

**NOTICE OF ANNUAL MEMBERS MEETING FOR LAKE SOVEREIGN
HOMEOWNERS ASSOCIATION, INC.**

NOTICE IS HEREBY GIVEN, in accordance with the By-laws of Lake Sovereign Homeowners Association, Inc. (the "Association") that the Annual Meeting of the Association will be held as follows:

DATE: Wednesday, February 23, 2005
TIME: 7:00 p.m.
PLACE: Cherokee County Fire Station Number 22
9550 Bells Ferry Road
Canton, Georgia 30114

One important action will be brought before the owners for voting as follows:

ELECTION: Pursuant to the By-laws of the Association, there will be an election held to elect three (3) directors to the Board of Directors of the Association. The director candidates will be elected for a two-year term. The Board currently consists of five (5) Board members. Two of the directors will be serving the second year of their two-year term. Pursuant to the By-Laws, the Nominating Committee has nominated the following persons to stand for election to serve on the Board of Directors:

Trajan Breitbarth
Gary Copeland
Julie Murdock
Peter Pauline

Additional nominations for directors will be taken from the floor during the meeting.

PROXY: Enclosed is a Proxy for your use, if you are unable to attend the meeting. The Proxy, if granted for general use as specified therein, may be used to obtain a quorum at the meeting. To avoid the potential of the lack of a quorum, it is requested that you return your Proxy to the Secretary, in the enclosed envelope, unless you are certain that you will attend the meeting. If you return your Proxy in anticipation that you will not attend the meeting, but thereafter do attend the meeting, you may revoke the Proxy and vote on all matters before the Association.

Dated: January 21, 2005

LAKE SOVEREIGN HOMEOWNERS
ASSOCIATION, INC.,

By _____
Becky Hudson, Secretary

**LAKE SOVEREIGN
HOMEOWNERS ASSOCIATION, INC.**

February 23, 2005

7:00 p.m.

**Cherokee County Fire Station No. 22, Community Center
9550 Bells Ferry Road,
Canton, Georgia 30114**

AGENDA

1. Call to Order
2. Calling of roll and certification of proxies
3. Proof of notice of meeting or waiver of notice
4. Reading and approval of the Annual Meeting Minutes of February 25, 2004
5. Appointment of inspectors of election
6. Introduction of director nominees
7. Additional director nominations
8. Ballot for Director elections
9. Officer Reports
 - Presidents Report—John Krueger
2005 Association Goals/Objectives/Challenges
Summary Budget Comparison
Owner Survey Summary Results
 - Treasurer's Report—Milt Aebi
Current account balances, financial controls
10. Committee Reports
 - ARC—Louis Tooker
Summary of 2004 committee approvals, rejections, covenant compliance, challenges
 - Common Grounds and Communications—John Krueger
2004 accomplishments and 2005 objectives
 - Community Relations—Sue Gross
 - Lake Committee—Phyllis Lea
2004 accomplishments and 2005 objectives and challenges
 - Pool Committee—Don Copeland
2004 accomplishments and 2005 objectives and challenges
 - Social Committee—Sue Gross
2004 accomplishments and 2005 Social Events
11. Announcement of elected Directors for 2005/2006 terms
12. Appointment of 2005 Nominating Committee for 2006/2007 Director Candidates

Adjourn
Question and Answer Period

LAKE SOVEREIGN HOMEOWNERS ASSOCIATION ANNUAL MEETING INSTRUCTIONS

Overview

Step 1) Complete and return the enclosed Proxy **if you do not plan to attend the meeting in person.**

Step 2) Fill out the Certificate of Appointment of Voting Representative Form if the property is owned by a corporation or partnership. Only one member can designate the proxy or vote on behalf of a partnership or corporation at the meeting. This certificate must be completed whether voting in person or by proxy.

Step 3) Return the proxy in the self-addressed envelope provided. Note your lot number in the space provided on the outside of the envelope as well as on the proxy. **Failure to use this envelope will result in your vote not being counted.**

ANNUAL MEETING OF MEMBERS OF LAKE SOVEREIGN

CERTIFICATE OF APPOINTMENT OF VOTING REPRESENTATIVE

(This form is to be used if the property is titled in a corporate or partnership name whether present or voting by proxy. The designated property owner must be an officer of the corporate entity in which the property is titled. Any qualifying properties should submit this form to the Association Secretary prior to the opening of the Annual Meeting. If voting by proxy, it must be included with the proxy)

To: Secretary, Lake Sovereign Homeowners Association, Inc. (the "Association")

THIS IS TO CERTIFY that the undersigned, constituting all of the record owners of Lot No. _____, in Lake Sovereign Subdivision have designated:

(Name of Designated Property Owner must be one of the owners indicated below)

as their representative to cast all votes and to express all approvals that such owners may be entitled to cast or express at all meetings of the membership of the Association and for all other purposes provided by the Association's legal instruments.

This Certificate is made pursuant to the instruments thereto and shall revoke all prior Certificates and be valid until revoked by a subsequent Certificate.

Dated this _____ day of February, 2005

(Owner) _____
(print name)

(Owner) _____
(print name)

(Owner) _____
(print name)

(Owner) _____
(print name)

NOTE: This form is not a proxy and should not be used as such. This form must accompany a proxy submitted on behalf of a corporate or partnership owner.

Lake Sovereign Homeowners Association, Inc.

**ANNUAL MEETING PROXY FOR
February 23, 2005**

TO: Secretary
Lake Sovereign Homeowners Association, Inc.

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby appoints:

(Print Name)

attorney and agent with the power of substitution for and in the name, place and stead of the undersigned, to vote as proxy at the Meeting of the Association, to be held beginning at 7:00 p.m. on February 23, 2005 at Cherokee County Fire Station Number 22, 9550 Bells Ferry Road, Canton, Georgia 30114, and any adjournment thereof, according to the number of votes that the undersigned would be entitled to vote if then present upon all matters which properly come before the meeting as may be authorized. If no individual is appointed, then the Secretary of the Association shall be appointed hereby.

(In no event shall this proxy be valid for a period longer than 90 days after the date of the first meeting for which it was given.)

DATED this _____ day of _____, 2005.

Lot Owner(s)

Lot Number _____

Street Address: _____

Biographies of Nominees Standing for Election to the Lake Sovereign Homeowners Association, Inc. Board of Directors for 2005 and 2006

Biographies of Director Candidates Running for Office

Trajan Breitbarth

My name is Trajan Breitbarth (Tray) and my lovely wife's name is Lisa. We have four, yes four, lovely daughters ranging from 10 months of age up to 9 years. My wife and I both were raised in metro Atlanta and we have lived in Lake Sovereign for over five years. We really enjoy our neighbors, and the quaintness this small community provides. We looked at several other places before choosing Lake Sovereign, but none had quite the character nor the uniqueness of this fine neighborhood. My wife is a fourth grade school teacher at Sixes elementary (one of the most admirable jobs a person could have), and my profession is in sales and marketing with Lehigh Cement Company. I work primarily from home, and have been with Lehigh for over six years. During that time I have served on many Industry Association Committees in leadership roles. Primarily, in the capacity of promotions, membership growth, industry education and awareness. I currently participate in; The Masonry Association of Georgia, The Chattanooga Masonry Association, Georgia Concrete and Products Association, National Ready Mix and Concrete Association, and the Greater Atlanta Home Builders Association. Other Associations involvement: PCA, AIA, BIA, GCLPA, SECSA. Thank you for your time and your consideration.

Gary Copeland

I am married to a wonderful lady who has blessed me with two great children. I was born in Tifton, Georgia. I spent eighteen years in Florida before moving back to Georgia in 1991. I have degrees from both the University of Florida and University of South Florida. My major was in Finance and my minor was in Accounting. Currently, I am President of my own company "Financial Integrity Group" which is part of a consulting group based out of Marietta. We are a registered investment advisory corporation specializing in Estate Planning, Tax Planning, Business Planning and Retirement Planning.

My leadership skills include starting two new corporations in the financial field. I also worked in management with two different fortune 500 companies. With one of those, I managed nine states here in the Southeast. My involvement in the community includes teaching Sunday school for my local church; teaching character education at Lassiter High School; and teaching numerous educational forums throughout the year. I work with highly specialized people such as attorneys and CPAs on a daily basis which would be an asset dealing with any legal problems that we may encounter.

Thank you for your consideration for the opportunity to sit on the Lake Sovereign Homeowners Association Board.

Julie Murdock

I am honored to be nominated for a position on the board of the Lake Sovereign Homeowners Association. As a native of Cherokee County, my family and I previously lived in Towne Lake but now live on East Shore Drive in beautiful Lake Sovereign. Along with being a mother of two children, I am very active in our church and our family owned business. My husband Chuck and I own Pee Wee's Wrecker Service, Inc., where I am Vice President and responsible for accounts payable and receivable. I also work closely with the Cherokee County Magistrate Court to obtain ownership of abandoned vehicles, notify the media of public auctions, and maintain corporate records for the county, city, and state. In addition, I have been a certified travel agent since 1997 and have a home-based travel agency, Bon Voyage Cruise and Vacations. Since moving into the Lake Sovereign community, I have been active in several neighborhood groups and attended all of the social events.

Our new directors will have oversight responsibility for legal efforts in identifying upstream silt depositors which requires good business judgment and the ability to negotiate. And since the HOA is a self-managed association, directors will have additional committee oversight and fiduciary duties. I believe my background and work experience would be helpful in fulfilling these responsibilities. I would appreciate the opportunity to serve our wonderful community.

Peter Pauline

My wife Tiana and I along with our two sons Kelvin (10) and Levi (6) moved to Lake Sovereign in 1998. We have enjoyed the family atmosphere and the setting of our lake community for 6 1/2 years.

I graduated from the U. S. Merchant Marine Academy in 1976. I went to sea for 20 years and retired as Captain in July 1998. In 1999 I went back to college and received a degree in Mathematics Education two years later. I taught Algebra and coached wrestling at North Cobb and Woodstock High Schools for three years. Since then I have restored and remodeled several buildings in the area including Brenda's House of Flowers and Olde Towne Animal Hospital in Woodstock. I am presently restoring a 100-year-old-building in Woodstock.

Since our community is in the final building stage, my background in building and remodeling would be helpful as we deal with architectural issues that arise. I would like to have the opportunity to serve on our board.

Biographies of Current Directors Serving their Second Term in 2005

Don Copeland –My family have been residents of the neighborhood since May 1999. We looked at many neighborhoods, but kept coming back to Lake Sovereign because of the larger lots, natural landscape and neighborly atmosphere. We enjoy all the amenities of the neighborhood but our children especially enjoy the pool. I have participated in the neighborhood workdays and have found that we neighbors work very well together, accomplishing quite a bit of work, resulting in savings to our members. My work experience includes current employment as a Civil Engineer for the Department of the Army at Fort McPherson, Georgia and owner of several rental properties in the Marietta/Kennesaw areas. My goals in serving as a Director of the LSHOA are to be an active participant in all activities of the Board and to maintain a cooperative spirit with the membership as we seek to continue making Lake Sovereign a wonderful place to live. I currently serve as the Pool Committee Chairperson in addition to serving as a director.

Ginger Evans

My husband Sam and I have been residents of Lake Sovereign since March 2003. We chose Lake Sovereign to be our home because of its beauty, size and uniqueness. Our extended family includes my son who just graduated from UNC-Chapel Hill with flying colors and Sam’s children who are grown with their own families. Sam is also a Grandfather of four--three girls and one boy.

I grew up in Miami, Florida, and attended Montreat-Anderson College for two years in Black Mountain, NC, where I studied business. After transferring to Appalachian State University in Boone, NC, I changed my major to Health and Education. My work experience includes several years as a flight attendant with National Airlines and office work in the area of litigation. In addition, I have owned and operated my own restaurant. For the past ten years I have held a real estate license and am currently licensed with Prudential Georgia Realty in Woodstock.

Since moving to Lake Sovereign, I have participated in many community activities and worked closely with the Social Committee. In addition, I have been serving as Interim Director of the Lake Sovereign Homeowners Association since July 2004. My real estate background has been helpful in serving on the Board and working with the Architectural Review Committee. I look forward to the challenges in helping make Lake Sovereign one of the premier communities in Cherokee County.

Lake Sovereign Homeowners Association, Inc.
Cash Basis Income Statement For the Twelve Months Ending December 31, 2004

Revenues Related to 2004	'04 Actual	'04 Budget	'04 Variance	2005 Budget
Homeowners Annual Maintenance	\$ 123,989	\$121,900	\$ 2,089	\$ 132,825
Homeowners Initiation Fees	10,000	4,000	6,000	4,000
Fees Recovered	0	2,000	-2,000	2,000
Lot Clean Up Fee Recoveries	2,249	2,000	249	1,200
Legal Fee Recoveries	212	1,000	-788	1,000
Rental Income Club House	140	150	-10	150
Owner Verification Letters	450	100	350	100
Late Fees	122	400	-278	400
Fees for Association Documents	0	100	-100	25
NSF Check Fees	45	0	45	0
Interest Income	561	600	-39	600
Advertising – Lake Lines	540	240	300	200
Transfer from Lake Reserve	25,957	0	25,957	0
Transfer from Paving Reserve	3,450	0	3,450	0
Private Road Reserve Funding	1,437	500	937	1,035
Total Revenues	\$ 169,152	\$132,990	\$ 36,162	\$ 143,535
Expenses Related to 2004	'04 Actual	'04 Budget	'04 Variance	2005 Budget
Bank Charges	\$ 20	\$ 30	\$ 10	\$ 30
Club House Maintenance	318	470	152	1,286
Electricity	3,821	4,010	189	4,303
Gas (Club House)	1,021	640	-381	1,275
Fees Lost Bankruptcy/Foreclosure	2,050	2,000	-50	4,400
Insurance Property/Casualty	8,668	8,220	-448	8,500
Insurance – Director/Officer	0	0	0	1,265
Insurance – Liability Umbrella	2,968	3,785	817	3,012
Lake Maintenance	6,695	9,285	2,590	10,585
Lake Reserve Fund	15,520	12,983	-2,537	13,076
Landscape Maintenance	50,724	54,344	3,620	53,450
Legal Expense	8,229	2,700	-5,529	4,600
License Expense	130	15	-115	30
Lot clean-up fees	2,249	1,000	-1,249	1,200
Maintenance Expense	7,183	4,956	-2,227	0
Miscellaneous	126	180	54	180
Office Supplies	1,040	304	-736	304
Operating Reserve	4,800	4,800	0	6,000
Paving Reserve	2,400	2,400	0	1,200
Pest Control	1,485	1,660	175	985
Pool Maintenance	5,252	4,225	-1,027	7,880
Postage	463	300	-163	400
Private Road Reserve	1,437	500	-937	1,035
Property Taxes	674	750	76	750
Social Activities	679	200	-479	2,000
Federal and State Taxes	533	0	-533	0
Pool Telephone	686	720	34	720
Pool Reserve	0	0	0	800
Tennis Court Maintenance	2,602	4,000	1,398	8,000
Tennis Court Reserve	0	0	0	1,200
Tree Replacement Reserve	3,000	3,000	\$0	1,000
Water	3,577	5,513	1,936	4,069
Bad Debt Expense	4,845	0	-4,845	0
Lake Sedimentation Study	25,957	0	-25,957	0
TOTAL	\$169,152	\$132,990	\$- 36,162	\$ 143,535

Note: This income statement is presented in a cash basis accounting format and the financial records for 2004 have been reviewed by a third party accounting professional (owner) independent from the Board of Directors.

Lake Sovereign Homeowners Association, Inc.
Balance Sheet
December 31, 2004

ASSETS

Current Assets	
Money Mkt Unrestricted	6,311.41
Money Mkt Restricted Lake Maintenance	2,324.13
Money Mkt Restricted Fish Restocking	1,148.00
Money Mkt Restricted Gen Maintenance	13,900.00
Money Mkt Restricted Private Road	4,009.24
Money Market Restricted Paving	(1,250.00)
Money Mkt restricted tree replacement	3,000.00
Checking - Wachovia	31,253.93
Accounts Receivable	50,906.41
	111,603.12
Total Current Assets	
Property and Equipment	
Furniture and Fixtures	15,000.00
Equipment	50,000.00
Other Depreciable Property	186,000.00
Building	266,000.00
Land	51,700.00
Pool and Pool Equipment	75,000.00
Total Property and Equipment	643,700.00
Other Assets	
Deposit GA P #BB9367 Outdoor Lighting	700.00
Deposit GA P # GA7945 General Lighting	50.00
Deposit EMC 0695052-1 WR Entrance	150.00
Deposit EMC 0695055-4 Tennis Court	150.00
Deposit EMC 0695053-9 Dam Lights	75.00
Deposit Water #53006963 Club House Meter	210.00
Deposit Water ES Entrance Meter	210.00
Deposit Water Pha 4 Dock Meter	210.00
Deposit Water West Ridge Drive Meter	200.00
Total Other Assets	1,955.00
Total Assets	757,258.12

LIABILITIES AND CAPITAL

Current Liabilities	
Reserve - General Maintenance	13,900.00
Reserve - Fish Restocking	1,148.00
	15,048.00
Total Current Liabilities	
Long-Term Liabilities	
Reserve - Lake Maintenance	2,324.13
Reserve - Private Road Reserve	4,808.62
Reserve - Paving for Parking Lots	(1,250.00)
Reserve - Tree Replacement	3,000.00
Total Long-Term Liabilities	8,882.75
Total Liabilities	23,930.75
Fund Balances	
Prior Year End	718,882.19
Current Year	14,445.18
Total Capital	733,327.37
Total Liabilities & Capital	757,258.12

**Lake Sovereign Homeowners Association, Inc.
2005 Board of Directors Meeting Dates:**

**January 11
February 17
March 10
April 14
May 12
June 9
July 14
August 11
September 8
October 13
November 10
December 8**

The monthly meetings are available to owners to discuss individual concerns or issues. Individual owner issues will not be considered for the Annual Meeting Agenda. The Annual Meeting is scheduled to inform owners of the goals and objectives for the year, to provide the Association financial report and to elect officers or approve any other action requiring a vote by a quorum of Association members.

All Board Meeting owner items will be offered presentation time at 7:00 p.m. (local time) at the Club House for a period not to exceed thirty minutes. At the end of the thirty-minute period, the Board will convene their Executive Session.

Procedures for Owner agenda items:

- All owner items (with supporting documentation), for the agenda of a regularly scheduled Board meeting, are to be submitted to the Secretary of the Board ten calendar days prior to the meeting, otherwise the item will be placed on the following month agenda.
- Owners will be allowed five minutes to present their items to the Board in a general discussion session, prior to the Executive Session.
- Individual owners will be notified of the Board decision within five business days after each monthly Board meeting.