

Whereas, according to our Bylaws and Articles of Incorporation, the primary purpose of our cooperative is to engage in the business of selling food and other household products to the benefit of our members, and other purposes are secondary thereto and shall not limit this primary purpose, and

Whereas, the change to Article X, Section 2 of our bylaws that reduced the required percentage of member signatures needed to qualify a ballot measure for member vote, from 15% to 5%, included an inherent expectation that the “lawful and proper purpose” clause would be more stringently interpreted and enforced, and

Whereas, the wording of the initiative proposed demands that the Davis Food Cooperative (DFC) to accept the Global Boycott, Divestment and Sanctions for Palestine (BDS) Campaign's characterization and judgment of Israeli actions as fact, would require us to accept the Global BDS Campaign's tactics as our own, and would allow the Global BDS to determine our compliance with its principles and policies, whatever they may be, and

Whereas, the wording of the initiative proposed demands that this Board, which has a fiduciary duty to the DFC and its members, subject its authority and discretion in the management and operation of the DFC to BDS, a third party entity that owes no such duty to the DFC or its members, but rather has, as its primary goal, the furtherance of a political movement with aims not necessarily consistent with the aims and goals of the Board or the DFC; and

Whereas, the wording of the initiative proposed will necessarily restrict the business, operational, and managerial authority and discretion given to the Board under our bylaws and the laws of the State of California, and

Whereas, the wording of the initiative proposed is very broad and does not provide practical specificity about the scope of companies, products or items to be covered; leading to such ambiguities and difficulties such as *inter alia* whether the proposed boycott would cover: (1) products manufactured or distributed by a company whose principal place of business is in Israel versus any company that has *any* Israeli shareholders; (2) products manufactured or distributed by any company who has partnered or associated itself with an Israeli company, however that term is defined; (3) any item that contains components, which are Israeli or manufactured or distributed (in whole or in part) by Israeli companies, etc., and

Whereas, because of the broad and vague wording of the initiative proposed, it would require an unreasonable expenditure of time, money, and resources to determine the DFC's obligations under the proposed boycott, including the ongoing identification all companies and products which are Israeli, including which products contain components which are Israeli, and

Whereas, we have already seen evidence of a tense and uneasy atmosphere at the DFC, a reduction in shoppers and sales, disruption to business operations, and distraction from

other priorities associated or correlated with the initiative proposed;

Whereas, in response to the proposed initiative, there have already been threatened member resignations and requirement for the return of capital, and threats of permanent loss of members shoppers (and thus loss of sales) by entire groups within the community, etc., and

Whereas, our articles grant the cooperative no specific powers to engage in political activity of any kind, and

Whereas the Rochdale Principles, upon which the cooperative movement was founded, properly emphasize the basic principle of political (and religious) neutrality and the dangers of meddling in political (and religious) affairs, and adherence to Cooperative Principles is an End of the organization, and

Whereas modern cooperatives, particularly food cooperatives, that have failed to abide by this essential principle of political neutrality have been harmed by the divisiveness that such issues cause among members and shoppers, including: an unwelcoming atmosphere for all, reduction in shoppers and sales, member resignations and return of capital, staff layoffs, disrupted operations, distraction from priorities, and more, and

Whereas, the wording of the proposed initiative would require the DFC to violate another Cooperative Principle (cooperation among cooperatives), because the DFC would have to discontinue selling products from Israeli and Palestinian co-operatives, and

Whereas the DFC is not qualified to pass judgment on the legitimacy or illegitimacy of actions or policies of any foreign government, particularly with respect to extraordinary actions by such governments that are invoked in the name of national security, and

Whereas the proper purpose of a member initiative that *suggests* or *recommends* action is one that:(a) is asserted in good faith, (b) supports our established cooperative principles, articles of incorporation, bylaws and ends; (c) provides benefits to our cooperative as a whole; and (d) is truthful and free of distortion and material omission, so as not to confuse or mislead voters; and the proper purpose for a member initiative that *requires* or *demand*s action is one that in addition to the above, (e) is for a purpose *reserved to shareholders* by our bylaws and in accordance with state law, and

Whereas, in addition to the factors set forth in the foregoing paragraph, in determining whether a proposed member initiative is “proper” under our bylaws, the Board must weigh and balance the following factors:

- (a) whether, and to what extent, the initiative furthers or inhibits our established cooperative principles, articles of incorporation, bylaws and ends, including without limitation the principles of political and religious neutrality, and cooperation among cooperatives;

- (b) whether, and to what extent, the initiative provides benefits to our cooperative, and what the nature of such benefits are;
- (c) whether, and to what extent, the initiative suggests versus demands/requires action from the Board or the DFC;
- (d) whether the initiative unreasonably interferes with the operation of the DFC, or unreasonably causes loss of membership, capital, or sales;
- (e) whether, and to what extent, the initiative interferes with the autonomy or independence of our cooperative;
- (f) whether, and to what extent, the initiative interferes with or restricts the managerial discretion, authority, and independence of the Board, or others to whom such discretion and authority is delegated under our bylaws and the laws of the State of California;
- (g) whether, and to what extent, the initiative subjects the authority or managerial discretion of the Board (or other DFC management) to third party entities: (i) who do not owe the cooperative any fiduciary duties, and (ii) whose goals may not necessarily coincide with those of the DFC; and
- (h) whether, and to what extent, the initiative is sufficiently clear in language and scope to be reasonably understood, and to be practically implemented.

Finding, that in weighing and balancing the above factors, it is our judgment, in the best interests of the DFC, that the proposed member initiative is not “proper” within the definition of our bylaws;

Therefore, and without prejudice to our determination regarding whether the proposed member initiative to boycott all Israeli products may be excluded from the ballot based on a failure to specify a *lawful* purpose, we hereby determine that the initiative may be excluded for failure to specify a *proper* purpose.

Passed unanimously by Directors Booth, Citron, Consolacion, Cross, Frerichs, Jolly, Reynolds, Wolf and Young on **March 15, 2010**