

Lake Sovereign Homeowners Association, Inc.
330 Lake Sovereign Court
Canton, Georgia 30114

February 17, 2003

Dear Owner:

Enclosed are the meeting materials for the Annual Homeowners Meeting scheduled for March 19 at 7:00 p.m. in Bells Ferry Community Center. **Please bring these meeting materials with you to the meeting, to help the Association copying budget. You may also print extra copies from the website. Please contact Tammy Schorr at tschorr@adelphia.net to obtain access.**

Since the owner Board of Directors assumed their duties on January 1, there have been a hundred small details for the Board to deal with. It is much like the start up of any business. Opening banking accounts, establishing the accounting system, arranging contracts for services, opening new utility accounts in the name of the Association, establishing a preliminary budget, arranging for records and Association equipment storage and conforming the building standards for new and existing construction to the Declaration, have been just a few of the many details. The average Board meeting lasts four hours and the Board has been meeting every two weeks. Many of these one-time items are completed. We are beginning our focus on what must be accomplished in 2003 to be in compliance with the general covenants of our Homeowner Declaration, achieve prudent fiscal management and keep the neighborhood attractive to grow neighborhood value.

Enclosed is a line item budget, which the Board has approved for 2003, pursuant to Section 4.04 of the Declaration. During the Annual Meeting we will compare high-level 2002 actual expense to 2003 anticipated expenses. A visual presentation will more fully acquaint you with the costs of our Association and what we are doing to minimize any expense increase. As discussed at our December 16, 2002, meeting the Association has lost the benefit of the Developer contribution, which was substantial in past years. The homeowners are now responsible for all Association expenses, with the exception of the lake silt removal and some smaller negotiated maintenance items, which are being paid by the Developer. We would appreciate your review of the budget prior to the meeting. You will note the Board has budgeted some funding for operating reserves and the future lake silt removal. In past years no reserve funding was accumulated. As we develop more familiarity with the finances of the Association, we will reassess the reserve funding requirements for future years. This is a "bare bones" budget, which also recognizes the Board's responsibility to plan for future Association needs.

The Board has no plans, at this time, to make a special assessment as detailed in Section 4.05 of the Declaration. Special assessments require a two-thirds (2/3) vote of the owners, whereas the general operating budget is approved by the Board. The special

assessments are delegated to non-recurring items, such as an expansion of the Club House or a second pool, as examples.

Enclosed are four Declaration amendments we would like you to consider. All of these amendments are important to better manage the ongoing needs of the Association. I want to explain what we plan to accomplish with these amendments:

Amendment to Article IV, Section 4.05(a)

Currently there is no allowance to charge a Homeowner Initiation Fee on resale properties in the sub-division. We are asking owners to amend the Declaration to allow an initiation fee on resale properties. We anticipate six to ten properties per year will be resold in the neighborhood. Without this potential revenue, there is greater potential for additional annual dues increases to owners. The Board believes this is prudent and consistent with many homeowner associations. If you were an original homeowner, you paid a \$500 initiation fee. We will continue to charge an initiation fee for new construction homes. The initiation fee would apply only to current resale properties, which do not have a sales contract written. Upon approval of this amendment, the Association will phone the representing real estate company to notify them of the change. We anticipate maintaining the current initiation fee at \$500 for 2003.

Amendment to Article V, Section 5.14

The current Declaration language addresses only fences and restricts fences to wood only. We know decorative metal fences have been approved for some properties. We are also incorporating the text from the current building standards (not a part of the Declaration) to also address gazebos, walls, terraces, decks and arbors. This change will allow the majority of owners currently not in compliance with the Declaration covenants, to be in compliance. We believe this change will be welcome to Association members.

Amendment to Article V, Section 5.17(a)

The current Declaration language prohibits any statuary to be visible from a street or streets. If you drive through the neighborhood, there are only a few homes without any type of decorative item in the front yards of properties. Most of the items are in keeping with the architectural style of the home and are tasteful. Without the amendment, the Board would be charged with asking almost every owner in the sub-division to remove their decorative items. This seems unreasonable. We believe this change will also be welcome by the members.

Amendment to Article VIII, Section 8.02

The current Declaration language requires 75% of the owners to sign an approval for any Declaration amendments. Based upon a final subdivision total of one hundred twenty-six (126) lots, the current Declaration requires the Board to obtain ninety-five (95) signed and notarized lot owner approvals, as we are doing for this and the above amendments. You can understand the logistical and almost unrealistic challenge of accomplishing this requirement.

We are asking that the Declaration be changed to allow a vote of 66 2/3% of the owners for any future amendments. This would still require eighty-four (84) owners for any approval, but the mechanics of managing a Declaration amendment become a little easier. The amendment will allow a vote to be taken; proxies can also be distributed which allows for easier management of attaining the required 66 2/3% vote approval.

PLEASE NOTE: The last paragraph of this amendment does allow the Board of Directors to make amendments to the Declaration without a homeowner vote, only to comply with any state, city or federal laws or any of the governing entity laws, related to mortgage financing, such as the Housing and Urban Development Agency and the Veterans Administration. Since our Association is compelled to operate within the current law, this is prudent.

We will have a notary public available to assist in accomplishing approval of the proposed amendments and we urge your attendance to avoid house-to-house visits by the Board to accomplish these important changes.

During the meeting we will also provide the dates of future Board meetings and discuss the mechanics for homeowners to attend regularly scheduled meetings of the Board. This is your Association and we want to offer a forum where you can present an agenda item to the Board, if you wish to do so.

We also need each of you to assist with many aspects of the Association. Currently we need builder/owners to volunteer with some light construction and plumbing needs at our pool cabana. We also need volunteers to assist our pool committee with the challenges of managing a safe and healthy pool environment during the heavy pool use season. We will more fully discuss these needs at the meeting.

Please keep in mind this is the only scheduled full membership meeting of the year. We look forward to your attendance and hope you will read all of the enclosed items prior to attending.

The Board looks forward to your attendance on March 19.

Sincerely,

John E. Krueger

John E. Krueger
President

**NOTICE OF ANNUAL MEETING OF THE 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: March 19, 2003
TIME: 7:00 p.m.
PLACE: Cherokee County Fire Station Number 22
9550 Bells Ferry Road
Canton, Georgia 30114

The Board of Directors submits the following amendments to the Association Declaration dated as of March 21, 1997, as amended, for your consideration and approval:

STATE OF GEORGIA

CROSS REFERENCE: Deed Book 2657

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COUNTY OF CHEROKEE

**AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS FOR LAKE SOVEREIGN SUBDIVISION**

WHEREAS, the Declaration of Covenants, Conditions and Restrictions for Lake Sovereign Subdivision was recorded on March 21, 1997, in Deed Book 2657, Page 110, et seq., Cherokee County, Georgia Records ("Declaration"), as amended; and

WHEREAS, Article VIII, Section 8.02 of the Declaration provides for amendment of the Declaration by an agreement signed by at least seventy-five (75%) percent of the Owners; and

WHEREAS, at least seventy-five (75%) percent of the Owners of the Association desire to amend the Declaration and have approved this amendment; and

WHEREAS, this amendment is not material with respect to first mortgagees in that it does not materially and adversely affect the security title or interest of any first mortgagee; provided, however, in the event a court of competent jurisdiction determines that this amendment does materially and adversely affect the security title or interest of any first mortgagee without such first mortgagee's consent to this amendment, then this amendment shall not be binding on the first mortgagee so involved, unless such first mortgagee consents to this amendment; and if such consent is not forthcoming, then the provisions of the Declaration prior to this amendment shall control with respect to the affected first mortgagee;

NOW THEREFORE, the Declaration of Covenants, Conditions and Restrictions for Lake Sovereign Subdivision is hereby amended as follows:

1.

Article IV, Section 4.05 (a) of the Declaration is hereby deleted in its entirety and the following is substituted therefore:

(a) Upon the first sale to an Owner who will individually or through tenants or assigns occupy a Lot, such sale to be made by Declarant or by a builder who has purchased the Lot from Declarant for the purpose of erecting a dwelling thereon and on all subsequent resales of Lots, the purchaser of a Lot shall pay an initiation fee to the Association in an amount determined by the Board of Directors, which amount shall never be more than two times the amount of the annual maintenance/assessment fee payable by each Lot Owner, which amount may change from year to year.

2.

Article V, Section 5.14 of the Declaration is hereby deleted in its entirety and the following is substituted therefore:

5.14 Fences, Gazebos, Walls, Terraces, Decks and Arbors. All proposed gazebos, walls, wood fences, terraces, decks and arbors must be of a unifying design, consistent with the architectural character of the house and approved by the Architectural Review Committee. Fences shall be limited to decorative black metal, wood materials of natural wood colors and shall be located in rear or side yards only. All referenced items in this section shall be maintained in a good state of repair. All chain link fences are prohibited, except in connection with community recreational facilities.

Article V, Section 5.17 (a) is hereby deleted in its entirety and the following is substituted therefore:

(a) All statue, statuary concrete and/or cement figurines, bird baths, benches and sculpture, if visible from the street, should be tasteful, blend with the natural environment, be in keeping with the style of the house, and be approved by the Architectural Review Committee.

Article VIII, Section 8.02 of the Declaration is hereby amended by deleting all portions of such section after the first sentence (beginning with the sentence starting with "These Covenants may be amended at any time and from time to time by an agreement signed by at least seventy-five (75%) percent of the Owners . . .") and substituting the following therefore:

Except where a higher vote is required for action under any other provisions of this Declaration, in which case such higher vote shall be necessary to amend such provision, this Declaration may be amended by the affirmative vote, written consent, or any combination of affirmative vote and written consent of the members of the Association holding sixty-six and two-thirds (66-2/3%) percent of the total eligible vote thereof. Notice of a meeting, if any, at which a proposed amendment will be considered shall state the fact of consideration and the subject matter of the proposed amendment. No amendment shall be effective until certified by the President and Secretary of the Association and filed in the Cherokee County, Georgia land records.

Such amendment by the Owners shall not be effective unless also signed by the Declarant, if the Declarant is the owner of any real property subject to this Declaration; and provided further, however, an amendment affecting the Declarant's right to add additional property shall not be effective unless also signed by Declarant. No amendment to the provisions of this Declaration shall materially alter, modify, change or rescind any right, title, interest or privilege herein granted or accorded to the holder of any mortgage encumbering any Lot affected thereby unless such holder shall consent in writing thereto.

Notwithstanding the foregoing, the Board of Directors, without the necessity of a vote from the owners, may amend this Declaration to comply with the Act, any applicable state, city or federal law, including but not limited to, compliance with applicable guidelines of the Federal National Mortgage Association ("Fannie Mae"), the Department of Housing and Urban Development ("HUD") and the Veterans Administration ("VA").

If legal action is not instituted to challenge the validity of this Declaration or any amendment hereto within one (1) year of the recording thereof in the Cherokee County, Georgia land records, then such amendment or document shall be presumed to be validly adopted.

IN WITNESS WHEREOF, the undersigned officers of Lake Sovereign Homeowners Association, Inc., hereby certify that the above Amendment to the Declaration was duly adopted by the required majority of the Association and its membership, with proper notices given.

This ___ day of _____, 2003.

**ASSOCIATION: LAKE SOVEREIGN
HOMEOWNERS
ASSOCIATION, INC.**

Sworn to and subscribed to before me
this ____ day of _____, 200__.

By:
(SEAL)
President

Witness

Attest:
(SEAL)
Secretary

Notary Public

[NOTARY SEAL]

[CORPORATE SEAL]

LAKE SOVEREIGN HOMEOWNER
ASSOCIATION, INC.,
Kyle McGrew
Secretary

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

March 19, 2003

7:00 p.m.

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

AGENDA

1. Calling of roll
2. Proof of notice of meeting
3. Reading and disposal of the Special Meeting Minutes of December 16, 2002
4. Officer Reports
 - a. Presidents Report—2003 Association Goals/Objectives
Process for owner discussion with the Board
Owner Volunteer Needs
Declaration Sections 4.05(a) and 8.02 Amendments
 - b. Treasurer's Report—Current account balances
5. Committee Reports
 - a. ARC—
Declaration Sections 5.14 and 5.17(a) Amendments
Review of maintenance standards:
Common Areas of non-compliance: Wood piles, Garbage Cans, Trees and Limbs, Exposed Drainage Flex-Pipes/Hoses, Garden Hoses, Landscape Maintenance, Erosion Control, Exterior maintenance to homes (power washing of stained stucco, cedar shake chimneys) painting, etc.
 - b. Common Grounds --- 2003 objectives and items completed to date
 - c. Communications----- Lakelines and Website
 - d. Finance Committee—2003 Budget Presentation/Comparison to 2002
 - e. Lake Committee---- Lake Maintenance Progress Report
2003 Objectives
 - g.. Pool Committee-----2003 Objectives and items completed to date
Opening and Closing Schedule
Volunteer program for managing safety/health/security
Private use of pool by owners
 - h. Social Committee-----2003 Social Events
Owner Use of Club House

Adjourn

Open Discussion

Signing of Declaration Amendment Approvals by Lot Owners