

**BYLAWS  
OF  
DURANGO NATURAL FOODS CO-OP**

**(Last Amended by Member-Owner Approval Nov 30, 2024)**

**Article I  
Organization**

**Section 1.1 - Name and Status.** The name of the organization is Durango Natural Foods Inc., doing business as Durango Natural Foods Co-op (referred to in these bylaws as "the Co-op"). The Co-op is a cooperative corporation under the laws of the State of Colorado.

**Section 1.2 - Purpose.** The purpose for which the Co-op is organized is to acquire and distribute food products, related goods, and services. The Co-op shall be operated as a cooperative and run for the primary and mutual benefit of its owners and community members. The Co-op provides food and products related to our mission of locally, ethically, and organically sourced, as consistently as possible.

**Section 1.3 - Cooperative Principles.** The Co-op shall be operated in accordance with the cooperative principles: (i) voluntary and open membership; (ii) democratic member control; (iii) member economic participation; (iv) autonomy and independence; (v) education, training, and information; (vi) cooperation among cooperatives; (vii) concern for the community.

**Section 1.4 - Nondiscrimination & Inclusivity.** The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, disability, sexual orientation, socioeconomic situation, citizenship, or otherwise.

**Section 2.1 - Eligibility.** Ownership in the Co-op shall be voluntary and open to all individuals willing to accept the Rights and Responsibilities of ownership.

**Section 2.2 - Admission.** Applicants will be admitted to ownership upon submitting required information and purchasing one share of equity at the issuing price of \$20. Member-Owners shall have the option of purchasing multiple shares at one time or contribute \$20 annually until the full equity amount of \$300 (or 15 shares) is achieved. The Member-Owner may have one additional (non-voting) adult household member, or significant other, included on their Member-Owner account. The Member-Owner is the voting member, and has one vote only in the affairs of the Co-op, regardless of the amount of equity the Member-Owner owns. On or before admission to ownership, each owner shall be provided a copy of these bylaws.

**Section 2.3 - Rights and Responsibilities.** Except as otherwise provided in these bylaws, each Member-Owner shall be entitled to participate in the governance of the Co-op as set forth in these bylaws. Each owner shall keep equity payments current and shall notify the Co-op of any change to their name or contact information.

**Section 2.4 - Inactive Status.** An owner who becomes delinquent by thirty days in meeting the equity investment requirement shall be placed into inactive status. The participation rights of such owner shall

then be suspended. An owner in inactive status may attain active status by making a current equity payment. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in active status.

**Section 2.5 - Access to Information.** Member-Owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of the Co-op as relates to the health and longevity of the organization and its mission. Any proper request necessitating information from the Co-op's full records shall be accommodated by means other than direct access to such records. Member-Owners may, upon request, receive an annual report. Any additional requests for financial information shall be presented to the Board of Directors.

**Section 2.6 - Settlement of Disputes.** In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal dialogue, it shall be the policy of the Co-op to use mediation or binding arbitration as determined by the Board of Directors.

**Section 2.7 - Non-transferability.** Ownership rights and interests, including shares and deferred patronage dividends, may not be sold, assigned, or otherwise transferred.

**Section 2.8 - Termination.** Ownership may be terminated voluntarily by an owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily by the Board for cause after the said owner is provided fair notice of the issues and an opportunity to respond in person or in writing. Cause may include intentional or repeated violation of any provision of the Co-op's bylaws or policies, failure to patronize the Co-op for a period of one year or more, actions that will impede the Co-op from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its member-owners, willful obstruction of any lawful purpose or activity of the Cooperative, or breach of any contract with the Co-op.

### **Article III Meetings and Decisions of Owners**

**Section 3.1 - Participation.** Meetings of owners shall be open to the public but only active Member-Owners shall have voting rights. The General Manager shall be required to be in attendance. The Board of Directors shall also be present and facilitate meetings in a way that serves all Member-Owners.

**Section 3.2 - Annual Meeting.** The annual election is a separate event as outlined in section 4.3. A regular annual meeting and celebration of owners shall be held each year to receive reports on the operations and finances of the Co-op in a manner appropriate to the resources available to the Co-op at that time.

**Section 3.3 - Notice of Annual Meeting.** The Co-op shall provide to each owner, not less than fifteen nor more than forty-five days before the date of the meeting, the following items: written notice of the time, place, and purpose or purposes of all meetings of owners, together with ballots when necessary, and the names of all candidates for director positions, and/or the exact text of each issue for decision. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

**Section 3.4 - Special Meetings.** Special meetings of owners may be called by the Board and shall be called by the Board or the President(s) within thirty days after the receipt of one or more petitions signed by at least 200, or ten percent of owners, whichever is greater. Special meetings will be limited to twice per quarter.

**Section 3.5 - Time and Place.** The date, time, and place of all meetings of owners shall be determined by the Board. Meetings shall be held at a time and place convenient to owners. In the event the Board fails to set a time and place for a special meeting, the petitioners of that meeting shall have the right to do so.

**Section 3.6 - Voting Eligibility.** Only members who hold active status at the time of voting are eligible to vote.

**Section 3.7 - Quorum.** At any meeting of the Member-Owners, or for any vote of the Member-Owners, a quorum necessary for decision-making shall be 10% of the total number of Member-Owners or 100 member-owners, whichever is less.

**Section 3.8 - Vote of the Membership.** Any change to these bylaws or decisions presented to the membership shall be submitted to a vote of Member-Owners in accordance with section 10.3. Any change that affects the purpose of the organization as stated in Section 1.2 shall be submitted to a vote of Member-Owners. Each owner shall have one vote on each matter presented to the membership. Voting by proxy shall not be permitted. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative or alternatives receiving the most votes shall be considered approved.

**Section 3.9 - Voting by Ballot.** All voting shall be electronic with a written ballot option.

**Section 3.10 - Issues Submitted by Owners.** Notices of a scheduled meeting of owners shall include any proper issue submitted by one or more petitions of at least 200 or ten percent of owners, whichever is greater. Petitions must be received by the Co-op not less than sixty days before the date of the meeting at which they are to be presented to a vote of owners.

## **Article IV Board of Directors**

**Section 4.1 - Powers and Duties.** Except for matters reserved to Member-Owners by law or by these bylaws, the business and affairs of the Co-op shall be managed under the direction and supervision of the Board of Directors ("the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly delegated by the Board. The duties of the Board shall include, but are not limited to: assuring the purpose and mission of the Co-op are properly carried out; ensuring a qualified General Manager is obtained and leading operations; supervising and monitoring the performance of the General Manager and finances of the Co-op; and establishing policies to govern the General Manager's limitations.

**Section 4.2 - Number and Qualifications.** The Board shall consist of no less than seven and no more than nine individuals, as determined by the seated Board prior to Annual Board Elections. To be qualified as a director, a person shall not be in competition with the Co-op, nor be associated with interests adverse to the Co-op, nor have any overriding conflict of interest with the Co-op, nor otherwise be disposed to act in a manner that is detrimental to the interests of the Co-op or its owners. No employee or member of the immediate family of an employee shall be eligible to serve as a director. No more than one member of any household or any immediate family shall serve as a director at any one time.

**Section 4.3 - Annual Election and Terms.** The annual election shall occur in the second quarter. Directors shall be elected by the membership, or may be appointed by the Board in the case of vacancy until the expiration of the appointed seat. Directors shall be elected for either two- or three-year terms in order to assure staggered succession. Candidates receiving the highest number of votes shall be given the longest

available terms. Directors shall hold office until their successors are elected or until their positions are sooner terminated in accordance with these bylaws.

**Section 4.4 - Compensation.** In addition to any discounts on merchandise, Directors may be compensated only as approved by the Member-Owners in accordance with Section 3.7.

**Section 4.5 - Reimbursements.** Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business, as detailed in the Board budget, or by approval of the GM if the expense is not in the budget.

**Section 4.6 - Standards of Conduct.** Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Co-op and with the care that a member vested in the long-term health of the organization would exercise. Ethical conduct includes confidentiality, honesty, integrity, participation, and cooperation as defined by the Board of Directors' Code of Conduct Agreement (Policy C4).

**Section 4.7 - Conflicts of Interest.** Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board through signature upon the conflict of interest form. Such interest shall be made a matter of record in the minutes of the meeting. A director having such an interest shall be permitted to make a statement and answer questions of the Board with regard to the matter but shall not be permitted to participate in the discussion or have a deciding vote.

**Section 4.8 - Indemnification.** The Cooperative shall indemnify and reimburse each present, past and future Director or Officer for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director or Officer, to the full extent allowed by law, except to the extent the Director or Officer acted in bad faith.

**Section 4.9 - Committees.** The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Such committees shall be chaired by a Director, operate under a charter, and report the progress of outlined duties. The appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Co-op.

**Section 4.10 - Resignation and Removal.** The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Board, in writing with a thirty-day notice or more. (ii) Falling out of good membership standing (see Article II Ownership). (iii) Failure to meet basic Board expectations as outlined in policy C4 as determined by a vote of directors who are in good standing and are not subject to removal at that time. (iv) By a majority vote of owners present and voting, initiated by petitions pursuant to Sections 3.2 and 3.9, directors may be removed with or without cause. Any removal for cause must be at a meeting called within ninety days after receipt of the petition of removal, in part for the purpose, and the accused director must be accorded fair notice of the charges and an opportunity to respond in person or in writing. (v) A director who is absent from three consecutive Board meetings or six meetings in any one-year period, unless excused by the Board for cause shown by the director, shall be presumed to have resigned. Director discount is terminated upon receipt of resignation.

**Section 4.11 - Vacancies.** Any vacancy among Directors occurring between annual elections may be filled by appointment of the Board, by a quorum vote, until the upcoming annual election, at which time owners shall elect new Directors.

## **Article V Meetings of the Board**

**Section 5.1 - Meetings.** The Board of Directors may determine the times and places of its meetings. Special meetings may be called by the President(s) or any Board member with the support of any two other directors. The Board shall use good faith efforts to hold meetings of the Board shall be held no less frequently than one time per month.

**Section 5.2 - Notice.** Notices of regular and special Board meetings shall be posted in a timely manner and in a conspicuous place in the Co-op. Special meetings shall require written notice to all Directors. Member-Owners shall receive written notice of special meetings in a timely manner. Notice shall be delivered at least one day before the date of the meeting to all Board members. A Board member's attendance at a Board meeting shall constitute waiver of this notice requirement for such meeting unless the Board member objects to the lack of or method of notice and thereafter does not participate in the meeting.

**Section 5.3 - Quorum and Voting.** The presence of a majority of Director's seats shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. Decisions at meetings of the Board shall be made by majority voting. Meetings shall be conducted in accordance with commonly accepted rules of parliamentary procedure.

**Section 5.4 - Referendum.** Any action of potentially serious consequence, including the sale of the Co-op, taken by the Board shall be referred to a meeting and a vote of Member-Owners for approval or disapproval.

**Section 5.5 - Action without a Meeting.** Any action required or permitted at a meeting of the Board may be taken without a meeting, only if written consent to the action is signed by a quorum of Directors and filed with the minutes of meetings.

**Section 5.6 - Open Meetings.** Meetings shall be open to all Member-Owners unless the Board decides to go into executive session regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential.

## **Article VI Officers**

**Section 6.1 - Officer Designations.** The executive officers of the Co-op shall consist of President, Vice President, Secretary, and Treasurer. The Board may designate other officers or assistant officers. Upon a majority vote, the board reserves the right to designate a co-presidency in lieu of having a Vice President. At least one officer must be a Board member

**Section 6.2 - Election, Terms and Removal.** Officers shall be elected by the Board at its first meeting following elections. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by a majority vote of the Board.

**Section 6.3 - Duties.** Officers of the Board are authorized to sign formal documents on behalf of the Co-op. Officer duties shall include, but are not limited to:

a) The President shall be responsible for coordinating the activities of the Board, assuring the orderly conduct of all meetings, maintaining effective communication with the general manager, and may work with the General Manager to produce the annual meeting report.

(a.1) A Co-Presidency structure shall share the same duties of the president as determined by both parties.

b) The Vice President shall be responsible for performing the duties of the President in their absence or disability and assist the President in the performance of their duties.

c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all official meetings of the Board and of owners, maintaining orderly record keeping of official Board documents, and documents required under these bylaws.

d) The Treasurer shall initiate the annual board budget review process and update accordingly. The Treasurer shall chair the finance committee, and oversee the maintenance of financial records, which includes, but is not limited to digital filing of: quarterly profit and loss statements, the annual board budget, and the financial report for the annual member meeting.

## **Article VII Capital Shares**

**Section 7.1 - Issuance and Terms.** To evidence capital funds provided by owners, the Co-op shall issue shares. Shares may be issued only to persons eligible and admitted to ownership in the Co-op (as per sections 2.1 and 2.2). Ownership of shares shall be evidenced in the records of the Co-op, and no certificates are required to be issued. The share purchase requirement shall be subject to increase for the reasonable capital needs of the Co-op. Shares shall be entitled to no dividend or interest on contributed capital, and may not be pledged as collateral for a loan.

**Section 7.2 - Redemption.** Upon request following termination of ownership, shares shall be redeemable to the amount of contributed required equity, less a reasonable processing fee, as determined by the Board. Any and all debts owed to the Co-op by the member requesting redemption must be resolved in order to receive equity redemption. No redemption shall be made if it would render the Co-op unable to pay its debts as they become due in the usual course of business or cause the assets to be less than the liabilities.

## **Article VIII Patronage Dividends**

**Section 8.1 - Distribution.** Only by a motion of the Board, the net earnings of the Co-op shall be distributed among owners as patronage dividends in proportion to their patronage and in compliance with cooperative principles, and with state and federal income tax law.

**Section 8.2 - Reductions.** Net earnings may be reduced by such reasonable reserves for necessary business purposes as determined by the Board. Any distributable net earnings of such a nominal amount as not to justify the expenses of distribution may be excluded from distribution, as determined by the Board. A patronage dividend may be waived in whole or in part by vote of the owners. Net earnings may not otherwise be reduced.

**Section 8.3 - Consent of Owners.** By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the

Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received. See appendix for further explanation.

**Section 8.4 - Deferred Amounts.** Payment of a portion of patronage dividends, not to exceed eighty percent of the allocation, may be deferred as determined by the Board, as stated in section 8.1. Such amounts shall be credited to revolving capital accounts in the names of recipient owners. They shall accrue no dividend or interest on equity capital, and may not be pledged as collateral for a loan. They may be redeemed at no more than their carrying value on the books of the Co-op when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

**Section 8.5 - Net Losses.** In the event the Co-op shall incur a net operating loss in any fiscal year, the portion of such loss attributable to the patronage of owners shall be carried forward to offset income of the same character in subsequent years, and any remaining loss shall be carried back and forward to offset income of the same character in prior and subsequent years as required or permitted under federal income tax law.

## **Article IX Fiscal and Miscellaneous Matters**

**Section 9.1 - Fiscal Year.** The fiscal year of the Co-op shall coincide with the calendar year.

**Section 9.2 - Communication by Electronic Means.** Any notice, consent, ballot, petition, or other document will be delivered by electronic means, provided that, in the case where such communication explicitly requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the signature.

**Section 9.3 - Disposition of Unclaimed Funds.** Any funds held in the name of an owner, including patronage dividends, which have been made payable by the Co-op and have remained unclaimed by the owner for three years shall be forfeited to the Co-op.

**Section 9.4 - Liquidation.** Upon liquidation and dissolution of the Co-op, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming deferred patronage dividends, if any, which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts and on a pro-rata basis among all amounts for each fiscal year; (iii) by redeeming shares at their carrying value on the books of the Co-op which, if they cannot be paid in full, shall be paid on a pro-rata basis among all outstanding amounts; and (iv) by distributing any remaining assets among current and former owners in proportion to their patronage during the three years immediately preceding the date of dissolution, or, if so determined by a vote of owners, to one or more cooperative or non profit organizations that will further the Ends and Mission Statements of the Co-op, in accordance with these bylaws.

## **Article X Interpretation and Amendment of Bylaws**

**Section 10.1 - Interpretation.** The Board of Directors shall have the power, with or without advice of legal counsel, to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

**Section 10.2 - Severability.** In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

**Section 10.3 - Amendment.** These bylaws may be amended only by a vote of Member-Owners in accordance with section 3.8 provided that the proposed amendments are stated or fully described in the notice at least 30 days in advance of the voting date and shall be conducted in the store and online. An informational meeting of Member-Owners is optional, at the discretion of the Board, Member-Owners, or both.

#### **Appendix:**

#### **EXPLANATION OF PATRONAGE DIVIDEND CONSENT PROVISION**

In the event that the Co-op Board of Directors votes to issue dividends to patrons, the Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage dividends that is deferred by the Co-op for its capital needs.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage dividends is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in gross income if the owner's purchases from the Co-op relate to "personal, living or family items." The patronage dividend would thus be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities. In effect, the consent provision is of no significance to owners of the Co-op, except as to organizational owners and except where the purchases of owners who are natural persons are for business or income-producing purposes.