

native intelligence





FAMILY OF FIRMS



COMMERCIAL ACREAGE



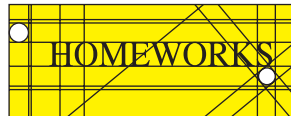
INSURANCE SERVICES



RESIDENTIAL SERVICES



ASSET MANAGEMENT



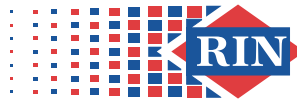
Hickory
Service
Company



Norton • Kenimer



SOUTHERN CAPITAL FUNDS



REAL ESTATE INSURANCE
NETWORK





Frank K. Norton, Jr.
President, The Norton Agency



Robert V. Norton
President, Norton Insurance

Change

1928 TO 2003

BUILDING A COMMUNITY FOUNDATION FOR 75 YEARS

It was the cold winter of 1928 when W.L. & Eliza Norton decided to move their small family to Gainesville and embark on a new adventure. The bank in Cleveland had just closed where W.L. had been head cashier and sold a little life insurance on the side. Gainesville, with its manufacturing and commerce-based economy, seemed vibrant and presented great opportunity. So, nestled in this cradle of the North Georgia Mountains, not too far distant from their ancestral homes in Cleveland and Clayton, they began to lay the foundations for a small community based insurance and real estate business... Local hard-working folks serving local hard-working folks.

Through tough times and good times, The Norton Agency struggled, grew and joined in the plethora of changes that was to impact North Georgia; the birth of the poultry industry (I guess we should say "hatch"), the Great Depression, Gainesville tornado, war, emergence of the Atlanta business center, airplanes, jets, microwaves, toasters and handcrank telephones. Back then W.L. had to do a little bit of everything; insurance, real estate, build a house or two, place a mortgage, develop a subdivision, manage apartments and fix a water heater. They were community activists in church, politics (he served as State Senator) and other major community improvement projects. The best lesson he

left us is perhaps our ability to balance multitudes of tasks, jobs, clients, church and family. We wouldn't have it any other way.

The benchmark event in our history was the recruitment of son Frank back from UGA and setting a forward direction for the company. Frank helped stabilize the business cycles, put the company on strong financial bedrock and began a movement of diversification, growth and expansion. That vision along with the enthusiasm, hard work and support of his life partner, Betty, set a new course and ultimately a broad impact on the multi-county region defined as North Georgia.

Now, the business torch is passed to their two sons, Bob and Frank, the assembly of managers, partners, associates, investors and friends. After 75 years, the **foundation** is now complete.

With this 17th annual forecast, we honor the legacy of our grandparents, parents and thousands of others who have helped build our firm, establish our reputation and further our reach. Simple values, strong work ethics, time honored principles and a desire to contribute back to the lives of our associates, clients, community, family and friends. With such a firm foundation we go to work.

PROGNOSTICATION

We become professional futurists of sorts; we peer through the fog and noise to gain some advantage for our clients or to minimize risk; we find the future exhilarating or terrifying and measure our analysis to fit to the times.

But we are all professional futurists. We make calculated risks betting on the future. Whether it is the expansion of a business, purchase of a new home, making an investment, launching or retooling a product line, our economic success relies on the future and our ability to understand, interpret and apply those concepts to our individual business or wealth model.

In 1986, The Norton Agency made a bold move in its establishment of an independent research division. At first, we had many clients wonder why we “gave” so much information away free. While we do, it was and is a calculated move to help our clients better understand the growth dynamics, help governments strategically plan for growth and help in our own way to lead North Georgia forward. We appreciate those who hire our firm to go beyond the published data, employing us in a variety of specific real estate initiatives, and we remain committed to our “Native Intelligence.”

Since 2001, in an effort to clarify regional issues, we began to broadly define and organize North Georgia’s annual Top Ten Trends. These events, technologies, attitudes, promising ideas and economic phenomena for the most part transcend individual county or municipal geopolitical boundaries and affect macro markets vs. micro markets. We religiously read 19 weekly papers, analyze the raw data, model econometric research, and hold numerous focus groups and individual interviews to compile a comprehensive snapshot of North Georgia. Combining these different elements, Norton Native Intelligence will tell you what will likely happen in the future and why. **When we are wrong, we are wrong, but like it or not, the dynamics of our markets speak for themselves.**



TOP TEN TRENDS 2002

Once again Norton Native Intelligence has identified Ten Trends which we as leaders can choose to embrace and capitalize or ignore and feel the consequences. As with the past 17 reports we go out on a limb, are willing to accept the harsh criticism and take arrows in our backs but keep moving forward. A founding precept of our firm, “Tell the client what he needs to hear not what he wants to hear.” In the long run we’re all better off.

This year our Top Ten Trends include:

- 1. OH, FOR A DROP OF WATER**
Our growth and prosperity is linked to our ability to maintain an everlasting supply of clean water.
- 2. ANTI-ANTICS**
A political shift in power from an old pro-business guard to a newcomer activist.
- 3. GROWING OLD GRACEFULLY**
Changing demographics in North Georgia focus attention on the recession-proof health care industry.
- 4. A CASE FOR CONSOLIDATION**
Whether it’s government services or departments, it’s time to look for ways to stretch the tax revenue.
- 5. THE BATTLE FOR I-985**
The sewer-starved corridor searches for an identity while a turf war over control heats up.
- 6. AFFORDABLE HOUSING**
“It’s the payment stupid” as potential buyers scurry for low-cost home alternatives like ants swarming an anthill.
- 7. HISPANIC GROUND ZERO**
The economic realities of a multi-cultural community.
- 8. EDUCATION...THE WEAKEST LINK**
Improvements in education will drive the broader economy.
- 9. RETAIL NICHE MARKETING**
The growth demographics have ripened the North Georgia economy for retail expansion.
- 10. THE FORTUNATE ECONOMY**
Despite the national economic malaise, North Georgia’s economy presents fortunate opportunities.

1 WATER

In a region where abundant, clear and cheap drinking water has been taken for granted for generations, it's hard to imagine residents adjusting to life without it. Water, and perhaps, politics are the two greatest limiting factors to a community's growth. When the two mix, the combustion can be deadly. As North Georgia and the Atlanta region struggle with Alabama and Florida as stakeholders for the storage of water in Lake Lanier, the region is finding itself on the precipice of a water war. Water defying gravity flowing up hill toward the money.

Couple the political conflicts with decaying pipes, providing water free of disease and toxins and the new threat of bioaqua terrorism are enough to make the water manager's head spin. Concern over clean, abundant drinking water might someday make the energy crisis look like small potatoes.

Christie Whitman, EPA Administrator, recently said, "Water quality and quantity is the biggest environmental issue that we face in the 21st century."

Water initiatives in Gwinnett (sewer and reuse), Atlanta (purification and alternative sources), reservoirs in Lumpkin, North Hall and Bear Creek (Jackson, Clarke, Barrow) are still woefully short of anticipated needs. It's no longer an issue for our grandchildren to solve, it's affecting us **HERE... RIGHT NOW.**



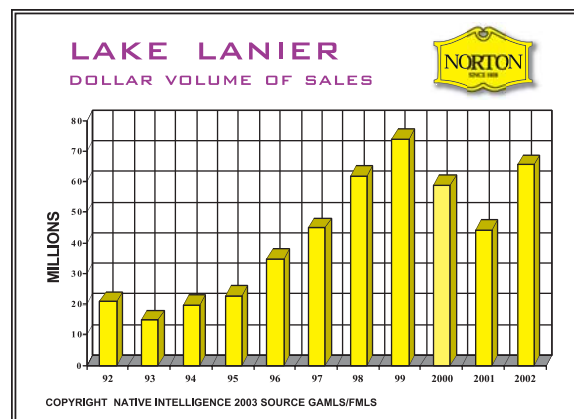
High costs will force the nation's water delivery system to evolve into something quite different. Citizens will be asked to pay more and use less. Systems with abundant supply or future reserve rights like Gainesville are sitting on liquid gold mines. We are at the dawn of an era where utilities will need to make significant investments, rebuilding, repairing, and replacing their underground assets. Just beyond pipe repair is the daunting issue of supply coupled with reduced consumption, conservation and reuse systems. More small reservoirs will be needed, scattered like pearls around metro Atlanta.

Since 1997, Native Intelligence has floated the idea of water trunks feeding from the Tennessee TVA lakes or Lake Hartwell as alternative Georgia resources. The distances are miniscule when compared to the water transportation lines feeding California. It's an even more plausible idea today.

Our water is A CHEAP resource (see comparison chart) – a minor economic consequence to the family budget, but is flowing at rates below sufficient to cover that which will be needed to fund line expansion and required water quality enhancements. Arsenic, pathogens, perchlorate, mtbe, and thms are expensive to filter and treat. People think water is free because it falls from the sky. Well it is free until you have to filter it, treat it and deliver it.

COMPARISON WATER RATES			
SYSTEMS (US)	MONTHLY BILL	SYSTEMS (Overseas)	MONTHLY BILL
Peoria, Ill	\$100.17	Paris	\$171.80
Bloomsburg, PA	\$ 94.69	Osaka, Japan	\$115.39
Hoboken, NJ	\$ 88.50	Vienna	\$ 97.02
Camden, NJ	\$ 74.42	Hong Kong	\$ 88.73
Atlanta, GA	\$ 51.00		

Compounding the water availability issue is the recreational tax value associated with the **AQUA MONEY** bank called Lanier. Its "liquid asset" transcends down stream drinking water and is an integral factor in the surrounding counties' tax bases (without it Forsyth and Hall would bankrupt) and is a visitor and tourism mecca. With an estimated \$4 billion impact on the economy, draining too much water or messing up water quality would kill the Golden Goose. The Gwinnett treated deep water discharge is insignificant to the overall dilution, but any more could signal problems. The trick is creating a balance between water's internal uses and external recreation: A tough challenge for five direct counties, 12 municipalities, 15+ water systems and six counties upstream.



2 ANTI-ANTICS

Facing opposition to development or zoning changes, North Georgia's business community must hack their way through a forest of initials:

- NIMBYs = Not In My Back Yard
- CAVEs = Citizens Against Virtually Everything
- BANANAs = Build Absolutely Nothing Anywhere Near Anyone
- LULUs = Locally Unwanted Land Uses

Regardless of whether the proposal, any proposal, is affordable in nature or the Taj Mahal, the universal cries are "too much traffic, decreased property values and crime." Local or nationwide development opposition is more sophisticated, vociferous and effective. Growing anti-development sentiment was the number one concern in a recent national economic developer meeting. Broadcast e-mail, cell phones, internet research and online chat rooms have been added to the anti's arsenal, and people have more things to protest about; historical preservation, suburban sprawl, green space, depleting natural resources, traffic congestion and air pollution, to name but a few.

- Gwinnett residents holler about cutting forests and trees but don't realize that up until the 1960s Gwinnett was 70% agriculture and a vast open field.
- Forsyth residents scream about minuscule water run off and sediment, but as recent as the early 1980s Lanier was deep mud red after every rain because of agricultural cultivation from northern feeder counties.
- The tale tells of cotton terrace farming permeating the hills and valleys of the 2,500-acre Chocopee Woods Nature Preserve.
- Some Jackson residents moan at another new industry expansion when not long ago the leaders were meeting on how to keep their educated children at home and employed within the county.

The anti-antics are heating up e-mail blasts for business boycotts, electronic floods of hate e-mails, phone calls directly to the CEOs of prospective businesses relocations, maverick commissioners brow-beating staffs, yanking legitimately issued development permits, influencing opinions, lawsuits and litigation, elected officials promising compromise, then ignoring meetings and pledges as if they never took place. Dictators have no conscience.

This is bully politics to the lowest life form. From a real estate perspective the governments have allowed the

neighborhoods to extort whatever incentives they want. They've empowered these neighborhood associations without making them accountable to anyone but themselves. At zoning meetings, public comment can be made about anything without one shred of evidence to back up raving, personal attacks. Innuendo and bomb blasts have become the weapons of some mean-spirited do-gooders. And some commissioner's statements border on socialism. "There are too many builders making too much money in this county." The juggernaut of progress has been halted at the gates of more than one county commission.

On the other side of the equation is a new breed of merchant developers (not from the local community so disconnected from local relationships) with strong stomachs for these antics, phalanxes of attorneys and deep war chests to fight governments and individuals. It's a classic American land use issue...individual property owners rights vs. loud obstructionists. When asked about concerns with rezoning, a major Atlanta developer simply said: "I'm not worried about _____ County. I'll just sue through them." Today if a developer can't stand the turmoil he/she is in the wrong business.

Folks, put on your crash helmet...It's going to be a bumpy ride.

3 GROWING OLD GRACEFULLY

Face it, none of us is growing any younger. In fact, our nation as a whole is facing longer productive life expectancies and prospects for quality preventative health care and medical advances will stretch the horizon even further. Our region faces a dichotomy of population influences of which health care needs must be addressed.

THE NATIONAL VIEW

Clearly, the aging populace produces slower growth. However, our changing profile has additional important implications for real estate. The perpetually dominant baby-boomers will begin to retire around 2010, and no one is really sure how their housing choices, locational preferences, or shopping patterns might evolve.

- Enjoying greater affluence, better health and increasing longevity, future retirees will be more active physically. They will be traveling, taking classes, and volunteering (though that is not entirely consistent with the "me" generation).
- In an AARP survey, 80% of baby-boomers said they intended to work at least part-time after retirement. That was in 1998; we'll see what happens in 2010. If true, however, the labor market would certainly benefit.

- Seniors of the future will move more frequently in keeping with the peripatetic, relatively adventuresome lifestyles of their younger years. (In 1996, only 4% of persons age 65-74 moved at all).
- The next generation of seniors will be more willing to try age-restricted housing, ranging from active adult communities to assisted living — if they can afford it. However, the baby-boomers won't have a dramatic impact on the retirement housing market until after 2015 so we need caution to avoid overbuilding in the short term.
- Shopping venues and consumer products will be adapted to the physical needs of an aging population. Witness Home Depot's Villagers Hardware and Wal-Mart's Neighborhood Markets — both smaller prototypes that are easier for older people to navigate.
- Boomers embrace personal technology in ways that elude today's elderly. Two out of five people age 35-54 use the internet, compared with only 15% of those 55 and older.
- Today, 3.3 workers support every Social Security beneficiary. By 2030, only two people will be working per recipient.
- Generational conflicts will test American tolerance. No single group will dominate, so we'll be dealing with large blocks of competing interests.

to the high levels seen in the 1970s when the baby-boomers were children. Nonetheless, America's population will be **much** younger than that of Europe or Japan. This will be critically important to maintaining a dynamic economy.

A REGIONAL PERSPECTIVE

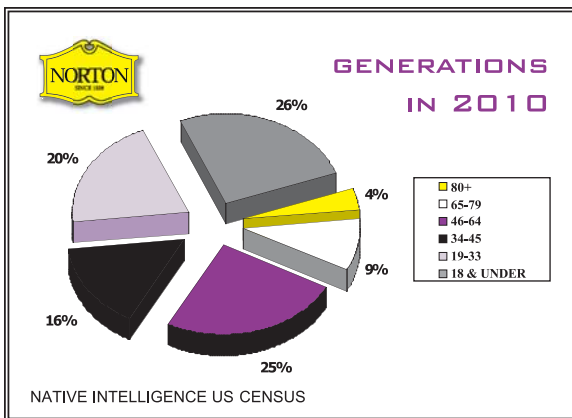
The bright spot for commercial real estate in 2002 has been the medical segment. Northeast Georgia Medical Center's purchase of 52 acres in South Hall (consultation by Norton's Native Intelligence) was a major commitment to the strengthening South Hall population base. Couple this with Northside Hospital's purchase of Forsyth County's Georgia Baptist Hospital for \$121,000,000 or \$3,270,000 per authorized bed signifies the major commitment to North Georgia's health care. Other significant events include:

- Rabun Hospital's restructuring and administrative streamlining to provide more cost-effective services.
- Longstreet Clinic's (North Georgia's largest multi-specialty clinic) consolidation to new facilities in front of the Northeast Georgia Medical Center at the Medical Arts complex.
- The quick development and leasing of the Guilford Clinic's facility on Jesse Jewell Parkway.
- Chestatee Regional Hospital in Dahlonega refocus on local healthcare needs.
- Major physician-recruiting efforts at Banks-Jackson Hospital.

All these events signify the capital commitment to the delivery infrastructure. Native Intelligence foresees the continued **great** health of the healthcare market from a real estate and economic climate point of view. The physician centers around the Northeast Georgia Medical Center in Gainesville, Forsyth's Georgia Baptist, Lawrenceville-Gwinnett Medical, Chestatee, BJC in Commerce, Toccoa Stephens and Rabun County Hospital will continue to strengthen.

While these are indeed positives, Native Intelligence does want to raise some concerns for yet unresolved issues.

- National medical reimbursements from government and insurance caregivers may influence the quality and choices available to patients. The abuses have been curtailed and efficiencies employed, but these groups continue to raise medical insurance rates while pushing providers for more cuts and more limitations on care.



Political conflicts will be exacerbated as each age group seeks to protect its prerogatives and enhance its assets. Coalition-building will be necessary — at pension funds, at school boards and throughout society — because no one age cohort will dominate.

After 2010, the dependency rate — the ratio of seniors and children to working-age people — will return

- The small-midsize hospitals and markets continue to be squeezed. Profits are at the cellar and digging deeper, threatening service and coverage.
- Indigent care, while not overlooked, is indeed under-publicized. All hospitals provide care, but North Georgia has tens of thousands who today are not served. The Hispanic market adds international complexity and burdens. This goes beyond basic language barriers into cultural makeup. In Latin American countries the “hospital” is a community clinic staffed by live-in medical students. It is the center of all healthcare. Birth control and vitamins are dispensed side-by-side with eye and dental exams along with the care of the critically ill. Groups like the Good News Clinic in Gainesville provide great service to the hispanic and indigent, but the demand outstrips the facilities, staffing and prescription-funding. As we move forward into the 2000s this problem will be compounded tenfold.

4 A CASE FOR CONSOLIDATION

Sometimes things are so simple.

- The combined municipalities of Flowery Branch and Oakwood would geographically be almost as large as the existing Gainesville.
- The cities of Hoschton and Braselton today are seamless yet oh, so independent.
- The power splits between Jefferson, Commerce, Braselton and the mother ship Jackson County sing different songs at different tempos when recruiting new businesses. If they ever got together they would control the I-85 gauntlet.
- The city of Gainesville’s school system struggles to build more classrooms when several county schools are at or within their borders.

Almost every county’s cities have redundant systems, departments and duplicate personnel. Turf wars, king on the mountain or medieval fiefdoms prevent us from doing what is practical, reasonable or just common sense. Frank Norton, Sr. is fond of saying, “You have to learn to squeeze a dime out of a nickel.” In the age of shrinking tax revenues, demands for more services and aging infrastructure, consolidation or at least joint service initiatives are needed more than ever.

Just look at one example: How many ground crews exist in Hall County? Hall County, Hall County Parks & Leisure, Hall County Schools, Cities of Oakwood, Flowery Branch, Clermont, Lula, Gainesville, Gainesville Park & Recreation, Hall County Library, Gainesville City Schools (and we probably missed some) — all to cut grass.

Past commissions have been appointed to study consolidations protecting jobs, seniority and the status quo. The old paradigms must be broken. Instead of a study that sits upon a shelf, an Implementation Commission should force joint initiatives. Privatization, outsourcing and joint service agreements are excellent tools. A combined Dawson/Dawsonville would be formidable, a united Forsyth unbeatable. The new reality for big government is to have less and less is more. “Sacred cows make the best burgers.”

5 THE BATTLE FOR I-985

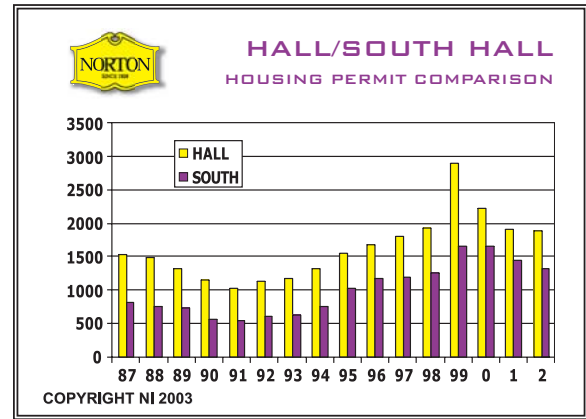
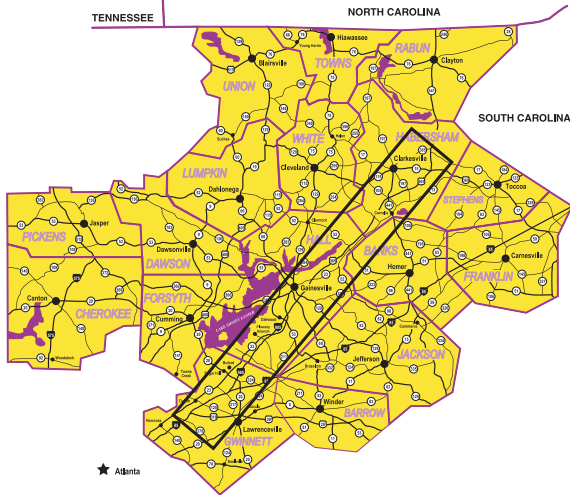
While many recognize, few are willing to admit a battle is brewing along I-985. With GA-400 emerging as a white-collar high-tech service sector employment zone and I-85 as the east coast transportation artery, blue-collar distribution and light manufacturing zone; I-985’s hope and promise is yet unfilled. Precipitated by an absence of business-sustainable sewer, many prime industrial potential tracts have defaulted to residential over the last 10 years. An unfortunate irreversible reality ignored. Calls for sewer in South Hall for the last 20 years have cost the county 100s of millions in lost tax value.

The last five years have seen government positioning and development control of the major exits:

<u>Exit</u>	<u>Government Control</u>
Four	Buford
Eight	Buford
Twelve	Flowery Branch
Sixteen	Oakwood
Twenty	Gainesville
Twenty-two	Gainesville
Twenty-six	Gainesville

The proposed exit at mile marker 14 and those along GA-365 North are yet to be annexed and colonized. Like the schoolyard game “Capture the Flag,” each municipality has staked its claim on the future, ripe for further development with the deliverer of sewer the holder of power. Sewer is gold in business recruitment, sales tax division (and SPLOST) and property tax wars.

Buford is way ahead of the game and their aggressive pro-business attitude is Hall County’s lost opportunity. Since 1996, Native Intelligence estimates the city of Buford has annexed and facilitated construction of over



\$100,000,000 in property values. Previous leadership in Hall County could not pull off proposed joint delivery agreements with Buford, Gainesville or Gwinnett counties nor develop an independent system. Time was not on the county's side. The other alternatives for sewer are: a sound but small system in Flowery Branch and Oakwood's reliance on sewer capacity treated by Gainesville. A new joint sewer authority between Flowery Branch and Oakwood with long-term delivery goals holds much promise but still is years away from delivering the flows needed to sustain the potential demand – again lost opportunity.

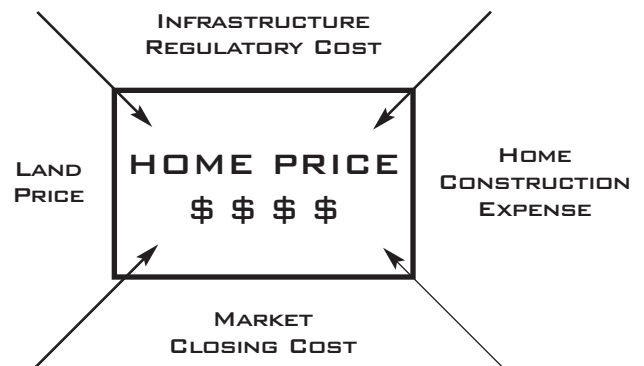
Now, enter politics. Loss of control and power have allowed the Hall County commission to enter the battlefield. An ill-advised plan to drive industrial growth up 365 North of Gainesville in order to shift growth away from South Hall will not work. While a worthy goal, practicality and demand will prevail. "It's more than just putting a little lipstick on this pig." The absence of government help on sewer in South Hall will not keep people away, despite the best efforts of county commissioners.

Business and economic growth is like children's Dominos; Norcross falls forward, then Duluth, then Buford. Flowery Branch to Oakwood must fall forward before leaping or driving through Gainesville. **It is unrealistic to expect major businesses and industries to bypass over 10-20,000 acres of potential South Hall and leap 10 miles North of Chicopee Woods.** In the words of one local economic expert, "Sewer along 365 is a waste of today's money." Those making that calculated risk better be patient because the Atlanta employment migration will be long in coming. Rather, Native Intelligence sees 365 as a clear extension of existing Gainesville business, in a mixture of small light manufacturing and local distribution, a far cry from the envisioned professional high tech corridor. **South Hall's domino must fall first.**

6 AFFORDABLE HOUSING

It's the "payment-stupid." Prospective homeowners are driven by payments and low interest rates, driving homeownership percentages to all time highs. Forget designer kitchens, real fireplaces or fenced backyards, it's the bottom line payments which are driving the affordable housing development throughout the North Georgia region.

In metro Atlanta, 2002 new home sales contribute nearly \$267 million in tax revenue and \$2.6 billion in revenue for the local economy, eclipsing Hartsfield Airport as the largest revenue source for the metro region. Although the metro Atlanta housing marketplace is high-growth with more than 35,000 housing permits per year, the affordable housing sector continues to decrease. Following the FHA price ceiling, builders are forced to cut home sizes or increase land density. If land prices get out of hand and the ceiling holds, home size and quality suffer. This quadrangle equation relates something like this:



Each side has an effect on the resulting purchase.

And North Georgia is all about affordable homes. Over 85 percent of the homes in Hall, Jackson, Habersham, Banks and White are sold for under \$150,000. That is woefully short of market place needs. A recent National Home Builder study showed that regulatory barriers drive up the national cost of housing units by 10 percent and high regulatory markets like Atlanta are affected up to 20 percent. Even modest rises in long-term interest rates freeze as many as 30 percent of the affordable housing consumers out of the market.

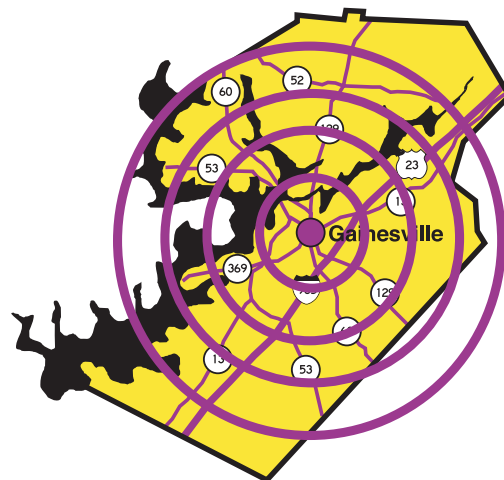
The economic model is simple . . . reasonable per unit land purchase; add to that lot development infrastructure, roads, utilities, then the actual home construction, marketing costs, closing expenses and utility hookups. The upper threshold is the FHA home loan limits and sales price. To keep the price within reach, land cost has to be kept in check; if development infrastructure, permits or regulatory policies are driven up, homes under \$140,000 in value evaporate. The region serves as the primary source for affordable homes for the employment markets of Gwinnett, Forsyth, Fulton and DeKalb.

Those closer in markets are struggling for their own solutions to the home affordability dilemma. Since 1996 over 14,000 multi-family units have been permitted in Gwinnett, many of them apartments, condominiums or townhouses as developers attempt to provide housing stock close in and under the price threshold. Density seems to be the fastest solution as 500+ condos were sold in 2002 and over 300 units are on the market in Gwinnett. Affordability is equally intertwined with industrial and business recruitment, service sector employment at the retail centers like Mall of Georgia and housing for educators, security and most levels of government support. **Affordability becomes a basic necessity for the diversity of a balanced economy.** The

7 HISPANIC GROUND ZERO

Whether you believe the 2000 census, 27,242 Hispanics in Hall County, Native Intelligence's estimate of 45,000 or Georgia State's estimate of 65,000, you feel it, you see it and you know you're at Ground Zero. Today, Hall County is the epicenter for Hispanic migration and is a community in transformation. The Hispanic community has infiltrated our commerce, our labor base, the school systems and medical resources. If you're not embracing the change, you could be losing out on 20-25 percent of the potential business market share.

Native Intelligence gives the Hispanic community another 10 years to become "mainstream" as non-agribusiness industries add the hard-work-ethic Hispanics to their labor base. The poultry industry would evaporate without them, but so would the construction industry, service businesses, light assembly and automobile related industries. Using basic industry standards and expand the 45,000 population number, the annual economic impact approaches \$125,000,000.



The immense buying power of the nation's Hispanic consumers is also energizing many U.S. consumer markets like never before. The group alone will control about \$580 billion in spending power in 2002 and is expected to increase at an 8.7 percent annual rate versus 4.8 percent for new Hispanics. By 2007 Hispanics will account for 9.4 percent of all U.S. buying power. Between 1990 and 2007 the Hispanic national population will increase by 124.6 percent compared to 13.1 percent for non-Hispanics. A relative young Hispanic population with larger proportions of them entering the work force for the first time or moving up the career ladder will accelerate their economic influence.

The Bureau of Labor's Consumer Expenditure Survey indicates that despite their lower average income levels, Hispanic households spend more on groceries,

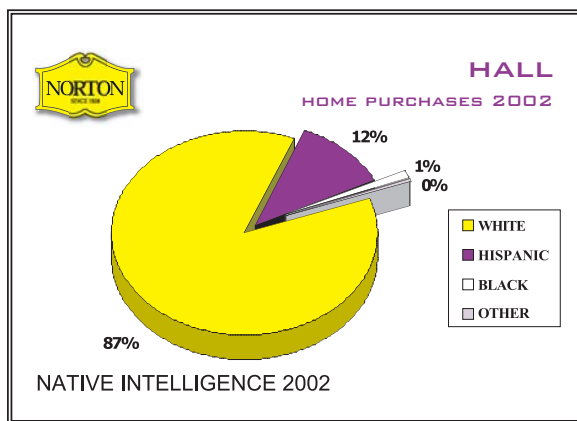
HOUSING UNITS FROM 1990 TO 2000

County	Units
Gwinnett	72,074
Fulton	51,129
Cobb	47,650
DeKalb	29,711
Forsyth	26,806
Hall	18,187
Jackson	5,514
Dawson	4,020

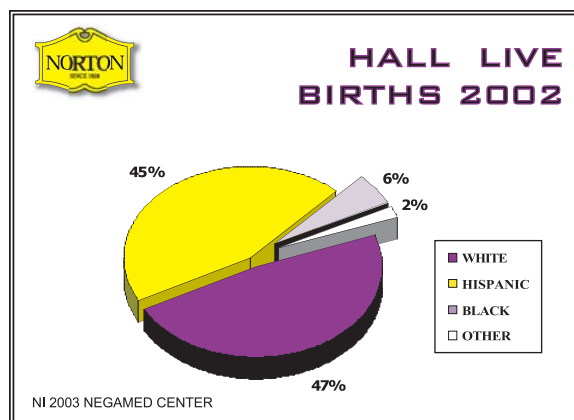
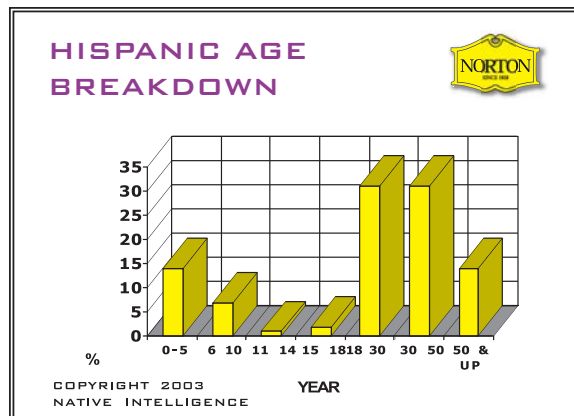
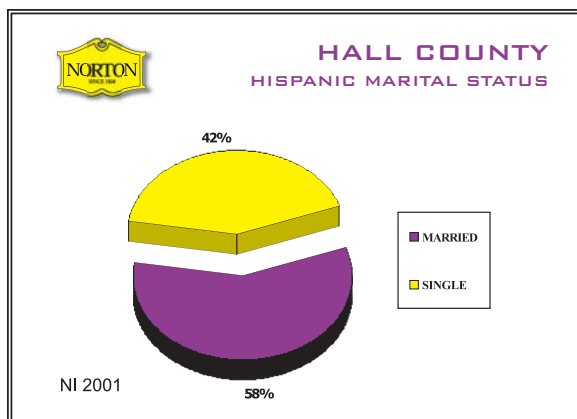
SOURCE: U.S. CENSUS
NATIVE INTELLIGENCE

upward pressures of increased land cost, lowering density, increased utility costs and regulations will continue to pressure out this housing component with an unintended consequence on business growth.

telephone services, furniture, men's and boys' apparel, children's apparel and footwear. Also, a higher percentage of Hispanic's total spending was concentrated on housing and transportation. Hispanics spent about the same proportion on their total outlays on restaurants, alcoholic beverages, utilities, fuels, housekeeping supplies, textiles, floor coverings, radios and sound equipment. Compared to the total population, Hispanics spent substantially smaller proportions of total outlays on health care, education, life and other personal insurance, pensions and social security.



The same survey found that 47 percent of Hispanics are homeowners compared to 68 percent of non-Hispanics. For Hall County, they represent the best opportunity for home development. Native Intelligence believes two out of five homes under \$130k are sold today to Hispanic families. They look for payment, size and prefer brick. Not a month goes by that we aren't involved in a Hispanic home purchase where the interpreter and purchase facilitator is a child, sometimes as young as seven. Bright-eyed bilingual children mature beyond their age fulfilling the great dream of home ownership...Simply amazing.



8 EDUCATION

Education is North Georgia's weakest link and greatest challenge. Native Intelligence refers to it as a three-summit endeavor.

Summit One

Educating the changing demographics of a multi-cultural population.

Summit Two

Sustaining the delivery of education in an aging, over-crowded infrastructure of outdated facilities while dealing with the effects of surging population growth.

Summit Three

Moving Georgia's education test scores out of the cellar. Change will be long and slow. If you're #50 and move to #48 is that really any better?

Education of our children as well as the existing and future workforce is a daunting, but surmountable task.

Each of the 19 counties in our regional research area has education issues and challenges.

- **Forsyth:** A great system, strong test scores, but limited resources to maintain a classroom construction pace.
- **Habersham:** New elementary schools have softened the load, but advance planning will be required to program needs out 10 more years.
- **Barrow:** A population flood is moving through lower school grades with impact on limited tax base. This flood could result in major home-owner tax increases to support those needs.
- **Gwinnett:** Off-the-chart unprecedented housing growth demands 60-70 ongoing construction projects. New schools, additional classrooms and, in some cases, trailer cities are serving school needs. No amount of advance planning could possibly keep growth needs in check.
- **Hall:** Local SPLOST has helped this system keep focused on a classroom-trailer equilibrium. The multi-cultural surge in some regions has changed the direction of growth, but Hall seems ahead of the game. The innovative Career Academy (high school) joint venture with Lanier Tech may serve as a model for other systems to mimic.
- **Buford:** Perhaps the wisest steward of their own and the tax money of others, Buford has become a sought-after public “almost private school” alternative. The spectacular property and sales tax revenues have set this system afire.
- **Lumpkin:** While the growth wave is at their doorstep, the advance planning over the last 5 years will serve them well.
- **Rabun:** An historic agreement to gift National Forestland to the county school system coupled with affluent 2nd home tax revenues have pushed Rabun’s school initiatives forward.

- **Gainesville:** No system has been more affected by Hispanic population growth than Gainesville’s. With two new schools under construction and a “School by Choice” plan to be enacted next August, the jury is still out as to whether they can keep pace with growth and can stretch limited financial resources. At this writing annexation and zoning initiatives are underway and properties currently zoned but not developed could add upwards of 5-7000 more students to the system over the next 10 years.
- **Dawson:** This small system may be economically in the cat-bird’s seat. Home prices are high and rising. Sales tax SPLOST potential dollars from North Georgia Premium Outlet Mall are outstanding and a growing retirement and 2nd home market send lots of dollars, but 0 kids.

Secondary education is only a part of the education conundrum. To attract an increasing sophistication of employment (high-tech, automotive assembly, biotech) all communities must refocus on adult education and re-education. Post-graduate learning programs are a must. Alternative learning will be instrumental in moving Georgia and North Georgia forward. A rank in the 30s would be nice.

RETAIL

Native Intelligence has lamented for years the homogenization of the retail sector as the Wal-Mart/Target/K-Mart generation swallows up the personality of our mountain consumerism. Drop yourself in one of these erstwhile Wal-Marts and try to figure out just where you are. Well, despite the tremendous growth and expansion of those retail behemoths, a resurgence of sorts is emerging in the misty mountain regions. Consider:

- A multi-million dollar downtown Gainesville facelift has elevated the square’s profile and personality. New shops, distinctive merchandising and a nightlife have stimulated the business community in a way not seen since the pre-mall 1960’s. Destination stores like Waldo’s Books, the Artichoke, and Christopher’s bring folks downtown. They stay for hours, eating

and/or dining in one of some six new restaurants non-existent five years ago.

- A quality “destination restaurant” cluster has emerged in Dahlonega with Rick’s, Renee’s, and Oar House joining old staples like Caruso’s. Their reputation for interesting menus and discriminating wine lists is attracting the North Atlanta trade, the affluent Gainesville and the wide-ranging tourist community.
- In tourist abound downtown Clarkesville, luxury bedding manufacturer, Bonjour of Switzerland located an outlet. Shelves are hard to keep stocked as the Atlanta homemakers make pilgrimages en masse to the store.
- The Buford Square (actually a linear railroad row) has set a strong arts and designer foundation. The new Buford monthly antique market has strengthened the mix of eclectic recyclables, designer antiques and refreshing art so much in demand by lake and Gwinnett residents looking for unique, personal acquisitions.

Native Intelligence applauds the ingenuity and foresight . . . No, guts . . . of these communities and challenges other communities to instill a shop-at-home initiative. While the Wal-Mart in Gainesville will continue to sell more than \$500 per sq. ft. of merchandise (one of the state’s highest grossing stores) the shops in Cornelia, Mrs. Rhodes Bakery in Demorest, and Hambridge Art Gallery in Mountain City are what gives North Georgia its personality.

10 THE FORTUNATE ECONOMY

Classic . . . right product, right place, right time. North Georgia is indeed in the right place. As the nation weathered the 9-11 aftershocks our resilience to those fluctuations shone bright.

O.K. There were layoffs, but not as intense as those airport travel layoffs in South Atlanta.

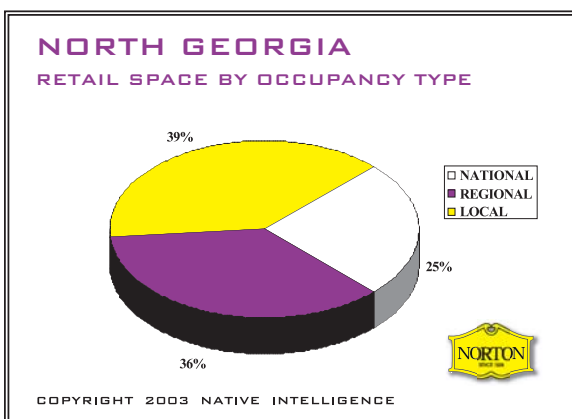
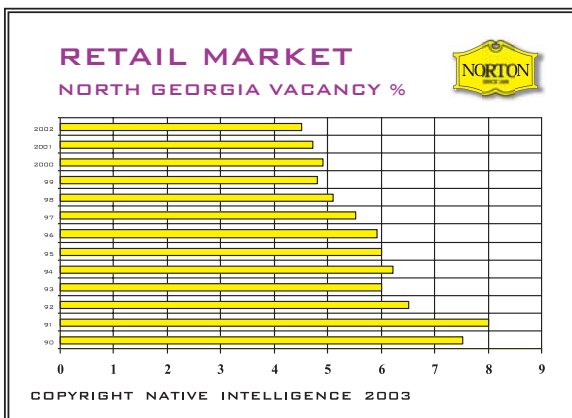
O.K. There were investment failures, but North Georgia was mostly immune to the Dot Com evaporations.

O.K. It’s true that the stock market slump has forced the affluent to reconsider and even delay their high-testosterone home purchases, but North Georgia’s housing market, by-and-large, consists of homes in the \$100s to 175,000 and they sold like hotcakes.

O.K. The water level of Lanier stayed abysmally low for all but the last months of the year, but lake property still sold. By Native Intelligence count, some \$65,419,394 of lake property traded hands, up 31% from 2001. The bottom line is that there is just so much of it and water is a clear, cool respite from the hectic life on a business griddle. Prices have remained stable, if not increased, and demand is brisk.

O.K. Land prices seem to be at all-time highs, but great opportunistic purchases are still available in almost every county of our region. Not a day goes by that we don’t see some great property sell at a reasonable price and the buyer laughing all the way to the bank.

North Georgia is blessed with a fortunate economy, not too industrialized, not too rural and not too agrarian. Our cities boast diversification and our road network provides easy links to employment zones. Our communities’ lifestyles, environments, and natural resources will sustain us. Political winds will shift two dozen times in the years ahead, but our **fortunate** economy will prevail.





NORTH GEORGIA POPULATION		
	2000	2003 Projection
Banks	14,422	16,080
Barrow	46,144	49,750
Dawson	15,999	17,500
Fannin	19,798	20,950
Forsyth	98,407	111,000
Franklin	20,285	21,800
Gilmer	23,456	25,400
Gwinnett	588,448	647,000
Habersham	35,902	38,650
Hall	139,277	150,800
Hart	22,999	24,100
Jackson	41,589	45,700
Lumpkin	21,016	22,400
Pickens	22,986	24,200
Rabun	15,050	16,040
Stephens	25,435	26,000
Towns	9,319	10,145
Union	17,289	18,300
Walton	60,687	65,755
White	19,944	21,345

SOURCE: NATIVE INTELLIGENCE 2003/US CENSUS

CONCLUSION

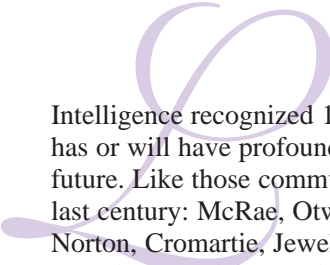
Ten Trends for the year 2003 build on our trends in 2001 and 2002, some of which still prevail. Woven together, these trends make up the fabric we endearingly call Northeast Georgia. Home. For 75 years our firm has been a part of that fabric and we pledge to continue our efforts unabated.

Opportunity abounds. Opportunity for growth, opportunity for wealth, opportunity for education, and opportunity for a better future for our children.

Our market marches forward, one step at a time. Occasional stumbles, but forward nonetheless. Each trend, while standing on its own, serves to reflect the embodiment of our populace. Together they weave a strong community foundation. Godspeed ahead.



21ST CENTURY LEADERSHIP



Last year, Norton Native Intelligence recognized 10 individuals whose influence has or will have profound effects on North Georgia's future. Like those community builders that shaped the last century: McRae, Otwell, Mashburn, Wilkins, Reeves, Norton, Cromartie, Jewell, Dunlap, Stockton, Arrendale, Braselton, Hudgins, and Owens, their legacy and impact is profound. They are the leaders who create value through the power of their ideas and the authenticity of their character; individuals who are determined to challenge the status quo embracing new ideas. Men and women who lift us up and carry us to new levels of promise and performance.

Last year's 21st century leaders included:

- Donald Panoz
- Carlyle Cox
- David Claybo
- Al Crace
- Phillip Beard
- Jimmy Talent
- Chris Nonnemaker
- Ron Seder
- Jackie Joseph
- Ronnie Hopkins

In no particular order, for 2003 we want to recognize:

RANDALL PUGH

As President of Jackson EMC, Pugh weighs enormous power and influence over much of the region's economic development.

Pugh's seasoned leadership gives his organization stability and maneuverability over an ever-changing Georgia Power. Jackson EMC's influence transcends into North Georgia's agribusiness, new industry recruitment and business expansion.

DENNIS BERGIN

The former planner from White County took on the daunting job of City Manager of Flowery Branch in the late 1990s. Bergin's stewardship has pushed the community to the forefront of the South Hall economic engine. We give him substantial credit for his "assist" with the Touchdown of the Atlanta Falcons giving credibility and legitimacy to sleepy Flowery Branch. And if managing that task isn't enough, Bergin has just been elected to the White County commission, defeating a long-term democratic leader. While Bergin is not always popular, White County and Flowery Branch will continue to be affected and energized by his commitment and vision.

WAYNE MASON

The "King of the Gwinnett" old guard and one of the Wayne "triplets," Wayne Mason, Hill and Shackelford, has now set his sights on Forsyth, Jackson and South Hall Counties. His personal financial commitments and a powerful string of co-investors now have control of Braselton's future development and recently purchased land for speculation in Forsyth and South Hall. With Mason, there is no speculation. He knows and understands trends and clearly sees the future, embraces change and capitalizes on its wealth of opportunity. He combines street smarts, political savvy and economic fundamentals to shape and prepare for growth. The Braselton - Hoschton area alone could become a major employment zone with thousands of acres of industrial office and retail tax base, internal employment approaching 20-25,000 in 10 years. A major center of commerce in its infancy.

GARY GIBBS

The self-made businessman lived quietly in an estate-sized property on the shores of Lake Lanier, building his North Atlanta technology company and retreating to the peaceful solitude to Northwest Gainesville. After a proposed development threatened his perception of a quiet future, Gibbs rose to community activist, then was elected Hall County Commission Chair in 2000. Now having sold his multi-million dollar business, Gibbs splits his retirement between county commission work sessions, government negotiations, the associated vacations to the beach, mountains and being "grandfather." Gibbs' challenge is to apply practical business principles to one of North Georgia's largest industries, "Hall County Government," and at the same time keep from getting mired in land use issues. Reviews are mixed so far but it's Native Intelligence's opinion that Gibbs' influence on Hall County's direction of growth will last for years to come. His slow growth views permeate throughout housing, retail, sewer expansion and city county relationships. The effect is long reaching.

TOM SLICK

Nestled in a quiet Indian valley in North White County lies a sleeping Indian Warrior. Slick and his investors have now reassembled the corpus of the original Nacoochee Valley holdings of Governor Hardman (now controlling 800+ acres and adjacent to the now state controlled Hardman Historic Site). Slick's initial foray into development centered on his own Habersham Winery and has struggled, but pulling upward establishing a great presence at Helen's entry. Slick's vision is long-term and with strong financial backing will transform this region

into an upscale destination and solid anchor for the Helen, Unicoi and Chattahoochee watershed.

ERWIN TOPPER

As leader for the US Corps of Engineers on Lake Lanier for over 20 years, Topper has marshaled dwindling government funding and stretched the efforts into a coordinated park system and lake management program. Despite fluctuating weather conditions, El Nino, El Nina and associated barge releases, he has managed a complex set of variables, politics and government constraints. Lake levels fluctuate, but visitors continue to flood the water surface. After all, a 38,000 acre lake that's down 10 feet is still a 30,000 acre lake. Topper's true legacy is in the months ahead, as he ushers in a new shoreline management policy written in conjunction with his heir apparent Chris Lovelady. The new plan hopes to manage the lake for the new millennium and forever control its destiny.

KIT DUNLAP

Bright eyes, bright mind and quick wit have helped Kit enter the male smoke-filled back rooms where the real deals are made. Her leadership as President of Hall's Chamber filters into all parts of the North Georgia region. Her political connections get her phone calls answered, her strong opinions respected and her counsel sought. Dunlap has built an economic force and high-tech game plan to diversify Hall County's agribusiness roots and combat the "bedroom community" influences in the county's southern portion. Dunlap can count numerous hits: The Falcons, Atex, Continental Tire and that's just a beginning.

BROUGHTON COCHRAN

The granddaddy of North Georgia affordable homes (and still a young player), Cochran has forged through the maze of Farmers. Home Administration approvals, VA regulations, zoning skirmishes, sewer wars, annexations and ever-changing development standards have paved the way for many larger and newer players active or on the horizon. With over 3,000 affordable homes to his credit built, developed or zoned, Cochran understands a multi-tiered market and the path to Affordable Home creation. First in Hall then Forsyth and now Jackson, his influence is seen in other developments as his plans and formula are cloned by others. But Cochran is more than a builder; his quiet and sometimes not so quiet influence has helped shape more than one comprehensive plan, building development standard and soil protection regulation. His activism has raised the bar for good quality construction

and while critics scoff at times at his price points, the emerging first time home buying population is eternally grateful for his foresight.

TOMMY BAGWELL

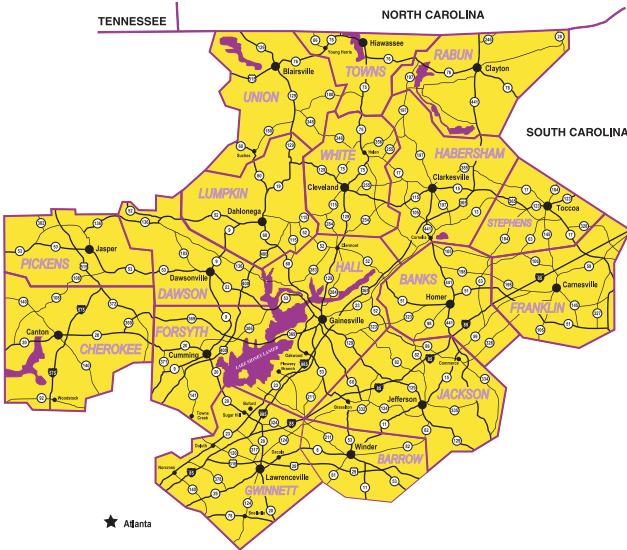
Quiet, unassuming Mr. Anonymous is a powerful influence in North Georgia. His American Protein Products operation while obtrusive and noxious at times is the byproducts life blood of the entire poultry industry. His innovative recycling efforts have allowed plants to expand, labor to increase and fortunes made. But his influence and advice is felt outside his principle industry. Bagwell has been a tireless supporter of the Boy Scout movement, disadvantaged youth and in local and state politics. He advanced environmental cleanup of water and air discharges prior to those required by law and continues to push for an economic supportive Lake Lanier and clean water. Bagwell's not afraid to put his money where his mouth is, then roll up his sleeves and get to work.

SONNY PERDUE

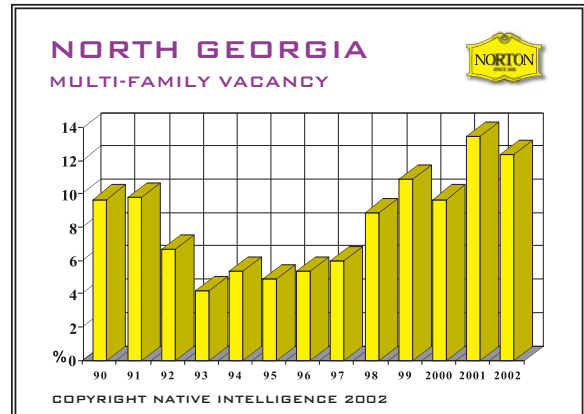
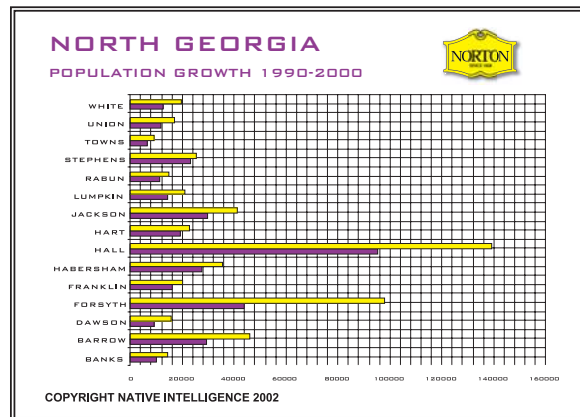
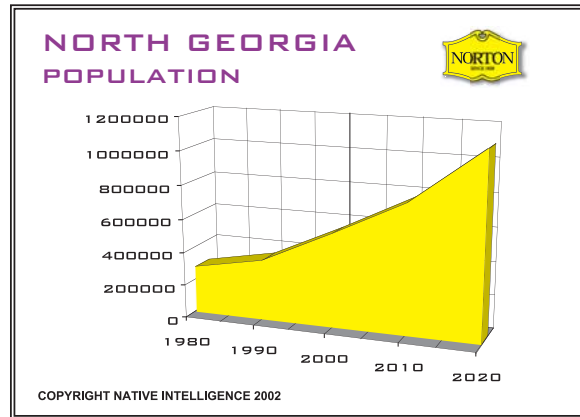
In a compilation of the top 10 individuals with influence on the long-term direction of North Georgia, we would be remiss if we didn't add a wild card, an outsider to this mix. Perdue, recently elected Governor will no doubt have profound influence and long-term effect on the counties of North Georgia. Not only direct influence but how he interacts with megalopolis metro Atlanta, statewide education initiatives and growth solutions for counties like Cherokee, Forsyth and Gwinnett will have water impact on the rest of us. Perdue, an educated agribusiness veterinarian politician from South Georgia, brings a fresh conservative perspective to state government. His resounding defeat of Barnes in Republican dominated Cherokee, Forsyth and Gwinnett assure reexamination of The Northern Arc, transportation issues and growth policies of GRETA. He is swiftly consolidating his power base, shaking up department heads and setting a new education course. Notwithstanding all the good deeds of Native Intelligence's preceding nine leaders, Republican-dominated North Georgia is truly in Sonny's hands.



NORTH GEORGIA 2003

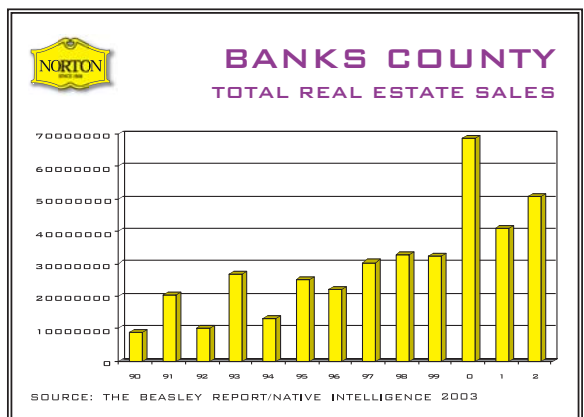
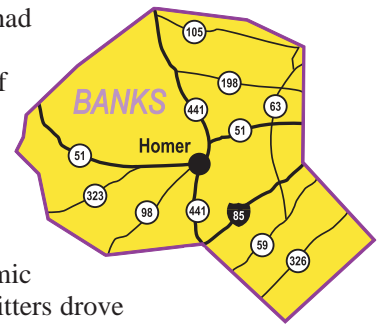


We once again review events, trends and opportunities in the region we define as Northeast Georgia.



BANKS COUNTY

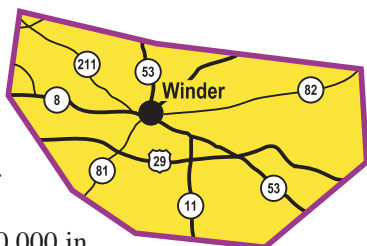
Native Intelligence had posted for several years concern over the flood of new outlet markets further south, potentially diluting Banks' discount merchandise dominance. Not to be! Local economic concerns and post 9-11 jitters drove traditional shopping to Banks Crossing and Discover Mills-Sugarloaf, allowing both to thrive. The county continues to see retail growth, new motel development and now an emerging restaurant component. There are vacancies but major retailers, The Pottery and Wal-Mart, seem to be doing well and we hear more is along the way. Land prices for most of 441 are still way out of line and could take 10-15 years to digest, but a growing local housing market could help solidify this



bi-county (Banks/Jackson) region. We like Banks' rolling farmland in close proximity to employment corridors, its slow, but deliberate planning and wise stewardship of tax dollars. Banks is a county worth investing in the future.

BARROW COUNTY

Native Intelligence continues to express danger over Barrow's lop-sided housing tax base. With over 6,702 home permits issued over the last 10 years, predominately under \$130,000 in sale value, Barrow resembles a southern California boomtown. Yes, retail follows rooftops, but the jobs follow I-85 and GA 316 down to Gwinnett – OUCH. We see the immediate need for a major industrial initiative, yet its results will not affect the county for 10-15 years. In the interim, the school system, police protection and other government services will lag behind the county's neighbors and could accelerate homeowner tax increases. Barrow County is a great place to build, develop or invest. You just might not want to live there.

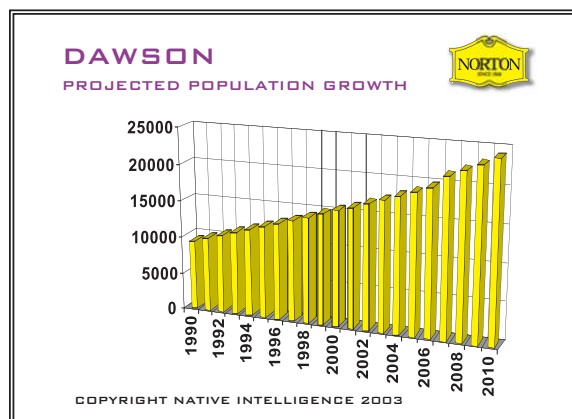
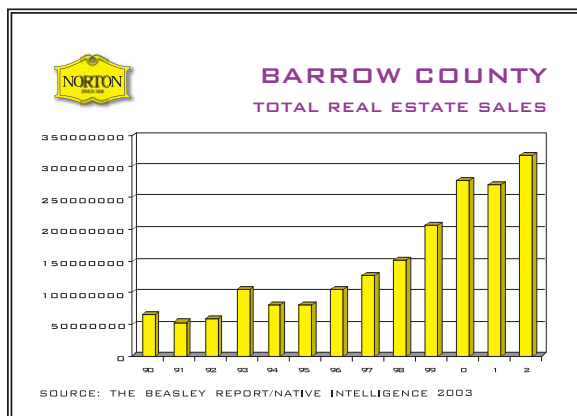


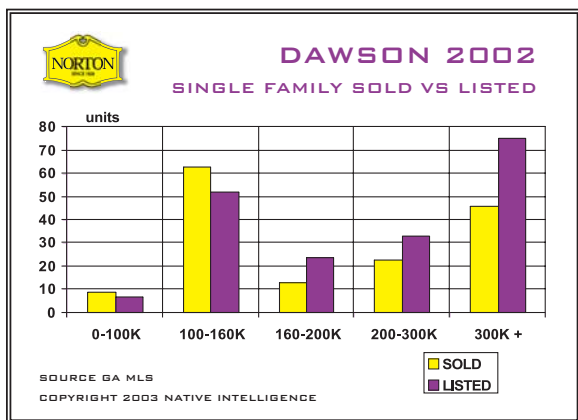
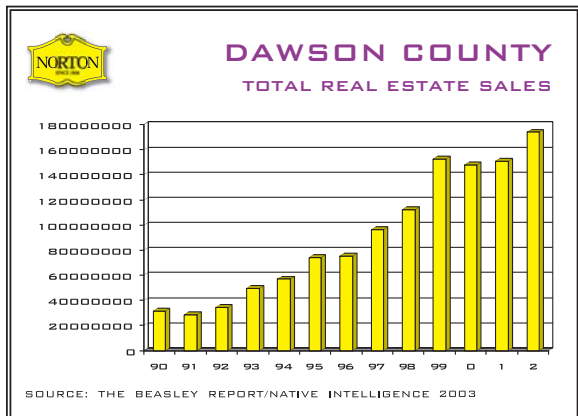
DAWSON COUNTY

2002 was a benchmark year for Dawson. Nothing exciting or revolutionary happened...

Thank goodness. It gave everyone in this whirlwind county time to catch his or her breath! North Georgia Premium Outlet Mall cranked out its tax revenue... It is really incredible how much merchandise is moved out of that center... Chestatee Golf Club solidified its market share and homes, big homes, sprouted up all over the place. New schools, new roads, new sewer lines, new parks: city and county leadership is preparing for the next wave. Of interest to Native Intelligence is the swift increase in average home prices throughout the county – now \$237,555 average. We see that continuing to move up.

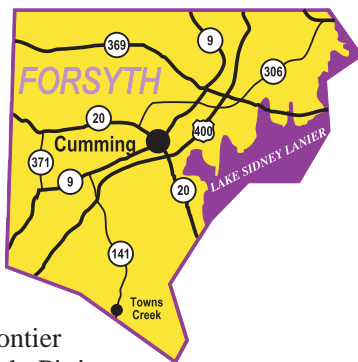
With the vote for liquor by the drink, the building of the Catholic College, and the opening of Thunder Road, Dawson is prime for a major growth spurt. They have had and will continue to have growing pains. Blending of cultures of people moving in and the folks who have been there forever will be interesting. For example, the County Commissioners recently tried to pass a junk car law and caused a major ruckus in the County, resulting in the commissioners receiving death threats and having a police escort from the meeting. Despite those pains, a developer would be smart to invest in property in Dawson now. Since so much of Dawson is National Forest, Corps of Engineers' holdings or City of Atlanta's second airport property, the next domino along Georgia 400's "Road of Gold" will not have as spectacular growth as Forsyth or Fulton, but could boast 100,000 people by 2030.





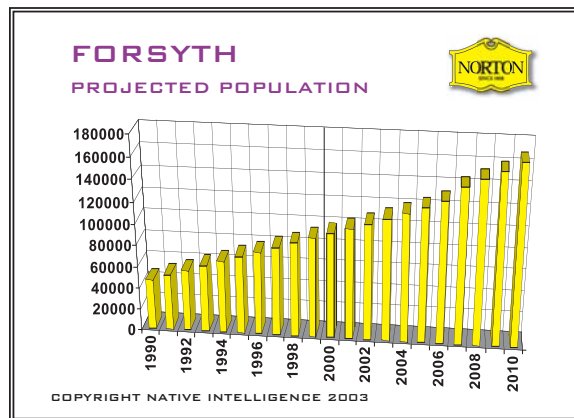
FORSYTH COUNTY

Forsyth has become distinctly bi-polar in character and composition. An urban business community with stable diversification of employment, strong conservative Republican values, rising school test scores and then the controversial Wild West frontier atmosphere in North Forsyth. Pitting the old giant political establishment against hoards of influential developers and armies of prospective home buyers against each other. It's just a matter of time...

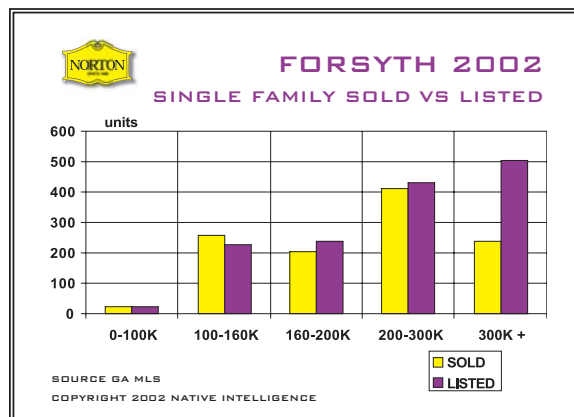


- Time for an adjustment to the surge in population. NI 2003 estimates 111,000.

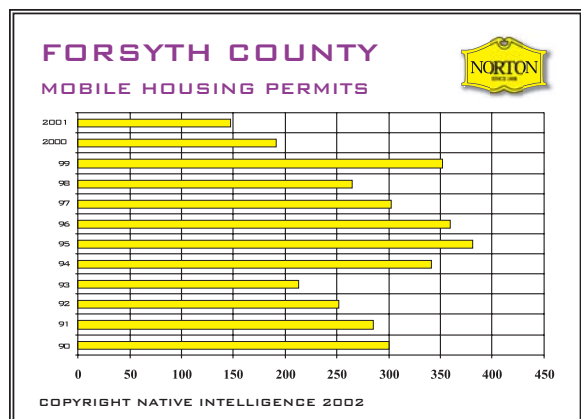
- Time for the old establishment to understand the realities of activist, educated Republicans demanding accountability and a voice.
- Time for encampments of newcomers to take hold of Forsyth's heritage and broaden the mix of culture, church and education, making it their own.



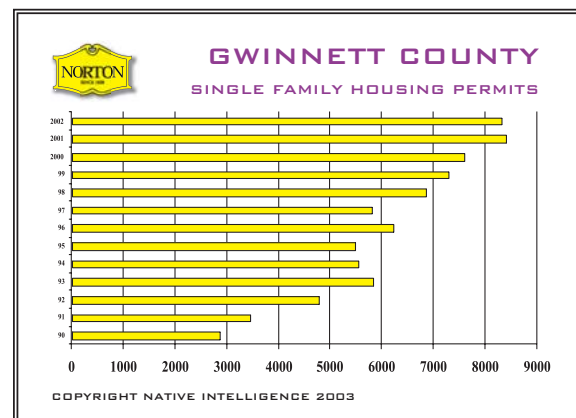
On the housing side, it is a buyers' market in Forsyth County. Unfortunately, the sellers don't know it. The majority of homes on the market are a bit overpriced. In recent times the housing market was moving so quickly that you could price a home high and the market would soon catch up with it. 2002 has seen a flattening of the market. Prices are no longer rising at the same pace. Prices in 2003 will remain stable. The homes that are priced competitively sell quickly, while others sit waiting for the market to catch up with their prices. An interesting statistic is that homes under \$150,000 and over \$200,000 seem to sell faster. Resale homes prices between \$150,000 and \$200,000 are the slowest moving category. The new homes between \$150,000 and



\$200,000 are high-density cluster and town homes, which seem to be selling well. Many lake homeowners are deciding to hold on to their investments until the market rises again. Second home buyers are moving farther north, into the North Georgia mountains, the Carolinas and Tennessee because they get more for their money.

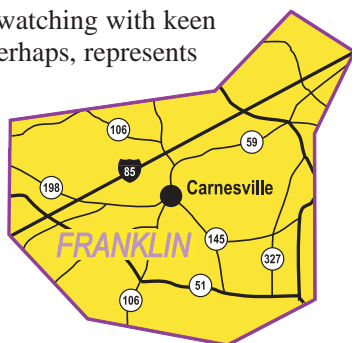


Barrow and Jackson. Native Intelligence is amazed at the momentum of expansion and an insatiable appetite for growth. In the not-too-distant past Gwinnett leadership was bemoaning the bedroom character of Gwinnett feeding the affluent employment zones of Atlanta. Leadership, government, Chamber and business set out to change that character and the dim reality of a threatened housing tax base. Working in concert, they pushed for major infrastructure — cross-county parkways, new wider I-85 interchanges, multiple source point sewer and water and a tax structure favoring business and retail. Today the Mall of Georgia/ Discover Mills/ Gwinnett Place retail consortium produces enough tax revenue to support most all Georgia counties just by themselves. The growing diversified business pushes the envelope even further, rising above Gwinnett’s myriad of high velocity growth issues. **The commitment to tax base is a lesson worth learning by other neighbors.**



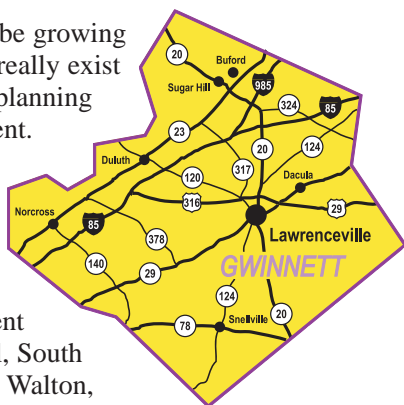
FRANKLIN COUNTY

Native Intelligence is watching with keen interest this county as it, perhaps, represents North Georgia’s best land values. Values, yes, but a long term hold is absolute. Once considered “Too fur and snakey,” Franklin is now in our sights.



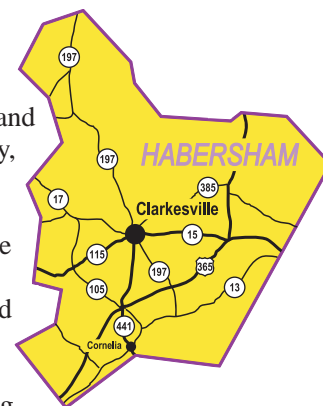
GWINNETT COUNTY

It is hard to describe growing Gwinnett. If it didn’t really exist it would be a fable in planning growth and development. With 640,000 estimated population up from 43,541 in 1960, the county has become the economic catalyst for development spokes into South Hall, South Forsyth, John’s Creek, Walton,



HABERSHAM COUNTY

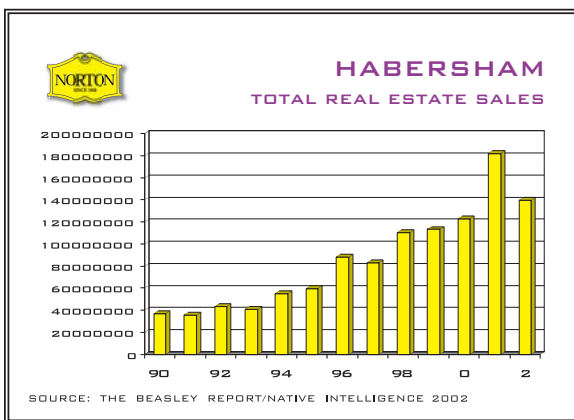
Slow, steady growth in Habersham County will be the hallmark for the rest of this decade. While GA 365 and US 441 bisect the community, the road to real growth is employment and resulting housing expansion. Since the North Hall, White and West Banks markets are really void of employment zones, Habersham remains a strong interdependent market relying on Habersham Medical Center, strong banking and agribusiness expansions. The retirement market accounts



for about 12% of the annual home sales and speculation along the Chattahoochee and Soque Rivers have driven up all land prices. It is this pricing model which is having unintended consequences on affordable housing (there isn't any more) and forcing many local buyers out toward White, Stephens or Banks. This search for affordable housing has pushed developers of mobile home communities to throw their hats into the ring to capture a portion of growing population desiring affordable housing. While present mobile home product has not been received by the market as anticipated, it's becoming a single choice. Land cost will continue to be the greatest obstacle for builder/developer of stick-built affordable housing.

- The current political mess and anti-growth stalmate caused one major Atlanta developer to sell his stake in a quality planned community in South Hall saying, "I'm 58 years old and wouldn't make it to 60 if I had to deal with Hall County Government. I've never seen anything like it."
- The progress, good growth, strong industrial recruitment reputation honed over the last 30 years with Georgia Industry and Trade has been damaged by the mixed messages of late. "Just what does Hall County want to be when it grows up?"
- "At the current rate of annexation into the municipalities of Braselton, Gainesville, Flowery Branch, Oakwood, Buford, Clermont, Lula; Hall County as a governing authority will cease to exist in 20 years." The county will underlie all, but the control will rest with the cities. Power to the cities from an abdicating county leadership.

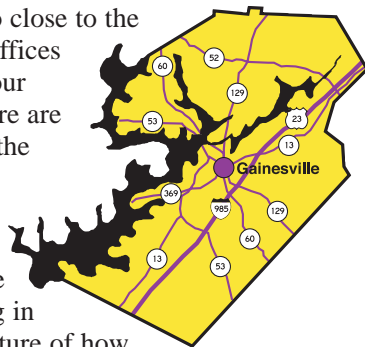
Stewardship and statesmanship are important ingredients for Hall County leaders as we must move from localized individual agendas to broader regional



HALL COUNTY

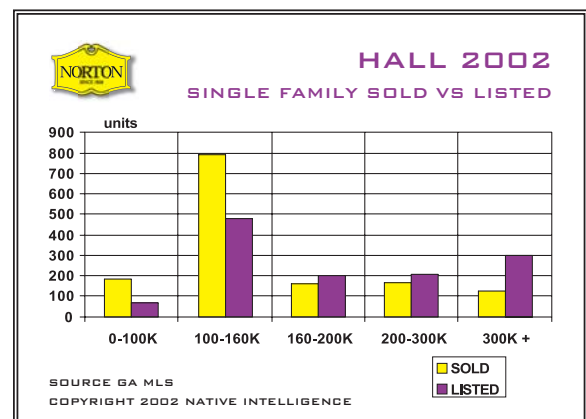
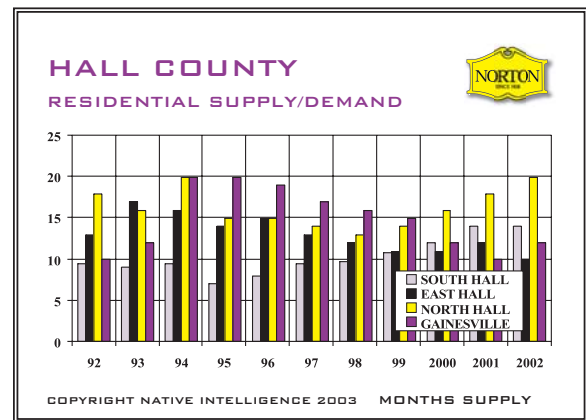
Admittedly we're too close to the county as our corporate offices and a significant part of our business are in Hall – there are times when we can't see the forest for the trees.

This year we diligently talked to outsiders, business people living elsewhere, working in Hall, to gain a clearer picture of how we are seen, how we are developing, trendlines and perceptions outside the local rhetoric or media.



Specific Issues:

- Hall County (at least South Hall) is clearly Gwinnett and North Atlanta's affordable bedroom, but Hall County refuses to admit the "bedroom" characterization.



issues. The clear message is that we don't want to be another Gwinnett, so just what do we want to be? Henry? Cobb? Coweta?

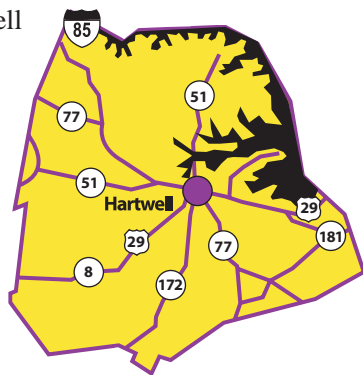
Native Intelligence makes these recommendations:

- Clean up and provide efficiencies within the current obstructionist permit process.
- Gather all the municipalities in the same room as a government summit on Vision Direction and Leadership and stay in that room until a sole agreement can be reached.
- Turn the day-to-day government back over to the Administrative Staff and concentrate on broader policy and future initiatives. Quit meddling.
- Spend what little money we have wisely. Consolidate services, initiate multi-government partnerships and outsource everything possible.

Whether or not anyone reads and implements any of the above, Hall County is set to grow. It is unstoppable and we are destined to be a major population center. Heavily taxed or lightly taxed, **Hall County will be the next major Atlanta housing market.** Native Intelligence research shows over 22,000 new homes can be built on property already zoned, already developed or on orphan lots scattered across the county. Without enacting one more ordinance, Hall County and its communities will grow by some 60,000 people in the coming years. Its immense geographic size, abundant water resources, city control, terrific employment centers and direct Atlanta accessibility make growth **INEVITABLE.**

HART COUNTY

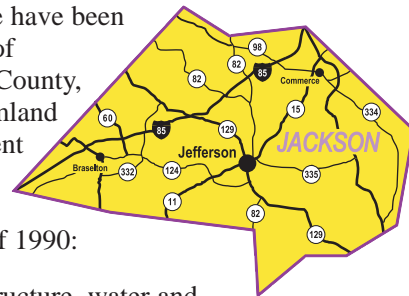
Hart and Lake Hartwell are synonymous. The county and the lake are prospering as an affordable, yet reasonably close, aqua recreation spot. Put off by high Lake Lanier prices, Hartwell buyers are finding somewhat reasonable (20-40% less than Lake Lanier) lot and cabin prices but still must reckon with fluctuating lake levels, water quality and interstate water squabbles. Native Intelligence likes Hartwell, its linear shoreline and less restrictive Corp of Engineers policies for access and



development (we don't know why they are less restrictive, but they are). Atlanta's growing closer by the decade, coupled with our society's growing demand for second home alternatives, Hart and Hartwell should be a top choice.

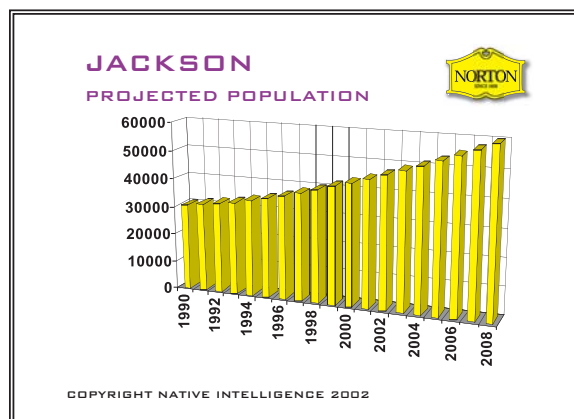
JACKSON COUNTY

For five years we have been extolling the virtues of investing in Jackson County, a rolling array of farmland split by an employment pipeline called I-85. We liken Jackson to the Forsyth County of 1990:

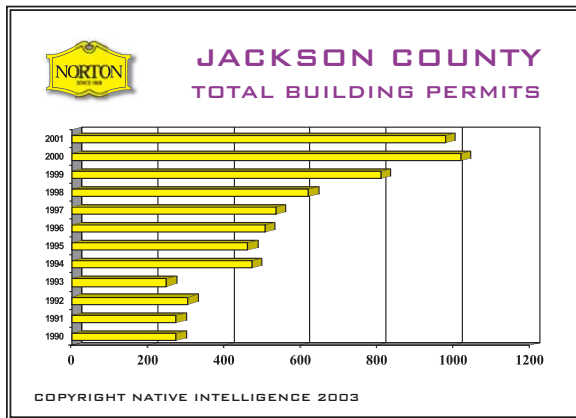


- Major infrastructure, water and sewer are largely in place.
- Improvements on I-85 interchanges have cost millions but plan for traffic control 20 years forward.
- A discount mall area thrives in the county just north and a major mall opens in the county south.
- Major land tracts are sold to metro Atlanta developers for master-planned residential and business communities.
- The population tips 42,000 people at the turn of the decade.

1990 or 2000, Forsyth or Jackson, the similarities except in time are fundamental to future patterns of growth. Native Intelligence believes that the foundation



of growth has been set and that between 2003 and 2020 we'll see incomprehensible growth. By 2020 we could see the county double in population. The industrial communities in Hoschton, Braselton and Jefferson will be major importers of labor and by 2020 we'll see a suburban office market developing. Will the next major retail mall be at Dry Pond or Maysville? We don't rule it out. In Jackson, anything is possible and probable.



sales. Actually, lake homes below \$500,000 still sell within reasonable marketing periods. It's the "big boy" homes that are slower across the board. Today over 23 homes are for sale over \$1 million on Lake Lanier, but showings for these are even up since mid-summer 2002. With the lake up, 2003 could be a benchmark year for sales.

Looming on the horizon is the Corp of Engineers' new shoreline management policy. The Bible for control over access and development hasn't been updated in 20 years. While it still must be reviewed by elected officials and go through a public hearing process, it does present an interesting new wrinkle to Lake Lanier. The new plan sets an upward cap on the total number of boat docks. The maximum number would be set at 10,800 – only 2800 more docks allowed on the entire lake than exist today. Translate that into houses on vacant lots and you set up a scenario for a new 2000 gold rush fever, **dock rush**, to capture those remaining permits. Bottom line is that those that have will make out like robber barons when they go to sell 20 years from now. Those that have not will be out of luck.

LAKE LANIER

Quite frankly, there has been too much negative publicity on Lake Lanier, ignoring the numerous positives.

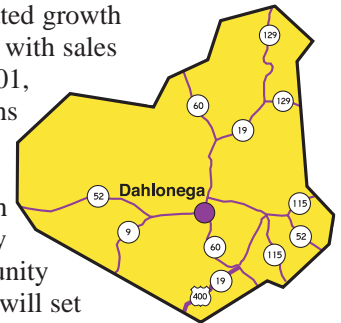
Lake levels are up and rising, most likely to full pool or higher, and property sales are up as well – 31% over 2001 and 10% over 2000. That's good news showing the resiliency of the market and its limited supply.

Yet, we seem to be mired in the mud of news of poor water quality (scientific evidence points otherwise), the siltation and degradation of the lake (original predictions were the lake had a 100-year life due to silt. Now it's more like 500 years), and the politics of water downstream. Yes, the most serious debate ever engaged by our leaders is over water. The tri-state stalemate may be a lose-lose situation. If no one is happy (Georgia, Florida, Alabama) it's a fair agreement. If one of the states is happier than the other, then it's probably not fair.

Reality is much better than rumor. The health of the lake is strong, the impact of Lanier as an economic engine approaches \$4 billion annually and without the property tax base of the homes surrounding it, Forsyth, Hall and Dawson would long be bankrupt. Sales of homes continue. Some isolated houses are sold below market, but the majority of properties are still appreciating at 4-5% per annum, despite slower home

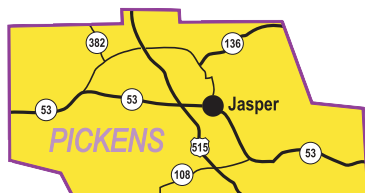
LUMPKIN COUNTY

The pace of excellent-rated growth tempered somewhat in 2002 with sales even or slightly ahead of 2001, Lumpkin County still remains a strong future market – the next Domino along Georgia 400's growth corridor. Birch River has proven that quality housing in a planned community works well in Lumpkin and will set the standard by which future developments will be measured. The recent vote for land use regulations is a great start for a community that has suffered from decades of uncontrolled mobile home growth and substandard housing. While it will take years to implement and more time to digest the regulations, it's the **right step at the right time**. Lumpkin needs to be prepared for the next wave of growth. Regulations in place, water and sewer advance planning, new schools and roadway improvements all will need to be addressed. For now, Lumpkin must cope with stagnant tax revenues, burdens of government bonding, and inconsistent visions of its community direction. This too shall pass.



PICKENS COUNTY

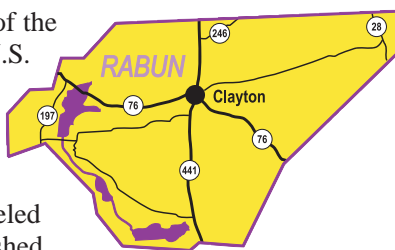
Vacation home mecca, Pickens County seems to have weathered the economic blip and is growing strong as vacation homes have become the investment vehicle of the post-dot com era. Big Canoe, its various imitators and second cousins, are creating ripples of economic prosperity, retail affluence, and original resident land barons. Prices have escalated beyond what is prudent in many cases, even with simple and easy access from I-575 and Ga. 400. Watch for continued vacation retreat development for the rest of the decade and a slow transformation of the county's economic, political, and business character.



winters in their mountainside cocoons. We see land prices soaring out of sight, mountain tops carved into home-sites, and recreational-based development—Waterfall, Kingwood, Sky Valley, all successful and more on the horizon. County leadership would do well to focus on capturing more retail sales, restaurants, interim lodging and promoting service industries which could exist with this transient population base. Without the affluent's tax revenue and discretionary spending, Rabun County would have been simply part of rural Appalachia for decades to come.

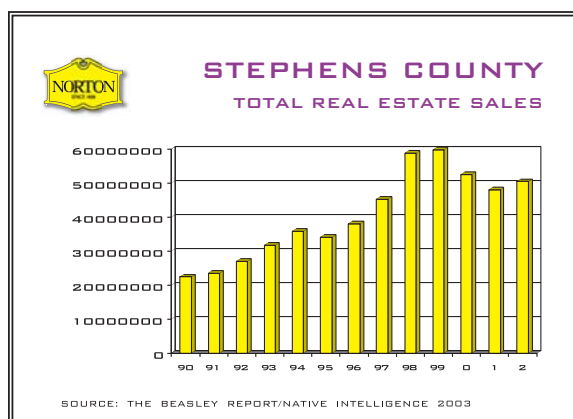
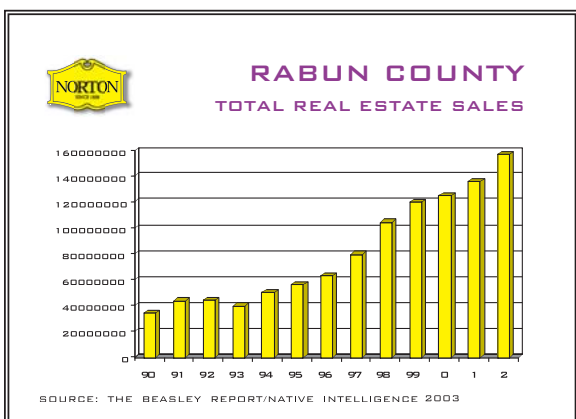
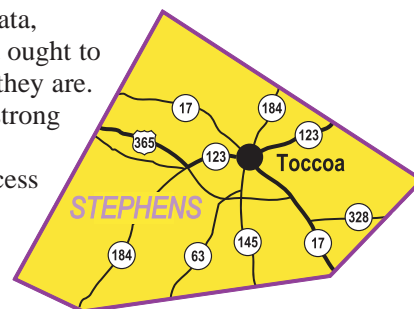
RABUN COUNTY

With the majority of the county owned by the U.S. government or Georgia Power, Rabun has major constraints on its growth, yet the retirement, vacation-fueled housing market has pushed sales to a record \$157 million in 2002. That's more than any other direct county neighbor. The construction and tourism-dependent sectors help overall employment figures and reverberate throughout Dillard, Tiger, Clayton and Mountain City. The county's economy is transcending the seasonal lake level fluctuations as more second home dwellers spend Christmas seasons and



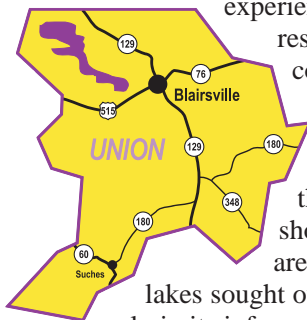
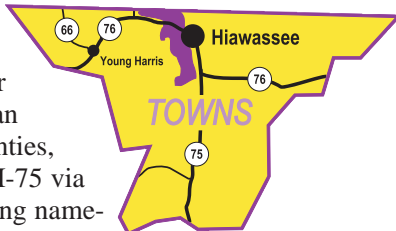
STEPHENS COUNTY

By all obvious data, Stephens and Toccoa ought to be doing better than they are. Great water supply, strong labor base, abundant warehouse space, access to the US 441-365 North Georgia markets and south South Carolina strongholds, affordable land prices, cheap and abundant housing and stellar medical delivery systems, the county has yet to break out of the post-textile doldrums. High unemployment and leadership apathy have constrained progress and the tax base. **"Wake up, Stephens!"** should be the war cry. Promote more aggressive industry recruitment and job growth. The new Lake Hartwell development — Currahee Club with its vacation-created marketing and championship golf could set a new tone for the region, but they can't do it alone. Stephens is a polished diamond that needs a new setting and a spit shine.



TOWNS/UNION COUNTIES

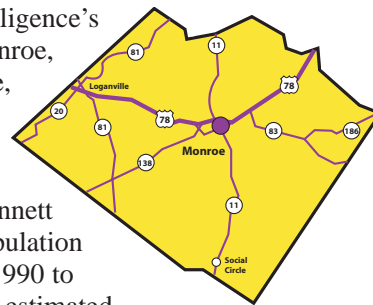
Accessibility is vital to a community's growth. This has never been more apparent than Towns and Union Counties, now directly linked to I-75 via I-575. This, the resulting name-brand identity given by Brasstown Valley, have caused Towns and Union to



experience a housing boom. The resort was just the stimulus the communities needed. Now lake front property is increasing geometrically and summertime residents swell the water, restaurants, and shops. We believe the markets are only now being discovered, its lakes sought out and market development only in its infancy.

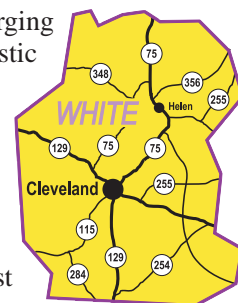
WALTON COUNTY

New on Native Intelligence's radar, Walton (that's Monroe, Loganville, Social Circle, Walnut Grove) has been quietly growing, planning and gaining popularity from the Gwinnett exiles. The county's population shot up from 38,586 in 1990 to 60,681 in 2000 and a NI estimated population of 65,855 in January, 2003. Its rolling farms have taken on a gentleman's pre-1980 Alpharetta quality — picturesque, peaceful, affluent with commuters and telecommunicators discovering the solitude... for now. We see the county's growth in very positive terms—more housing with broad price points (unlike Barrow), estate-size development and Monroe as an emerging small town urban center.



WHITE COUNTY

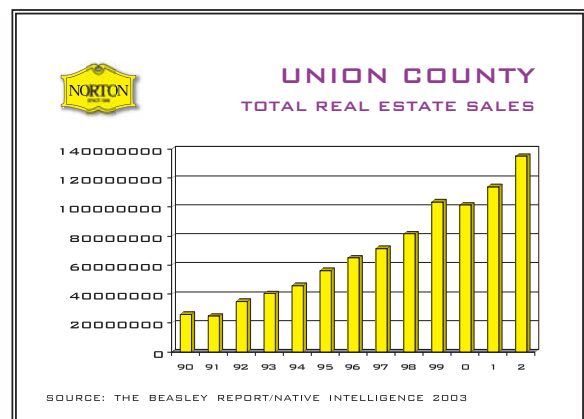
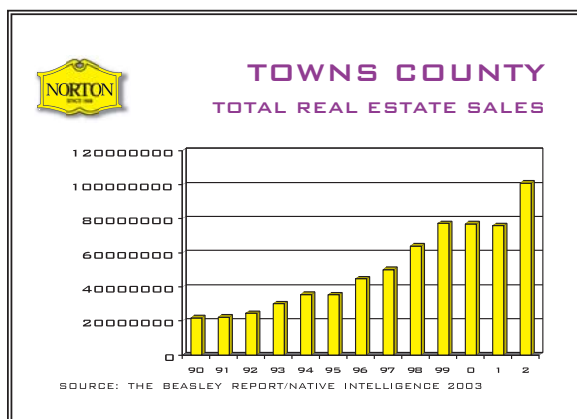
A clear leadership vision is emerging in White County with more enthusiastic business folks getting on board the train. While mobile home and affordable home developments are dotting the county's south end, the affluent second home and pre-retirement draw of White's central and north valleys are helping to boost average home values. Strong land use controls can assure the new residents protection and property value security.

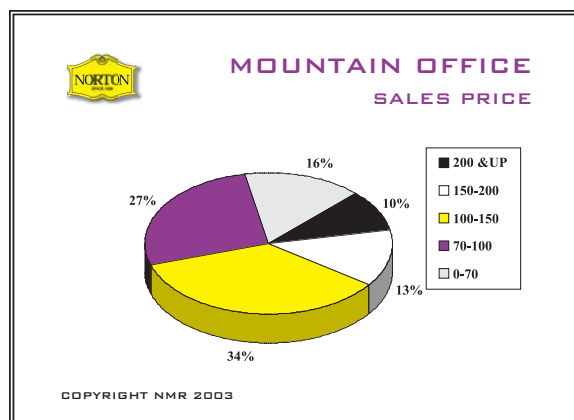
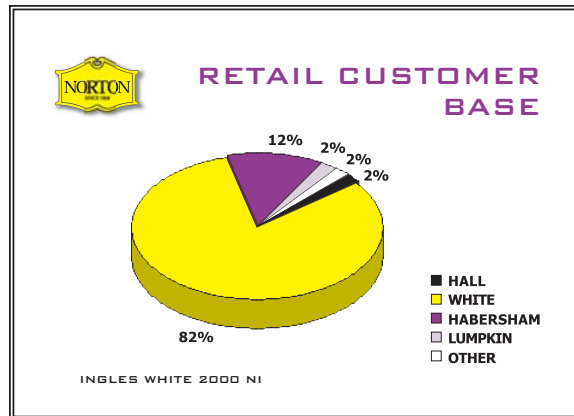
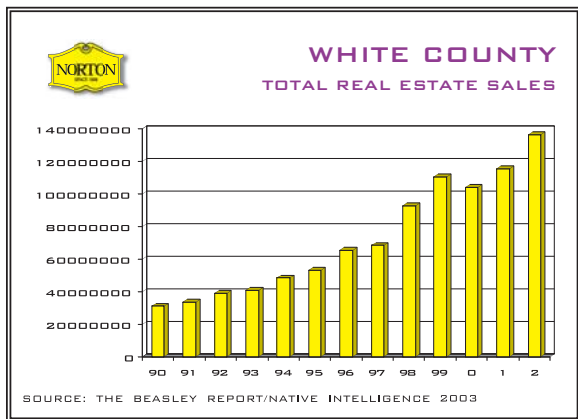


The affordable housing component, while rapidly increasing, does have its downside. Foreclosures, particularly mobile homes, have increased over the previous year and are expected to continue for the next 6 to 9 months as the finance market undergoes a shakeout. However, the land prices and skilled cheap construction labor will still fuel the affordable housing stock, inventories are adequate or lagging behind demand.

Lacelola, Barry Blalock's 10-year quest, is emerging and could serve as Cleveland's rebirth as a cool breeze affluent retirement center and, once successful, (and we affirm it will be) will spawn numerous others. The undeveloped ridges and valleys immediately around Cleveland hold great promise and will help distribute the population more evenly across the county.

The Helen market integral to White's tax revenue health has transitioned out from the outlet migrations and





new shops have filled those spaces. Tom Slick's Habersham Winery/ Nacoochee Development has proceeded more slowly than expected, but slow and deliberate is not necessarily bad. Actually, he is creating a market where none existed, incubating a new city in the valley. Patience and patient money will prevail. While still considered an outsider by many, Slick understands and appreciates the codependency with Helen.

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Frank K. Norton, Jr., President
Spence Price, Chief Financial Officer
Betty V. Norton, Senior Vice President
Thomas A. Howard, Assistant Vice President,
Operations Manager

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Chairman, Insurance Services
Robert V. Norton, President, Insurance Services
Doug Parks, Personal Lines, Manager/Partner

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Nancy K. Norton, Relocation Director

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Kathy Williamson, Vice President, Partner

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Eddie Kirby, Vice President

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Sam Dixon, Partner

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Diane Brown, Partner

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