

MERRY MOUNTAIN OWNERS' ASSOCIATION, INC.

c/o The Hignell Companies
1750 Humboldt Road, Chico, California 95928
(530) 894-0404

January 24, 2024

Members of Merry Mountain
Owners' Association, Inc.
Clipper Mills, California

Re: *Member Vote Proposed New Governing Documents*

Dear Member of the Association:

The Association's Board of Directors has invested considerable time and effort in preparing revised and restated governing documents for Merry Mountain Owners' Association, Inc. The Board's effort to restate the governing documents has been focused on preparing new governing documents, which are current with the requirements of California law affecting community associations and to simplify the governance of the Association by clarifying the Association's obligations, duties, and responsibilities.

The Board has considered and analyzed the Proposed Governing Documents and now submits them to the members for your vote. Each member is encouraged to review the materials provided and then cast their vote on the Proposed Governing Documents using the enclosed secret ballot. If you need another copy of the documents, please contact the Association's managing agent and they will provide copies to you. The Proposed Governing Documents include the following:

- A. *Restated Articles of Incorporation of Merry Mountain Owners' Association, Inc.*
("Proposed Articles").
- B. *Second Restated Bylaws of Merry Mountain Owners' Association, Inc.*
("Proposed Bylaws").
- C. *Second Restated Declaration of Covenants, Conditions, and Restrictions for Merry Mountain Village* ("Proposed CC&Rs").

(Collectively, these are referred to as "Proposed Governing Documents.")

Please keep in mind you are being asked to cast a single vote of "yes" or "no" to the adoption of the Proposed Governing Documents (the above-referenced documents) in a single vote. A single vote is necessary to avoid inconsistent and contradictory language should one of the documents be approved and the others be rejected.

The Board has approved the Proposed Governing Documents. These documents incorporate the changes mandated by current California law and include provisions, when approved, will bring our Association up to the current standards applicable to California community associations.

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This letter is intended to provide a general overview of the Proposed Governing Documents; it is not intended to replace your review of the Proposed Governing Documents. Accordingly, the following is a summary of certain significant provisions contained within the Proposed Governing Documents:

A. Proposed Articles

The Association's Articles are filed with the Secretary of State and establish the Association as a nonprofit mutual benefit corporation. Changes to this document include a reorganization of the document, clarifications on the purpose of the Association, and removal of unnecessary language found in the original articles.

B. Proposed Bylaws

The Association's Bylaws contain rules which govern corporate matters such as membership meetings, elections of Directors, and books and record keeping requirements. A corporation's bylaws contain the rules which govern organizational and "corporate" matters, as distinguished from the CC&Rs, which address real property rights, interests, obligations, and related matters. Most often, changes in the Bylaws are a direct result of changes made by the California Legislature. The following is a summary of noteworthy changes in the Proposed Bylaws:

Election Procedures. Article 3 of the proposed new Bylaws incorporate provisions from the law, which requires the association to adopt election rules, provide a mechanism by which members may self-nominate to be candidates in elections for the board, and utilize a method of secret ballot voting for certain types of membership votes.

Qualifications for Voting. Section 3.2 provides there is only one class of members who are entitled to vote on those matters requiring membership approval.

Annual Member Meeting. Section 4.1 now clarifies when the association will hold its annual member meeting in July of each year, or another month as may be appropriate.

Quorum. The quorum requirements for members in Section 4.6 have been clarified to allow a reduced quorum for Director elections, ensure legally consistent requirements for assessment votes, and other matters.

Director Qualifications. Qualifications for serving on the board have been clarified in Section 5.2 and conform to the requirements of California law, as only members may serve on the board.

Rules. Section 8.1.1 of the proposed new Bylaws establishes the process, which the board will follow to adopt rules affecting members, the association, or the development. This process mirrors the process outlined in the law. Before any rule is adopted, the board must provide at least 28 days' notice of the proposed rule. Then, after providing notice, members have the right to provide feedback to the board about the rule at the open board meeting where the board is considering adoption of the rule. Under California law, any rule the board adopts must be reasonable.

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Duties of the Board. The obligations and duties of the board are included in the proposed new Bylaws to reflect the requirements of California law and to ensure member rights are understood and protected.

C. Proposed CC&Rs

The declaration of covenants, conditions, and restrictions describes the real property subject to the Association's Governing Documents. It defines the interests and rights of the Association and owners with respect to their property. Further, the declaration of covenants, conditions, and restrictions addresses assessment structure, use restrictions, maintenance, architectural review procedures, and compliance issues. The following is a summary of some of the changes in the Proposed CC&Rs:

Definitions. The "definitions" portion of the Proposed CC&Rs has been expanded and clarified to make the interpretation and implementation of the document easier for members.

Use Restrictions. The property-use regulations found in the current Declaration have been consolidated and clarified in Article 4 of the Proposed CC&Rs. The provisions contained in Article 4 have been carefully drafted to suit the unique character and needs of the community and have been simplified. Careful attention has been devoted to ensuring that the provisions allow each owner the reasonable, fair use of their home, while protecting the appearance, property value, and quality of life within the community.

Assessments. The assessment provisions in Article 6 of the Proposed CC&Rs have been updated to conform to the Davis-Stirling Common Interest Development Act and to clarify the procedures that the Association will use regarding assessments.

Maintenance. The provisions addressing maintenance responsibilities are now located in Article 8 of the Proposed CC&Rs. The obligations of both the Association and the owners for maintenance, repair, and replacement of the many elements which make up the community have been clearly specified to avoid confusion.

Architectural Review. The provisions on architectural review in Article 9 of the Proposed CC&Rs have been revised and clarified to reflect changes made in California law regarding the procedure for architectural review.

The time taken by each member to review the Proposed Governing Documents is sincerely appreciated. The Board has invested considerable time and effort in preparing a revised set of Governing Documents, which are up to date, both in terms of California law and the standards presently applicable to California community associations. These documents, if passed, will serve as an effective guide for owners and the Board of Directors for many years to come.

The Board encourages you to participate in this important vote.