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# *Eastern Gardens Co-op*

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## **SUMMARY OF JUNE 29, 2015 TOWN HALL MEETING**

Our attorney, Jasmine Hale, from Adams Kessler spoke before Eastern Gardens Membership and answered many questions submitted in writing as well as those presented at the meeting.

Attorney Hale explained her fiduciary relationship is with the Corporation, not any one person, group, or action of the Board. Her vast expertise as an attorney and her association with a firm that **exclusively** represents CID provides a clear insight to Eastern Gardens Cooperative. We are subject to the Davis Stirling Act as well as federal, state, and local laws. Her observations included the following:

### ***UPDATED CORPORATE DOCUMENTS***

1. Eastern Gardens Bylaws and Occupancy agreements currently have not been updated to comply with current laws and thus she advised that Eastern Gardens documents must be updated.

### ***RUMORS***

2. Questions regarding the ability of a group to take over Eastern Gardens, turn the units into Condos, get rid of Section 8, sell the property or the concern of loss of equity were clearly addressed. Attorney Hale assured the group this is not easily done and the likelihood of such things is at best remote.

### ***RECALL ELECTION***

3. Asked about the Recall Election and July 16, 2015 Special Meeting, Ms. Hale cautioned the Board that if they did not set aside the current action it was almost certain to be contested on many levels resulting in a successful appeal plus fines of \$500 per violation. Eastern Garden's Bylaws were cited among other things as compelling evidence to support an appeal.

### ***ARROWHEAD MANAGEMENT***

4. Ms. Hale, in the capacity of our Corporate attorney, assured the Members she had carefully reviewed FPI contract, communication or lack of communication of the Board and personnel data and felt the termination was a correct course of action on the Boards part given the situation. She explained that if a Member hired a housecleaner or a gardener and they failed to clean the floor or trim the trees and refused to communicate with the Member there would be a compelling reason to change personnel. The Board had asked FPI numerous times for assistance and personnel was unwilling to work or at times even respond to the current Board. This action jeopardized the fiduciary obligation the Board has to the Members. Mr. Treadaway elected not to transfer personnel thus resulting in obtaining a new Management company. Many Members felt they should have been consulted but Ms. Hale explained that was not their job or responsibility. Furthermore, Ms. Hale stated in her 16 years of practice she was shocked to see the

Members have a vote in accepting a new HUD approved Management company as HUD puts them through a rigorous qualifying process. If 112 Members have 112 ideas of who should be their management company it would be a mess. Attorney Hale said a Board historically takes on the responsibility of hiring and firing as Members have a

say in who serves on their Boards. Our Boards are insured to make such decisions. Members do not have the same protection as they delegate the important business decisions to the Boards they elect to represent them. Our current Bylaw language could be a carryover from the developer's original filings. Laws and practices have changed in 44 years.

#### ***EASTERN GARDENS IS UNDERINSURED***

5. An issue of vital importance is that FPI has had only \$1,000,000 in general liability insurance when we must have no less than \$3,000,000 for the number of units and for the stock corporation we are. As our attorney, Ms. Hale explained this affects *every Member*, because if there was a loss we would individually be assessed for our portion of the underinsured amount. This ***holds our Members personally liable and at risk.*** Eastern Gardens is in the process of updating our general liability insurance.

#### ***SUIT FILED AGAINST THE CORPORATION***

6. Members of the Board of Directors have been sued by one of the Directors and two Members. This suit is being defended by Adams Kessler. The first action brought against the Corporation which was an action to prevent FPI from being replaced. The matter was put before the Superior Court in Sacramento and was defeated on merit. In other words, the Board and the Corporation prevailed. It is possible the recovery of attorney fees for Eastern Gardens may be filed against the Plaintiffs (the one Director and two Members) or through Eastern Gardens Directors and Officers Policy.

As always, the Board is eager to promote transparency and foster open communication among all Members of our community. We recognize the wisdom in Ms. Hale's recommendation and will be scheduling another meeting in which Arrowhead will attend.