

Monday, September 8th, 2014—Board and Brian interference with petition efforts. Geoff complains about what was said in Root’s September 6th Petition update newsletter. Getting clear on what actually happened. Key clauses identified in Letter-of-Intent (LOI).

In time-chronological order (not reverse email reply order)

Date: 9/08/2014 9:36 AM [Monday after petition close Sunday evening]
From: Geoff Wolf, DNF Board President
To: Root & Pat
Cc: Editors & Reporter, *Durango Herald*; *Durango Telegraph*
Subject: Re: DNF PETITION UPDATE - Saturday September 6th - One day left; closes midnight Sunday

Root and Pat,

Please be more careful when you speak about **my** words. Regarding the comments you are stating that I made - "After being told early on by the “new GM” and the Board president, Geoff Wolf, that she “wasn’t allowed” to be there outside with her own table” - Pat, we had a single conversation on the Monday immediately after you set up your table. I invited you to move your table INSIDE the store to avoid bothering people on their way in and out of the store. You said "you did not want to do that." I said “okay, I hear your choice.” I am asking you to be honest and admit that you and I have only spoken directly once in the past few weeks and we did not address "being allowed to have a table," only about the location of that table. **[See Pat’s full response regarding the actual events below.]**

Also, the following 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. **[See note about LOI factual information below]**

Please do not fabricate conversations between us or restate my public comments incorrectly.

Geoff Wolf

Note about facts based on the Letter-of-Intent (LOI): The above statement by Geoff (second paragraph) on what LMC was willing to pay for DNF is the first time he has actually indicated what sort of figure that might be; and as has been the case with many statements made by this Board, via meetings, emails and public media, it is false. My statement in the September 6th petition update newsletter, about which he is claiming was inaccurate, came from my meeting notes of what Geoff had said in their September 4th meeting: “Geoff said ‘LMC was not willing to write a check for the value we hold; only the mortgage on our property.’” In fact, in his message above Geoff claims that LMC would pay for “a balance sheet value of ‘assets less liabilities.’ That is far more than just the net value of the property,” he says above. Note that is not even an accurate quote from my newsletter.

His muddled statement is at odds with the Letter-of-Intent (final draft copy July, 2014) sent to Geoff by LMC GM Terry Bowling, as have been many other statements. The LOI spells out clearly that: a) This is a *sale* of all DNF assets to LMC (not a “merger”, repeated “sold” to the members as “an incredible opportunity for DNF members”), accompanied by a dissolution of the co-op

business itself; b) There is no guarantee for employees (which has been repeatedly claimed by the Board); c) *The purchase price will simply be the amount paid to the bank to retire the DNF property mortgage, and the cost of dissolving DNF. The members will simply get membership in the Albuquerque-based LMC organization. Beyond that, there are only “possible lower prices” and a few “career benefits to employees” mentioned. So what makes this such a “great opportunity” for DNF? Here are segments of the first six LOI clauses:*

Letter-of-Intent (LOI) key clauses:

It's a “sale” not a “merger”

1) **The assets to be purchased will be all assets used by the Seller in the Business** and shall include 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 will not assume any liabilities of any kind, including, but not limited to, employment agreements or any qualified or nonqualified plans.

DNF must pay all current bills out of our current assets

2) Except as set forth in the Definitive Agreement with respect to the Buyer's assumption of the obligation and performance of certain expressly assumed contracts, the **Buyer will not assume any of the obligations or liabilities of the Business or Assets**, including accounts payable of Seller.

DNF as we know it would be dissolved, with its assets taken over by LMC

3) **Upon liquidation and dissolution of the Business**, Buyer will work with Seller to formulate a plan that comports with Section 9.4 of Seller's Bylaws, which may include allowing Seller's former members some period of free ownership in Buyer's new business according to the members' contributions to the Business.

There is no guarantee how many or which employees will still have a job

4) **Seller understands that DNF's current employees will cease to be employed by DNF.** Buyer will make a good faith effort to rehire and retain Seller's former employees and shall credit Seller's former employees that Buyer rehires with time worked at the Business for purposes of determining vacation benefits under Buyer's employment benefit policies. Buyer will make a good faith effort to continue to offer to **Sellers's former employees that Buyer chooses to rehire** similar or increased compensation and similar or better health care compared with the compensation and health care currently offered by Seller to Seller's employees, insofar as so doing comports with Buyer's business plan. Seller shall pay and be liable for all severance pay or other termination compensation, past wages or salaries, accrued vacation or sick leave or retirement, pension, profit-sharing or other welfare benefit plan benefits or other benefits or compensation of its employees that accrued prior to Closing. Buyer shall not assume any such obligations or liabilities and shall have no obligation or liability in that regard and Seller shall defend, indemnify and hold Buyer harmless from any such liability or obligation.

The purchase price to LMC is simply the cost of paying off our mortgage (~\$300k)

5) **The proposed purchase price for the Assets is the amount required to retire all of Seller's liabilities and the amount required to fund its dissolution** (collectively, the “Purchase Price”). The Purchase Price shall be paid in cash at closing.

The only other benefit to DNF member-owners is “a period of free ownership in LMC”

6) 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:

- a. Owners of the Seller’s cooperative shall receive **a period of free ownership in the Buyer’s cooperative**;
- b. Owners of the Seller’s cooperative shall receive the **competitive retail pricing** and margins on products offered by the Buyer in its other similarly situated stores;
- c. **Employees of the Seller that are hired as Buyer’s employees shall receive the same employment benefits** of all similarly situated employees of the Buyer, which are equal to or greater than the current employment benefits of the Seller;
- d. **Buyer anticipates, but does not guarantee, that it will continue to be in the financial position to offer dividends** to future members of the Seller’s cooperative, including the members that are converted from the Seller’s cooperative; and
- e. **Buyer shall make reasonable efforts to make future investments in capital projects** at the location of Seller’s current retail store at a level that is similar to the capital investments at its other retail stores.

That’s it, regarding value and sale price. The only organization getting any money out of the deal for our asset value, which is over \$1 million dollars as identified in the 8-27-2014 Supporting Analysis to the petition, is the bank that holds our mortgage at something less than \$300,000; plus whoever gets the legal fees that are incurred to dissolve our current DNF Co-op business.

Date: 9/08/2014 10:14 AM [Monday after petition close Sunday evening]
From: Root
To: Geoff Wolf, DNF Board President
Cc: Pat, Editors & Reporter, *Durango Herald*; *Durango Telegraph*
Subject: Re: DNF PETITION UPDATE - Saturday September 6th - One day left; closes midnight Sunday

Geoff,

Thanks for your comments; your points are well taken. It is true due to space limitations I did merge the two things that happened in a condensed wording, which does leave out intricate details. Brian did tell Pat she couldn’t be there; and in my understanding from Pat, you came an hour or so later, presumably in response to a call by Brian, and after you “invited” her to move inside, when she refused, you told her “we want you to move inside,” to which again she refused and said she would just stay where she was. After that she was left alone for several days and that was a nice courtesy, so the matter had been dropped... we thought. Then the later developments by Fitts and Margolis who actually ordered off the grounds under the threat of calling the police if she didn’t, and Fitts hanging around to make sure she did. I received an anxious call from Pat informing me what was happening right after it happened and she wasn’t sure where she was going to get immediate help to move her and her table, etc, off the property. Of course, that was all unnecessary and uncalled for.

And regarding LMC, you have yet to share actually what the “offer” was. All you’ve really pointed to is those other benefits, leaving only membership in LMC as our trade. You leave it to the members to guess and surmise and interpolate from your words what all these supposed benefits to the members were for all the value we hold. If you want to clear things like this up, Geoff, please share the specific document(s) so the members can actually see what the letter of intent says. How can the Board be accountable to the member-owners with the members having no access to any of these important details?

I will continue to endeavor to be as precise as possible with my wording in the future, Geoff. But there is not much point in arguing these things further; we intend to move on.

Once we have processed all the remaining signatures and putting them in report form, we’ll be in touch either late today or tomorrow regarding the petition results.

Respect,
Root

Date: 9/09/2014 8:27 PM [Tuesday after petition close Sunday evening: Pat’s response to Geoff’s misinformation about her petition table location and interference by Board members and Brian]
From: Pat
To: Geoff Wolf, DNF Board President
Cc: Root
Subject: RE: Pat Blair's Accurate Account of the Petition Table Location

Pat Blair’s Accurate Account of the Petition Table Location on DNF Property September 1 – 5

Monday, 9-1-14, Pat Blair, a lifetime member of Durango Natural Foods Co-op, hereafter referred to as DNF, was asked three times by Brian Gaddy, DNF Manager, to remove her petition table located under the covered porch in front of the store. He stated that she needed permission to be there. When Pat asked from whom she should gain permission, Brian did not respond. Pat, being a 40 year co-op owner of the property, chose to not leave. Tuesday, 9-2-14, Geoff Wolf, DNF President, approached Pat and repeatedly invited her to come into the co-op. Resisting each of his requests, Pat explained 1) she would be talking and might disturb the shoppers, 2) her table and chairs took up too much space and 3) she explained to Geoff that she had fallen recently and had been confined to her bed earlier and was now enjoying the fresh air and green trees while sitting in her wheelchair outside. Geoff then emphatically asked, “Am I to understand that you are refusing my offer?” Pat refrained from reacting to his angry question and stated again, “I appreciate your invitation but I am not going inside. Friday, 9-5-14, Robert Fitts, DNF Vice President, conversed with Pat. Ron Margolis, a DNF member, listened to the conversation nearby. First, Robert clarified that he was representing the entire DNF Board which was in 100% agreement that Pat was trespassing and should be asked to vacate. Robert explained that a few customers had complained about the petition activity, that Pat had upset the staff and that it just wasn’t working. She countered that she had been told the membership and sales were up. Both Robert and Ron thanked her for that. Robert asked to hear her decision and stated that if she refused to vacate, he would call the Durango Police who would forcibly remove her and her wheelchair off the property. Pat agreed to leave but needed to call a family member for assistance so Robert loaned her his cellphone. He waited on a bench for a time but decided to leave just prior to Pat’s relocation. Two or three staff

members later told Pat that Robert had not even asked if she was upsetting them, which they shared she was not.

Date: 9/15/2014 9:20 AM [Monday, a week after petition close Sunday evening: Root forwards Pat's response to Geoff to others earlier in the loop]
From: Root
To: Pat, Kim, Guthrie, Herald and Telegraph
Cc: Board
Subject: Let's set the record straight FW: Pat Blair's Accurate Account of the Petition Table Location

I'm forwarding Pat's precise account of what happened to her at DNF because many of you were part of this earlier string, if not directly, were informed of it in summary form in our September 6th 'newsletter' on the petition progress with photos of Pat collection signatures both on and off DNF property.

Let's set the record straight, because so many misimpressions have been left through inaccurate claims and communications by Board members.

Root

Date: 9/15/2014 9:41 AM [Monday, a week after petition close Sunday evening: Exchange with one of the petition signers]
From: Paul Moore
To: Root
Cc: Pat
Subject: RE: Let's set the record straight FW: Pat Blair's Accurate Account of the Petition Table Location

Root,

So, the new manager Brian asked Pat to leave? Did he do that on his own, or was asked by the Board, and did it out of fear of reprisal?

Paul

Date: 9/15/2014 10:21 AM [Monday, a week after petition close Sunday evening: Exchange with one of the petition signers]
From: Root
To: Paul
Cc: Pat
Subject: RE: Let's set the record straight FW: Pat Blair's Accurate Account of the Petition Table Location

Paul, good question. Don't know the answer to that, except that Brian didn't respond when Pat asked who she should obtain permission from; yet then was immediately (next day) backed up by Board president Geoff Wolf in person; then threatened by another Board member (who claimed "100% Board support") with the Durango Police if she didn't move. Draw your own conclusion. In fact, we hear from credible staff sources that fear is indeed rampant amongst our DNF staff.

We've been flooded with misinformation and false slanting of issues from the beginning; to say nothing of outright lies. Pat and I and others are working on this stuff every day. Thanks for your interest. We'll be sharing more things as time goes on.

Root

Date: 9/15/2014 10:52 AM [Monday, a week after petition close Sunday evening: Exchange with another petition signer]
From: Root
To: Carolyn Moller
Cc: Pat
Subject: RE: Let's set the record straight FW: Pat Blair's Accurate Account of the Petition Table Location [In response to Carolyn's interest in a better understanding of the DNF merger]

Hi Carolyn,

I've expressed my insights pretty clearly in my writing by bringing forward the facts and analysis; as well as values we share as members of a local co-op. In fact, the reason that LMC backed away was immediate questions sent to their GM by DNF staff, who were unsatisfied by the inaccurate answers they received from Geoff regarding their questions about the implications of a "merger". That, combined with our presentation, exposed the deal as not in the interests of our membership at large. Of course, the Board still had the opportunity to make their case at the August 18th Board meeting, which they tried to do again at their one-day notice Board meeting Thursday, September 4th. Their approach has been to simply keep calling it a "great opportunity" for the DNF co-op members; but never have explained what the benefits of that "opportunity" entailed for the member-owners.

The bottom line point is that the under any LMC approach our local co-op would be dissolved with a sale to LMC; along with our Board, which makes it puzzling why the Board is making such an effort to hang onto power. We might have a store still there with a sign on the front reading "Durango Natural Foods", but it wouldn't be a local co-op and we would not have local membership or say in its management, bylaws, etc, other than our credit toward membership in LMC in Albuquerque. If all people want is a store with the legacy name "Durango" in it that some out-of-state organization owns and runs, then that might be fine for them; that's what we have with the "Vitamin Cottage Natural Grocers," a Denver-based corporate expansion franchise store, that squeezed into our small local market. If one wants a *local* co-op organization in which they are actual owners and have a say, that would be gone. We would be less than 10% of LMC's membership that is on a "get ever bigger" acquisition growth expansion path. It came out at the last meeting that LMC just simply announced to its broader membership that they have "acquired" another co-op when they incorporated Gallup and other local co-ops, only informing the local members that a deal was afoot.

Please contact Pat to discuss anything you wish in a more timely fashion regarding the proposed merger, our DNF co-op values, and anything else you would like to discuss about DNF, this Board, and its future. We want what's best for our membership; not what's best for some acquiring organization in term of all the value they get for virtually nothing.

Best regards and thanks for your polite letter of continued interest,
Root Routledge