

Date: 8/18/2014 4:13 PM

From: Root Routledge

To: Expanded list of Durango Community people, 70+ addresses

Subject: RE: Proposed DNF Merger: Meeting 5:30 pm RMR; attached example petitions; Root's application for DNF Board

Dear Friends, Members and Supporters of our LOCAL Durango Natural Foods Co-op (DNF):

Regarding the DNF Board's recent proposal to "merge" DNF with an Albuquerque-based co-op named La Montañita Co-op (LM):

1. Important meeting: Tonight, Monday, August 18, 2014, Rocky Mountain Retreat Center, 848 E 3<sup>rd</sup> Avenue, Durango
2. Petitions: There are two petitions attached for your review of the wording before the meeting that will be passed around at the meeting (and later) for DNF MEMBERS to sign. You are free to print them to gather more DNF MEMBER signatures if you know people who won't be attending. Please contact me (Root) if you have additional signatures to make arrangements to get them to me. The petitions are:  
DNF MEMBER PETITION #1 – REMAIN A LOCAL CO-OP [this is a firm statement to deny the merger]  
DNF MEMBER PETITION #2 – POSTPONE MERGER VOTING [we encourage you to at least sign this petition to give the members more time to review and contemplate this merger]
3. Root Routledge application for the open DNF Board position: Attached you will find my 1-page application to be appointed a DNF board member by the Board forthwith, with member vote confirmation at an appropriate date. I will hand my application to the DNF Board at the meeting tonight.

This is an extremely serious matter as things are intended by the DNF Board and LM management to move very fast, contrary to their relaxed wording and claims of early notification with "details to be worked out in the months ahead" (meaning September, in two weeks, with an early October vote). This is certainly too fast in fact for members to respond to properly, if one reads the DNF Bylaws on meeting notice timing and the members ability to mobilize their own special meeting, requiring a petition with at least 10% of the membership, or about 180 *valid* signatures. It also lacks transparency, since not even the letter of intent has been shared with members. **[PLEASE... REGARDLESS OF YOUR VIEWS, PLEASE SIGN PETITION #2 AT THE MEETING TO GIVE US MORE TIME. If you are not currently a DNF member, please consider joining at this crucial time; there will be people with applications at the meeting.]**

A non-binding letter of intent *to sell DNF assets* (euphemistically referred to as a "merger") to La Montañita is already signed. With that done, what follows in business circles is a "Definitive Sales Agreement," a hard contractual agreement committing DNF to its sale, and we don't know what the timing of that is; but likely very quickly, which can be signed in advance of our vote by the DNF Board President. It would commit all DNF members to the sale of their assets, contingent only on getting a simple majority of "those members voting". Maybe 20 people show up and vote, and 11 recruited supporters vote for the sale and DNF as a local entity is history. Done! Signed and sealed with no recourse.

What's important is to be very clear what the "soft wording" means in statements made by DNF Board President Geoff Wolf and any others representing the president's views.

This "merger" is advocated by the DNF Board President, Geoff Wolf, who has engaged Albuquerque-based La Montañita Co-op (LM) in discussion and a signed full letter of intent (we don't even yet know who initiated these discussions and where the drive for this is, DNF or LM). The staff only learned about it August 6<sup>th</sup>, 12 days ago. Statements are made in the DNF Board announcement by Geoff Wolf, and in his response to questions that have rapidly arisen. His response contains many errors, uncertainties and guarantees he can't stand by because he will not have a say once the deal goes through. To start with, we need him to assure us he will not sign a definitive sales agreement without membership approval; not just contingent on the outcome of some hastily arranged vote.

Let's all make the generous presumption that Geoff, and other supporting Board members, believe they have the best interests of DNF members at heart. Let's also presume that La Montañita is a fine organization in New Mexico and has positive ideas for how it would incorporate our assets, management and decision authority into its operations. However, that does not prevent the DNF Board from putting forth a faulty vision for DNF and its members. In fact, Geoff claims so "speak as the entire board;" but was the Board vote unanimous? Was there any dissent? In fact, the Board can operate with a majority quorum, which means 4 of the 7 members present and pass something like this with only 3 votes. What's going on with 'our 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 former employee that he gave no notice and she was simply 'let go' one morning when she came into work. Geoff has a corporate worldview and clearly views entities like DNF from an "asset management" perspective, which only has value in a sale like the one proposed—"grow it then sell it." 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. For more details on my views and position on this, read my application statement in response to the question: *Why are you interested in serving on the Coop Board?* I ask for your support to get me on the Board now and later vote me in as a long term board member.

A sales pitch is definitely being made to sell you on this arrangement as a really good deal for everyone involved, 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, LM 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 the LM Co-op.** The terms have not been

disclosed (we demand to see the letter of intent), although other than swapping and diluting our ownership rights, we will no longer have any local authority as former DNF members. Our 1700 or so members will simply become part of the current Albuquerque 17,000 membership, which means less than 10% representation in anything that might be contemplated or done with our formerly ‘local DNF’ in Durango. Who do you know in Albuquerque you want to vote for? Even though stated as such, there are no guarantees regarding the future of Durango Natural Foods, its name, staffing, assets, or decision authority at any and all levels. All those decisions will be made by the new owners of DNF and its assets in another state; believe me, as a businessman I know they will retain all rights for themselves, because this is the way such *asset sales* business deals are done. 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 ‘lower prices’; they buy from us because of who we are and what we represent in our community.

Durango Natural Foods Co-op has never had such a “growth by acquisition” business model; it has survived tough times, and is now solid and doing well, even by the Board’s own assessment and statements. It’s simply someone’s corporate vision to sell off our assets to another entity... for what reason? Potential future business risk in an ever more competitive market? Whose opinion is it that we can’t deal with the future and all the uncertainties the future holds. In fact, being locally owned is a protection from these uncertainties in that we have the ability to quickly respond to an ever changing local food economy.

Thus America’s corporate mindset strategy is to buy other entities and get ever bigger; and it is this business fad that is 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.

I urge you to support our petitions and stop this madness.



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