



1) Why is the DNF Board of Directors recommending a merger with La Montanita Food Cooperative?

The Board has considered the financial history of DNF together with the recent changes in the competitive retail landscape and believes that the ability of the DNF business to survive over the next decade and beyond is very tenuous. Since its earliest days, the financial reality of DNF has ranged from peaks of breaking even or minimal profits to valleys bordering on insolvency. We are not willing to tread water at little or no profit and risk another round of challenging times as our history indicates may happen. A round of challenging times in today's business environment would have much more risk than in the past.

There are two choices in front of us: 1) merge with a larger, regional food cooperative that shares our mission and ends or 2) remain truly independent and invest more time and resources from within into growing our business. Remaining a small business without enough capital and scale to compete strongly in today's retail world is not a wise choice as far as the current Board is concerned.

Experienced General Managers have been difficult to attract and keep at DNF. Board members are volunteers, have full time commitments to other jobs and are short term by definition. In addition, most Coop members are extremely reluctant to offer time on the Board or committees let alone commit to three-year terms serving the DNF. Both a strong GM and a dedicated Board of Directors are elements necessary to grow from within. The current Board appreciates all the past GM's and Board members who have poured their time and hearts into DNF. Without those people, there would not be a DNF today. Thank you to all of your who have served over the years.

The Board, after some very difficult soul searching, believes that it is in the best interests of the membership to act now to entertain a new direction, precisely while we while are at a peak, financially strong and able to negotiate a positive merger opportunity. We believe a conversation regarding an opportunity that is on the table is in the best

Commented [KW1]: In my time at DNF the Board has made a very poor effort to connect with the membership and community

Commented [KW2]: When a co-op buys another co-op they pay off its debt and offer the members to join their co-op. Us being financially strong is all the more reason to remain an independent business.

interests of our membership at this point in time.

Let's share our passion for DNF together and engage in a relevant and exciting discussion over the coming months about our future. Regardless of what decision the membership makes, DNF will win!

2) Is this a done deal?

* NO This is the very beginning of a process. The Board of Directors is recommending that the membership consider and approve a merger with La Montanita Food Cooperative. The Board wanted to be totally transparent with the membership and community to get the word out early so all could have time to consider the opportunity. We have reached an agreement with La Montanita that we all share the same broad intentions. We also agree that we will make this work for both parties. However, many details still need to be worked out over the next couple of months. We took a risk by releasing the opportunity so early but believed it was better to be honest and open and allow all to be part of the process.

Commented [KW3]: The Board has had information on this merger opportunity for more than 3 months.

Commented [KW4]: This is a co-op the membership has a right to know from day one if an offer comes through like this.

If anyone would like to volunteer time to help us, we welcome your commitment to serve on a committee involved with the opportunity.

There will be several information sessions during the coming months, an open door to accept input from all and a vote of the membership later this year. A majority of the membership present at and/or voting in a ballot must approve the merger.

3) Who is La Montanita Food Coop? The La Montanita Co-op currently operates six stores in Albuquerque, Santa Fe and Gallup, and operates a regional food distribution business specifically designed to distribute food grown, processed and distributed in the southwest. The Co-op is owned by 17,000 members in those communities. DNF and La Montanita share the identical cooperative principles and are members of the NCGA.

4) Will DNF keep its name? For the foreseeable future - YES

5) Will DNF remain locally managed and operated? - YES

Commented [KW5]: There will be a store manager who receives directives from La Montanita, it will not be locally managed.

6) Who will own DNF? The membership of the Coop. Today, approximately 1,500 members own DNF. IF the merger is consummated, the existing 17,000 members of La Montanita Food Coops plus DNF's 1,500 will own the all 7 Food Cooperatives in located in Durango, Albuquerque, Santa Fe and Gallop and have membership benefits at all the stores.

7) Memberships that are less than DNF lifetime will receive a 1-year credit for each \$15 that DNF members have invested in DNF, plus an additional year for any amount invested in DNF above the La Montanita annual membership fee of \$15. For example if a DNF member has invested \$80 (4 years at DNF payments of \$20) the DNF member will receive 5 years (\$15x5=\$75 plus an addition full year for the \$5 that brings the DNF member investment to a full \$80 for a total of 6 full years of membership in the new larger cooperative. La Montanita Coop Lifetime memberships are \$200. DNF lifetime members will receive 8 years (a \$120 value) of membership in the larger coop with an option to convert to a La Montanita lifetime membership at any time for an additional \$100.

8) What happens to the staff? There is a good faith expectation that all employees of DNF, who wish to, will continue doing the same or **similar jobs** after the merger. The Staff will have access to more training, upgraded safety and other operational equipment and a career ladder into the larger cooperative and NCGA business world.

Commented [KW6]: This is not true.

Commented [KW7]: Our staff already has this opportunity.

DNF will have a new manager for the operation by the end of the year regardless of what path the members choose. That person will have the responsibility for making all decisions regarding staff. Any time there is a management change in a business environment, all staff positions are subject to reevaluation by the new management and jobs may be transitioned. The Board at DNF respects our governance principles and does not get involved with decisions about job "positions." Management and staff are responsible for job positions and performance on the job. We believe that a merger with La Montanita offers the most stability, this year and in the years to come, that jobs are not lost at DNF.

Commented [KW8]: This is news to me as they never began a GM search.

Commented [KW9]: This sentence makes no sense.

The Board's *expectation* for the upcoming management transition, regardless of which path we choose, is that all employees of DNF, who wish to, will continue doing the same or similar jobs after the merger.

Commented [KW10]: The Board has yet to show me or my co-manager any hard facts. The only facts we have come from La Montanita's Terry Bowling; these were facts our staff requested. These facts contradict the Board's statements.

9) What are the major benefits of the merger?

- a. Increased financial stability of the business over the next decades
- b. More competitive with the local competition
- c. Lower prices
- d. Much more likely annual patronage dividends due to increased profitability of DNF and current profitability of La Montanita.
- e. Expanded community outreach and volunteer programs
- f. New and expanded regional distribution opportunities for local producers
- g. Many more employee and community benefits than DNF is currently able to offer. Please see our www.lamontanita.coop as there are too many benefits to list here. La Montanita personal manuals available upon request.

Commented [KW11]: DNF will cease to exist, this will provide La Montanita with stability, not DNF. DNF will only be a branch of LM.

Commented [KW12]: Not necessarily true.

Commented [KW13]: Patronage dividends for 17,000 members plus DNF's 1,500 members is not guaranteed to be a lot. Patronage dividends are also based on how much a person/family buys.

Commented [KW14]: Possibly. Local producers will have to meet LM standards to be a grower for them.

10) What are the major downsides to the merger?

- a. Change is always difficult.
- b. The "Ownership" will be more regional as in "SW Colorado/Northern New Mexico" rather than only "SW Colorado/ Farmington" area. This is considered an upside or a downside by members depending on their personal view.

11) Who must approve the merger? A majority of the membership participating in the special vote on the opportunity.

Commented [KW15]: What is a special vote?

12) Is the merger consistent with our Mission/Ends Statements? Yes
The opportunity enables us to be much more proactive in achieving our stated objectives.

"DNF is a member-owned food cooperative committed to providing quality organic local products and educating our community on the value of healthy living."

We:

- **Engage the community in cooperative principles**
- **Participate in a sustainable local economy**
- **Educate consumers about the broad impact of their choices**
- **Provide tools for living a healthy lifestyle**
- **Respect the environment through our actions”**

We believe that DNF and La Montanita share similar values and mission. For comparison, here is La Montanita’s mission as stated in their ends policies:

“Ends Policies

- **Increased access to, and purchase of healthy foods.**
- **A growing regenerative agriculture sector that uses sound environmental practices.**
- **A thriving and sustainable local economy that benefits members and community.**
- **A strengthened co-operative community.”**

We believe that this merger, which will make both our coops stronger, supports Cooperative principle #6. Cooperation among cooperatives

In addition, we believe that the merger supports Cooperative Principle #4

AUTONOMY AND INDEPENDENCE



Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative’s autonomy.

13) Why did the initial communication appear like the deal was so final?

The initial press releases and communication were released before being finalized by the Board. The Board had NOT approved releasing the communications and was planning on some revisions and additional collateral early this week after have received some feedback from a small group of members and all the staff. Operating with transparency has its risk. We took that chance rather than work behind closed doors.

We sincerely apologize for the poor communication and accept responsibility for that misfortune.

For more information, email to board@durangonaturalfoods.coop

Commented [KW16]: The Board should have been prepared from day one to have all their ducks in a row. They cannot blame others for their lack of preparedness.

