net income of \$0.42 per share compared to a net income of \$1.24 for the same period in 2008. Net income (loss) per share was derived from the following sources:

	Earnings Per Share	
	3rd Qtr 09	3rd Qtr 08
Timber Operations Income	\$ 0.60	\$ 1.47
Capital Gains-Sale of Land	-	0.33
Capital Gains-Investments	0.10	-
Other Income	0.06	0.11
Other Expenses	(0.25)	(0.22)
Income Taxes	(0.09)	(0.45)
	<u>\$ 0.42</u>	<u>\$ 1.24</u>

During the Third Quarter of 2009, Keweenaw produced 26,363 cord equivalents (cd-eq) of logs, close to 2008 quarterly volume of 26,551 cd-eq. As in the previous quarter, all log production came from company lands. The product mix included 2,475 thousand board feet (mbf) of sawtimber and 20,918 cords of pulpwood, a product mix of 21% sawlogs and 79% pulpwood. Log sales amounted to \$2,729,541, down from \$3,674,658 in 2008, a 26% reduction. Despite sluggish market conditions, Keweenaw continued to sell its sawtimber and pulpwood at a positive margin. The continuing nationwide economic slump in log selling prices is reflected in per unit sales realization as follows: veneer \$965 per mbf, down 24% (specie mix was also a factor); sawlogs \$383 per mbf, down 21%; sawbolts \$110 per cd, down 15%; and pulpwood \$79 per cd, down 23% from the same period last year. Total sales realization for all products during the third quarter was \$103 per cd-eq, compared to \$139 last year, a 26% reduction.

Production costs amounted to \$1,904,971 compared to \$2,236,817 in 2008, a decrease of 15%. This decrease was a result of several factors, i.e., lower fuel prices, reduced road building costs, product mix, and differences in customer destination. Per unit of production, costs were \$72 per cd-eq vs. \$85 per cd-eq in 2008, a reduction in costs of 15%. The gross margins from timber operations were \$824,570 in 2009 compared to \$1,437,841 last year, a 43% reduction.

Per cd-eq, KLA achieved a gross margin of \$31 vs. \$54 last year.

As reflected in earlier reports, log markets across the country have declined with the economic recession. At the close of the third quarter, there remains little near-term positive outlook in the forest products industry, as housing starts remain low and demand for paper is limited. National economic uncertainty and near double-digit unemployment weigh heavily on the industry. Prices for Keweenaw primary species have fallen to their lowest levels in nearly two decades. However, because Keweenaw's long-term relationships with its customers are strong, the company continues to sell all its harvest production at positive margins.

Keweenaw recognized capital gains of \$64,752 on the sale of common stock from the company's investment portfolio. Investment earnings are reduced due to changes in the portfolio to increase the allocation in cash equivalent investment. Gravel royalties from Keweenaw pits are reduced, in part, as a primary gravel user is operating outside the area.

In September, Keweenaw purchased and returned to unissued status 580 shares of its common stock. The Board of Directors has authorized the purchase of a limited number of outstanding shares. During the third quarter, Keweenaw's common stock traded in a range of \$158.50 to \$196.98 per share. The quarter ending price was \$163.75. 6,629 KLA shares were traded, approximately 1% of outstanding shares, compared to 15,435 shares traded during the same period in 2008. As with any investment, past performance is not a guarantee of future results. Keweenaw's shares trade in the pink sheets using the symbol KEWL.

To contact Keweenaw dial (906) 932-3410 or use our toll free line (877) 539-3362. You may also reach us by e-mail at [investors@keweenaw.com](mailto:investors@keweenaw.com). Keweenaw's quarterly letters and latest annual report are posted on the company's web page [www.keweenaw.com](http://www.keweenaw.com).

Sincerely,

*David Ayer*  
David Ayer, Chairman

## KEWEENAW LAND ASSOCIATION, LIMITED

### CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2009		2008	
	3rd Qtr	YTD	3rd Qtr	YTD
Receipts	\$2,830	\$6,585	\$3,997	\$8,301
Net Income (Loss)	269	54	797	684
Comprehensive Income	413	171	668	304
Capital Employed	16,520	16,520	16,474	16,474

\*Dollar amounts in thousands

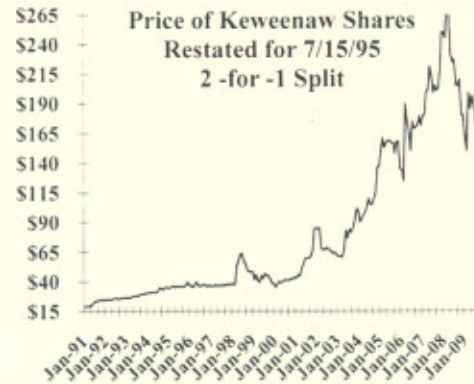
#### Per Common Share

Net Income	\$0.42	\$0.08	\$1.24	\$1.06
Comprehensive Income	0.64	0.27	1.04	0.47
Dividends Paid	0.20	0.60	0.20	0.60

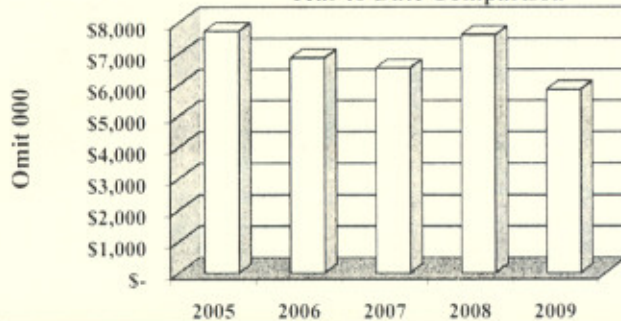
\*Based on weighted average shares outstanding

#### Statistics

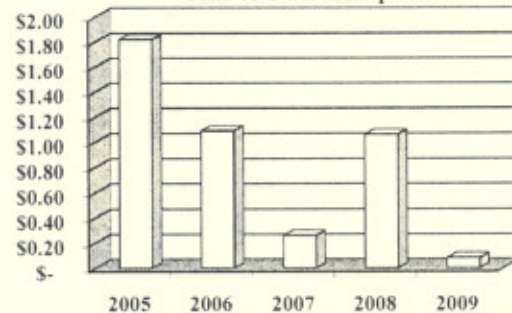
Return on Capital Emp.	6.5%	0.4%	19.4%	5.5%
Dividend Payout Ratio	47.6%	-750.0%	16.1%	56.6%
Avg Shares Outstanding	645,350	645,449	644,847	644,809
Curr Shares Outstanding	644,984	644,984	644,872	644,872



**Keweenaw Log Sales**  
Year to Date Comparison



**Keweenaw Earnings Per Share**  
Year to Date Comparison



### SHAREHOLDER INFORMATION

#### Third Quarter 2009 Highlights:

High: \$196.98, Low: \$158.50, Last: \$163.75  
Source: Real Tick-Townsend Analytics, Ltd.

#### Third Quarter Dividend Information:

Dividend Rate: \$0.20 per share  
Payable Date: December 15, 2009  
Record Date: November 15, 2009  
Declaration Date: September 11, 2009

#### Dividend Disbursing Agent:

Keweenaw Land Association, Limited  
1801 E Cloverland Dr, PO Box 188  
Ironwood MI 49938  
Phone: (906) 932-3410 or  
Toll Free: (877) 539-3362  
Fax: (906) 932-5823  
Email: investors@keweenaw.com  
Web Page: www.keweenaw.com

#### Transfer Agent:

Wells Fargo Shareowner Services  
161 N. Concord Exch, POB 64854  
South St. Paul, MN 55164-9440  
(800) 468-9716 or (651) 450-4002

#### Stock Exchange Information:

Keweenaw's common stock trades under "KEWL" in the Pink Sheets.

#### GLOSSARY:

**Board Foot (BF)** - a measurement of sawtimber 12 inches x 12 inches x one inch. When used in conjunction with sawtimber or logs, a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs. **Cord Equivalent** - a measurement of logs in cords including logs converted in measurement from other measurement methods. For example, one thousand board feet (MBF) equals approximately 2.2 cords. **Cord** - a measurement of logs containing 128 cubic feet. **MBF** - a thousand 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 and other wood fiber products. **Sawbolt** - a lower grade or smaller size sawlog 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. **Veneer** - a category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture and cabinetry veneer.

**KEWEENAW LAND ASSOCIATION, LIMITED**

**Consolidated Balance Sheet (Unaudited)**

**September 30, 2009**

ASSETS	Note	Sep. 30, 2009	Sep. 30, 2008	% Chg
<b>Current Assets</b>				
Cash & Cash Equivalents		\$1,851,999	\$1,371,136	35%
Accounts Receivable		390,668	393,098	
Investments in Government Obligations		0	0	
Other Current Assets		331,284	281,888	
<b>Total Current Assets</b>		<u>2,573,951</u>	<u>2,046,122</u>	26%
Investments in Marketable Securities		2,532,689	3,437,722	-26%
Other Non-Current Assets		202,633	206,500	
Equipment		629,566	631,307	0%
Properties		11,759,348	11,848,452	-1%
<b>TOTAL ASSETS</b>		<u>\$17,698,187</u>	<u>\$18,170,103</u>	-3%
 <b>LIABILITIES &amp; CAPITAL</b>				
<b>Current Liabilities</b>				
Accounts & Deposits Payable		\$69,319	\$251,850	
Commercial Lines of Credit & Other Debt		707,058	290,000	
Other Accrued Liabilities		367,160	512,553	
<b>Total Current Liabilities</b>		<u>1,143,537</u>	<u>1,054,403</u>	8%
<b>Non-Current Liabilities</b>				
Long Term Debt		1,892,747	2,182,747	
Deferred Federal Income Tax Liability		741,994	931,660	
<b>Non-Current Liabilities</b>		<u>2,634,741</u>	<u>3,114,407</u>	
<b>Total Liabilities</b>		<u>3,778,278</u>	<u>4,168,810</u>	-9%
<b>Capital</b>				
Common Stock Issued	(1)	84,353	84,339	
Accumulated Other Comprehensive Income		1,005,592	1,337,383	
Retained Earnings		12,829,964	12,579,571	
<b>Total Capital</b>		<u>13,919,909</u>	<u>14,001,293</u>	-1%
<b>TOTAL LIABILITIES &amp; CAPITAL</b>		<u>\$17,698,187</u>	<u>\$18,170,103</u>	-3%
Capital Per Common Share		\$21.58	\$21.71	

Notes:

(1) 644,984 no par value common shares are issued and outstanding on Sep. 30, 2009. 644,872 shares were outstanding on Sep. 30, 2008. 2,500,000 shares are authorized.

**KEWEENAW LAND ASSOCIATION, LIMITED**  
**Consolidated Statement of Income and Expense (Unaudited)**  
**September 30, 2009**

	3rd Quarter			Year to Date		
	2009	2008	% Chg	2009	2008	% Chg
<b>INCOME</b>						
<b>Timber Operations</b>						
Timber Sales	\$2,729,541	\$3,674,658		\$5,844,229	\$7,607,480	
Cost of Sales	1,904,971	2,236,817		4,486,087	5,023,823	
Gross Margin on Timber Sales	824,570	1,437,841	-43%	1,358,142	2,583,657	-47%
<b>Timber Operations Expenses</b>						
Forestry Expenses	174,322	206,240		512,160	588,013	
Management and General Administration	261,119	286,527		869,399	892,235	
Total Operations Expenses	435,441	492,767		1,381,559	1,480,248	
Timber Operations Income	389,129	945,074	-59%	(23,417)	1,103,409	-102%
<b>Real Estate Development</b>						
Developed Lot Sales	0	252,160		0	400,110	
Development Costs	(500)	178,109		(500)	292,264	
Gross Margin on Developed Lot Sales	500	74,051		500	107,846	
Total Operations Income	389,629	1,019,125	-62%	(22,917)	1,211,255	-102%
<b>Other Income</b>						
Mineral Royalties	2,710	20,489		5,894	33,090	
Lease and Rental Income	25,778	21,746		88,173	94,516	
Investment Earnings	3,313	26,187		61,358	133,163	
Profit (Loss) on Security Sales	64,751	0		64,751	25,735	
Land Sales	0	142,986		468,377	212,964	
Other	3,905	1,983		52,064	8,087	
Total Other Income	100,457	213,391	-53%	740,617	507,555	46%
<b>Other Expenses</b>						
Land Management Expenses	119,232	116,685		341,305	346,734	
Board of Directors Expenses	44,202	27,418		273,792	403,237	
Total Other Expenses	163,434	144,103	13%	615,097	749,971	-18%
Income Before Income Taxes	326,652	1,088,413	-70%	102,603	968,839	-89%
Provision for State and Federal Income Taxes	57,823	291,463		48,561	284,871	
Net Income	268,829	796,950	-66%	54,042	683,968	-92%
<b>Other Comprehensive Income, Net of Tax</b>						
<b>Unrealized Gains (Losses) on Securities</b>						
<b>Unrealized Holding Gains Arising</b>						
During the Period	187,385	(129,008)		159,818	(363,224)	
Less: Reclassification Adj. For Gains						
Included in Net Income	(42,736)	0		(42,736)	(16,985)	
Other Comprehensive Income	144,649	(129,008)		117,082	(380,209)	
Comprehensive Income	\$413,478	\$667,942	-38%	\$171,124	\$303,759	-44%
Per Share Net Income	\$0.42	\$1.24		\$0.08	\$1.06	
Per Share Comprehensive Income	\$0.64	\$1.04		\$0.27	\$0.47	
Dividends Per Share	\$0.20	\$0.20		\$0.60	\$0.60	
Based on Weighted Average Shares Outstanding						