



Eastern Gardens Co-op

3045 Eastern Avenue * Sacramento, CA 95821 * (916) 489-1604 * Fax (916) 489-1627
www.easterngardenscoop.org

November 29, 2013

To: Eastern Gardens Membership

Subject: Annual Policy Statement

The new Annual Policy Statement ¹ provides the membership with information about Eastern Gardens policies and procedures. The annual policy statement includes the following information:

1. The name and address of the person(s) designated to receive official communications for Eastern Gardens Cooperative, Inc.:
 - ❖ Theresa Williams, FPI, EG Community Manager/Director, 3045 Eastern Avenue Sacramento CA 95821 (916) 489-1604
 - ❖ Gary Haugstad, FPI, Portfolio Manager, 800 Iron Point Rd, Folsom CA 95630 (916) 357-5300
 - ❖ Eastern Gardens President/Secretary. Letters addressed to the Board of Directors or sent by the membership can be received or collected by the president and/or secretary of Eastern Gardens Cooperative, Inc. for the boards review. Located at the business office, 3045 Eastern Ave., Sacramento CA 95821, marked, "Boards Mailbox" or sent by first-class mail.
2. The locations designated for the posting of general notices can be found, at (i) inside the business office, (ii) at each of the laundry rooms located at the north and south ends of the property, (iii) the clubhouse, and (iv) Eastern Garden's website at www.easterngardenscoop.org
3. Notices. Whenever the provisions of law or the Bylaws of the Corporation require notice to be given to either party hereto, any notice by the Corporation to the member shall be deemed to have been duly given, and any demand by the Corporation upon the member shall be deemed to have been duly made if the same is delivered to the member at his/her dwelling unit or to the member's last known address; and nay notice or demand by the member to the Corporation shall be deemed to have been duly given if delivered to an officer of the Corporation. Such notice may also be given by depositing same in the United States mail service addressed to the member as shown in the books of the Corporation, or to the

¹ CA Civil Code §5310(a)

President of the Cooperative, as the case may be, and the time of mailing shall be deemed to be the time of giving of such notice.²

4. The membership is entitled to receive copies of meeting minutes that are available at the business office or you can visit EG's website at www.easterngardenscoop.org
Minutes that are available to the membership are:
 - a. Open regular board meetings
 - b. Annual General Meetings (AGM) of the membership
 - c. Special meetings of the membership
 - d. Committee meetings, that is, committees with decision-making authority
5. Monthly payment of Carrying Charge policy.³ The member shall pay Carrying Charges in advance on the first day of each month. **NO CASH IS ACCEPTED.**

Late charges and other costs.⁴ The member shall pay to the Corporation a late charge in an amount to be determined from time-to-time by the Board of Directors for each payment of Carrying Charges, or part thereof, more than five days in arrears. If a member defaults in making a payment in Carrying Charges the member covenants and agrees to pay to the Corporation any costs or fees involved, including reasonable attorney's fees notwithstanding the fact that a suit has not yet been instituted. In case a suit is instituted, the member shall also pay the costs of the suit, in addition to other aforesaid costs and fees. In addition, the member will be in bad standing with Corporation until all financial obligations are resolved.

- A late charge of \$10.00 will be added to any carrying charge received after the 5th day of the month.
- Personal checks are accepted only from occupants listed on the occupancy agreement. Third party checks are not accepted.
- Checks that are returned by the bank are subject to a \$20.00 returned check fee and the appropriate late fee.
- Any resident who has one (1) returned check must pay future carrying charges with money orders or cashier checks. Personal check will no longer be accepted.
- Members who fail to pay their carrying charges by close-of-business on the 6th day of the month are subject to a "Three Day Notice to Pay Rent or Quit".
- Members who fail to pay their carrying charges within the "Three Day Notice" period will be served with an "Unlawful Detainer Action"
- A promise to pay after the due date will not stop legal action.

NOTE: Housing assistance recipients may have additional requirements as per HUD statutes.

² EG's Members Handbook page 38, "Occupancy Agreement Article 20"

³ EG's Members Handbook page 33, "Occupancy Agreement Article 2"

⁴ EG's Members Handbook pages 38 & 46, "Occupancy Agreement Article 19 & Regs & Rules #11"

6. Special assessments.⁵ The California Civil Code allows for the board to impose special assessments when our financial situation is stressed, that is, reserve funds have been depleted or low occupancy levels, for example, unplanned legal hardships, or an extraordinary expense necessary to repair or maintain a structural element. The Code limits board approved special assessments to 5% of the budget's gross operating expenses this includes reserve allocations.

Example:

- Gross budget for estimated operating expenses for year 2013:
\$571,364.
 x 5%
\$ 28,568.
 ÷112 total occupied apartment units
\$ 255. each apartment unit (i.e. household)

7. Discipline policy and procedure for expulsion from the Corporation.⁶ Topics covered are:

- Cause for Expulsion and Termination
- Notice of Proposed Expulsion from Eastern Gardens Cooperative, Inc.
- The Hearing
- Expulsion Notice

8. Internal dispute resolution (IDR)⁷ is a fair, reasonable, and expeditious internal dispute resolution procedure that applies to a dispute between members and Eastern Gardens Cooperative or its management staff. The IDR process described in EG's membership handbook beginning with page 55, proposes to internally resolve membership disputes within the cooperative corporation. The IDR process shall be followed when a member requests to participate in IDR with the Cooperative Corporation.

9. Alterations and additions to the member's separate interest,⁸ (i.e. apartment unit). The member shall not, without the written consent of the Corporation, make any structural alterations in the premises or in the water, gas or steam pipes, electrical conduits, plumbing or other fixtures connected therewith, or remove any addition, improvements, or fixtures from the premises.

If the member for any reason shall cease to be an occupant of the premises, he/she shall surrender to the Corporation possession thereof, including any alteration, additions, fixtures and improvements. A member shall not, without the prior written consent of the Corporation, install or use in his/her dwelling unit any air conditioning equipment, washing machine, clothes dryer, electric heater, or power tools. The member agrees that the Corporation may require the prompt removal of any such equipment at any time, and that his/her failure to remove such equipment upon

⁵ CA Civil Code §5600

⁶ EG Members Handbook page 53, "Expulsion Policy"

⁷ EG Members Handbook page 55, "Internal Dispute Resolution"

⁸ EG Members Handbook page 35, "Occupancy Agreement, Article 13"

request shall constitute a default within the meaning of Article 14 of this Occupancy Agreement.

10. Other policies and procedures as per Eastern Gardens governing documents that can be found in the memberships handbook will include but not limited to, are:

- In House Transfer Policy⁹
- Member's Financial Move out Responsibilities¹⁰
- No Smoking Policy¹¹
- Maintenance Policy¹²

Sincerely,
Janice Hoberg, President/Director
Ed Healy, Secretary/Director
Shirley Brown, Director
Linda Manning, Alternate Director

Jerry Ontiveros, Vice President/Director
Kathy Slotterback, Treasurer/Director
Lynette Haley, Alternate Director

Eastern Gardens Board of Director

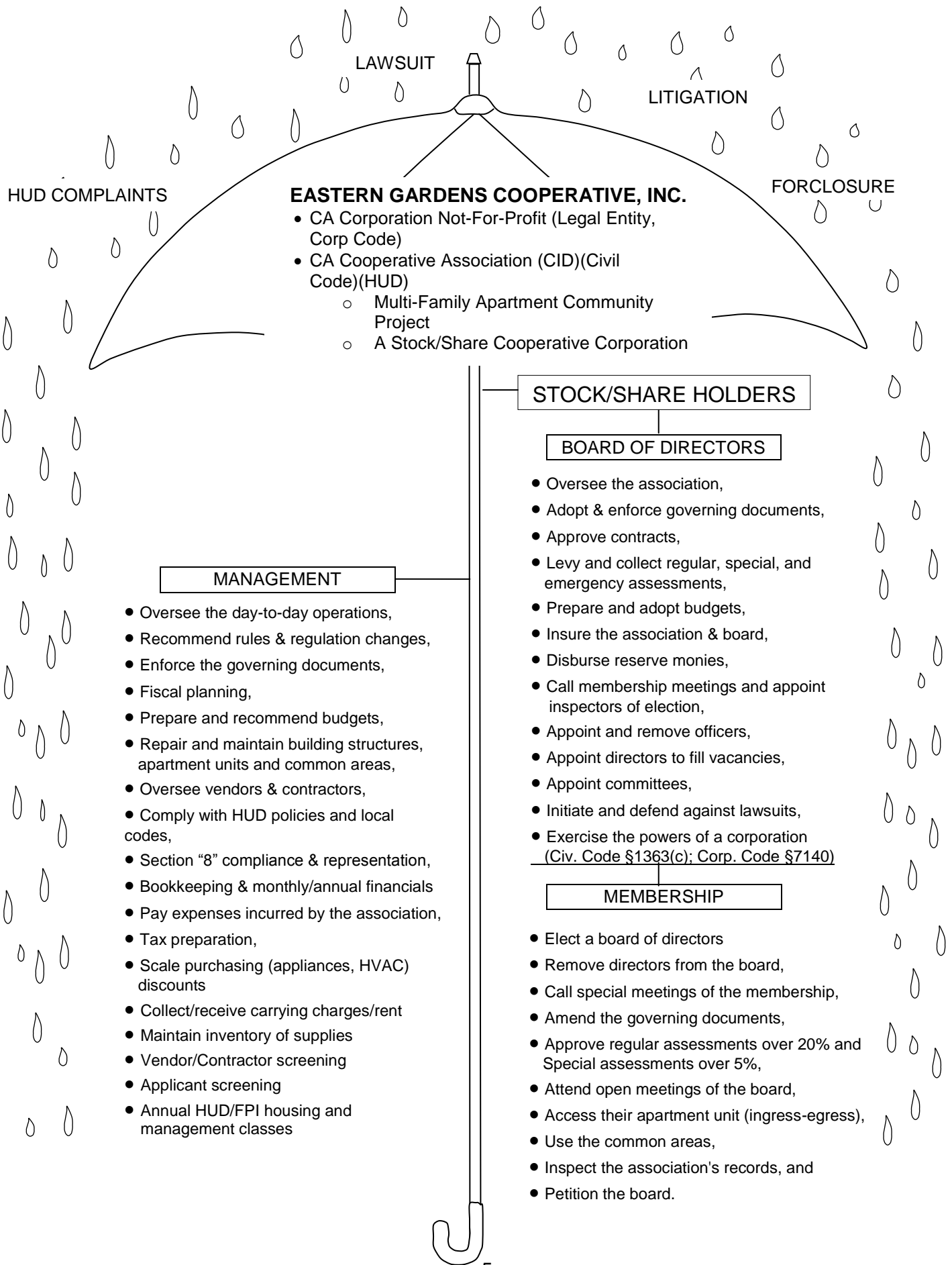
⁹ EG Members Handbook page 63, "In-House Unit Transfer Policy"

¹⁰ EG Members Handbook page 64, "Members Financial Move Out Responsibilities"

¹¹ EG Members Handbook page 68, "No Smoking Policy"

¹² EG Members Handbook page 68, "Maintenance Policy"

Powers of Corporation, Boards, Members & Management



Corporation Advantages. As the legal entity, the main advantage to any corporation is the limited liability of the company. Unlike the sole proprietorship, where the business owner assumes all the liability of the company, when a business becomes incorporated, an individual shareholder's liability is limited to the amount he or she has invested in the company. If you're a sole proprietor, your personal assets, such as your house and car can be seized to pay the debts of your business; as a shareholder in a corporation, you can't be held responsible for the debts of the corporation unless you've given a personal guarantee. On the other hand, a corporation has the same rights as an individual; a corporation can own property, carry on business, incur liabilities and sue or be sued. Another advantage of incorporating is continuance. Unlike a sole proprietorship, a corporation has an unlimited life span; the corporation will continue to exist even if the shareholders die or leave the business, or if the ownership of the business changes, this is referred to as perpetual existence. Perpetual existence is an advantageous aspect of an incorporated business. Perpetual existence means that the life and continuation of the business will not be affected by the withdrawal or death of one of the owners. An unincorporated business's existence, as well as its operation, is generally disrupted by the withdrawal or death of one of the owners. Also, a corporation gives you tax deferral potential. Because you can defer paying some tax until a later time, you may be able to realize tax savings if you are then in a lower tax bracket, or if the tax rates have fallen. You can even deduct the interest on the mortgage and property taxes.

Board Authority. By law, corporations must have boards of directors. Boards and individual directors have limited authority and act as fiduciaries. Unless the governing documents provide otherwise, boards typically oversee the association. As illustrated, even though associations are quasi-governmental in nature, they are not pure democracies where members can vote on all issues. Instead, they are representative democracies where powers are delegated to elected representatives (the board of directors) and limited powers are reserved to the membership. A representative democracy is the model used throughout much of the world.

Membership Authority. The rights/powers reserved to share holders in good standing are described in the governing documents . (See illustration). No Veto Power. Because of the division of power between the membership and the board of directors, members do not have a direct veto over the board's actions (except for rule changes). Rather, the power to veto is indirect. If members are unhappy with board actions (or inaction), the membership can remove the board or wait until the annual meeting and elect a new board.

Management Authority. Management authority will depend on the contract agreement made with the board of directors. Typically, management companies oversee the day-to-day operations and enforce the governing documents, as explained in the illustration and can be renewed, changed or dismissed at the discretion of the board. However, in the case of Eastern Gardens we are mandated by HUD per the Regulatory Agreement to have a management company oversee the property and its operations, but the board still has ultimate oversight of the corporation.

Judicial Deference. Courts will defer to board decisions, even if the decisions are not the "best" decisions, provided the board made a reasonable investigation and its decision was in good faith with the best interests of the association in mind (CA Business Judgment Rule).

Outside Resources & References

1. California Legislative Information - <http://leginfo.legislature.ca.gov>
2. California Statutes, (e.g. Civil Code, Corporations Code...etc), <http://www.leginfo.ca.gov>
3. California Secretary of State, <https://businessfilings.sos.ca.gov/>
4. Adams * Kessler a Professional Law Firm - <http://www.davis-stirling.com>
5. National Association of Housing Cooperatives, (NAHC) <http://www.coophousing.org>
6. Federal Projects Incorporated, EG's managing agent <http://www.fpimgt.com>