



# why switch to a member equity system?

- ▶ With a Member Equity system, instead of being “Members” who pay a yearly membership fee, we become “Member-Owners” who purchase a share of DNF stock. Because of this, Member-Owners are eligible to receive a portion of the co-op’s profits in profitable years.
- ▶ Patronage dividend refunds are a return of surplus profit, the extra the co-op does not need to retain while still effectively meeting Member-Owner needs. Distribution is based on each Member-Owner’s patronage of the business. Effectively, **Member-Owners get back any excess profit generated by their own purchases.**
- ▶ Patronage dividends represent a unique opportunity for retail food cooperatives to avoid taxation at any level on some or all of the cooperative’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 the Member-Owners, the patronage dividend refund amount is not taxed at either level!**
- ▶ The percentage held back from distribution to Member-Owners stays in the co-op. It belongs to the Member-Owners as a group, and becomes part of what we own together.
- ▶ A **redesigned Member-Owner benefits package** will include additional Member-Owner only sales, increased special order programs and discounts, quarterly 10% off days for Member-Owners only, and eligibility for yearly patronage refunds.
- ▶ Your share of **DNF stock is refundable** should you move away or otherwise decide you no longer wish to be an owner.
- ▶ Once you have purchased your full share, you **never have to pay a “membership fee” again**, (unless the majority of the Member-Ownership votes to increase the share amount as a way to generate more capital).
- ▶ The Member-Equity/Patronage Dividend system is required under co-op incorporation statutes, and switching to this system helps as operate as a true co-op should.
- ▶ With a 2% at-the-register discount, DNF was returning 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.

**Historically, co-ops that switch to a Member Equity/Patronage Dividend system are substantially more profitable. This is an exciting change for DNF and all our Member-Owners, which aligns us more fully with our cooperative values and helps ensure that DNF will be around for another 35 years!**