



# Member Equity/Patronage Dividend FAQ

**Q:** What is a Member Equity system?

**A:** Instead of being “Members” who pay a yearly membership fee, we become “Member-Owners” who purchase a share of DNF stock. Because of this we are eligible to receive a portion of the co-op’s profits in profitable years.

**Q:** Why change now? What’s wrong with the 2% discount?

**A:** With an “at the register” discount, DNF was retuning income to our membership before we knew if we actually had any profits, and limiting our ability to pay for equipment, services and improvements. Member Equity is a more sustainable business model and a financially responsible method of sharing the risks and rewards of ownership, allowing the co-op to retain income until the end of the fiscal year when a clear picture of earnings has been established.

**Q:** What’s the Difference between and Member and a Member-Owner?

**A:** Members pay fees or dues and get something, such as discounts, in exchange. Member-Owners invest and benefit as the business prospers. Membership dues become equity payments and every time you pay your equity payments you become more fully invested as an owner, until you have paid for a full share of DNF stock.

**Q:** Who decided how much I need to pay to be fully invested?

**A:** You did. The membership voted in November of 2009.

**Q:** How much will I be paying annually with this new system?

**A:** With the Member Equity system, the minimum equity investment will be \$20 per year, until a full share (\$100) has been paid. A Member-Owner can also choose to pay \$20 per quarter for five quarters or \$100 all at once. Any Member-Owner who is current with their equity payment schedule is eligible for a patronage dividend refund check at the end of the year based on the amount of their purchases over the year.

**Q:** Once I’ve paid the \$100, I don’t ever have to pay again, and I’ll keep getting dividends?

**A:** Once you’ve purchased your full share, you do not pay again unless the majority of the Member-Ownership votes to increase the share amount in order to generate more capital.

**Q:** Can I expect a refund the first year?

**A:** When the co-op has a surplus at the end of the year, patronage dividend refunds may be given to Member-Owners based on how much they shopped at the co-op. The Board and management will first review plans and obligations of the co-op, making sure it continues to meet Member-Owner needs, and decide how much of the profit to reinvest in the business.

**Q:** How do I know DNF will choose to refund any profits to Member-Owners?

**A:** Patronage dividend refunds represent a unique opportunity for retail food cooperatives to avoid taxation at any level on some or all of the co-op’s earnings. Tax laws allow patronage dividends to be paid to Member-Owners to be exempt from taxation. Since these are deductible by the cooperative and not taxable to Member-Owners, the patronage dividend refund amount is not taxed at either level!

**Q:** What if I move away from Durango, am I just out the \$100?

**A:** Your share is fully refundable should you move out of the area, or otherwise decide you no longer wish to be a Member-Owner.

**Q:** Are there still advantages to being a Member-Owner?

**A:** Absolutely! In addition to being eligible for a yearly patronage dividend refund, co-op owners support sustainable agriculture, ethical business practices and local producers. You can also look forward to monthly Member-Owner only sales, increased special order programs and discounts, quarterly 10% off days for Member-Owners only, and much more. Please see the Member-Ownership page of our website ([www.durangonaturalfoods.coop](http://www.durangonaturalfoods.coop)) for a full list of benefits.