

**PROPOSED AMENDMENT
TO EASTERN GARDENS BYLAWS
ARTICLE III, SECTION 8(a) thru (d)**

TWO MEMBERSHIP MEETINGS

Wednesday, May 11, 2011 at 7pm & Sunday, May 15, 2011 at 3pm



**Eastern Gardens Cooperative, Inc.
3045 Eastern Avenue
Sacramento, CA 95821**

SUMMARY

In the year 2010 during executive meetings of the Board of Directors it was pointed out by EG's attorney that our bylaws, specifically, Section 8(a) thru (d) of Article III, "Death of a Member", has potentially serious legal and risky flaws and that the process is not consistent with those prospective members who are taken from the outside waiting list, that is, members taken from the outside waiting are required to have background checks, board approval and execute a Subscription and Occupancy Agreement, whereas upon death of a member they are not.

In addition, it's not current with HUD's standards for "Selection Policies". In short, upon the death of a member it allows the instant move-in and automatic transfer of membership to the immediate family member, qualified or not, thus, leaving Eastern Gardens without any kind of recourse other than litigation. Therefore, on the advice of the attorney and HUD's recommendation, the Board has drafted an amendment to Section 8 (a) thru (d) of Article III of the Bylaws that are considered to be fair and reasonable for all parties, which is endorsed by Adams * Kessler Professional Law Corporation.

The proposed amendment is in accordance with Eastern Gardens Bylaws, Section 1 Article VIII of the Bylaws and presents them to the General Membership for your review and comments which is to be discussed at two membership meetings scheduled for Wednesday, May 11, 2011 at 7pm in the clubhouse and also Sunday, May 15, at 3pm in the clubhouse.

NOTE: Refreshments will be provided.

AMENDMENT TO THE BYLAWS OF EASTERN GARDENS COOPERATIVE, INC.

The proposed amendment to Section 8 (a) thru (d) of Article III of the Bylaws is deleted in its entirety and replaced with the following:

Section 8. TRANSFER OF MEMBERSHIPS: Except as provided herein, membership shall not be transferable and, in any event, no transfer of membership shall be made upon the books of the Corporation within ten (10) days next preceding the annual meeting of the members. In all transfers of membership, the Corporation shall be entitled to a fee it deems appropriate to compensate **if it** for the processing of the transfer.

- (a) **Death of Member.** ~~if, upon~~ **Upon** death of a member, his or her membership in the Corporation ~~passes may pass~~ by will or intestate distribution to a member of his **or her** immediate family, **if** such legatee or distributee ~~may, (i) passes all background checks, (i.e. criminal, credit and rental history), (ii) is approved~~ by assuming in writing the terms of the **Board of Directors, (iii) executes a Subscription Agreement and** Occupancy Agreement, ~~where required by the Administration,~~ within sixty (60) days after member's death, and **paying (iv) pays** all amounts due **on the membership, there under, become a member of the Corporation.** If member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the membership from the deceased member's estate in the manner provided in paragraph ~~(b) (c)~~ of this Section, written notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of paragraph ~~(e) (d)~~ of this Section shall be applicable, the references to

"member" therein to be construed as references to the legal representative of the deceased member. In addition to the above, ~~whereby membership is automatically transferred by will or intestate succession,~~ any membership held in joint tenancy shall pass to the survivor and all of the rights, duties, and obligation of said membership shall inure to the benefit of said survivor.

- (b) Transfer to Immediate Family Member. If a member desires to leave the Cooperative, he or she may transfer his or her membership in the Corporation to a member of his or her immediate family. ~~Such transfer of membership shall be effective upon transferee assuming in writing the terms of the Subscription Agreement, and the Occupancy Agreement approval of the Board of Directors.~~ For the purpose of this section, immediate family shall mean a member's husband, wife, mother, father, sisters, brothers, children, and grandchildren. Such transfer of membership shall be effective only upon transferee's (i) passing of all background checks, (i.e. criminal, credit and rental history), (ii) is approved by the Board of Directors, (iii) execution of a Subscription Agreement and Occupancy Agreement, and (iv) payment of all amounts due on the membership.
- (c) Option of Corporation to Purchase. If the member desires to leave the ~~project,~~ Cooperative, he or she shall notify the Corporation in writing of such intention and the Corporation shall have an option, but not the obligation, for a period of 30 days commencing the first day of the month following the giving of such notice, ~~but not the obligation,~~ to purchase the membership, together with all of the member's rights with respect to the dwelling unit, at an amount to be determined by the Corporation as representing the transfer value thereof, less any amounts due by the member to the Corporation under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, including painting, redecoration, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant. The purchase by the Corporation of the membership will immediately terminate the member's rights and the member shall forthwith vacate the premises.
- (d) Procedure Where Corporation Does Not Exercise Option. If the Corporation waives in writing its right to purchase the membership under the foregoing option, or if the Corporation fails to exercise such option within the 30 day period, the member may sell his or her membership to any person who has been duly approved by the Corporation as a member and occupant.

If the Corporation agrees, at the request of the member, to assist the member in finding a purchaser, the Corporation shall be entitled to charge the member a fee it deems reasonable for this service. When the transferee has been approved for membership and has executed the prescribed Subscription Agreement and Occupancy Agreement, the retiring member shall be released of his or her obligation under his or her Occupancy Agreement, provided he or she has paid all amounts due to the Corporation to date.

HOW IT WILL READ ONCE APPROVED

Section 8. TRANSFER OF MEMBERSHIPS: Except as provided herein, membership shall not be transferable and, in any event, no transfer of membership shall be made upon the books of the Corporation within ten (10) days next preceding the annual meeting of the members. In all transfers of membership, the Corporation shall be entitled to a fee it deems appropriate to compensate *it* for the processing of the transfer.

- (a) Death of Member. *Upon* death of a member, his or her membership in the Corporation *may pass* by will or intestate distribution to a member of his *or her* immediate family, *if* such legatee or distributee *(i) passes all background checks, (i.e. criminal, credit and rental history), (ii) is approved by the Board of Directors, (iii) executes a Subscription Agreement and* Occupancy Agreement, within sixty (60) days after member's death, and *(iv) pays* all amounts due *on the membership*. If member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the membership from the deceased member's estate in the manner provided in paragraph (c) of this Section, written notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of paragraph (d) of this Section shall be applicable, the references to "member" therein to be construed as references to the legal representative of the deceased member. In addition to the above, any membership held in joint tenancy shall pass to the survivor and all of the rights, duties, and obligation of said membership shall inure to the benefit of said survivor.
- (b) Transfer to Immediate Family Member. If a member desires to leave the Cooperative, he or she may transfer his or her membership in the Corporation to a member of his or her immediate family. For the purpose of this section, immediate family shall mean a member's husband, wife, mother, father, sisters, brothers, children, and grandchildren. *Such transfer of membership shall be effective only upon transferee's (i) passing of all background checks, (i.e. criminal, credit and rental history), (ii) is approved by the Board of Directors, (iii) execution of a Subscription Agreement and Occupancy Agreement, and (iv) payment of all amounts due on the membership.*
- (c) Option of Corporation to Purchase. If the member desires to leave the **Cooperative**, he or she shall notify the Corporation in writing of such intention and the Corporation shall have an option, *but not the obligation*, for a period of 30 days commencing the first day of the month following the giving of such notice, to purchase the membership, together with all of the member's rights with respect to the dwelling unit, at an amount to be determined by the Corporation as representing the transfer value thereof, less any amounts due by the member to the Corporation under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, including painting, redecoration, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant. The purchase by the Corporation of the membership will immediately terminate the member's rights and the member shall forthwith vacate the premises.

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Please reply to Los Angeles office

April 25, 2011

Member
Eastern Gardens Cooperative, Inc.

Re: Benefits of Amending Article III, Section 8 of the Cooperative's Bylaws

Dear Member:

Our firm serves as general counsel for Eastern Gardens Cooperative, Inc. ("Cooperative"). The Cooperative's Board of Directors requested that we render a legal opinion on the necessity and benefit of a proposed amendment to Section 8 of Article III of the Bylaws which governs the transfer of a membership to an heir upon the death of a member.

Currently, general applicants undergo a screening process before being approved for membership in the Cooperative. First, the Cooperative's management runs the applicant's criminal history, a credit check, and a rental history. Second, assuming the applicant passes these background checks, he or she is interviewed by the Board. Finally, if approved by the Board, the applicant is granted membership upon execution of a Subscription Agreement and an Occupancy Agreement. This screening and approval process is designed to protect the interests of the Cooperative and existing members.

However, Article III, Section 8 provides that upon a death of a member, his or her membership may automatically pass by will to a member of his or her immediate family. This section fails to impose any standards or restrictions on who can inherit membership in the Cooperative. The proposed amendment to Article III, Section 8 would require those persons who stand to inherit membership in the Cooperative to undergo the same screening process currently imposed on general applicants.

By approving this proposed amendment you put the Board in a better position to help protect your personal interests and financial investment. The Cooperative operates on the income it generates from the assessments. When members are unwilling or unable to make timely payments, the Cooperative's ability to function is compromised. Further, background checks into a person's criminal history can help protect the personal safety of the Cooperative's residents. Without any safeguards, a membership interest can potentially be inherited by a registered sex offender or a person with no source of income. Clearly, granting such persons membership in the Cooperative would be of concern.

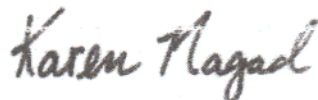
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For the reasons above, it is imperative for every prospective member, whether a general applicant or a relative of an existing member, to be screened before being granted membership in the Cooperative. Therefore, we recommend you vote to approve the proposed amendment to Article III, Section 8 of the Bylaws.

Very truly yours,

ADAMS KESSLER PLC



Karen Nagad, Esq.