

STONEHOUSE OWNERS FOUNDATION

EXECUTIVE SUMMARY

PROPOSED AMENDED AND RESTATED GOVERNING DOCUMENTS

BACKGROUND

This Executive Summary provides a brief summary of the proposed changes to the governing corporate documents for the homeowners association known as “Stonehouse Owners Foundation.” Stonehouse Owners Foundation is one of several property owners associations affecting property within the greater Stonehouse planned community. The Stonehouse Owners Foundation (the “Association”) was established in 2006 by its then developer, Stonehouse at Williamsburg, LLC. At that time, it was contemplated that the Association would be the master residential owners association for all subsequently developed residential phases of Stonehouse. Currently, the original Declaration encumbers the property known as Stonehouse Glen as well as a few BMP and common areas (but may be expanded to all or portions of the Additional Area).

The Association is governed by three key documents: (i) the Articles of Incorporation of Stonehouse Owners Foundation filed with the State Corporation Commission (“Articles”); (ii) the Bylaws of Stonehouse Owners Foundation; and (iii) the Declaration of Protective Covenants and Restrictions for the Stonehouse Owners Foundation dated February 7, 2006 and recorded July 17, 2006 in the land records of the Clerk’s Office of the Circuit Court of the City of Williamsburg and County of James City, Virginia as Instrument No. 060017112 (the “Original Declaration”) (collectively, the “Governing Documents”). The Association has operated under the same set of Governing Documents without amendment since its formation in 2006.

The former developer, Stonehouse at Williamsburg, LLC, assigned its rights in and to the Governing Documents for the Stonehouse Owners Foundation, including its rights as Declarant and Landowner, to GS Stonehouse Green Land Sub LLC and GS Stonehouse Green Land Sub 2 LLC (collectively, “GS Stonehouse”). Based on GS Stonehouse’s extensive experience with other successful master planned communities, and in light of the changes in laws and other facts concerning the property, GS Stonehouse has identified several key areas in the Original Declaration and the other Governing Documents which should be changed.

AMENDMENT HIGHLIGHTS

For simplicity purposes, the amended documents will replace the Original Governing Documents in their entirety. The following is a brief summary of the more significant changes that are proposed. Most of the changes are housekeeping in nature; however,

there are a number of substantive changes. Members are encouraged to read each draft document in its entirety and to provide comments and feedback to the Association. (Please see the attached cover letter from the Board of Directors of the Association regarding instructions as to how to access these documents on-line, obtain copies and provide feedback.)

COMPLIANCE WITH LAWS

As stated above, the Original Governing Documents pre-date many new laws and changes in existing laws such as the Virginia Property Owners' Association Act and the Virginia Nonstock Corporation Act. This fact alone is sufficient to justify amendments to the Governing Documents. Without amendment, the Association's operations will be weighed down by the need to seek legal counsel for interpretation in the several instances in which provisions of the Governing Documents are in conflict with current laws. The documents have been revised to update the document provisions to comply with these laws.

THE DELETION OF SECTIONS DEALING WITH PREVIOUS DEVELOPER

The developer of Stonehouse has changed, and therefore the references to the former developer/declarant are now obsolete. To the extent feasible, the proposed amended documents delete provisions dealing with the prior developer/declarant and insert provisions which factually identify the new developer/declarant. The substitutions will result in clarity and less confusion going forward.

THE ADDITION OF CRITERIA FOR SERVING ON THE BOARD OF DIRECTORS AND COMMITTEES

The Original Governing Documents contain little to no criteria for eligibility to serve on the Board of Directors. Because Directors have a higher legal standard of care commonly referred to as the "Fiduciary Duty", it is important that the Directors who are charged with managing the Association and enforcing its covenants be held to the standard of complying with the Association's Governing Documents and being current in their assessments. Similar requirements have been added with respect to eligibility of members to serve on committees.

DECLARANT VOTING RIGHTS

The Declarant's voting rights have been simplified and restructured. Currently, the Declarant has voting rights both as a Class A member (one vote per Lot/Parcel owned) and as a Class B member (three votes for each Lot/Parcel owned). Under the proposed Amended and Restated Governing Documents, the voting rights section has been modified slightly to provide that the Declarant shall have three Class A votes for each residential unit, and Declarant will also cast the Class B vote (which will no longer be weighted in terms of Lots/Parcels owned).

ADDITION OF COVENANTS

New covenants have been added to address common areas of concern such as garage sales and holiday decorations.

5986444v2