

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
STONEHOUSE OWNERS FOUNDATION

ARTICLE I

NAME

The name of the corporation is Stonehouse Owners Foundation, hereinafter called the "Association".

ARTICLE II

PURPOSES

The Association does not contemplate pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to provide for the management, maintenance and care of certain real estate within the development known as "Preservation at Stonehouse" located in James City County, Virginia, as more particularly described in the Amended and Restated Declaration of Protective Covenants and Restrictions for Stonehouse Owners Foundation recorded in the Clerk's Office of the Circuit Court of the City of Williamsburg and County of James City, Virginia, as the same may hereafter be amended, restated, or supplemented (collectively, "the Declaration"), and to provide a means whereby the Owners, acting together, may provide for the management, maintenance and care of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas and for this purpose to: (a) enforce the Declaration and exercise all of the powers and privileges and perform all of the duties and obligations of the Association; (b) fix, levy, collect and enforce payment by any lawful means, of all charges or assessments pursuant to the Declaration and Bylaws; (c) pay all expenses of the Association; (d) subject to the Declaration and the Bylaws, acquire, encumber, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association; and (e) have and exercise any and all powers, rights and privileges which a corporation organized under the Nonstock Corporation Act of the Commonwealth of Virginia may by law now or hereafter have or

exercise. No part of the net earnings of the Association shall inure (other than by providing management, maintenance and care of the Common Areas, the Limited Common Areas and the Neighborhood Common Areas and other than by a rebate of excess membership dues, fees and assessments) to the benefit of any private individual.

ARTICLE III

DEFINITIONS

Except as expressly defined herein, all capitalized terms used herein shall have the respective meanings set forth in the Declaration or in the Bylaws of this Association.

ARTICLE IV

MEMBERSHIP

Section 4.1. Membership. Every Owner of a Lot and a Parcel shall be a Member of the Association. Membership shall be appurtenant to, and shall not be separated from, ownership of any Lot or Parcel. Upon the recordation of the deed to a Lot or Parcel or upon any other transfer or conveyance of the record title to a Lot or Parcel, the membership of the former Owner shall cease and the Owner who acquires record title shall become a Member of the Association.

Section 4.2. Classes of Membership and Voting Rights. The designation of classes of membership and the voting rights of Members shall be as provided in the Declaration and the Bylaws.

ARTICLE V

[Intentionally Omitted]

ARTICLE VI

BOARD OF DIRECTORS

Section 6.1. Number. Except as provided below, the number of directors shall be as fixed in accordance with the Bylaws, or in the absence of such a Bylaw shall be seven (7). During the Period of Declarant Control (as hereinafter defined), the Board of Directors shall be comprised of a minimum of three directors, each of whom shall serve for one year terms, or until their successors take office.

Section 6.2. Appointment of Directors During Period of Declarant Control.

Declarant shall have the right to appoint or remove any member or members of the Board of Directors until such time as the Class B membership terminates. The period of time until the Class B membership terminates is hereafter called the "Period of Declarant Control". Each Owner, by acceptance of a deed to or other conveyance of a Lot or Parcel, vests in Declarant the authority to appoint and remove directors of the Association during the Period of Declarant Control. The directors selected by Declarant need not be Owners or residents within the Properties.

Section 6.3. Election of Directors After Period of Declarant Control.

(a) Within ninety (90) days after the expiration of the Period of Declarant Control, the Board of Directors shall call a special meeting of Members at which meeting all directors appointed by Declarant shall resign and the Class A Members shall elect successor members of the Board. With respect to the election of the Board of Directors, nominations for election to the Board of Directors shall occur only as set forth in this Section. In order to be nominated, a nomination petition signed by the Owners of at least three (3) Lots (other than the Lot owned by the Owner being nominated) shall be submitted to the Board of Directors at least twenty-one (21) days before the annual meeting. The petition shall include a certification signed by the Owner nominee which certifies that the Owner is willing to be nominated, that the Owner satisfies the eligibility requirements set forth in herein and in the Bylaws and that the information set forth in the biographical sketch of the nominee is true and correct. The format of the petition and the biographical sketch shall be determined by resolution of the Board of Directors. The Board of Directors shall cause the names of all those who are duly nominated along with a copy of their biographical sketches, to be (i) mailed or hand delivered to every Owner and/or (ii) posted on the members only portion of the Association's website, not less than ten (10) days prior to the annual meeting. Nominations from the floor at the annual meeting shall be prohibited.

(b) The terms of Directors shall be staggered with the objective that the majority of the seven (7) Directors will each serve a two (2) year term and that all seven (7) Director positions do not come up for election in any given year. The Board of Directors shall have the authority to determine the term length for any upcoming election to effect the intent of this Section. At the special meeting of the Members which follows the expiration of the Period of Declarant Control seven (7) Directors shall be elected. All eligible Members of the Association shall be entitled to vote on all Directors to be elected and the candidate(s) receiving the most votes shall be elected. Four (4) Directors shall each serve a term of two (2) years and three (3) Directors shall each serve a term of one (1) year. Unless the persons so elected at such meeting otherwise agree among themselves, each of the Directors who receive the four (4) highest number of votes shall serve a two (2) year term and the remaining three (3) Directors shall each serve a term of one (1) year. In the event of a tie in the balloting, the terms of the tied Directors shall be chosen by drawing lots. At each annual meeting thereafter, Members shall elect Directors to fill the positions of the Directors whose terms are expiring (or which have otherwise become vacant) for a term of two (2) years each [unless the Board of Directors has adopted a resolution prior to the annual meeting declaring that one or more of such Director positions up for election shall be for one (1) year terms(s) to ensure, to the

extent reasonably possible, that the terms of the Directors remain staggered]. The election shall be by secret ballot (unless dispensed with unanimous consent) and by a plurality of votes cast. There shall be no cumulative voting. Votes may be cast by proxy as provided in the Bylaws.

(c) Except with respect to directors appointed by Declarant, at any regular or special meeting of the Association duly called where the meeting notice states that the purpose, or one of the purposes, of the meeting is removal of the director, any one or more of the members of the Board of Directors may be removed, with or without cause, by a majority vote of the Members and a successor may then and there be elected to fill the vacancy thus created. A director whose removal has been proposed shall be given at least seven (7) days' notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting.

(d) Vacancies in the Board of Directors occurring for any reason other than the removal of a director by vote of the Members, shall be filled by a vote of the majority of the remaining directors, even though less than a quorum, at any meeting of the Board of Directors or, in the absence of any remaining directors, vacancies may be filled by the Declarant. Each person so selected shall serve the unexpired portion of the term of the director being replaced. Notwithstanding the foregoing, Declarant shall fill all vacancies in the Board of Directors arising before the termination of the Period of Declarant Control.

(e) Any representative of Declarant serving on the Board of Directors of the Association shall not be required to disqualify himself or herself upon any vote upon any management contract or other contract or lease between Declarant (or any individual, partnership or corporation affiliated with Declarant) and the Association.

(f) The following eligibility standards shall apply after the expiration of the Period of Declarant Control. To be eligible to be appointed to, and/or to serve on, the Board of Directors, Members and their Lots must be in financial good standing as indicated on the books and records of the Association and must remain in financial good standing during the Member's term on the Board of Directors. In addition, to be eligible to run for the Board of Directors a Member's Lot must not be in violation of the Governing Documents during the Member's term on the Board of Directors. For the purposes of this Section 5.2, a Member's Lot shall be deemed to be in violation if the Association has notified the Owner of such Lot of a violation of the Governing Documents and such Member has not cured the violation within the time specified by the Association (or if no time is specified by the Association, within a reasonable time after the date of such notice from the Association). Due to the time commitment required to serve on the Board of Directors as well as the heightened potential for conflicts of interest, Owners may not simultaneously serve on the Board of Directors while serving as members of any Neighborhood Advisory Board, Neighborhood Advisory Committee or separate association for any Neighborhood. Finally, Members running for election to the Board of Directors must not be involved in a dispute with the Association at the time they seek appointment or at any time during their term. For the purposes of this paragraph, a "dispute" shall mean (i) a disagreement of a material or

adversarial nature (as determined by the Board of Directors), (ii) a legal claim or cause of action or (iii) a threat of a claim or cause of action, against the Association, its officers, directors or agents; provided, however, that a dispute does not include a good faith disagreement (but not a claim) regarding an Association policy or interpretation of the Governing Documents provided the Member asserts such disagreement in a professional, business-like and non-adversarial manner and abides by the Board of Directors' disposition of such disagreement.

ARTICLE VII

LIMIT ON LIABILITY AND INDEMNIFICATION

Section 7.1 Limit on Liability. In every instance in which the Virginia Nonstock Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of liability of directors or officers of a corporation to the corporation or its Members or of the directors or officers of a "community association" (as defined in the Virginia Nonstock Corporation Act), any liability of the directors and officers of this Association shall be so limited or eliminated.

Section 7.2 Mandatory Indemnification. The Association shall indemnify any individual who is, was or is threatened to be made a party to a civil, criminal, administrative, investigative or other proceeding (including a proceeding by or in the right of the Association or by or on behalf of its Members) because such individual is or was a director or officer of the Association, a member of the Architectural Review Board or of any other legal entity controlled by the Association, against all liabilities (including, without limitation, liabilities resulting from activities performed and decisions made on behalf of the Association) and reasonable expenses incurred by him or her on account of the proceeding, except such liabilities and expenses as are incurred because of his or her willful misconduct or knowing violation of the criminal law. Unless a determination has been made that indemnification is not permissible, the Association shall make advances and reimbursement for expenses incurred by any of the persons named above upon receipt of an undertaking from him or her to repay the same if it is ultimately determined that such individual is not entitled to indemnification. The Association is authorized to contract in advance to indemnify any of the persons named above to the extent it is required to indemnify them pursuant to this Section 7.2.

Section 7.3 Miscellaneous. The rights of each person entitled to indemnification under this Article shall inure to the benefit of such person's heirs, executors and administrators. Indemnification pursuant to this Article shall not be exclusive of any other rights of indemnification to which any person may be entitled, including indemnification pursuant to a valid contract, indemnification by legal entities other than the Association and indemnification under policies of insurance purchased and maintained by the Association or others. No person shall be entitled to indemnification by the Association to the extent he or she is indemnified by another, including an insurer.

ARTICLE VIII

AMENDMENT

These Articles of Incorporation may be amended pursuant to Va. Code Ann. Section 13.1-886 and with the approval of the Class B Member (until the Class B membership terminates) and the vote of two-thirds of the Class A votes (including Declarant as to Class A votes held by Declarant).

5933984_5