



THE Unheard HERALD

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Durango Natural Foods A Local Co-op at the Threshold of Democracy

Board of Directors: *Structure & Power*

VS

Democracy

Nonprofits & co-ops are
ever susceptible to a
corporate board mindset

BY ROOT ROUTLEDGE

DURANGO — Democracy is supposed to empower the people, by definition. But democracy itself seems ever precariously in peril of subversion by existing power structures and outside influence. Whatever gains are made in the name of democracy are easily undone or subverted by the powers that be. It can be strategically undermined by dominant forces; or done merely on reactionary whim and will of a powerful board when people try to assert their democratic rights.

Just when you think your institutional democratic rights are safe, surprise! Something or someone undercuts them. Look, for example, at the corrupting influence of money in our politics at the national and state level, which Lawrence Lessig (www.Lessig.org), a Harvard Law professor, has made his targeted professional mission for years. At the national and state level the



Durango Natural Foods — Board of Directors Election April 25, 2015

money corruption comes from such activities as lobbying, campaign contribution, corporate influence, fundraising, earmarks, independent expenditures, deregulation, bailouts, and campaigns to subvert any efforts to address issues like climate change... and on and on.

This edition of *The Unheard Herald*, focuses on our local Durango Natural Foods Co-op (DNF) and the struggle of its member-owners for co-op democracy in the face of a Board of Directors (Board), under its president Geoff Wolf, deter-

mined to ignore or subvert DNF's member democracy. Before we dig deeper into the DNF story in the following articles, however; it is instructive to understand this as a broader phenomenon experienced by other not-for-profit organizations and their boards of directors.

In this article we look at a paradigm case of Pacifica Radio and its flagship program, *Democracy Now!* Over a decade ago they underwent many of the same things DNF has experienced over this past year, although at a larger scale.

A Paradigm Case of Board *vs* Democracy: *Pacifica Radio, WBAI, FSRN & Democracy Now!*

Pacifica Radio was formed as a non-profit organization in 1949 by Lew Hill and John Lewis. It operated as listener-supported, community radio that would provide a forum for free expression and dissenting views—classic First Amendment democracy. Beginning with one station, Berkeley's KPFA, Pacifica was a radio niche for grass roots creative programming, unfettered by commercialism and corporate control. WBAI of New York was purchased in 1960. Pacifica's theme

was independence and local control of programming throughout what grew into a five-station Pacifica network, with national progressive programs and local programming from hundreds of locally produced shows by independent affiliated stations.

Democracy Now! has been the popular flagship of Pacifica programming since it was founded February 19, 1996, by a group of five progressive journalists, including current co-hosts Amy Goodman and Juan Gonzalez. *Free Speech Radio News (FSRN)* was formed in 2000 as an independent newscast collectively run by its workers and free-lance reporters who, along with thousands of listeners and former Pacifica staff, were part of a revolt against the centralization and corporatization of power on the Pacifica Foundation Board. Both of these national programs were funded and distributed as part of the Pacifica Radio network.

A corporate board mindset of domination, control and centralization of power over its respective institution is always an existential threat to democracy and independence of the institution's members. In the late 1990s a major rift ensued at Pacifica as a small pro-corporate faction of Pacifica Board members, who came from the ranks of corporate executives and attorneys, had been gaining control of the board. This corporate-domination mindset had wrested control and began dismantling the hard-hitting, investigative journalism, reporting and programming Pacifica had been known for since its founding 50 years earlier. They centralized control of all programming, thus destroying the very independent character that made Pacifica a unique experiment in media democracy;

all while making the organization ripe for corporate takeover. The Board even tried to establish its own "ownership rights" over the organization by changing the by-laws. They were making deals for the sale and transfer of the stations KPFA and WBAI to outside "investor" entities; where WBAI in New York alone could be worth \$150 million. They attempted to restructure the board so that a small group would be able to dominate decision making and sell any Pacifica station, even allowing for their own financial interests in the stations.

This led to a wide-spread revolt by station staff and program directors, along with thousands of avid listener-supporters. There was protest in the street, mutiny on its own airwaves, and bad press from mainstream media. One demonstration in Berkeley topped 10,000 people. But the Board remained silent about its actions. One of the dissident Board directors trying to prevent the takeover, who later was a plaintiff in a lawsuit against the directors, described this Board clique as "having no vision and have never been able to provide a compelling explanation for their actions."

The Pacifica Board's actions included the firing of leading program directors and managers. The attack on KPFA started in 1999, when the director of Pacifica Network News was fired for violating an executive gag order. Reporting to the listeners on the protest responses, with a 30-second report about the one-day boycott of the network by Pacifica affiliates, he along with the general manager and an award winning programmer were fired. The uproar forced the Board to eventually back down, restoring the station to local control. At best, it was a temporary

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Publisher/Editor: Root Routledge

Website: www.TheUnheardHerald.com

Contact the Publisher at:

Phone: 970-382-0711 Fax: 970-403-1171

Editor@TheUnheardHerald.com

Mail: PO Box 830, Durango, CO 81302

Herald (n): A messenger that conveys news, proclaims, announces or warns; one that supports or advocates, esp. for notable events or major change, often presaging what is to come. (Webster)

"We have it in our power to begin the world over again..."

"It is error only, and not truth, that shrinks from inquiry... The most formidable weapon against errors of every kind is reason... Reason obeys itself; and ignorance submits to whatever is dictated to it."

— Thomas Paine

Such is the irresistible nature of truth, that all it asks and all it wants is the liberty of appearing — *Thomas Paine*

win for nonprofit democracy over the corporate oriented Board.

Next, a virtual staff slaughter ensued via the dictates of the Board on



Democracy Now! Co-hosts Juan Gonzalez and Amy Goodman

the holiday weekend of Christmas 2000 at WBAI, where they fired the WBAI station manager, program director and long-time producers; all of whom (along with a multitude of volunteers) were banned from the station, with locks changed and armed security guards brought in. They locked out the entire staff and community for over three weeks. The station was now managed as if it were an authoritarian state, even placing a gag rule for any on-air discussion of the Pacifica struggle. The Board escalated efforts to silence progressive programming. A full-blown Board coup was in progress. And it spread to other Pacifica stations, where programs were axed and firings ensued, with all parties involved expressing similar disgust at the changes mandated by the national board. Pacifica veterans described it as “nothing but prostitution of the stations’ mission... The real objective is to eviscerate the network by obliterating its political message.”

What came to be called the “Christmas Coup” at WBAI revealed the Pacifica Board’s ruthlessness and utter disregard for the democratic process. The dominant Board clique

also launched a campaign of harassment against one of Pacifica’s most renowned journalists, *Democracy Now!* host and executive producer Amy Goodman. In a letter to the Board, Goodman wrote: “The motivation is blatantly political. We

are not only being censored for our critical coverage of Democrats and Republicans, but for giving voice to a growing, grassroots movement that fundamentally challenges the status quo: people fighting sweatshops, police brutality, prison growth and corporate globalization.” A prominent author noted, “Pacifica’s purpose is a local dissident mission—to give local audiences a certain degree of participation and to allow dissident opinion to flourish.”

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— *Amy Goodman*

Democracy Now! co-host, Juan Gonzalez, surprised listeners with a dramatic on-air resignation at the

end of his show in early February of 2001. On February 6th, 2001, Juan’s press release announced the formation of “The Pacifica Campaign,” in collaboration with some 35 other activists. It was calling for Pacifica stations and listeners around the country to show their opposition to the corporate takeover of the Board by writing letters of protest and refusing to donate any money to Pacifica “until its current board of directors resigns and is replaced by a new board that is democratically accountable to listeners, staff and the communities the stations serve.” He criticized the “clique” on the Board that has “hijacked” the network and has “illegally changed the non-profit network’s by-laws in preparation for a possible sale of one or more of the stations.”

“As a supporter of non-commercial, free-speech radio, I am outraged by the firings and banning of staff and listeners... I strongly oppose [that] local input on key decisions is minimized and programming decisions are dictated from above... You must accept responsibility for the chaos and mismanagement you have created. Resign now! You don’t own Pacifica and it is not your plaything... I want democratic decision-making throughout Pacifica and I will resist all attempts to sell the stations.”

— *Letter writing campaign, quotes from proforma letter to Pacifica Board Chair*

As part of the campaign, the group would seek to “pressure individual board members to resign by utilizing non-violent, direct action and by launching an educational campaign to the public that

exposes the roles of the individual board members in the current crisis." Gonzalez made it clear that the listeners should not be fooled by what they hear about the campaign from station staff; "many producers and hosts are opposed to the policies of the current board of directors," Juan said, "but they are prevented by gag rules from voicing their displeasure."

"Many [staff members] are opposed to the policies of the current board of directors, but they are prevented by gag rules from voicing their displeasure."

— Juan Gonzalez

As Goodman continued to speak out against the outrages of the Board on the air and at rallies; she knew she faced the prospect of being fired for defying the directors. During the power struggles continuing into summer of 2001, a couple of *Democracy Now!*'s part-time



Democracy Now! In Exile
Old Firehouse operated by DCTV
Attic Studio — tiny, drafty and safe

engineers anticipated that Amy was likely to be thrown out of her WBAI home; they raised money for additional equipment and quickly set up the *Democracy Now!* studio in the donated, if tiny and drafty, attic space of an old converted firehouse in Chinatown, a few blocks from 9/11 ground zero. The firehouse was the location of Downtown

Community Television (DCTV).

In August 2001, the Pacifica Board canceled the show and suspended that network's most renowned reporter, WBAI-based Amy Goodman, without pay; along with the entire staff of her *Democracy Now!* program. Amy and her volunteer staff quickly set up the makeshift studio and began airing *Democracy Now! In Exile* on Pacifica's KPFA in Berkeley, one station which defied the Board's ban. She signed off the air each day, saying she is speaking from "the studios of the fired and banned," referring to the more than a dozen WBAI paid and volunteer staff that had been removed from their jobs at the listener-sponsored station.

The revolt against the Pacifica Board took many forms. They included the funding boycott, public demonstrations, massive letter writing, and even three legal suites challenging the Board's legitimacy. Activists were calling for full disclosure of the Board's expenditures and for a board that is representative of the listeners and that is not self-perpetuating. The lawsuits were settled by November 2001, and an interim board was formed to craft new bylaws, finally reforming their election process by giving listener-sponsors the right and responsibility to elect new Local Station Boards at each of the five Pacifica stations. These local boards in turn elect the national board of directors.

"Activists were calling for full disclosure of the Board's expenditures and for a board that is representative of the listeners and that is not self-perpetuating."

— Juan Gonzalez

The Pacifica network returned to extensive local community-based productions at its various stations; produced a variety of special broadcasts; and resumed featuring national and international news by FSRN, which ran until September 2013; and by *Democracy Now!* as its popular flagship national program.



Democracy Now! is flourishing as a daily progressive, nonprofit, independently syndicated news hour that, according to their website as of this writing, airs on 1,321 radio, television, satellite and cable TV networks around the globe.

The Paradigm Lesson

The paradigm lesson of the Pacifica case is that you have to take responsibility for democracy and fight for it—or lose it. It is the nature of powerful individuals, for whatever personal, financial or ideological reasons—say, that of the capitalist paradigm of growth and concentration of wealth and power through acquisition and consolidation—to erode democracy and the voice of people, whether it be a purportedly democratic country, or a democratically run nonprofit like Pacifica Radio, or a local food cooperative like Durango Natural Foods.

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Co-op Democracy

Two different visions for a Board of Directors: *DNF Member-Management* or *DNFC Entity-Management*

BY ROOT ROUTLEDGE

DURANGO — With five of the seven Board of Director (Board) seats open this annual election cycle (the 10-day voting period is April 25 - May 5, 2015), for the first time in years the Durango Natural Foods Co-op (DNF) member-owners have a remarkable opportunity to overcome past election apathy and obtain a voting majority of forward-thinking member-representatives on the Board in a single election. This is unprecedented!

This offers a uniquely opportune moment to redefine the future of DNF. With fresh new energy and membership engagement, the members can take DNF in a new direction for a healthy and flourishing future as a locally owned food co-op. Our small but vibrant town of Durango has a strong local food system, of which DNF is a central player. But it will continue to take a caring concerned attitude by members and their continued involvement in DNF's future.

I, Root, am running for one of the open seats. You can see my campaign pledge, titled: "[Top Priority Agenda for a New DNF Board of Directors](#)," via the link. And given that I have been one of the leading activist in our effort to save DNF, much of the articles here are written in first person, representing the interests of local co-op democracy.

With a better future for DNF the focus, the members must not

be naïve about the context of this upcoming Board election and the Board's management structure. In this Board's most recent communications with regard to the upcoming annual Board election and their election packet, they have even differentiated themselves in their election materials with their new identity moniker "DNFC", abandoning the "DNF" everyone has been using for 40 years. What does Durango Natural Foods actually represent to this current Board?

With this election there are two very different visions for DNF's future before the member-owners: a *DNF member-management* vision with the Board operating as an engaged management council; and that of the current *DNFC entity-management* with a Board operating as a "hands-off" policy governance overseer. See the box article.

The context of this election is the "Merger Revolt" that arose this past August, 2014, in response to a surprise announcement and press release that the current "DNFC Board" planned to sell our Durango Natural Foods Co-op (more on this in the articles that follow). The member-revolt involved meetings and petitions to stop the sale (which was successful); and a petition, with a thorough supporting analysis, to remove this Board, keep the current management structure, and to prevent further damage to our organization (all unsuccessful).

Our efforts were subverted by a continual stream of abuse from this Board. That manifested in their inaccurate, misleading and untruthful communications; and by their exploitation of our antiquated Co-op Bylaws.

This exposé is about accountability; covering these abuses.



Such is the irresistible nature of truth, that all it asks and all it wants is the liberty of appearing — *Thomas Paine*

Two Very Different Visions for a Durango Natural Foods Board



Colleen Caver, Kim Wiggins and Brian Gaddy
DNF Member-Management Leaders



Geoff Wolf, President
DNFC Board

DNF Member-Management Vision

This member-democracy vision redefines DNF's management structure with a modern more effective management approach involving the Board as a non-hierarchical *Management Council*; returning DNF to its roots as a locally owned co-op fully run and managed by its members and member-employees. It also obviates the need for a GM.

This vision will involve a complete rewrite of the DNF Bylaws that will ensure DNF's security as a locally owned food cooperative and democratically empower the general membership and member-employees for a healthy future.

The focus is on a healthy well-functioning organization with mentoring or guidance relationships between the Board and store managers, bringing expertise and wise guidance where and when needed. That does not mean "meddling" or "micro-management;" it means a caring engaged involvement with the organization as a *management team*, while empowering employees to ensure the co-op's health and morale; and to help solve problems or improve processes and quality where needed.

The Board would also focus on excellence in relations with staff, management, members, customers, suppliers, and community, especially at the local level. This means efforts in visibility, outreach and membership building.

DNFC Entity-Management Vision

Wording in their "2015 Election Packet" spells out this vision in the section titled: "DNFC BOD Responsibilities."

"The DNFC Board of Directors operates using *Policy Governance*, a governing style that clearly defines the role of the Board and GM. This style of governance allows the Board to have its arms around the store without having its fingers in it. It should be noted that the Board is not involved in the day to day operations of the store."

This Board sees both itself and the GM as if the organization were some complex corporation, where the Co-op is treated as an "entity" and the Board is not engaged with its internal soundness; they simply control it like a corporate business unit, merely hiring, firing and managing the General Manager. They see their joint role being a lofty one of "high level strategic visioning and long-range planning" guided by an "ends policy." It reviews performance parameters in written policy to evaluate the GM.

This allows them to do "entity things;" like deciding to spend thousands of dollars preparing it for sale to an organization in another state, out of view of the general membership, which is what they did this past summer. That was stopped when over 200 members signed a petition against the sale and against this Board doing any further damage.

Co-op Bylaws, Board Power, and Core Cooperative Principles

With respect to member participation, member interests, and opportunity to influence decisions and broad direction of our co-op, the current DNF Bylaws are an incongruent mixed bag. The [Bylaw Sections 3.2, 3.9 and 3.4](#), which the Board invoked to take control of our petition, relate to the number of petition signatures required for special meetings and their lead times prior to any special meeting; and meeting location notice and ballots provided by the Board. Section 3.4 states: "Written notice of the time, place and purpose or purposes of all meetings of owners, together with ballots and the names of all candidates for director positions... shall be provided to each owner not less than fifteen nor more than forty-five days before the date of the meeting..."

With so much Board control in our "democratic co-op", they take away everything our petition demands. There's no way to petition them off and get a new Board going with a different concept for DNF. They "own" DNF by virtue of an extreme power imbalance between the Board and the members, which is embedded in the Bylaws. So, of course we had no idea whether they even thought they might need to stand for a special election to remove and replace them; they were simply digging in to hold on to their power. Why they are bent on hanging on to power in the face of overwhelming rejection is a mystery. A so-called 'merger' they were promoting would have dissolved DNF and its Board; they are unpaid positions and Board members con-

to point out how much work and time it takes. So where does this intransigence come from, when such a significant number of members had given them a 'vote of no confidence' and with their petition signatures had asked them to step down; what do they fear from letting go of their attachment to power? The fact is, they still think some Board in the future, under the same "entity" management structure should be able to approach the sale of DNF again—it is in this way the Board "owns" DNF.

Membership Disempowerment:

It is these very Bylaws sections, among others and their combined ambiguity, that disempower members. It comes about, for example, with the huge number of signatures required to even call for a meeting and get anything on a members' agenda (one says 7%, 91 signatures in our case; and the other says 10% of members, or 130 signatures); yet we have no way of accessing the huge list of members to communicate our concerns with them and get our word out. That in itself serves Board power to block member participation—control of communication with the members.

Without one of our DNF activist members, **Pat Blair**, sitting outside DNF collecting petition signatures all day, every day, for a full week, we wouldn't have been able to muster enough petition signatures. And, with the long lead times (between 60 and 90 days), nothing more urgent can be called before the members if they choose to, unless the Board does it themselves. So, for example, it is reasonable to presume that if 25 members had a serious issue they wanted to bring up to the membership before the Board, that should be enough to get some action within a reasonable pe-

riod of time, say within two weeks to a month. We know what it takes to get enough signatures under the current rules, and how serious the issue needs to be (e.g. selling DNF



DNF Activist Pat Blair collecting petition signatures

and associated Board malfeasance) in order to get enough signatures just to hold a member meeting—it's damn hard! And then the Board takes control of that meeting, calling a new vote (or not) on their own terms. This is not what the petition demanded. When in anybody's memory has there even ever been a DNF member-initiated meeting? To have our effort trivialized in this way is simply another reason this Board in its entirety needs to go if we want to get our Co-op back.

Current Bylaws serve to disempower the member-owners and anoint the Board with tremendous power...

The other crucial disempowering aspects of these antiquated Bylaws include the lack of access to information crucial to evaluate the Board's statements and their decisions; as well as the simple majority member vote to pass anything for which the Board requires a membership vote.

The quorum is 30; a simple majority of that 16; the issue being the selling of DNF. The Board can then lobby and wine-and-dine "key members" to stack such a meeting, especially if it is done quickly when there has been little interest in members showing up at any Board meeting in the past. It is only because we responded quickly that we were able to shut down the sale.

Section 2.5 covers "Access to Information". The members have the right to "be provided

information concerning the operational and financial affairs of the Co-op" with several restrictive caveats, which the Board is empowered to determine and grant access or not. Thus, there is no formal way of assessing the integrity and veracity of any decisions, claims or statements the Board makes, if they don't want us to. That means in essence, the Board and its actions are not accountable to the membership, beyond deciding to not vote for someone in the next regular annual election.

The current Bylaws serve to disempower the member-owners and anoint the Board with tremendous power; and that is why we had to step outside of Bylaw restrictions and go back to core principles upon which it is all based; kind of like our country's Declaration of Independence. Who gets to change the Bylaws and approve the changes? The Board? They've been changed in the past; does any DNF member-owner remember ever voting

Such is the irresistible nature of truth, that all it asks and all it wants is the liberty of appearing — Thomas Paine

to approve changes to the Bylaws? If so, what's the voting record? We understand members of this Board itself were installed with a vote total of less than 40. And with that low a level of legitimacy (remember over 200 voted by signing the member-petition to have this Board resign), this Board had the audacity to decide to try and sell our 40-year-old co-op and spring it on the member-owners in its PR announcement, with glee. Who do they think they are; and is this the kind of power and sense of "entity ownership" members want their Board to have? DNF is still at risk!

These Bylaws, as they are written do not facilitate the actual exercise of the "Cooperative Principles", about which Section 1.3 states: "The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance." These are sort of "We the people..." core foundation principles upon which all other operating policies and procedures should be based, including the Bylaws; and this is where we need to exercise our membership power. There have been bad laws that sometimes need to be broken when they take away power that is rightfully due to the people and there is no other mechanism to regain it.



DNF Logo

Cooperative Principles

- **Democratic Member Control:** Co-operatives are voluntary organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights (one member, one vote)...
- **Autonomy and Independence:** Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

What do these statements really mean when a Board acts like this one? And, how should they be implemented by members?

DNFC Board Attempts to Sell Durango Natural Foods Co-op!

Laying Bare the Truth

—

Members Charge Board Malfeasance

The Back Story —

Petitions stop the sale but Board refuses to resign and does more damage to DNF

BY ROOT ROUTLEDGE

DURANGO — This past summer of 2014, unbeknownst to the general membership this DNFC Board spent several thousand unbudgeted dollars to prepare DNF to be sold to a co-op conglomerate in another state; the La Montañita Co-op (LMC) headquartered in Albuquerque, New Mexico. Beyond the DNFC Board, those involved in this attempted "entity level" trans-

action are the National Cooperative Grocers Association (NCGA); the DNFC Board's consultant and NCGA Board member Mark Goehring of Cooperative Development Services (CDS) Consulting; and the LMC General Manager, Terry Bowling.

The DNFC Board had their law firm, Newbold, Chapman and Geyer (NCG), examine the Bylaws and Letter of Intent to sell (LOI) for any hurdles they needed to overcome in order to sell the DNF Co-op. In particular and incredibly, they explored whether the DNF members actually had legal owner status! Was that to mean if the members didn't, the DNFC Board, elected with a less than 40-member total vote out of 1300 members in the previous election, could just sell it themselves as if "the entity" DNF belonged to them (see the "Two Different Visions" box article)?

Glossary of Terms

For clarity, in particular with respect to claims made, these words are employed in this article as descriptive technical terms based on *Webster* dictionary definitions.

Malfeasance: Malfeasance means wrong doing or misconduct, especially by an official in a public or formal position.

Fraudulent: Fraudulent means intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right; an act of deceiving or misrepresenting.

Defamation: Defamation means to harm the reputation of by libel or slander.

Specifically, under the direction of DNFC Board member and lawyer Paul Kosnik, they had the law firm check “the possibility that DNF doesn’t have members yet according to the Bylaws.” That is, after 40 years in existence, they were to “reflect on issues with the LOI, including that DNF may not have members yet; and procedures for asset distribution upon liquidation... [and] DNF’s potential liabilities upon liquidation or dissolution.” These are all identified as professional service line-items in NCG’s August 12, 2014 invoice to Geoff Wolf, president of the Board, which is available for the first time for membership review and scrutiny [here](#).

Further, they explored whether the sale could legally be considered a “merger,” which is the euphemism the Board used in its press release when they eventually announced their plans to sell DNF, and tried to promote the sale in their email blast to the members; and has used ever since. In fact, the members *are* legal owners of the co-op; and, after legal advice the Board decided it needed to proceed with the intended transaction as a

full-blown dissolution of the DNF Co-op and *sale* of all our assets and rights to the name and any other information held by DNF. Again, Board member/lawyer Kosnik explicitly directed NCG to “proceed as if DNF were being sold and not merged.” Yet, they have continued to misrepresent the sale to the membership as the less alarming and perhaps more acceptable notion of a “merger,” implying there might be something left of DNF (beyond the name on the storefront) for the members after the sale. But their intent has always been, internal documents prove, to dissolve, liquidate and sell DNF assets and all its rights; promoting it to the membership as “an incredible opportunity.”

This unprecedented and ostentatious act led to a member-initiated “Merger Revolt,” for which myself, **Root Routledge**, and **Pat Blair** were two of the leaders. Petitions were

written and a battle for the future of DNF and the status of this Board was on. Over 200 signatures, about 14% of the active membership, were collected during a 10-day period between August 27th and September 7th, last year 2014. After the sale was stopped in its tracks, the petition effort continued to remove the Board due to its malfeasance; to keep the internal management structure as it was for stability, continuity and critical functionality; and to prevent the Board from doing further damage to our DNF Co-op.

In the end, the Board ignored the petition, refused to step down, and fired one of our Co-GMs, **Kimberly Wiggins**, who was also the accounting, finance and bookkeeping manager, functionally crippling our organization. Fear and low morale were rampant amongst staff.

This is our story. There are some who have expressed their displeasure with our fight, commenting against exposing this Board and its malfeasance, especially after the Board had seemingly laid the matter to rest as we are now moving on to new annual elections in a few weeks. Some have claimed it’s



Root with Pat at petition table outside DNF, September 2014

“spreading misinformation” and “its just not healthy.” In the name of healthy democratic member control and a healthy safe future for DNF, I couldn’t disagree more.

What this exposé is about, in actuality, is *accountability*. By bringing forth the truth to DNF members and the broader public, it underscores the significance of core cooperative principles and how easily they can be undermined, subverted or simply ignored. And without this kind of exposure, any sense of purported co-op democracy now or in the future amounts to nothing more than a farce.

What this exposé is about... is accountability. ...Without this kind of exposure, any sense of purported co-op democracy now or in the future amounts to nothing more than a farce.

Actions by this “DNFC Board” over the several months since last August has damaged our organization, hurt innocent people, and subverted the expression and exercise of our co-op democracy. With this exposé, original internal documents are shared that expose this Board for its abuse of power, secrecy, fraudulent claims, false information, outright lies, and defamation of character.

On the new website associated with this edition of *The Unheard Herald* eNewspaper, www.TheUnheardHerald.com, are a wealth of additional materials. In full transparency, this overview article is accompanied by detailed internal information; all documents, including several original evidential documents that until this publication have been unavailable to the general membership; as well as a

detailed story told in first person through internal email communications, with accompanying annotation comments regarding background and context.

The DNFC Board, of course, does not agree with the facts we have claimed all along and that are laid out in this story. Their own story involves shifting the blame for their malfeasance onto DNF employees and “a few disgruntled members;” and unfortunate wording and timing of their press release. They have told and revised their story with several communications, links to which can be found on the Board’s page of the DNF website [here](#); and on this edition of *The Unheard Herald* website [here](#).

Beyond the Petition: DNFC Board Malfeasance

Secrecy, fraudulent claims, false information, outright lies, and defamation of character: These represent the inner lining of this Board’s behavior, statements and actions throughout this process. That’s not an opinion, as some keep claiming; it is born out with facts that will be presented here.

This Board has done severe damage to our organization, its staff and its members, which may not be immediately obvious to the casual customer who just goes in to buy some groceries. But, over the past six months it has manifested in degraded performance, lack of accurate account-

ing records, low staff morale, high stress for managers and high turnover rates—serious organizational illnesses that can permanently damage its long-term viability and member-owner value. Inexperienced and temporary help have struggled to sort out the mess. And further, the Board has publicly tried to trash the personal and professional reputation of Kimberly Wiggins, former accountant and Co-General Manager of DNF. From a member-owners’ perspective, Kim was perhaps our most valuable and competent employee filling a critical role with functional skills and competency no one else in the organization held.

Internal evidential documents: Root Routledge and Pat Blair have been in possession of several internal documents since August 23rd, 2014, which have long been in the public domain, having been given to *The Durango Herald* on Wednesday, September 17th, 2014. Pat also had them at the petition table for any petition signers who were interested in looking at them.



Pat discussing documents with DNF member Kathy Barrett

Due journalistic diligence with these documents brings to light the discrepancies in just about every-

thing the Board has claimed to be true in articles and letters they have published; but isn't. These documents are referenced in this article; they contain information that even though held tightly by this Board, the member-owners have a right to know standing on first principles of accountability and democratic member control of our co-op. They are finally now available to the DNF members.

Malfeasance cannot be exposed when the Board is allowed to tightly control access to such documents. The documents expose this Board for what it has done; not in a personal attack way, but in a way that holds them accountable to the members for their statements, misrepresentations, perversions of the truth, actions and decisions.

The documents expose this Board... in a way that holds them accountable to the members for their statements, misrepresentations, perversions of the truth, actions and decisions.

The actual internal documents are all available on www.TheUnheardHerald.com; and I encourage you to read them carefully in detail. In this article and accompanying website narratives, key salient points from the documents are brought to the fore.

Just who is "the Board?" Let me preface this next part of the exposé by pulling back the curtain hiding individual responsibility and accountability of Board members, in particular that of the Board President, Geoff Wolf, from whom communications emanate as "The Board". As the DNF website [notes](#), Geoff is an Executive VP with a Kansas City, Missouri, marketing

firm. He has founded two local organizations with the intent of "guiding both to profitability and a successful sale." I heard from one of his former employees that he gave no notice and she was simply 'let go' one morning when she came into work. Geoff Wolf has a corporate world view and clearly views entities like DNF from an "asset management" perspective, which only has value in a sale like the one proposed—a 'grow it then sell it' mentality. The argument builds the case that we should sell our assets now that we are at a 'peak profitability performance' and can get the 'highest value for our assets.' This is a corporate mindset and a moral commodification of our values; not a local co-op mindset.

The other remaining Board members are: Paul Kosnik, Board Vice President, an attorney; Victoria Robinson, Board Secretary; Robert Fitts, Board Treasurer; and Jim Forleo. All but Robinson and Forleo are term-limited and, along with the two empty seats, will be replaced in the upcoming annual meeting election April 25th, 2015.

We are continually presented statements, actions and decisions as coming from some "monolithic Board," as if they all speak with one voice, yet hiding behind a curtain of ambiguity and denial of individual responsibility, while conveniently employing antiquated member-disempowering Bylaw rules as a shield to accountability. The intent of this entire edition of *The Unheard Herald* is to shine a light on a Board that has not looked out for the interests of the members and refuses to be held accountable. If that troubles some, perhaps a democratic independent food co-op is not where their hearts lie.

Yet, I find it hard to believe that all seven members of this Board (five, now that two had voluntarily stepped down this past fall) have the same convictions regarding what they do and its impact on the members. That raises the question whether some Board members, especially the youngest and newest (both of whom have now resigned), felt intimidated by one or more dominant personalities of long-time holders of Board positions; and under fear of retribution or isolation they had to 'tote the Board line'. Being placed in such a position leads people into the trap of 'group think', where the weaker individuals get stifled and pressured to just 'go along' rather than stand up for what they might feel is right—even stand aside and alone with their personal integrity intact. That can be damn hard to do. Perhaps in fact, the Board is not so monolithic in its agreement; or yet again, maybe it still is. Nonetheless, it has been very clear that Geoff Wolf is the authoritarian Board president from whom most communications and edicts emanate.

The question this immediately calls forth, especially as I expose the truth behind their claims, is this: Are all Board members aware of the facts; or just a small 'merger committee' whose claims the rest of the Board simply trusts? Who do individual Board directors answer to in an authoritarian Board: Board President Geoff Wolf for Board unanimity; or the future of DNF, its staff and the best interests of its members? This has been a Board that behaves and acts like DNF belongs to them; and that whatever they want to do they define as what 'DNF' wants to do. Of course it does not belong to them. We the members own it; it belongs to us

and the Board is accountable to us. But clearly we must press the issue of accountability, or else the Board simply gets away with whatever it wishes to do.

Examining the attempted sale of DNF in terms of the value it holds for its members and the proposed terms of sale

Throughout this entire campaign we have been presented claims from this Board unsubstantiated by facts or rational analysis. We have been told over and over that the sale of DNF, framed with the word ‘merger’ that sounds less threatening, is in the “best interests” of the members, is a “great opportunity” for DNF and its members and is how they can be “best served”, with “many advantages”, a “transition that will be great for our members”, and on. These are all value statements that possibly could be defended by facts.

Yet, even though no facts have ever been presented to support these claims, the Board has never backed away from them, even making statements after the sale proposal met its demise, about how “profoundly disappointed” and “truly saddened” they are; and that they were “just personally thinking about what is best for the Co-op at this time and for the future”, but are now “sorry for DNF, as we will not get an opportunity to compete in our community at the level of which we are capable” and maybe someday we’ll be “in as strong a position as we are now to negotiate a favorable agreement.” All the DNFC Board has ever really presented to justify their proposed sale

of DNF is a slogan campaign with no facts, “...it’s a great opportunity ...that’s in the best interests of DNF members ...with many advantages.”

When pressed to produce facts that support their claims and why they think it’s best for the Co-op, they aren’t able to come up with anything; they just keep repeating the claims and state “how excited and enthusiastic” they are about the claims, and therefore “how disappointed” they are that we have “lost this opportunity”. If you say it enough maybe people, including any skeptical Board members, will just ‘buy it’; and that is the nature of propaganda—ideas or allegations spread deliberately to further one’s cause or agenda. What do they mean by “favorable” agreement? Favorable to whom?

All the DNFC Board has ever really presented to justify their proposed sale of DNF is a slogan campaign with no facts, “...it’s a great opportunity ...that’s in the best interests of DNF members ...with many advantages.”

The only factual examination of the claims and what the real value DNF members hold is what was done in the [Supporting Analysis](#) that backed the statements in our member petition. We DNF member-owners hold a \$2 million a year business that up to September of 2014 was doing well, and is worth \$1 million of actual value. We are “community owned,” a phrase that is right on the entrance to DNF. As a group of co-op members, we are all part of something that is collective and bigger than any of us, which holds community relational value as well.

Letter of Intent (LOI)

Now we examine the content of those Board claims by looking at the actual “Letter of Intent” to sell DNF. We the members want to know why these claims have been made and what is “favorable” about this agreement for us member-owners. Or, whether in fact all these claims have been misrepresentations made to induce the members to let go of something of value we currently hold. That is the definition of *fraud*.

In fact, all these claims have been misrepresentations made to induce the members to let go of something of value we currently hold. That is the definition of *fraud*.

The [Letter of Intent](#), in a file dated 7-14-2014, lays out in straight forward terms an agreement for LMC to purchase the assets of DNF; it does not say ‘merger’—in fact, the word ‘merger’ cannot be found anywhere in the document. The first clause states that everything goes: “all real property, personal property, all intangible assets, customer lists, contract rights, distribution rights, formulations, patents, licenses, advertising information and material, marketing materials, equipment, fixtures, supplies and other assets used in such Business and inventory (the “Assets”). The Assets shall be transferred free and clear of all liens and encumbrances, and the Buyer [LMC] will not assume any liabilities of any kind, including, but not limited to, employment agreements or any qualified or nonqualified plans.”

In that first clause the financial balance sheet statement shows

numbers close to those disclosed in the Supporting Analysis to the Petition: total assets worth about \$900,000; liabilities about \$400,000 (of which about \$300,000 is the property mortgage); and “Excess Assets over Liabilities” (which should be interpreted as the book value of member equity) of about \$500,000. But, moving down to the fifth clause, it states: “The proposed purchase price for the Assets is the amount required to retire all of Seller’s [our DNF Co-op] liabilities and the amount required to fund its dissolution (collectively, the “Purchase Price”).”

So, the Board has attempted to “sell us members” on the idea that this is a “great favorable opportunity for DNF and its member-owners;” yet not producing any of these facts. In fact, LMC would get everything, including our member equity, for basically the cost of retiring our mortgage and incidental closing costs—about \$300,000. Further, it is a “dissolution”, which means the DNF Co-op no longer exists, except in a name that LMC would own, after the sale of its Assets. This is what the reality is behind the Board’s employment of the term “merger”. Yet, even at the Board’s one-day notice meeting September 4th to tell their side of the story, and in a September 8th follow up email from the Board President to Root’s newsletter, which was sent out September 7th, the Sunday morning of the last petition signing day, that quoted statements made by him, Geoff claims I misquoted him. He says:

“The following statement [Root’s statement] is incorrect – ‘LMC was not willing to write a check for the value we hold; only the mortgage on our property.’ I stated that the check they would write reflected a

balance sheet value of ‘assets less liabilities.’ That is far more than just the net value of the property. Please do not fabricate conversations between us or restate my public comments incorrectly.”

We know from the Letter of Intent that this statement by Geoff regarding sale compensation is a flat out lie—a perversion of truth. This is why the DNF owners have been kept in the dark about what was really about to transpire. All we would really get is stated in clause 6), titled: “Independent of the Purchase Price, the Buyer agrees that the Seller is receiving consideration through the closing of this transaction in the form of the following:” It then identifies five items, four of which reflect similar competitive pricing offered in their other stores, similar employment benefits for those “employees of the Seller that are hired as Buyer’s employees,” no guarantee of future dividends, and that Buyer will “make reasonable efforts to make future investments in capital projects at the location of the Seller’s current retail store,” similar to other stores it owns. So, other than pricing and benefits for DNF employees it chooses to rehire (no guarantee), and an effort but no guarantee to offer dividends, the only thing of value that current member-owners of DNF would get for the sale of our store to LMC is stated as the first of these five items: “Owners of the Seller’s cooperative shall receive a period of free ownership in the Buyer’s cooperative.” That’s it!

In fact, the sales pitch that was being made to sell DNF members on this arrangement as a really good deal for everyone involved, was primarily based on the promise of lower prices and better employee benefits and upward mobility for

them in the corporate world of coop food. Actually, in the proposed deal LMC comes out smelling like a rose; while DNF members come out smelling like La Montañita Co-op members. It ignores entirely the question of who we are and why we have existed for 40 years as a local food co-op. The word “merger” sounds like we’ll all be part of the same ‘bigger and growing co-op family’ and local members will have lots of say about the future of DNF. In fact, that is a mirage.

By “merger” what is actually meant is this: The DNF Board will sell all DNF assets to La Montañita in exchange for our membership in LMC. Assuming all active members stay, former DNF members would amount to less than 8% of the LMC membership; and that would decrease further whenever LMC buys out another local co-op. Who do you know in Albuquerque you want to vote for? Even though stated as such by our Board, there were no guarantees regarding the future of Durango Natural Foods, its name, staffing, assets, or decision authority at any and all levels. All those decisions would be made by the new owners of DNF and its assets in another state.

This Albuquerque-based organization has a “growth by acquisition” business model; and apparently Durango Natural Foods is a tempting target. It is being sold to you with a sort of “Walmart” lower pricing argument. That is entirely irrelevant for our local co-op. People don’t buy from DNF because of ‘large chain lower prices;’ they buy from us because of who we are and what we represent in our community.

The “merger” idea was simply someone’s corporate vision to sell

off our assets to another entity... for what reason? America's corporate mindset strategy is to buy other entities and get ever bigger; and it is this business fad that was driving the proposal. That doesn't sound like who we members of Durango Natural Foods are; nor does it sound like why people buy from our co-op. We are a local, independently run, locally owned and managed co-op 'model business' in a vibrant Durango community.

Board backpedals to reframe the LOI: Further, in their [August 21st letter](#) to the owners and staff of DNF lamenting the failed bid to sell DNF, the Board states [with original bold and italics]: ***"To clarify, the Letter of Intent was only designed for the sole purpose of discussing a possible merger."*** (Decide for yourself after reading it.) And later, "The Board had no intention of pushing this idea on the Co-op Owners." More on the timing issue below; but the Letter of Intent states in clause 11: "Subsequent to the execution of this letter of intent, the parties will work together to execute the Definitive Agreement by September 15, 2014. The closing of this proposed transaction should occur on or about October 1, 2014 (the "Closing")." In the business world, that would be correctly called "fast track".

Board's Communication Plan

Again, beyond the misrepresentation of actual value to the DNF owners in this sale as a "favorable opportunity" to us, the Board has continually claimed they planned a lengthy and thorough discussion with members about all the details of the sale; but got circumvented by an unauthorized early release of a

press release before the final wording was set. The Board's storyline is also available at www.TheUnheardHerald.com, under the "Supporting Documents" section titled: "Documents—DNF Board."

After the sale's demise, in their August 21st letter the Board stated: "Unfortunately the communication plan the Board decided upon was bypassed and that simple occurrence ultimately brought the *discussion* to a premature and abrupt end. These actions prohibited the staff and membership from being able to fully discuss and understand the issues. The Board had no intention of pushing this idea on the Co-op Owners. The Board wanted an open *discussion*. We were planning to hold several open meetings with the Owners and staff including a few in which members of La Montañita Co-op would be present. After the meetings and much discussion there would have been a vote on whether or not the merger should happen. That is the Cooperative way." [original emphases]

Let's examine the veracity of these statements by looking at the next set of documents: [Board's communication plan](#) by consultant, July 30, 2014; [consultant's time-line notes](#), August 7, 2014; [Kim's summary of events](#) from August 6th through August 18th; and [Kim's Friday August 8 email](#) to outreach manager Brett passing on Geoff's directive to put the press release out in the Tuesday, 8-12 blast (as is). These are best examined in a self-discovery process by reading them yourselves, but here are a few salient points.

The communication plan and time-line belie the statements put forward to the members by Board president Geoff Wolf. In fact, the

communication plan was not bypassed, but followed per instructions. At most the press release, with instructions from Wolf not to change it, went out a few hours before the planned Tuesday August 12th blast, Monday evening after work hours; a minor technical difference due to the 'send time parameter' set for the blast to ensure it would be in peoples' in baskets Tuesday morning. And the [Word document copy](#) written and provided by Geoff is exactly the same as the blast announcement copy, per his instructions. It is the same wording as was released August 6th to staff and a few "key members" at the Eno Wine Bar function that evening. It is the [press release](#) that spun the sale as a "merger" with LMC; with Geoff promoting it to staff and "key members" August 6th as "a great opportunity, a win/win/win." There was an overall positive response by the "key members" that evening. So in fact, the press release was already in some "key members'" hands August 6th, well before the claimed "released early without approval" planned date of Tuesday August 12th. The [press release was planned to be in the hands](#) of the newspapers that same Tuesday for Thursday or later publication. All the while expenditures were made on attorneys and accountants to assist in writing the Letter of Intent.

With respect to the planned "discussion" and timing the first thing that jumps out is that an information packet with details (content never specified) of the planned sale would not go out to staff and members until after the signing of the Definitive Agreement, other than key concepts and intentions covered in the press release. The Definitive Agreement would be

signed by September 16th. Then there would be a member meeting for clarification questions September 22nd; and a 15-day “warning” required in the Bylaws would go out no later than September 19th. In the meantime, the Board continued to meet with key members to build alignment with the plan and lobby key members for support with “1-to-1” phone calls. Two to three weeks later a DNF member meeting would be held for a vote, which would begin October 5th and conclude October 13th. It’s all in their [communication plan](#); the Board’s public statements to the contrary are not factually true and simply try to blame employees for their failure.

This is pretty much how it all actually happened—in accordance to the Board’s plan—right up to the point when Root got the press release that Monday evening, August 11th, was extremely alarmed. He responded to it with a widely distributed [alarm email](#) the same evening to about 50 people he knew around town.

In the meantime, however, staff was very alarmed right after their August 6th briefing on the so-called “merger”, well before the so-called “early release”. The Board was informed that the “merger” idea was not well met by staff and that staff did not want Geoff to represent them in the merger. Staff made their own initiative to put a set of unanswered questions directly to the LMC general manager, Terry Bowling, the day of Monday August 11th. They received a [response from Bowling](#) Wednesday, August 13th. Staff is outraged that the few selling points they were most interested in seemed to be lies. By Friday Geoff is complaining that staff is telling members they will lose their jobs.

Kim stands up for the members’ interests ignoring Geoff’s orders not to talk about it, telling him “we are a cooperative and every member deserves to know the truth.”

Line-item Legal Expenditures on Merger

We don’t yet know how much has been spent on consultant fees and accountant fees; but we do know that over \$3,000 was spent on legal fees. The next document in this story is the list of [line-item charges for the legal analysis](#) of the sale of DNF to LMC. Again, these are best examined in a self-discovery process by reading them yourselves, but here are a couple more salient points (see additional points from this document described at the beginning of this article on pages 8 and 9).

The Bylaws were examined for dissolution procedure and possibly needed changes to comport with DNF Board specifications. Evidently, the Bylaws are that fluid that the Board feels it’s theirs to change at will—Bylaws are an “entity thing”, you know. DNF Board representative Paul Kosnik instructs legal counsel to proceed as if DNF were being sold and not merged. Yet it has all been falsely promoted to the members as a ‘merger’.

Kimberly Wiggins DNF Co-GM

Kim’s unjust firing and defamation of her character

Kim had been the Co-GM along with Brian Gaddy for about nine months prior to the merger blow-

up, from December 2013. Brian handled the grocery and operations side, which is where his expertise and experience was; and Kim handled the business and personnel side, including all the accounting, finance and bookkeeping responsibilities, where her education, expertise and experience lay.

Unfortunately, DNF has been run by an authoritarian Board that fires competent general managers without giving them any notice or reason for their firing. This happened the previous year with Joshua, even though he asked for a reason; Joshua had some indication he was about to be fired, so had prepared a letter of resignation. And it happened with Kim the day after she helped us reach out to the rest of the members with a notice and link to our petition; again “no reason was given.” Then, when the issue of Kim’s firing was brought up by members upset about her firing at the Board’s one-day notice “information sharing” meeting, September 4th, Board president Wolf stated that they could not discuss such ‘personnel issues’ with the members due to legal constraints; again affirming “no reason was given” for Kim’s firing. This lack of candor was then followed up with a public backstabbing by a Board member.

Something very shocking happened. Board member James Forleo, who we were told was out of the country during all the crucial discussions, writes an outrageously disgraceful letter slandering Kim’s reputation stating in our small community public media purported reasons for which he claims she was fired, which in fact are not true and nothing but projections about Kim’s motives. It was published in both the *Herald* September 10th, 2014, under the banner “[Accusa-](#)

tions about co-op had facts wrong”; and the *Telegraph* September 11th, under the banner “[Board following co-op principles](#)” (which illustrates why one should never think they’re informed merely by reading “spin” headlines). Later on when by chance I ran into Board member Robert Fitts, in response to my question he told me personally that the Board had read Forleo’s letter before it was sent and was unanimous behind it.

Forleo’s states in his letter in each paper, that it was in response to my letter the week before about restoring integrity to DNF (banners: “[DNF petition aims to restore integrity](#),” *Herald*, September 7; “[DNF needs to hit ‘reset’ button](#),” *Telegraph*, September 4). It is clear from the content that the intent of the Forleo/Board-approved letter to the editor was two-fold: to make Kim the issue rather than owning up to their responsibility for the merger fiasco; and to discredit her (and Root for describing her as a whistle-blower in his letter) by defaming her character. Regarding the supposed ‘early release’ of the merger announcement, which we know the truth about from above, the Forleo/Board letter states:

“Without board approval, mind you, and with total disregard for the creative process, members of the GM/staff sent out this unfinished draft [press release] knowing that chaos would follow.”

[Another flat out lie as we have seen from the documents above. Kim and staff did no such thing; they simply followed instructions from Geoff—get it out in Tuesday’s blast and don’t change anything.]

[It goes on, claiming integrity for themselves, while intentionally perverting the truth with more of their same false narrative.] “Kim Wiggins was not a whistle blower, as there is no reason to

blow a whistle! There were no violations by the board, which was in the process of presenting membership an incredible opportunity [there they go again]... Wiggins was fired for specific violations of both her job description and policy governance rules DNF operates within. Those violations represented a lack of integrity with a board that trusted her. She also used DNF mailing lists for her own personal agenda, sending out letters to members to protect her job. Her fabricated stories inflamed the staff and derailed the process. This was the basis for dismissal.”

You know from the communication record referred to earlier that these appalling comments are anything but true. So, why after making such a big deal about not being able to talk about ‘personnel issues’, and never giving Kim even a hint of a reason she was being fired 24 hours after she sent our petition notice out to the members, would the Board give an okay to such a disgraceful and trashy letter?

All along Kim had been concerned about what was going on behind the scenes and stood up to Geoff more than once on behalf of the members’ interests; provoking his ire. If you were at the August 18th meeting you would have witnessed Geoff even trying to censor her comments about the list of questions staff had written to LMC regarding the merger. Geoff interrupted Kim and started to say as she was talking, “Well, we don’t need to go into internal staff communications.” To which Kim immediately replied, “No! The members have a right to know what’s been going on. They have a right to know the truth.” And she then went on to tell us about it.

Kim didn’t initiate anything regarding the petition; she and staff only initiated [their own communi-](#)

[cations with the LMC GM](#), much to Geoff’s chagrin, to get clarity they weren’t getting from Geoff and the Board regarding implications of the so-called merger. They found lots of untruths in what they were told by the Board ([see Kim’s comments on the Board’s FAQ that was sent out](#)).

Pat and I approached Kim about how we could communicate with the full membership and get an urgent blast notice out about our member petition and its supporting analysis. Could we get the member list or could she send it out at our request? Kim was hesitant, had comments about petition wording, even not sending it the day we had spoken of doing it; but, then decided to do it at our request the following day. She even said that in her [brief cover statement to the petition launch](#), regarding what it was about.

Kim Stands Up for DNF

Kim wrote a long letter (Thursday, September 18th) to Robynn Shrader, with whom she had interacted as DNF Co-GM. Shrader is the NCGA (National Cooperative Grocers Association) President and global cooperative supporter; DNF is a member of NCGA and has to send quarterly financial reports to them. In her letter she describes what had been happening to DNF and to her. The merger recommendation, Kim pointed out, actually came from Paula Gilbertson of NCGA and Mark Goehring of CDS Consulting, who we understand is on the NCGA Board. Goehring had been the planner of the “merger” process for the DNFC Board. In the letter she speaks of the communication plan (reference links above) that intended to rush the so-called

merger through with minimal member communication. She goes on to describe her experience with Geoff trying to shut her down at the August 18th meeting. She feared that the Board would not address the crucial questions the staff and she had asked, so she explained to the NCGA president: "I brought them up during the meeting and was told to meet with them [the Board] later as these were not areas to discuss at the meeting. I told them I believed the membership had a right to know the truth of the buyout and that was their job to do. Needless to say they were very angry at me."

Kim had been approached by many staff members and other DNF members, she stated further, "who were angry the Board didn't connect with members anymore, so I told them I'd help if I could. On August 27th after asking members [Root and Pat] to revise their petition several times I sent it out as an email blast per their request. It was not my petition; I feel as a co-op employee I work for the membership not the Board. The Board believed the petition to be mine and fired me within 24 hours for no reason."

Kim goes on to describe the impact on the organization, as she was the sole accountant, finance manager and part of a two person interim GM team. "My firing has crippled the co-op as no one was trained to do my job. The woman who replaced me [we went through at least four temporary persons, as the first two quit in disgust shortly after starting a few days on the job] has no idea how to do my job and has called me several times asking questions." [Kim was told by the Board after her firing that she was not to have any further interactions with the staff.]

"To top this all off the staff is furious, some are looking for new jobs, others are afraid of their new GM because they know he fully supports the Board." [She points out earlier about the Board hiring her co-manager, Brian Gaddy, without doing interviews; he was the grocery manager and has no financial or accounting knowledge or skills.] "They [the staff] are unable to talk to members about the ongoing since the buyout was taken off the table. When I was fired all but two staff members demanded answers and stated they would create a petition to remove the Board as well."

Then comes the vindictiveness of this Board. Beyond the initial firing, it took Geoff two weeks to fill out her unemployment paperwork. Kim got a call from the Colorado Department of Labor telling her Geoff had told them she was fired for using company equipment to pursue her own personal agenda. Thus she would be barred from receiving any unemployment benefits; although later they approved it after Kim appealed the decision and explained her side. She explains in her letter to the NCGA president, "The most recent wrongs are: the Board president filed my unemployment forms and has denied me getting any unemployment, stating I used company equipment for my own agenda, which is untrue. It was the members who asked for an outlet for their petition. The Board is also ignoring the petition that asks them to step down... Some members are so upset they are pulling their membership and boycotting the store. I feel very sad that things have gone this far and am very concerned for the co-op. I am not writing because I want my job back, I have already started on another career path, but as a member

I love the co-op and I learned a lot."

On a personal note, Kim has kept in touch now and then via text and emails shared with Pat and Root regarding the impact of all this on her personal and emotional state of wellbeing, which has been up and down. On August 28th, right after she was fired, Kim wrote: "I also think of myself as a whistle blower... and whistle blowers get fired. But people have to do what is right, not hide away because someone threatens their livelihood. I love(d) my job at DNF very much." After the petition had closed, on September 8th she wrote: "I apologize I've been distant, I really care about my job, the work I do, and the people I work with - being fired was very difficult. I've had a hard time sorting through the Board's actions but then I realized I've been focused on the wrong aspect of it all. The real piece is all the supporters of DNF."

And then, after the slanderous attacks on her personally and professionally by a Board member, with unanimous Board approval, in the paper noted earlier, Kim wrote on September 18th: "All of this with DNF makes me sick. I lost my job, have been defamed, and as an accountant I work and receive work based on ethics and goodwill. I grew up in the Durango area and a lot of people know me and my family. I am exhausted, anxious and stressed and have not had a moment to truly clear my head and recover. I care about DNF and that's why it's hard to pull away. DNF and its employees are the ones who are getting hurt the most over this. Sales may be up but the Board has put Brian and the staff in a horrible position. The accounting work alone will take 3-6 months to adjust if I'm working on it. This is due to the intricacies I did not being

done, as well as checking past data for errors. The morale needs to be brought up. The damage done by all of this is at least a year's work with a steady strong team. If Brian gets burnt out in all of this he will be a very difficult position to replace. He has done operations, grocery and management for over a year at DNF, he has also done all the NCGA trainings. Brian and I were the most critical people at DNF in terms of our skills."

And finally, on September 19th, she wrote: "Today has been very hard, but I'm working through it. My family is very upset by the ongoings and many community members have been asking for my story. I just feel ragged and I'm sure you both do too."

Well Kim, let this be part of your story getting told. On behalf of everyone, we thank you for everything you have done and for demonstrating the strength and courage to step forward from the beginning on behalf of the Co-op members and staff, indeed the DNF business itself, and then weather the consequences and fallout of this storm. We have immense respect and compassion for you.

Petition Amounts to No Meaningful Action — DNFC Board ignores petition by again hiding behind Bylaws clauses

The petition to remove the Board was reviewed by the Board's NCG legal team. At the Board's September 22nd meeting, the two attorneys told the 30 attending members that they determined it was a valid call for a member-initiated special election meeting. So, a December 3rd date was set for a two-stage vote

that would involve the election of seven new Board members (we had to come up with seven, even though the Board had only five at this point). This vote would only commence if an initial first stage vote to remove the current Board passed.

A nominating committee was selected to find seven interested members who would be voted on. But alas; when all that was accomplished and the overthrow of this Board seemed finally to be fait accompli, the Board did another legal review (by whom we don't know) and decided, based on another Bylaws clause, the removal of the Board was not a "proper issue" for the members to consider. So they

canceled the December 3rd special election meeting. Only the Board gets to decide what a "proper issue" is; hence this is a blatant conflict of interest. So in the end we find that there is no effective co-op democracy with this Board or in our Bylaws.

And so here we are now as of this publication date March 31, 2014, finally approaching the annual April 25th meeting election for five of seven seats. Amazingly, due to the two Board members (who's terms were not expiring) resigning earlier last fall, a truly unique opportunity has opened up to the members of DNF to take control of this Board and re-define DNF, establish entirely new Bylaws, and reform its management purpose and structure.

Plans for the Future of DNF

We are part of a larger movement

The *idea* of "local" is rapidly expanding globally

The United Nations International Year of Co-operatives in 2012 marked the beginning of a worldwide campaign to take the co-operative way of doing business to a new level. The General Assembly of the [International Co-operative Alliance \(ICA\)](#) produced a "Blueprint for a Co-op Decade," which in its "2020 Vision" has the intention for the co-operative form of business to become: "*The acknowledged leader in economic, social and environmental sustainability; the model preferred by people; and the fastest growing form of enterprise.*" The ICA's "World Co-operative Monitor" reports that turnover of the largest 300 co-oper-

atives, covering 26 countries, over the last 3 years has grown by 11.6% to reach \$2.2 trillion USD in 2012... based primarily on three sectors: co-op insurance (46%); agriculture and food (27%); and wholesale and retail trade (20%)."

This is about *people* taking the initiative to shift control of societal economies away from large transnational corporations of the capitalist industrial economy to a co-operative and locally owned, managed and focused economy. The ICA reports, "It has raised the profile of co-operatives beyond the limits of the sector itself, in civil society and amongst governmental and inter-governmental bodies." Contrary to consolidation and concentration of ownership and management, with an "economies-of-scale" theme of "bigger-is-better," this model of a local and co-operative networked economy is the wave of

a sustainable and resilient future for the planet.

The local business model, along with regional, national and international connections it may need and benefit from, becomes what is sustainably healthy for the local community *and* the planet. The [Business Alliance for Local Living Economies \(BALLE\)](#) says of this *Localist Movement*, “We envision a sustainable global economy as a network of Local Living Economies, building long-term economic empowerment and prosperity in communities through local business ownership, economic justice, cultural diversity and a healthy natural environment... With local ownership comes local accountability; when you live in the community where your business decisions are felt, you have the understanding to make better decisions. Having a larger density of locally owned businesses results in higher per capita income, more jobs, and greater resiliency in the local economy.”

Local co-operatives need to be seen in the context of the dominant emerging global trends that are shaping our future. The ICA views the co-op model as an antidote to critical downward trends, which include: environmental degradation and resource depletion; an unstable financial sector; increasing inequality; a growing global governance gap; a seemingly disenfranchised younger generation; and a loss of trust in political and economic organizations.

In the name of all the co-operative diversity this encompasses, the ICA puts forth statements on co-operative identity, values and principles that *all co-ops should hold in common*. In particular — again in contrast to

non-democratic hierarchically controlled corporations whose capitalist-focusing purpose is growing money for their concentrated private ownership — by definition, co-ops are intended to be independent egalitarian democratic models of economic and social organization:

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise... Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

These values are put into practice by guidelines following co-operative principles, which include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community. The relevance to DNF of two of these principles, democratic member control, and autonomy and independence, were described in an earlier article.

A Fresh New Management Approach for DNF

Many co-ops, like Durango Natural Foods, have started as small grass-roots people-focused organizations whose members operate under democratic principles. The roots of the co-op culture are small groups of people who organize for their mutual benefit, which then grow their memberships and revenue within their communities. This is what we need to get back to with

DNF — a genuine co-op culture that replaces an “entity-management” orientation of a disengaged Board of Directors, with the original intent of co-op member-management.

The locally-based co-operative organization, owned, run and managed by its members, is the model business structure of the future. That is precisely because its purpose is focused on healthy people, a healthy community, and economic and environmental sustainability — a genuine alternative to the single-focused short-term money-growth goals of corporations and the evermore concentrated ownership and wealth they serve, whether they are privately or publicly held entities. The old industrial legacy model from the past has engendered inequality, ravaged communities, and environmental destruction that has so failed the needs of society. The corporate vision is growth through acquisition and market share domination; and with absentee owners and non-local top managers it holds little if any allegiance to local communities — in fact, the model typically *extracts* concessions from local communities to entice its very presence.

This is why an “*entity-management*” board with a corporate mindset is hazardous for DNF’s future existence as a local co-op. We need engaged *member-management* that is an integral part of our organization. The co-operative vision is one of cultivating a healthy organization and healthy communities through local control and community interconnections. By fighting off the attempt to have our local food co-op taken over by a larger non-local conglomerate in another state — by staying local — we at the Durango Natural Foods Co-op are part of a very large international movement

Such is the irresistible nature of truth, that all it asks and all it wants is the liberty of appearing — Thomas Paine

for a better future. We are already part of something good that is much larger than ourselves.

This is not what our current “DNFC Board” structure has led us to. Anything we do in the future has to address fundamental flaws in our structure and our Board culture. That needs to be done with an eye on long-term stability and prevention of the kinds of damage we have recently experienced. Whatever we do, we need to keep in mind this question: *How does an illness like this creep into our organization and harm, in fact try to dissolve, our very own co-op?* The answer is: Lack of adequate membership engagement and lack of co-op member democratic power to which any future Board must be held accountable. Up to now, we have had neither of these.

Right now, we members — there are currently about 1,300 active members — own a \$2 million a year local food co-op business that up to the merger fiasco, fall of 2014, had been doing well; with a net worth of \$1 million. Now how cool is that?! We own it! And once we get it back under member control, we can do whatever we members decide is best for our collective interests now and into the future. We will tell the Board what to do and what we want of it; not suffer its disengagement, edicts and exploits. Let’s do this! Let’s not only shop at DNF; as actively engaged member-owners let’s have fun restoring DNF to health and help it flourish on into the future, as the future of our local food economy opens up before us. The creative opportunities for success are limitless.

We cannot do that in a leadership vacuum; we need *engaged leadership*, which hopefully this upcom-

ing Board election will usher in with this new vision in mind. In the interest of repairing damage and building a healthy DNF, here are the urgent management actions that, in my judgment, should be pursued on the members’ behalf. The overall focus is four-fold:

- i) To restore health to DNF in terms of its core functions, especially the damage done to the accounting and business management functions;
- ii) To restore health to DNF in terms of staff morale, team cohesion and engagement with our members, customers and community;
- iii) To reshape the governance structures in a way that keeps the focus on empowering the mem-

bership and building a healthy sustainable organization that is engaged with the DNF staff. We will establish a new Board culture from scratch, letting go of the old paradigm from the past century; and

- iv) To rewrite the antiquated co-op Bylaws from scratch, in a way that protects our co-op autonomy and independence from any future assault, and that truly empowers the membership in terms of co-op democracy and accountability of the Board to the members.

These represent an assessment of the management challenges that must be faced and the strategic shift we need to get started in order to secure a healthy DNF on the members’ behalf in a timely fashion.

