



NATIVE INTELLIGENCE

.....2006



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The Norton Agency is a diversified financial service company serving the North Georgia region since 1928.

For three generations, the name you can trust in Northeast Georgia.



Tipping Point...

It's the little things that make a community grow and prosper. The little things that give a community like North Georgia its personality, its character, its sense of place. It is also the little things that accelerate and ignite a community's to explosive energy.

In Malcolm Gladwell's best selling book The Tipping Point, he clearly and succinctly writes about how little things make a difference... single events strung together accelerating... contagious behavior. Norton's Native Intelligence™ uses this deep thinking to uncover real meaning in the isolated events of the past five years uncovering *Tipping Points* which we, Native Intelligence™, believe are igniting the fires **OF DEVELOPMENT** and **PROSPERITY**. Norton also feels those *Tipping Points* in our own business and its regional influence. In this, the start of our 79th year, we believe our firm too has tipped the scales; we are reaching more clients, delivering more products and more services in a broader area of North Georgia.

We hope you will read with interest our 19th annual forecast and search deep within your own business for personal *Tipping Points*. We believe North Georgia is in the **gestation phase of greatness**. Yes, right here in 2006, North Georgia is at the *Tipping Point* for a vibrant, sustainable, economic and social phenomena.

Norton, for three generations, the name you can trust in Northeast Georgia.

Frank K. Norton, Jr.
President
The Norton Agency

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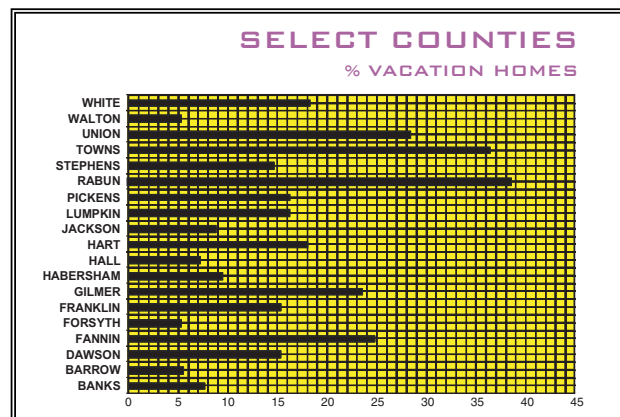
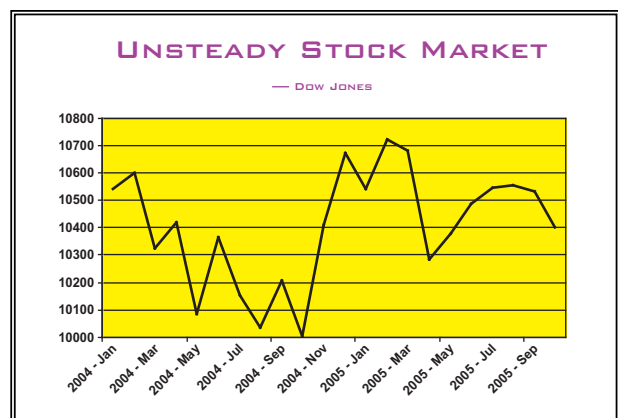
TEN TRENDS

As the fall leaves turn crimson, burnt orange and “Norton” yellow, the mechanical gears of Norton Native Intelligence™ crank up and begin to sift through the reams of data and news articles collected throughout the year. As we have done for the past 19 years, the objective of Norton Native Intelligence™ is to provide **power** to that data, **interpret** the directions of growth and **condense** that synthesis into some orderly interpretation. Some years ago we stumbled upon “A Best Ten, Top Ten” format (Thanks Mr. Letterman) and we once again present the Norton Native Intelligence™ Top Ten, **our views forward.**

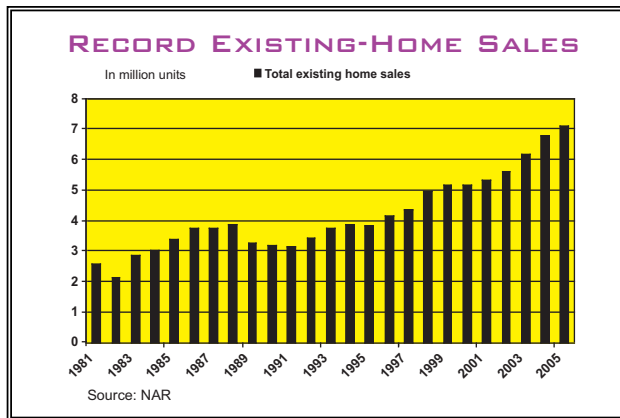
As always, we begin drafting our outline of ten trends in August, collecting as many as 25 trends and distilling them down to our manageable number. We look for trends that transcend multiple counties, borders or geopolitical districts. Trends that will heighten our clients’ or community’s awareness and if employed correctly might add profit or better understanding to our clients’ businesses and organizations. **The goal is to provide clarity but objectivity and keen insight into the vibrancy of our markets, the dynamics of our opportunity and that Tipping Point toward our success.**

THE NEW STOCK MARKET

Clearly unquestionably real estate is the new stock market ...average yields... institutional holdings... REITs... options... earnings... growth... return on capital... PE Ratios.



While there is no national Real Estate *DOW* index or Real Estate *Standard and Poor's Index*, the flight of capital is enormous. Buoyed by abysmal money market rates, less than stellar increase in 401K value and volatility in the open stock market, the average investor (that is us and you) is searching for alternative investment vehicles. After several years of sifting through bonds, futures and commodities they found it as close as their front door... **No actually it was their front door and the rest of the house to go with it!** Yes our private residences, which make up approximately 90% of the average American's net worth, continue to appreciate while our mortgage payments add additional equity month by month. It's like a forced savings account with our tax write offs as gravy. Americans and North Georgians are all making money off real estate. U.S. real estate sale prices increased more than 56% from the beginning of 1999 to the end of 2004, as tracked by the Office of Federal Housing Enterprise Oversight, part of the U.S. Department of Housing and Urban Development.



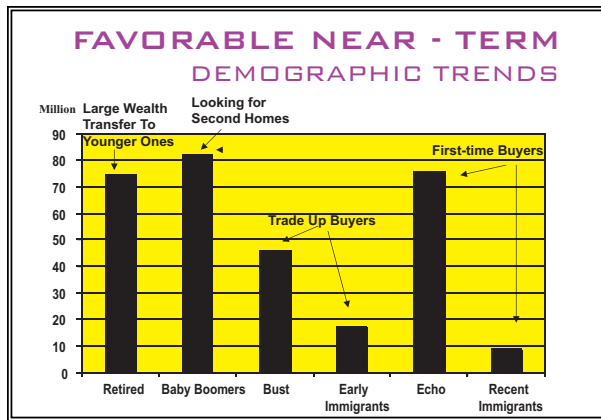
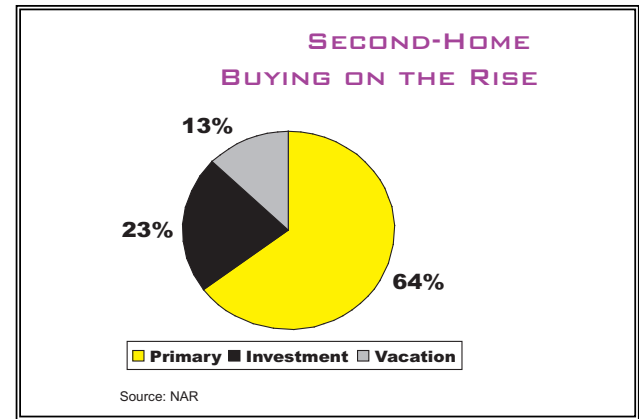
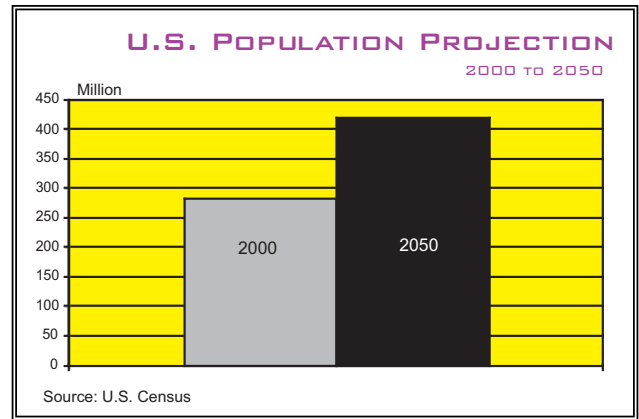
native intelligence

TOP TEN TRENDS

The S&P 500 index dipped nearly 6% during that same period. So it stands to reason that “the diversity” preached in “B” schools should be re-applied toward a diversity of real estate holdings.

- Personal Home
- +
- 2nd & 3rd homes
- +
- Rental Property
- +
- Limited Partnerships
- +
- Public Real Estate Stocks

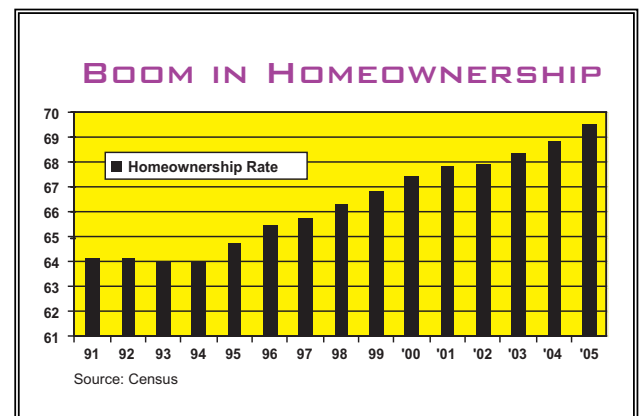
In fact, to help facilitate this diversification and reallocation of net worth, banks such as Habersham Bank in North Georgia are offering unique self directed real estate IRAs, Real Estate SEP IRAs or Real Estate Roth IRAs enabling the small investor to buy limited partnership shares, land or small rental properties with their retirement funds while deferring capital gains.



You can always do something with it... Sell it... Lease it... Farm it... or Give it away!

Homes have become the middle class nest egg. However, in addition to that home, we continue to see an influx of money coming from new middle-class investors. It is not just the rich that are purchasing strip centers,

The small investor now pours over market sales reports, court house records, reports like Norton’s Forecast and our bi-annual Housing Reports to gain comfort on market conditions and micro market trends. Until someone comes out with a “Standard and Rich” index (Hey, that’s a great idea!), the small investor still faces some degree of risk. But, given the share of corporate America’s boardroom shenanigans, astute investors recognize that real estate is in the investor’s direct control and not some out of sight power broker or market maker. Thus, the great attraction. Georgia Red Clay is a precious natural resource, a finite commodity with intrinsic real value, not a sheet of paper stock.



Opportunity Index
AKA Norton's Standard and Rich Index

Once again, The Norton Agency publishes its Native Intelligence Opportunity Index, an annual measure of growth, values and investment potential. The firm's Research Division combines total real estate sales, mortgage rates, land prices, zoning, environment, vacancies, and land potential in a formula to determine the index score. Counties with scores over 60 points show the most promise.

	Native Intelligence Opportunity Index								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Banks	64	71	72	72	70	73	74	80	81
Barrow	59	65	61	61	65	68	74	70	72
Dawson	65	72	70	70	70	70	72	71	70
Forsyth	70	60	55	50	55	53	57	59	60
Gwinnett (North)	59	60	65	70	72	75	76	72	65
Habersham	60	68	66	66	66	68	67	63	59
Hall	72	70	68	60	52	53	54	65	75
Jackson	74	79	81	83	81	83	80	85	89
Lumpkin	68	70	72	70	71	68	65	70	74
Rabun	48	52	58	60	63	64	70	71	71
Stephens	27	35	42	41	35	42	45	47	49
Towns	36	49	51	60	63	63	69	65	63
Union	36	39	40	60	61	70	71	65	63
White	51	51	53	58	59	65	65	65	62

©NortonNativeIntelligence 2005

In reality, what happened in Fulton County was a simple long-term shift of population and power in concentrated form, without a similar shift of services. With this wake up call, we at Norton Native Intelligence™ have been increasingly fascinated and equally concerned with two aspects of this phenomena - first, the birth of certain Next Generation Cities and the fragmentation of large Georgia areas we call counties. To this end, we believe we will see other Next Generation Cities formalize their role in state politics and exert their power and influence. Other cities on the horizon might include Johns Creek (no it's not a city yet), Peachtree Corners, Hamilton Mill and Mill Creek (If Buford doesn't get them first).

But second, and of more ominous note, is the growth and potential polarization of a vast number of North Georgia counties that if left unchecked,

office space and acreage tracts anymore. We project more and more of the public's retirement funds will be shifted to some real estate vehicle over the next 10 and 20 years. While there are some associated spots of rampant speculation (the bubble may be on the coasts in Florida or California but not here), the small investor has got to have a plan. Norton Native Intelligence™ sees wisdom in a strategic plan just like the other investment vehicles. "To everything, there is a season, a time to sow, a time to reap." 2006 is a time to REAP the abundant harvest in North Georgia.

could splinter other communities as well. The growth numbers speak for themselves:

Forsyth 2000-2005 **50.5%**
 South Forsyth Growth 65%
 Cumming and North Growth 30%

Hall 2000-2005 **20%**
 South of Chocopee Woods 35%
 North of Chocopee Woods 15%

Dawson 2000-2005 **39.2%**
 East Dawson along GA 400 45.5%
 Dawsonville & West 25%

Jackson 2000-2005 **37.3%**
 US 60 & South 45%
 North of US 60 23%

Lumpkin 2000-2005 **23.7%**
 Dahlonega & South 35%
 North Lumpkin 12%

White 2000-2005 **27.1%**
 Cleveland & South 38%
 North White 18%

Source: ©NortonNativeIntelligence 2006

BIPOLAR COUNTIES

The recent secession of the city of Sandy Springs from the Mammoth country (not county) of Fulton County speaks volumes. Fed up with a disparity of services and taxation without adequate representation or delivery equality, they in essence did what The South attempted to do 140 years ago. **They declared their independence and set up their own government!** Note: our nation was founded when the original American colonies seceded from Great Britain for the exact same reasons.

Native Intelligence™ has always illustrated linear growth. The conundrum is that growth in almost all counties **cannot** and **will not** grow proportionally throughout the county. The challenge is to provide a consistency of services and representation despite the disparity of population. The **Bold** reality however is that the new schools, the new roads, new shopping, new library books will flow to the high growth areas while the undiscovered hinterlands languish in aging infrastructure.

For example, Norton Native Intelligence™ forecasts that by the year 2020 over half of Hall County support mechanism could be serving South Hall. That's an area we have defined as South of Chicopee Woods Nature Preserve or an area less than one quarter of Hall County's total land mass. By 2010, that population in the micro market could surge past 90,000 people. The reality is further prioritization.

The challenge for all bipolar markets is **balance**.

LAKE LANIER IS BACK

Full pool...soaring home prices...clean water...**Lake Lanier is back!**

After several flat or off years, Lake Lanier is a market coming into its own; strong sales volume is back. New construction on isolated lots is full steam ahead and teardowns of older homes on superior lots are no longer just a phenomena. That's happening every day.

In our 2002 Forecast, we predicted that Lake Lanier

Lake Lanier Market Statistics Single Family

	Average Sale 2005	Average Sale 2004	Total # 2005	Total # 2004	Total \$ Value 2005	Total \$ Value 2004
Dawson	\$448,414	\$373,532	42	45	\$ 18,833,388	\$16,808,940
Forsyth	\$514,011	\$429,399	186	148	\$ 95,606,046	\$63,551,052
Gwinnett	\$592,073	\$638,727	11	11	\$ 6,512,803	\$ 7,025,997
Hall	\$553,312	\$432,596	173	150	\$ 96,241,976	\$64,889,400
Lumpkin	0	\$404,500	0	2	-	\$ 809,000
Market Average	\$527,170	\$430,012	492	356	\$217,194,213	\$153,084,389

Note Lake Front Only Dock or Dock Permit Source ©NortonNativeIntelligence, MLS, & FMLS Data

Lake Lanier Single Family List Price to Sold Price 2005

	Current Average Listing Price (1)	Average Sale Price 2005 (2)
Dawson	\$620,382	\$448,414
Forsyth	\$540,417	\$514,011
Gwinnett	\$698,032	\$592,073
Hall	\$889,701	\$553,312
Lumpkin	N/A	N/A

Notes
 Lake Front Only, Dock or Dock Permit
 (1) December 28, 2005
 (2) January -December 28, 2005
 Source ©NortonNativeIntelligence, MLS, FMLS

was someday going to be the heart of Metro Atlanta as the arms of progress moved up GA 400 and I-985. In 2005 we saw that pace **quicken** and we attribute the movement to several issues. First and foremost, Lake Lanier is some of the least expensive waterfront property on the east coast and certainly the cheapest less than one hour from a major metropolitan market. For the last 15 years we've seen the market gain credibility and small business owner relocation from Metro Atlanta. We think the *tipping point* was the inclusion of the area in Atlanta's

telephone LATA in the 1990s that put direct dial access to Atlanta and forever linked the geography to the **metro** not rural area of Georgia.

Fast forward that to the early 2000s when Atlantans saw their discretionary income increase and the desire for 2nd home recreational opportunities rise. Coupled with a practice of wealth transfer from an older generation to the younger through gift or inheritance... "Daddy would have wanted me to have a second home"... and a search for strong real estate investment returns (see Trend 1), Lake

North Georgia Lakes

Lake	Surface Acres
Blueridge	3,290
Burton	2,775
Carters	3,200
Chatuge	7,050
Hartwell	56,000
Lanier	38,000
Nottely	4,180
Rabun	834
Russell	26,650
Seed	240
Tallulah	63
Tugalo	597
Yonah	325

Source:
©NortonNativeIntelligence 2005

**Lake Lanier Detailed
Home Sales Analysis
2005**

	1-250,000		251-400,000		400-750,000		750-1,000,000		1,000,000+	
	#Listed	#Sold	#Listed	#Sold	#Listed	#Sold	#Listed	#Sold	#Listed	#Sold
Dawson	1	4	6	16	13	15	11	4	2	1
Forsyth	22	5	51	39	45	68	14	11	14	11
Gwinnett	4	1	2	4	7	4	3	1	5	1
Hall	7	10	29	42	44	85	32	13	32	14
Lumpkin	2		1						0	0
Total Market	36	20	89	101	109	172	60	29	53	27

Note: Lake Front Homes Only, Dock or Dock Permit Source
©NortonNativeIntelligence FMLS & MLS Data

Alpharetta and Roswell. They've found they can live on the Lake during the weekends and still make little Johnny's soccer game on Saturday afternoon and then back to the lake that night. We see this trend just expanding, further accelerating the teardowns, tear-ups and re-dos but also fueling a surge in speculation of higher density 2nd home development. Price points or thresholds still seems to top out at \$800,000 with the bulk of buyers looking in the \$500,000 to 600,000 range. Land is also rapidly evaporating, with tracts of land 50 acres or greater remaining undeveloped on Lake Lanier now numbering 30 or less. The rush to build a millionaire row on the shoreline is on.

The downside, if there is one, is that Lake Lanier still has a large oversupply of homes over \$1 million (see chart) "People with a million dollars to spend on their dream house

Lanier became one of several second home alternatives in North Georgia complementing its primary home component. The alternatives also include the Rabun County lakes, Big Canoe, cabins in the North Georgia Mountains and Highlands, N.C.

In the search, the **buyers rediscovered Lake Lanier**. It was not only closer and more accessible than Lakes Burton, Rabun or Seed but much more affordable. In many cases 40%-70% more economical than lakes north, putting it in reach of a larger and younger pool of North Atlantans. By one survey of 2005 buyers and prospects, close to 85% of those searching for lake homes under \$700,000 are now second home buyers. And this buyer pool is younger... 30s to 40s... with families... living in suburban Gwinnett,

want to build their dream rather than buying someone else's dream." This has improved considerably over the last 12 month period when only 8 homes in that price range sold.

None-the-less, there seems to be something in our GENETIC make up that draws us to the water. Lake Lanier is clearly back!

STRANGLING GOVERNMENT

Excessive regulator environments have become the new defecto moratorium period. It is as if many county and city leaders have said to themselves, "Moratoriums are not politically correct," so "How many regulations, ordinances, fees and impediments can we place on new development to slow down growth or better yet, **just make it go away.**" Examples include:

- Tree surveys or tree ordinances imposed on counties that at the same time struggle for industrial employment recruitment and expansion.
- Excessively wide streets and curbs with sidewalks on slopes you need rock-climbing gear to access and environmentalist written soil erosion controls have added 55% to the cost of roadway infrastructure over the last 4 years alone.

**LAKE LANIER
HOMES 1 MILLION +
CURRENTLY FOR SALE**

	<u>Number</u>	<u>Price Range</u>
Forsyth Lanier	16	\$1,100,000 - 6,395,000
Hall Lanier	28	\$1,050,000 -17,999,000
Gwinnett Lanier	7	\$1,300,000 - 1,950,000
Dawson Lanier	2	\$1,185,000 - 2,175,000
Lumpkin Lanier	0	-
Total	53	

Source ©NortonNativeIntelligence FMLS/MLS Dec 28, 2005
Lakefront with Dock or Dock Permits

- A one-size-fits-all regulatory approach. The concept of alienating the large or the small, whichever the code is written.
- Building codes grabbed off the shelf without understanding the unintended consequences. Construction standards affecting not only new commercial development, but which also have drastic effects on all new school construction, fire stations and other public infrastructure.
- “Big Box” ordinances which seemingly control massive retailers like Wal-Mart but will all but eliminate the Ingles, Krogers and Publix the residents want to attract. The harsh reality is that, if imposed, the ordinance will drive the much needed sales and splost tax dollar toward neighboring counties. Already struggling school systems will resort to higher property taxes while watching their children buy school clothes out of county.

Northeast Georgia communities must recognize they are an “emerging” market, not a “mature” market. What works in Bethesda, Maryland has no place in the farms and fields of Jackson, Hall or Dawson Counties.

Norton Native Intelligence™ is increasingly concerned with government missteps, slow or no government decisions and attempts to legislate out growth development and economic expansion. Struggling with a shrinking tax dollar and increased demand for services, you would think “the powers that be” would welcome expansion with open arms. They need to take lessons for economic expansion from the City of Buford... one of the most progressive economic engines in the state. We must recognize and remember the housing industry: builders, suppliers, subcontractors, mortgage and realtors are North Georgia’s number one industry. **Housing, not poultry is now the region’s life blood.**

But as Malcolm Gladwell said “it’s the little things that make a difference” and government actions across North Georgia have unintended consequences and impacts. For example, Norton recently encountered one of those bureaucratic booby traps. Holding an annual event on its office campus, Norton rented and erected a large tent only to be reprimanded by one of the city code enforcers for not having a permit. (We didn’t know we needed one and have had a similar tent at least 4 other times.) Two hours later using a Norton manager and staff to sort out the who... what... where for a “tent” permit... “Costing \$300 to \$400 dollars of corporate time”... we obtained our **FIVE** dollar

tent permit. Who knows what it cost the city to cite and issue the same permit, an incredible waste of time, energy and community spirit. Our clients recall numerous other examples in almost every region of the state. Bureaucracy is rampant like our beloved kudzu.

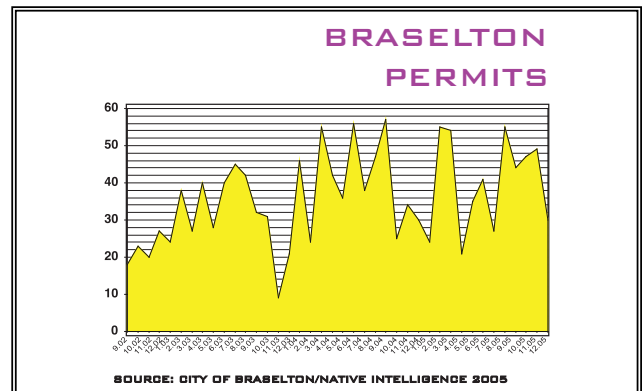
It’s becoming more difficult for city and county elected officials to accomplish their goals. With terms generally in the two to four year range, most administrations can only finish what their predecessors started while the next administration finishes (or not) what was started in their term. More often not, the faces change after elections and the goals do too, again making it difficult to “turn the battleship.”

Today’s progressive government must be in high gear, honing their customer service skills, promoting the ease of business and not putting up road blocks. “What **can** I do for you... not what you **must** do for me.” Jackson County is a fine example of a well run chorus singing from the same music with a well run orchestra of government officials giving accompaniment to massive industrial expansion.

THE BIRTH OF A METROPOLIS

Bipolarization is occurring in a number of counties (see Trend 2) but a different dichotomy is occurring in sleepy little Braselton, Georgia. Once the stronghold of the Braselton family, then shifting to the notoriety of movie star Kim Bassinger’s ownership, Braselton has now emerged as a heavyweight along the business pipeline called I-85.

The *Tipping Points* were right in front of us all the time... Donald Panoz’s incubation of an entertainment Mecca and





“Northeast Georgia is the greatest place in the world to raise a family and a business.”

FRANK K. NORTON, SR.

luxury housing magnet (much more than a winery) called Château Élan... Followed by the Bassinger industrial holding transferring to Gwinnett power house Wayne Mason... and the industrial recruitment of Big Box brand names: Haverty's, Sears, Tractor Supply, and Mayfield. The Community's first wake up call perhaps was the shift of political power in 2001 with the election of Pat Graham. A driven, business minded homemaker emerging out of the Chateau Élan community... She was one of our next generation leaders in our 2004 Forecast... Under her stewardship, practical systems were implemented, massive zoning overlay and ordinance controls established and a foot print/blueprint of growth created. Graham helped refine, fine tune Braselton's vision and put the community on a much more stable course.

All of that is well and good, however, Braselton is poised for **Greater** things. Norton Native Intelligence™ has been analyzing this market more intensely than any other during the last three years. We have served as a consultant on special assignments for Northeast Georgia Health System, Chateau Élan, Habersham Bank, Pulte/Del Webb and both the Hall and Jackson County School Systems. After analyzing all of the data, drilling down to the under pinning market dynamics and growth velocity, we believe we are witnessing the metamorphosis of Braselton

into a much bigger **power center called Chateau Élan**. The cache of Panoz dream Chateau Élan is attracting major players and investors which in turn will create a new city. A metropolis which, given the right circumstances, could be the largest city on I-85 North of Atlanta.

Strategically, it's in the right place at the right time. Straddling four counties: Gwinnett, Hall, Jackson, and Barrow, the hurdles of intergovernmental agreements are Herculean; however, the stars, planets and moons are aligned and ready. Consider the following:

- The region has two gateways to I-85, Hwy 211 and Hwy 53 with a third contemplated at Spouts Springs/I-85.
- Major Regional Land players hold thousands of underdeveloped land ripe for intense development. Wayne Mason, Dewey White, Chateau Élan, Crystal Farms, and the Scott Hudgins estate among them.
- An established industrial market... both big industrial boxes and small service industrial... legitimizes the market for future Gwinnett business migration.
- Northeast Georgia Health System's purchase of two tracts approaching 170 acres will accelerate Medical, High Tech profile suburban office growth along a new widened and realigned Thompson Mill Road/GA 347.
- Two new banks recently opened in Braselton while other existing banks have opened branches there.
- Del Webb's first Georgia "Sun City"... The Villages of Deaton Creek... 1,300 Homes... will anchor retirement and midlevel executive housing growth. Success in this retirement component will signal "GO" to a number of retirement copycats and the stability of that market segment.

Norton Native Intelligence™ foresees that the city of Chateau Élan aka Braselton will see a surge of population both within the city limits and immediately surrounding the municipality. By the year 2020, the community will be a concentration of 80 to 100,000 people, an astounding growth over the estimated 1,206 population in Braselton in 2000 and Norton's projected 14,000 population in a five mile radius from the center of Braselton at the end of 2005.

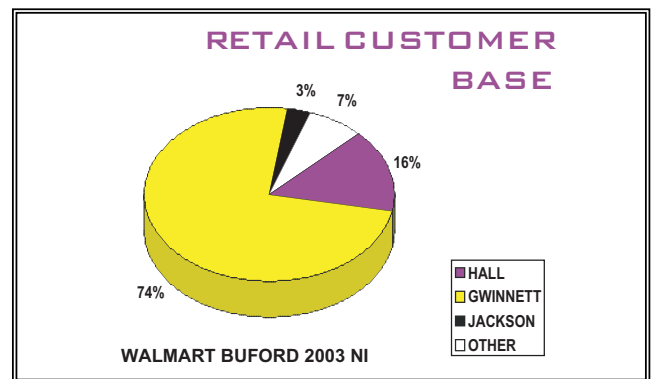
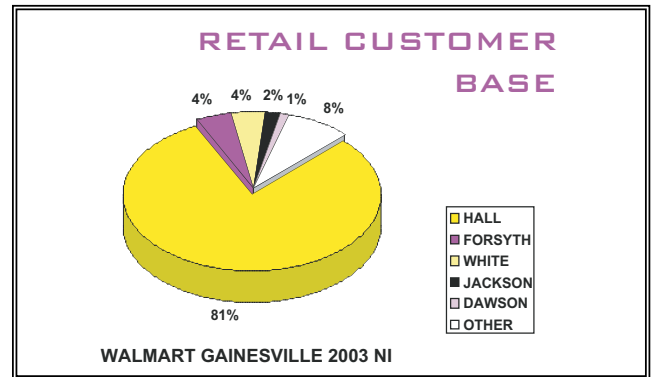
With growth comes power, credibility and struggles along the way. Rip Van Winkles living in the area won't recognize the landscape 20 years hence... mid-rise and high-rise offices line I-85... major community shopping in pockets of villages... specialty corporate office and a dynamic regional industrial center by 2020. It could easily be the biggest city in Barrow County, Jackson County and perhaps even Hall County.

WAL-MART WARS

With the rallying cries, “Stop Wal-Mart,” “Keep Wal-Mart type development out,” the thundering herds of anti-growth, anti-development, in fact “**anti anything**” use Wal-Mart as the icon for everything that’s wrong with progress... a lightning rod for everything wrong with America. While Native Intelligence™ is no defender of Wal-Mart’s hiring, employment or purchasing policies, let’s face it...

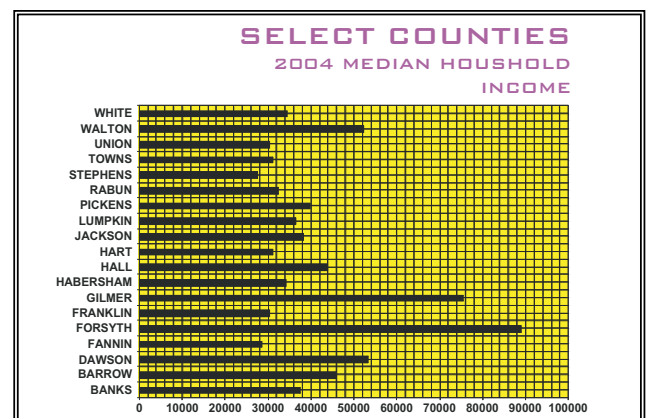
“Wal-Mart is us!”

North Georgia is solid middle income America, struggling to make ends meet, provide a quality life for our families and buy the necessary goods and services to ease and improve our lifestyle. **We are exactly that perfect Wal-Mart world.** In fact, according to many sources, The South... Georgia... North Metro Atlanta areas... are prime Wal-Mart growth areas. We don’t want to admit it but Wal-Mart is us! Just taking a quick look at the region wide demographics tells the Real story. Our 23 county study area has a Norton Native



Intelligence™ regional population in 2005 at 1,899,136 (includes Gwinnett) and an estimated average household income of \$68,500.

While Wal-Mart doesn’t sell the toney goods of a Macy’s, Nordstrom’s or Dillard’s, it does provide quality value priced goods and services. And if you’re in the market for a 32 inch plasma screen T.V. who would not want to save the \$300.00 buying it at a Wal-Mart vs. one of those higher end stores.



North Georgia Comparative Sizes Wal-Mart Stores

Suwanee	Gwinnett	230,000 sq ft
Athens #1	Clarke	206,000 sq ft
Hartwell	Hart	155,000 sq ft
Athens #2	Clarke	304,000 sq ft
Athens #3	Oconee	290,000 sq ft
Dahlonega	Lumpkin	144,000 sq ft
Toccoa (1)	Stephens	198,000 sq ft
Buford	Gwinnett	205,000 sq ft
Duluth	Gwinnett	230,000 sq ft
Gainesville	Hall	188,000 sq ft
Clayton	Rabun	145,000 sq ft
Cornelia	Habersham	70,000 sq ft
Commerce	Banks	151,000 sq ft
Winder	Barrow	184,000 sq ft
Monroe	Walton	187,000 sq ft
Oakwood(2)	Hall	203,818 sq ft
Dawsonville (2)	Dawson	202,642 sq ft
Buford #2 (2)	Gwinnett	202,642 sq ft

Source ©NortonNativeIntelligence 2005

Opening 2006 Relocation From 70,000 sf
(2) Proposed

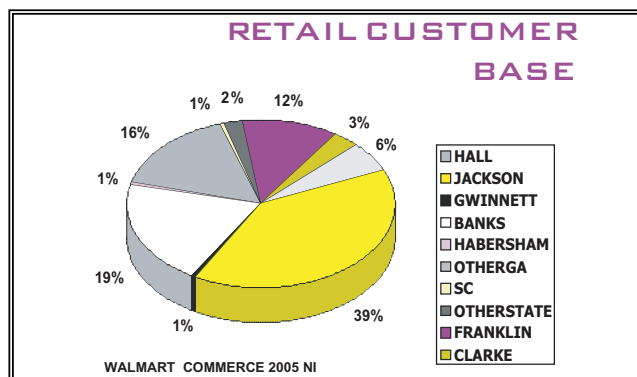
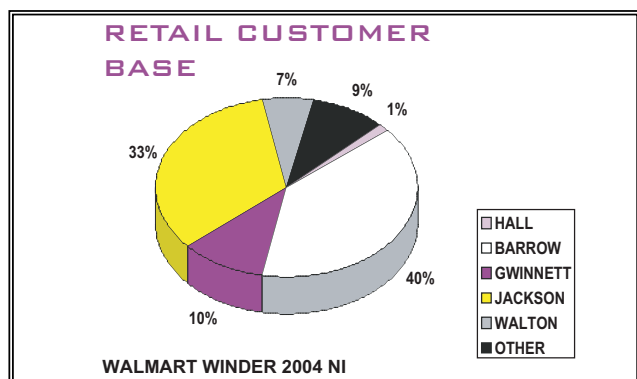
And the economics of a Wal-Mart are worth understanding. The average Wal-Mart employs 450 full and part-time people with an annual payroll of \$6,075,000. The average Wal-Mart sells \$45,000,000 per year and produces

Property Tax	\$ 265,000
School Splost Tax	\$ 450,000
Splost Tax	\$ 450,000
State Sales Tax	\$1,800,000
Lost Tax	\$ 450,000
Total	\$3,415,000

If you really want to understand the market dynamics influencing Jackson County, one of the major Wal-Mart-less communities, the potential lost revenue to their school system from Jackson County Buyers (another middle American profile) to surrounding counties is at least \$3,000,000 annually. Source ©NNI

Across the nation, some people hold Wal-Mart as the evil Darth Vader of retail but fail to give them credit for opening their stores fully stocked in the hard hit Katrina areas or holding the line on gas prices during the recent Atlanta gas crunch.

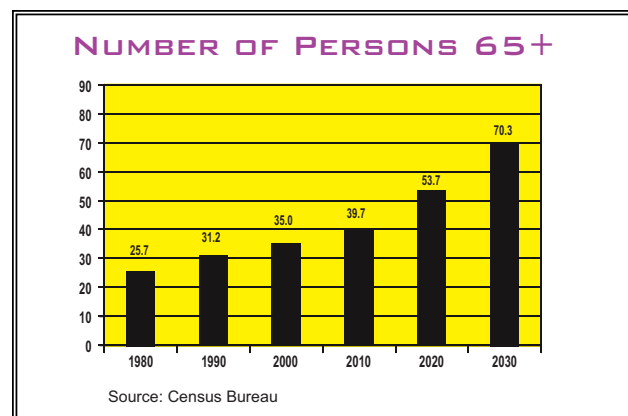
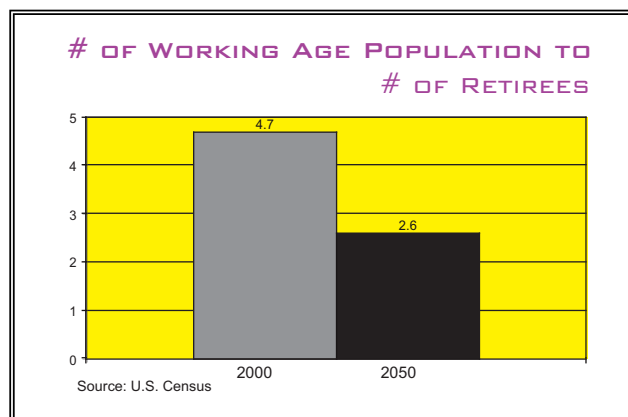
Love them or hate them. We are Wal-Mart, America.



ELDERLY HOUSING

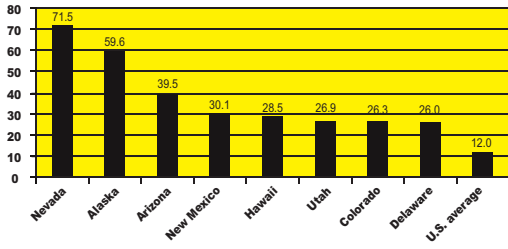
Let's face it... we're not getting any younger. Our nation and region are aging day by day, and while not ready to be put away in a nursing home, we are searching for active life style choices. North Georgia, over the last 20 years, has seen a number of retirement and pre-retirement pockets emerge. Attracted to our four glorious seasons, moderate to reasonable cost of living, below national average housing costs (Home Purchase & Taxes) and quick available healthcare services, the retirement relocation component has been brisk and sustainable.

Norton Native Intelligence™ sees this market about to bust wide open. The aging baby boom demographics so concentrated in North Atlanta are starting to make rumblings toward a migration. In fact, one report indicates the largest concentration of pre-retirement population in the Southeast is Gwinnett County, Georgia. National demographics indicated that this population segment will search for price parallel... (not up, not down)... housing, reconfigured for an active lifestyle... less bedrooms, more living space and alternatives



WHERE ARE THE RETIREES MOVING TO?

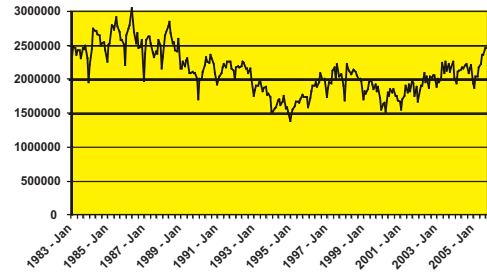
(PERCENT INCREASE IN 65+ POPULATION FROM 1990 TO 2000)



Florida has the large concentration of 65+ people, but not in terms of growth

RISING EXISTING HOUSING INVENTORY

— # OF SINGLE-FAMILY HOMES ON THE MARKET



Source: NAR

for extended enjoyment, ax the steps and service areas. The most important fact is that the demographers tell us that these pre-retirement buyers will seek out new homes and less yard, all within a 20 minute drive from their existing home. The importance of maintaining friendships, church and social relationships is important. Now, draw a circle for a 20 minute drive around Gwinnett and you see Forsyth, Hall, Jackson, Barrow and Walton as this looming retirement Mecca.

Both Del Webb...the nation's largest retirement community developer... and Levitt and Sons have placed their development flags in Hall County... South and West Hall respectfully. Norton Native Intelligence™ believes as these two are successful, the other fifty active lifestyle developers in the industry will start pouring into the region, offering a myriad of alternatives and products. The success of Lake Lanier Village Estates, a continuum of care center facility, opens another segment of the product line. Bring on the Blue Hairs.

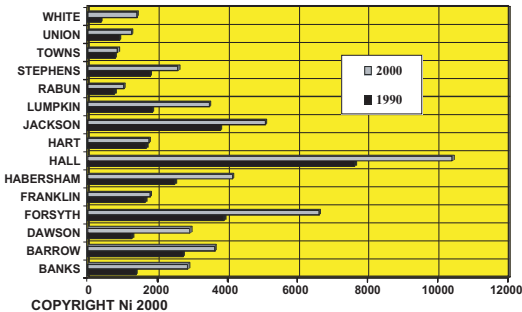
AFFORDABILITY CRISIS

From out of the hills of Habersham... down into the valleys of Hall... across the pond to Forsyth and Dawson... into the mountains of Lumpkin... or the rolling planes of Jackson, housing affordability as an impending issue. Rapidly appreciating land prices, excessive government regulations and increased development standards are pushing affordable home prices to their limits.

Just what is affordable? Well, expert opinions differ greatly on this issue, bottom line... its entry level, work force housing as cheap as possible to fulfill the "Great American Dream" of homeownership. Despite a plethora of first time home buying financing options, the price points of housing are soaring and *Tipping* out of reach for many who might otherwise qualify.

To maintain home sale velocity, builders are using cookie cutter house plans, squeezing out personality, house quality and reducing size to minimums in order to meet price points

MOBILE HOMES COMPARISON



COPYRIGHT Ni 2000

EXISTING-HOME SALES

Time Period	Annual Average
1979-1991	3.1 million
1992-2004	4.5 million
2005-2014	6.1 to 6.4 million

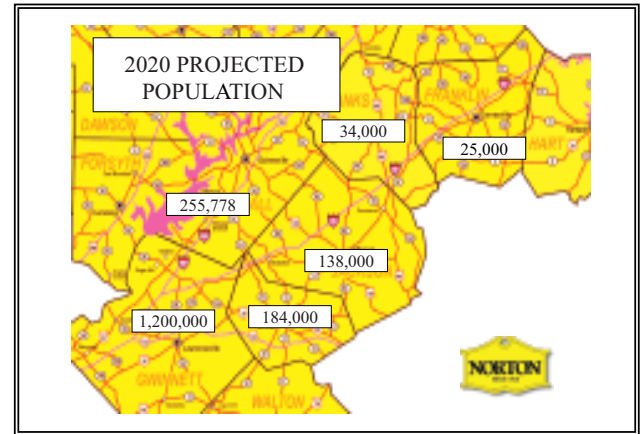
Source: NAR

and demands. Norton Native Intelligence™ concern is that this “dumbing down” could have long-term effects on value and appreciation. That’s not to say that entry level workforce housing won’t appreciate, but the individual personality of housing is disappearing, “Development has been homogenized.” To generate adequate resales, it will be up to the homeowner to individualize the emerging housing stock.

Norton Native Intelligence™ suggests the housing industry as a whole needs to be reengineered: For sixty years the way we engineer and construct homes, one piece of lumber at a time, has largely gone unchanged. While custom home building for the upper middle class will continue to see strong demand, it’s the entry level housing development that needs to break through old paradigms.

It has really been a stick built industry versus a manufactured housing one. The distinction at least for entry level housing needs to blur. Take for example Gainesville based national home builder *America’s Home Place*. They have a simple business formula and process form of home construction. The speed of development and programmed construction saves the homeowner thousands allowing them to purchase more house than traditionally available.

When we talk about manufactured housing you immediately think of wheel based mobile homes, vinyl clad rectangles, shallow roofs, void of character and personality. Today’s manufactured housing, not mobile homes, is light years ahead with componentized units, designer kitchens, baths, walls, roof trusses and sub flooring which once locked (nailed) in place gives little or no distinguishing hints that it’s not stick built. Actually Sears & Roebuck with their precut catalog houses



were the pioneers of this method 100 years ago. A number of homes in Gainesville, Jefferson, Winder and Monroe originated from precut parts hauled into the region on box cars and then assembled locally at the turn of the 20th century.

Affordability solutions, Norton Native Intelligence™ perceives, will require new thinking toward manufactured parts and home assemblage. This industry must break through archaic zoning and land use rules as well as open the eyes of county code inspectors to the quality of these assembled parts.

Bottom line, the industry recruitment programs initiated by the economic development divisions of Jackson, Hall, Dawson and Forsyth Counties might as well shut down if the affordable housing stock evaporates.

CONSTRUCTION VOLATILITY

The construction industry is a reactionary economic model. We certainly saw evidence of that with the recent economic blip caused by Hurricane Katrina. Shortages of gas, and rapidly increasing home fuel costs sent shock waves into the housing industry. While the short term effects on materials, supplies, lumber, sheet rock, and concrete are unknown, this is a fact... Housing is a commodity and affected by weather and supply chain interruptions, no less than a freeze in Florida affects orange juice prices.

Some of the effects are temporary while others are long term. Rising gas prices somehow gives someone (government, oil companies, distributors) the right to “rape and pillage the customers.” We think that is third world



“Every house, no matter the size nor price, is HOME to someone.”

W. L. NORTON, SR.

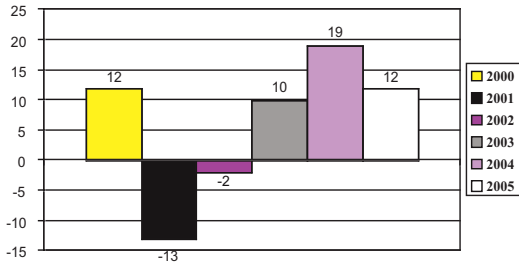
thinking. Barbaric in fact. Both these we do know, more advance planning is warranted in the housing industry. While some temporary material shortages will exist, reopened lumber mills and billions of federal dollars will invigorate the market.

GROUND ZERO

Jackson County is emerging as “ground zero” for industrial business relocation. In the November 2005 issue of *Business 2.0* magazine, an article entitled The \$25 Trillion Land Grab extolled the virtues of the I-85 growth corridor... from Birmingham to Raleigh. Midway in this hotspot (pipeline) is Jackson County with its five exits... all with sewer... abundant rolling industrial potential land... 12,000 acres and counting... and aggressive government leaders. With some 7,500,000 sq ft of existing industrial space, the Jackson Industrial market grew by 25% over the last 18 months. This geometrically growing business corridor could become Metro Atlanta’s largest concentration of industrial space, some 50 million sq ft by as soon as 2020.

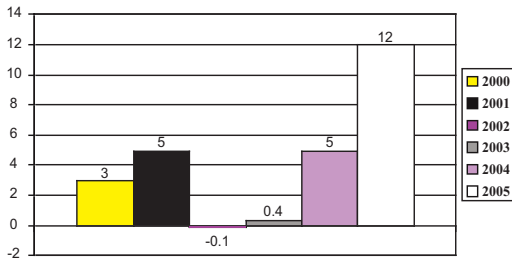
Jackson is emerging as a super corridor as the U.S. Interstate Transport Act added one hour of drive time to long distance haulers routes, shifting the big box distributor’s midpoint or recharging station from Henry County to Jackson County as they move goods up along the east coast. Its superior accessibility, reasonable land prices, low infrastructure cost and open arms of government was just what distributors

CONSTRUCTION MATERIAL INCREASE PLYWOOD



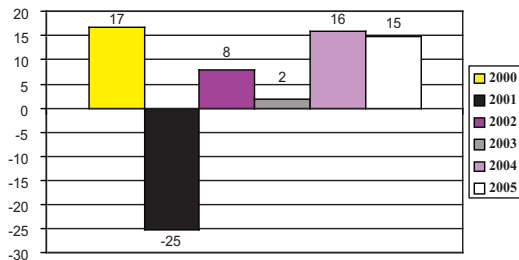
SOURCE: NATIONAL ASSOCIATION OF HOME BUILDERS PERCENT PRICES CHANGE FROM PREVIOUS YEAR

CONSTRUCTION MATERIAL INCREASE CONCRETE



SOURCE: NATIONAL ASSOCIATION OF HOME BUILDERS PERCENT PRICES CHANGE FROM PREVIOUS YEAR

CONSTRUCTION MATERIAL INCREASE GYPSUM PRODUCTS



SOURCE: NATIONAL ASSOCIATION OF HOME BUILDERS PERCENT PRICES CHANGE FROM PREVIOUS YEAR

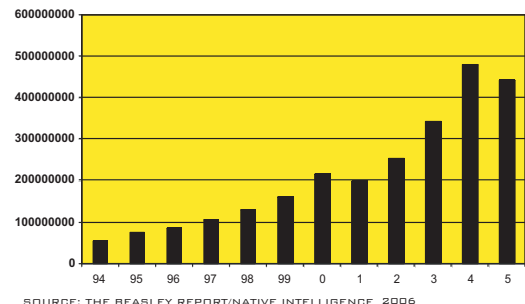
Jackson County 2005 Major Industrial Expansion

Home Depot	500,000 sq ft (1)	
Toyota	350,000 sq ft	
Takeuchi	200,000 sq ft	
Lysol	450,000 sq ft	
Spectrum Brands	800,000 sq ft	
Haverty's	600,000 sq ft (2)	
Progressive Lighting	500,000 sq ft	
Kubota	450,000 sq ft	
North American Stainless	140,000 sq ft	
Total	3,990,000 sq ft	

Source: Jackson County Economic Development

(1) can grow to another 400,000 sq ft
(2) Can grow to another 350,000 sq ft

JACKSON COUNTY TOTAL REAL ESTATE SALES



Distance Between Exits Along I-85

Exit Number	Distance Between	County	Starting Point	County
Sugarloaf Pkwy. (CR 6512)	108		1 Mile	Gwinnett
Old Peachtree Road (CR14)	109			Gwinnett
SR 365/I-985/Lanier Pkwy.	113			Gwinnett
SR 20/Buford Dr.	115			Gwinnett
Hamilton Mill Rd. (CR 134)	120			Gwinnett
SR 211	126			Barrow
SR 53/Winder Hwy.	129			Jackson
SR 11/US 129	137			Jackson
SR 82/Dry Pond Road	140			Jackson
SR 98	147			Jackson
SR 15/US 441	149			Banks
SR 63/Martin Bridge Road	154			Banks
SR 51/Sandy Cross Road	160			Franklin
SR 320/Church Road	164			Franklin
SR 106/Toccoa/Carnesville	166			Franklin
SR 17	173			Franklin
SR 77/Witworth Road	177			Hart

Source: Georgia DOT

were looking for. Progressive Lighting, Spectrum Brands, Home Depot, Lysol, Toyota, Kubota, Takeuchi and an expansion of Haverty are just some of the big names contributing to 3.9 million sq ft of industrial growth in the last 18 months. What a difference. As a point of perspective, Norton Native Intelligence™ expressed concern last year with the flood of big industrial box speculation along I-85 in Jackson County. Too much... too soon... we warned. **But as of this writing, we admit we were dead wrong.** The market space overhang has evaporated, in fact with limited choices available for lease in 2006, Jackson County might even be behind as they move into an industrial delivery cycle for 2007 and 2008.

What implications does all of this have? Norton Native Intelligence™ sees a race to capture new territory. Plant the conquistador flag like Columbus, Desoto and Magellan, only this time the 21st century explorers are named Duke, Cousins, Rooker, Raco, Pattillo, Crow and others. **Jackson is no longer the undiscovered country.**

A long term and short term problem for Jackson County will be the strain on the regional work force. While most users are low employee count distributors; abundant labor and affordable labor is still key. Already an importer of labor... Native Intelligence™ believes Jackson labor pool is from an 8-12 county region... increasing needs and competitive wage offerings will accelerate as skilled labor migrates to this ground zero for business activity. Wage

rates will affect existing industries in Hall, Barrow, Franklin, Clarke and North Gwinnett. In the longer term we see the industrial corridor elongating further up I-85 into Banks and Franklin. Ease of access to the major transportation spine will reap great rewards for the adjacent landowners and controlling governments. **I-85, by 2025 will be The Most significant business center in all of North Atlanta.**

Total House Permits

County	2005	2000-2005
Banks	114	713
Barrow	1,183	7,006
Cherokee	4,060	19,900
Dawson	451	2,322
Fannin	1,172	5,847
Forsyth	4,358	18,523
Franklin	67	184
Gilmer	861	4,034
Gwinnett	9,959	56,665
Habersham	373	2,316
Hall	2,340	10,483
Jackson	1,410	5,741
Lumpkin	393	1,839
Pickens	423	2,340
Rabun	410	2,057
Stephens	165	605
Towns	448	1,766
Union	746	3,173
Walton	1,794	8,251
White	341	2,002
Total	30,614	155,770 Units

Source Various County Planning Offices
©NortonNative Intelligence

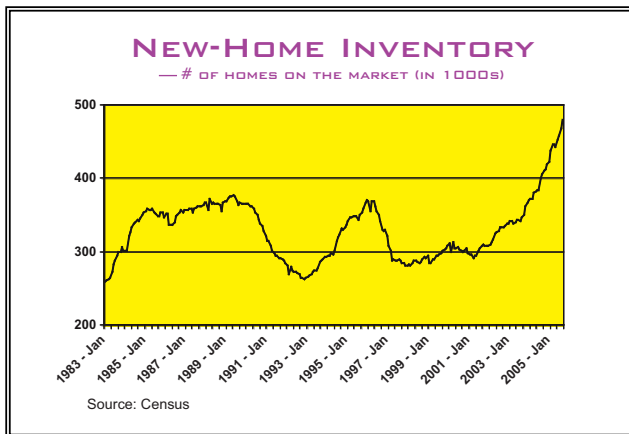


“Treat each property as if it were your own.”

FRANK K. NORTON, SR.

THE FIVE FOOD GROUPS

Despite the best efforts of Wall Street to convince us otherwise, **there is no real estate bubble**, especially in the North Georgia market. The ever present metropolitan Atlanta expansion marches onward with real job growth at 65,000 in 2005 and the payroll study showing job growth at over 105,000. Employment expansion fuels housing growth, then consumer-retail followed by service-office. The economic development web continuum.

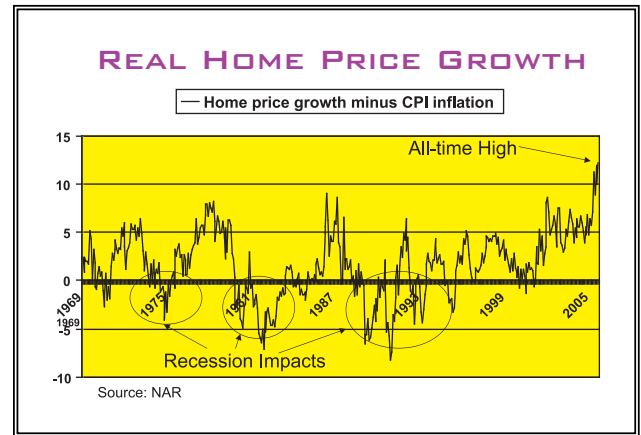


Housing

Norton Native Intelligence™ projects that North Georgia in 2005 ended with over 30,614 new single family permits, 20,755, excluding Gwinnett. Another 3,550 multifamily units and 2,000 mobile home units were also permitted. That's a population increase of 97,642 (2.7 people per household) including Gwinnett or 65,242 without. We estimate one out

HOUSING OUTLOOK			
	2004	2005	2006
Existing-Home Sales	6.78 million	7.11 million	6.86 million
New Home Sales	1.20 million	1.30 million	1.24 million
Housing Starts	1.96 million	2.06 million	1.97 million
30-Year FRM	5.8%	5.9%	6.5%
1-Year ARM	3.9%	4.5%	5.2%
Existing-Home Price Growth	9.3%	12.4%	5.3%

Source: NAR



of three housing permits in Georgia are now in our region. Excluding the large lake home market, price points are also on the rise estimated to have increased 9% in 2005. The increase is largely resulting from increased government regulations and the surge in raw land prices.

Retail

North Georgia is in its retail market infancy. A number of experts indicate that the north Georgia region might be under-stored by as much as 50%. Clearly retail follows rooftops. But retail development and store expansion has lagged behind the demographic surge the region has

Shifting Grocery Landscape

Based on sales figures, there has been a dramatic shift in the rankings of the top U.S. supermarket and grocery chains over the past decade. Wal-Mart Supercenters now leads the pack, holding a 2-to-1 margin over its closet competitor.

1993 Ranking	Sales
1. The Kroger Co.	\$22.1 billion
2. Safeway Inc.	\$15.1 billion
3. American Stores Co.	\$14.5 billion
4. Winn-Dixie Stores Inc.	\$10.8 billion
5. The Great Atlantic & Pacific Tea Co.	\$10.5 billion

2004 Ranking	Sales
1. Wal-Mart Supercenters	\$115 billion
2. The Kroger Co.	\$56.9 billion
3. Albertson's	\$38.4 billion
4. Safeway Inc.	\$35 billion
5. Costco Wholesale Group	\$28.3 billion

Source: Directory of Supermarket, Grocery & Convenience Store Chains

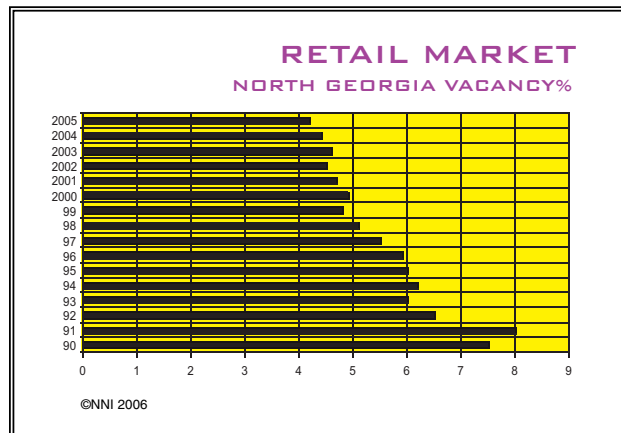
Market Share Among Major Food Retailers

Discounters continue to gain market share at a steady pace.

	2001	2002	2003	2004
Discounters	13.8%	15.1%	16.0%	16.7%
Wal-Mart	10.5%	11.9%	13.1%	14.0%
Target	1.3%	1.5%	1.7%	1.8%
Kmart	2.1%	1.7%	1.2%	0.9%
Warehouse Clubs	7.3%	7.7%	7.8%	8.2%
Costco	3.6%	3.9%	4.0%	4.3%
BJ Warehouse	0.5%	0.5%	0.6%	0.6%
Sam's Club	3.2%	3.3%	3.2%	3.3%
Traditional Grocers	21.1%	20.1%	20.0%	20.0%
Kroger	8.8%	8.7%	8.7%	8.6%
Alberton's	6.4%	6.0%	5.7%	6.1%
Safeway	6.0%	5.9%	5.8%	5.4%

Source: Credit Suisse First Boston

experienced since 1990; unfortunately too many consumers go outside the market for durable goods. That will change. New retail centers in Jackson, Lumpkin, South East Hall and along GA 400 are aimed to keep North Georgia's population from traveling across county lines. Shopping at home will be easier and with more variety over the next five years as major retailers seek strategic positions in every nook and cranny.

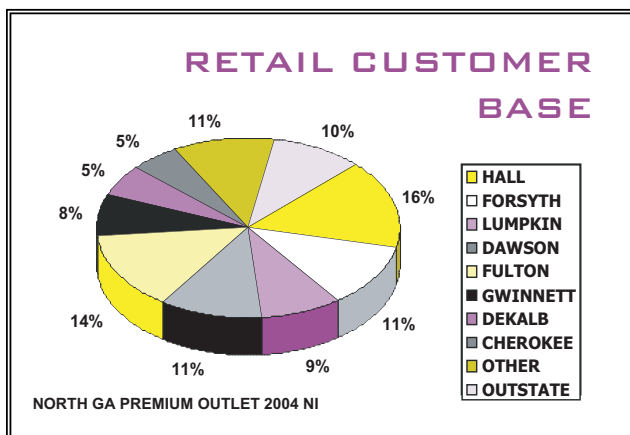


Office

The small service sector office market of Cumming, Gainesville and Jefferson is stable to a fault. The last major speculative office building... Rubicon on Lake Lanier... is now 90% leased. While there are no major office developments on the horizon, user facility growth... insurance, real estate, banking... will continue to expand the market. It's still cheaper to rent office space in midtown Atlanta than downtown Gainesville – an issue which will forestall any major outward migration. Rates in all markets are expected to climb 4 to 6% per annum. The true bright spot is medical office which has a 97% overall occupancy rate and continues to outperform other space categories. The demand for healthcare office locations transcends almost every market.

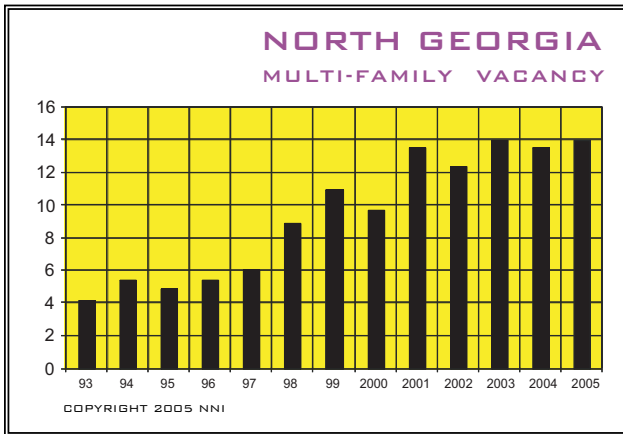
Industrial

With Big Box Industrial dominating the I-85 corridor and southern part of I-985, the dominant industrial segment for the rest of the region seems to be light assemble, small distribution and especially subcontractor/contractor/service businesses. Industrial zones in Buford, along Friendship Road in Hall, Atlas Drive also in Hall and McFarland Road in Forsyth stand testimony to the voracity of that industrial sector. Outside of those hot spots there still seems to be a large number of tired old buildings in tired old locations ripe for alternative uses. One such building was just converted by the City of Jefferson to a new civic and municipal facility. Out of the box solutions to cheap occupancy expense.



Multi-Family

Rental rates are stagnating as are occupancy levels in most area apartment complexes. With so many government loan programs for homeownership, apartment occupancy has been slow to recover. It's still cheaper to buy a home and with nothing down, than to rent which requires a deposit. Thus our region's apartment and home rental market is dominated by temporary occupancy, credit disabled and aging retirees. The slowing apartment development is helping the situation and yet demand for anti-apartment communities of Buford, Cumming, Braselton and Dawson remain unsaturated.



Acreage

Look around you and what do you see? The trees or the forest? What we see is North Georgia's greatest resource LAND. And while in plentiful supply it's being gobbled up by 1031 Exchanges and strategic long term investment plays. We think that's wise money and we're bullish on both short and long-term value prospects. Let's face it. Atlanta will move through us... over the next 25 years as the long-term outer limits of megalopolis Atlanta will be Greenville, Chattanooga and Macon. Some markets are at the apex with regard to price and potential. Assets need to be carefully studied balancing market conditions with timing and development velocity. Some assets should be liquidated as slowing in certain areas occurs. Not every parcel of land is a perfect 'hold' property. Sharp and prudent buyer wisdom and a strategic orderly exit plan are necessary. If you look at the great wealth in North Georgia, the inherit underlying resource is DIRT.

Average Land Prices

	2005
Banks	\$ 7,000–13,000
Barrow	\$17,000–22,000
Barrow (sewer)	\$35,000–42,000
East Dawson	\$16,000–20,000
Franklin	\$ 5,000–12,000
West Dawson	\$ 7,000–15,000
North Forsyth	\$25,000–45,000
South Forsyth (sewer)	\$60,000–180,000
South Forsyth	\$25,000–40,000
North Gwinnett	\$60,000–155,000
Habersham	\$ 9,000–17,500
Habersham (view/water)	\$35,000–100,000
North Hall	\$15,000–25,000
East Hall	\$ 9,000–14,000
South Hall	\$27,000–40,000
South Hall (sewer)	\$40,000–52,000
North Jackson	\$ 8,000–12,000
South Jackson	\$15,000–20,000
South Jackson (sewer)	\$33,000–40,000
Lake Lanier (raw with boat dock)	\$65,000–120,000
Lumpkin	\$13,000–18,000
White	\$12,000–17,000

Source: ©NNI
Selling Price 50 Acres Underdeveloped
© NortonNativeIntelligence 2006



“Learn to squeeze a dime out of a nickel.”

FRANK K. NORTON, SR.

21ST CENTURY LEADERSHIP

Each year, Norton Native Intelligence™ recognizes 10 individuals whose influences have or will have profound effects on North Georgia's future. Like those community builders who shaped the last century: McRae, Otwell, Mashburn, Wilkins, Reeves, Norton, Cromartie, Jewell, Dunlap, Stockton, Arrendale, Braselton, Hudgins, Hatfield and Owens, their legacy and impact are profound. These are 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.

21st century leaders Norton has recognized in the past:

- | | | |
|---------------------|-----------------------|--------------------|
| • Scott Atherton | • Pat Graham | • Tom Oilver |
| • Tommy Bagwell | • Ronnie Hopkins | • Danny Otter |
| • Charles Bannister | • Bill Johnsa | • Dudley Owen |
| • Phillip Beard | • Jackie Joseph | • Donald Panoz |
| • Pat Bell | • Bryan Kerlin | • Sonny Perdue |
| • Dennis Bergen | • Chris Lovelady | • Randall Pugh |
| • Sam Chapman | • Virgil Lovell | • Jennifer Scott |
| • David Claybo | • Chris Maddox | • Ron Seder |
| • Broughton Cochran | • Scott Martin | • Brian Shuler |
| • Carlyle Cox | • Wayne Mason | • Tom Slick |
| • Al Crace | • Tony Mastandrea | • Jimmy Talent |
| • Kit Dunlap | • Mary Helen McGruder | • Erwin Topper |
| • Henk Evers | • Steve Mills | • Dick Valentine |
| • Paula Gault | • Billy Morris | • Russell Vandiver |
| • Gary Gibbs | • Chris Nonnemaker | • Dewey White |
| | | • Philip Wilheit |
| | | • Martha Zoller |

10 LEADERS FOR TOMORROW

JIM WALTERS

Big Jim Walters has his hand and well earned capital in everything from residential development in Gwinnett and Forsyth, shopping centers as far as Texas, development along the Soque and Chattahoochee Rivers and industrial buildings scattered in between. Walters clearly puts his

money behind North Georgia growth while also becoming one of the most influential philanthropists in Georgia. His political talents have also landed him on the state DNR board (vice chair next year and chair the next) and a direct ear to the governor. Not much gets past this photo shy grandfatherly businessman but sharp as a tack, his vision of North Georgia, along with his willingness to contribute back, will make this a **much better place** than he found it.

TOM HENSLEY

We know Tom Hensley and if he had his choice he would ask us to exclude him in any Top Ten list. But, as one of the "new architects" for the region's poultry giant Fieldale, it would be negligent to omit him. As CFO for Fieldale, he, alongside active founder Joe Hatfield, is continuing to expand and integrate the poultry processing industry. Recent completion of a gigantic hatchery in Stephens, announcement of a breeding processing facility in Gainesville and construction of a string of major poultry houses in Habersham are testimony to their commitment to this industry and to our region. Fieldale remains the number one single employer in North Georgia and with fluctuating economic conditions, value priced chicken will remain **KING**. While not king, that puts Tom Hensley as close to "prime minister" as anyone.

ALAN WAYNE

This South Hall industrialist... Marinas, business parks, banking...stays well below the radar working his political and business connections for the betterment of his region. Staying constantly on the phone (we guess his cell phone has thousands of private numbers), he pushes favorite political candidates, charitable causes and land use/land planning issues. What we admire most is his determinable vision: Raising up the cash poor, blue collar dominated Flowery Branch into a major regional economic power. We were indebted to his assistance with our Falcon relocation and watch with interest his next investment moves. Current passions are **reenergizing** Flowery Branch's government and economic engine (Flowery Branch could be Hall's strongest business gateway) and accelerating the construction of a new Exit 14 along I-985. If past predicts the future, we will all be riding on it soon. Thanks to Alan Wayne.

CASEY CAGLE

This 40ish State senator from Hall County will make his mark on North Georgia as he starts his 2006 run for Lt. Governor. No longer the long shot, indubitably his power and name recognition will reach mountain top proportions **WIN OR LOSE**. His key relationships across the state have helped “bring home the bacon” to this area, helping keep our region at pace with our speculative growth. Privately he heads up an investment group controlling hotels, office buildings and other real estate holdings. We think he can win. But regardless, Casey is at bat and will hit a home run from his Hall County batter’s box.

RUSSELL MCMURRY

Energetic, smart and politically astute, McMurry, the newly appointed Department of Transportation District Engineer is everywhere... Jackson, Hall, Forsyth, and Habersham. His influence on North Georgia’s **Destiny** will be profound as he marshals the planning for road widening, redesign and new interstate exits. Hundreds of millions are slated to be spent in North Georgia on road and transportation improvements and the commander... until he’s promoted to Atlanta... will be McMurry. He possesses a keen grasp of details and a clear vision for saving money and time... Watch D.O.T. projects move quickly off the shelf and into reality.

JEFF QUESENBERRY

Having turned the job down at least once and serving as the assistant Forsyth County manager for several years, Quesenberry knew the challenges ahead for explosive Forsyth. We and Forsyth need to be glad he took the job. They will benefit from his no nonsense business acumen, financial education and background. He hit the ground running having known the inner-workings of county government, the political influences and major investment players. The only real danger to Forsyth’s momentum is that Quesenberry does such a great job that some larger county hires him away.

**RICH WHITE
DICK VALENTINE**
BURTON STEPHENS**

These three musketeers recently departed Regions Bank, their long term employer, to set up a new network for Jimmy Talent (See Forecast 2002) and United Community Bank. Their departure and the legions of bank personnel that followed have shaken the boots of bankers everywhere. The trio has set out to build the foundation of an integrated network of commercial and retail bank services with a personal, hometown bank personality. We recognize that the best banks are built more on personal relationships. White, Valentine & Stephens are running out front and doing just that. While mega Regions Bank will command the Lion market share for sometime, the newer banks, denovos and upstarts growth could slow as United Community Bank builds its own customer base.

**Note: Valentine is our only two time 21st century leader, the first in 2004 spoke of his family’s strategic industrial holdings in Jackson and his previous bank leadership.

STEVE GOOCH*

This mid thirties Lumpkin County commission chairman has been riding herd on spending, fiscal responsibility and economic expansion. Inheriting a mess from decades of previous leaders, Gooch has carefully set a course for steady progress and economic diversity. With his business background, deep Lumpkin County family roots and an understanding of regional politics, Gooch has helped push for water reservoir solutions, new sewer lines, retail expansion at US 60 & GA 400, the call for a regional airport and promoting quality residential development in the county’s southern region. The foundation Gooch and his fellow commissioners lay over the next four years will shape Lumpkin for the **next fifty**.



“Give back to the community more than you receive.”

W. L. NORTON, SR.

*Acknowledgement – Since early 2005, Gooch has been licensed with the Norton Agency’s Commercial Group. Despite that fact, he still does a damn good job.

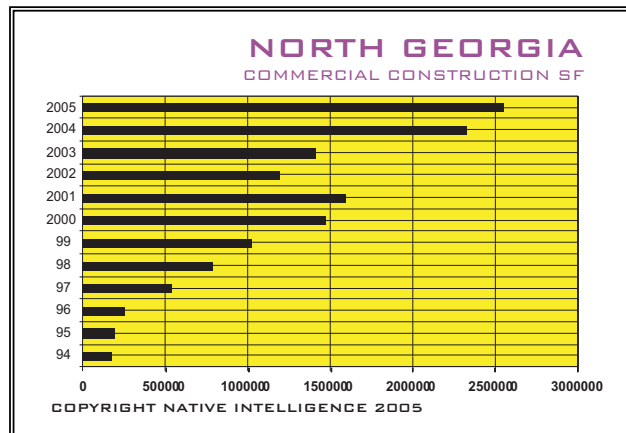
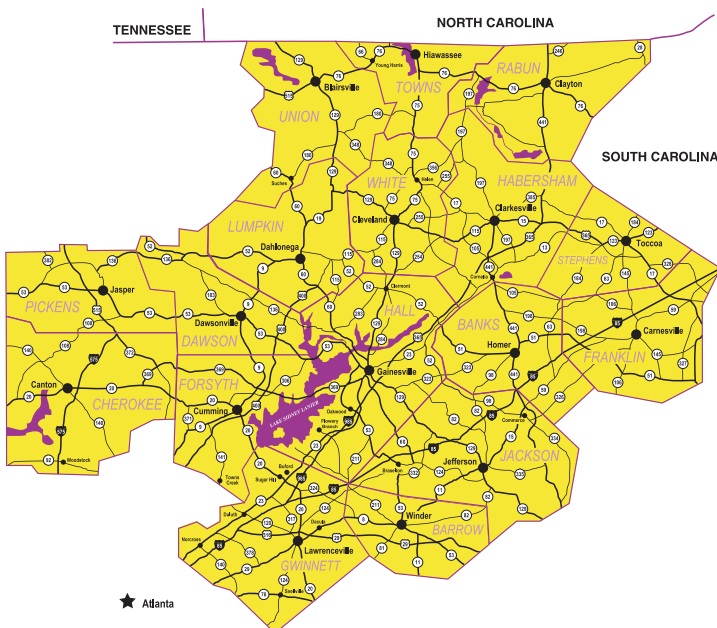
NORTH GEORGIA 2006

The Power of Norton's information base Native Intelligence™ starts in its individual county database and local on the ground knowledge. Over 500 separate indices are maintained on 23 counties. This enables our Brokerage staff to drill down to the core of a county's activity and most of all OPPORTUNITY. The following narrative charts and indices are Norton's STATE OF THE UNION for North Georgia.

North Georgia is at a *Tipping Point* of activity; Momentum of growth expanding in every valley and mountain ridge. Business is brisk, consumer confidence strong and employment steady to rising. NO BUBBLE here....far from it, as raising crops of new chickens is augmented by crops of new home hatchlings and breeder subdivisions. North Georgia is a driving force for Georgia as 33% of all new home permits in the state are in our region. (14% of the counties with 33% of the growth)

Norton is proud of its role in North Georgia both as catalyst for change and as driving force in improving both our *standard* and *quality* of living. We invite your thoughts and comments. Feel free to contact us at any time. That's how we all learn...together.

Frank K. Norton, Jr.
fkjnr@nortonnorthga.com
 Phone Direct 770-718-5252



Affordable Home Choices

Number of Listings 3 Bed / 2 Bath Single Family

County	Under 125	125 - 150	150 - 200
Banks	17	25	33
Barrow	127	338	450
Cherokee	13	107	331
Dawson	8	18	47
Elbert	34	19	26
Fannin	50	44	128
Franklin	24	32	46
Forsyth	24	58	156
Gilmer	122	109	176
Gwinnett	128	750	1518
Habersham	20	43	67
Hall	102	203	362
Hart	18	23	34
Jackson	94	195	329
Lumpkin	31	57	93
Madison	17	26	51
Pickens	6	12	25
Rabun	62	46	75
Stephens	15	17	19
Towns	33	29	38
Union	21	18	37
Walton	89	213	348
White	15	28	48

Source MLS Services/Realtor.com
 Number correct listings 12-28-05
 by price range and home size

Population Projections

	2000 Pop	County Size SQ Miles	2000 Density Per SQ Land Area	2005 Pop	2005 Density Per Sq Land Area
Banks	14,422	233.67	61.7	16,347	69.96
Barrow	46,144	162.17	284.5	65,060	401.18
Cherokee	141,903	423.68	334.9	195,633	461.75
Clark	101,489	121.28	840.2	104,056	857.98
Dawson	15,999	211.04	75.8	22,268	105.52
Elbert	20,511	368.76	55.6	21,075	55.8
Fannin	19,788	385.74	51.3	35,575	92.23
Forsyth	98,407	225.8	435.8	148,419	657.30
Franklin	20,285	263.29	77	20,782	78.93
Gilmer	23,456	426.69	55	34,348	80.50
Gwinnett	586,448	432.73	1359.90	739,444	1,708.79
Habersham	35,902	278.17	129.1	42,155	151.54
Hall	139,307	393.66	353.8	167,611	425.78
Hart	22,997	232.21	99	23,200	99
Jackson	41,589	342.36	121.5	57,090	166.75
Lumpkin	20,986	284.47	73.9	25,951	91.23
Madison	25,730	283.88	90.6	26,001	90.8
Oconee	26,225	185.7	141.2	27,481	147.99
Pickens	22,983	232.13	232.13	29,301	126.23
Rabun	15,050	371.05	40.6	17,107	46.10
Stephens	25,435	179.26	141.9	27,069	151.00
Towns	9,319	166.66	55.9	14,087	84.53
Union	17,289	322.55	53.6	25,856	80.16
Walton	60,687	329.18	184.4	82,965	252.04
White	19,944	241.58	82.6	25,349	104.93

Source US Census
©NortonNativeIntelligence

North Georgia Comparative Tax Base

Banks	\$ 486,173,542
Barrow	\$ 1,655,524,759
Cherokee	\$ 6,202,270,368
Clarke	\$ 2,875,931,857
Dawson	\$ 1,106,334,041
Fannin	\$ 788,968,491
Forsyth	\$ 6,449,062,732
Franklin	\$ 729,577,179
Gilmer	\$ 1,066,574,094
Gwinnett	\$26,141,973,289
Habersham	\$ 1,178,886,469
Hall	\$ 5,252,765,164
Hart	\$ 908,776,121
Jackson	\$ 1,653,826,134
Lumpkin	\$ 948,292,846
Pickens	\$ 1,065,107,305
Rabun	\$ 1,181,312,962
Stephens	\$ 654,578,648
Towns	\$ 519,749,692
Union	\$ 777,588,741
Walton	\$ 2,191,699,779
White	\$ 837,807,575

Regional Total \$64,672,781,768

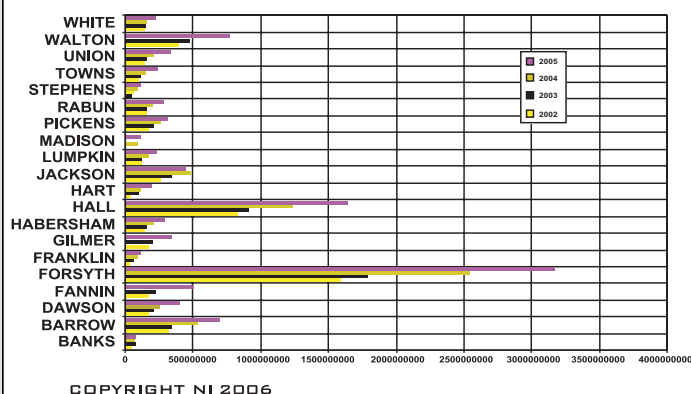
Source: 2004 Georgia Dept of Revenue

Home Sales Price (01/01/05-12/29/05)

	Average 3 Bedroom 2 Bath	Average 4 Bedroom 3 Bath
Banks	\$140,237	\$178,590
Barrow	\$133,335	\$169,964
Dawson	\$235,934	\$368,360
Gwinnett	\$156,277	\$245,379
Forsyth	\$194,466	\$334,817
Hall	\$166,282	\$280,313
Habersham	\$149,427	\$255,614
Jackson	\$155,559	\$221,045
Lumpkin	\$148,944	\$239,098
Pickens	\$163,270	\$381,833
Rabun	\$340,000	\$385,000
Stephens	\$123,331	\$263,600
Union	\$234,600	\$355,500
Walton	\$152,810	\$273,143
White	\$162,442	\$288,582
Lake Lanier	\$350,000	\$755,000

Source MLS, FMLS, Habersham White MLS, Banks-Jackson MLS
©NortonNativeIntelligence

TOTAL REAL ESTATE SALES 2002-2005



North Georgia Population Profile

County	Total	Hispanic	Not Hispanic	White	Black/African American
Banks	14,422	493	13,929	13,256	459
Barrow	46,144	1,460	44,684	38,543	4,456
Cherokee	141,903	7,695	134,208	127,618	3,483
Clarke	101,489	6,436	95,053	62,895	27,496
Dawson	15,999	254	15,745	15,429	57
Elbert	20,511	489	20,022	13,505	6,305
Fannin	19,798	130	19,668	19,312	22
Forsyth	98,407	5,477	92,930	90,820	426
Franklin	20,285	187	20,098	18,064	1,786
Gilmer	23,456	1,815	21,641	21,287	51
Gwinnett	588,448	64,137	524,311	394,164	76,837
Habersham	35,902	2,750	33,152	30,486	1,551
Hall	139,277	27,242	112,035	98,942	9,900
Hart	22,997	196	22,801	18,087	4,430
Jackson	41,589	1,249	40,340	36,314	3,197
Lumpkin	21,016	728	20,288	19,381	306
Madison	25,730	507	25,223	22,713	2,165
Oconee	26,225	833	25,392	23,112	1,653
Pickens	22,983	467	22,516	21,897	292
Rabun	15,050	683	14,367	14,023	118
Stephens	25,435	250	25,185	21,673	3,029
Towns	9,319	67	9,252	9,159	12
Union	17,289	153	17,136	16,837	94
Walton	60,687	1,163	59,524	49,731	8,703
White	19,944	311	19,633	18,804	432

Source: US Census 2000

North Georgia Unemployment % (November 2005)

Banks	4.1
Barrow	5
Cherokee	5.5
Dawson	4.75
Fannin	4.8
Forsyth	4.75
Franklin	4.1
Gilmer	4.8
Gwinnett	5.45
Habersham	4.1
Hall	4.2
Hart	4.1
Jackson	4.6
Lumpkin	4.1
Pickens	5.1
Rabun	4.1
Stephens	4.1
Towns	4.1
Union	4.1
Walton	5
White	4.1
Average	4.5
GA Average	5.3

Source: Georgia Department of Labor

U.S. Economic Forecast

	2005		2006		2007				2004	2005	2006	2007		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q					3Q	4Q
Consumer Price Index (b)	3.0	2.8	3.1	3.0	2.9	2.8	2.7	2.7	2.7	2.7	2.7	3.1	2.9	2.7

Source: Wachovia Economics Group

(b) Percent changes from same quarter year ago.

(d) 4-Qtr Moving Average, Percent Change

2005 Homes Sold Under 150K

	# Houses Sold Under \$150,000	# Houses Listed Under \$150,000
Jackson	426	1,103
Gwinnett	6,286	7,359
Hall	1,748	2,108
Habersham	282	359
Dawson	135	163
Barrow	1,966	2,413

© NortonNativeIntelligence 2006
 Source: MLS Services
 Listed as of December 28, 2005

FDIC Insured Deposits Commercial Banks

(Dollars Amounts In Millions)

County	Number of Institutions	Number of Offices	Deposits
Banks	2	4	\$63
Barrow	9	18	\$607
Cherokee	14	54	\$2,387
Clarke	12	40	\$1,656
Dawson	6	8	\$357
Elbert	3	6	\$245
Fannin	6	9	\$378
Forsyth	15	40	\$1,864
Gilmer	5	6	\$540
Gwinnett	35	172	\$9,046
Habersham	5	18	\$745
Hall	15	51	\$2,327
Hart	5	7	\$279
Jackson	7	19	\$706
Lumpkin	5	8	\$254
Madison	4	10	\$166
Oconee	7	12	\$461
Pickens	6	9	\$187
Rabun	5	9	\$471
Stephens	5	9	\$202
Towns	2	4	\$307
Union	2	4	\$307
Walton	10	16	\$826
White	5	8	\$396

Source: FDIC 2005



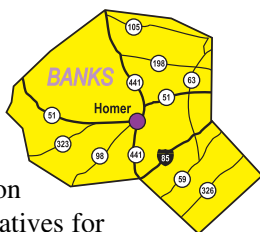
“Tell the client what he needs to hear not what he wants to hear.”

W. L. NORTON, SR.



BANKS

While we hear rumblings of a new pro-growth vision in Banks, the only thing that seems to be moving is the escalating land prices. Still the “undiscovered country,” Banks and perhaps its neighbors of Franklin and Madison present the BEST land buy alternatives for strategic but long-term investments. Yet they desperately need rooftops to attract business commerce and industry. We have strong faith in the Banks core leadership and hope to see a clear vision soon of what it wants to be when it grows up. Banks Crossing is in a state of evolution as it weans itself from The Pottery (land and buildings currently are for sale) and begins to diversify its shopping and entertainment value. Planning needs to begin for other I-85 exits; this is essential to compete with surrounding counties. **SHOPPING + RESTAURANTS + HOTELS** means destination shopping and stopping. That spells dollars for Banks County.



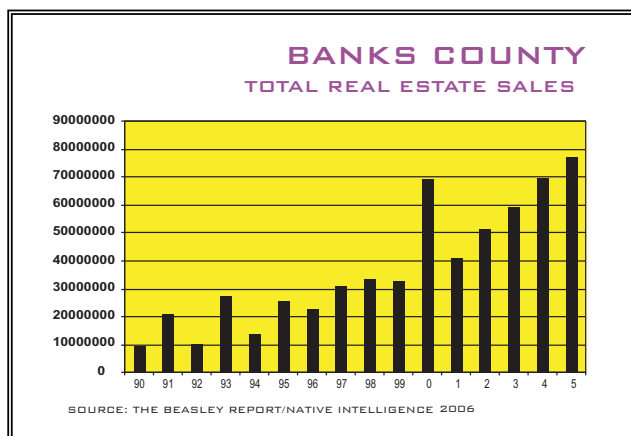
filling with the internal employment and Gwinnett is gobbling up the external employment. Barrow has been the affordable bedroom for Gwinnett for ten years, but is now becoming the affordable stock for Jackson, Clarke and Walton, a sea of freshly painted, homogenized rooftops which put pressures on government services. The bright spot is the current airport lengthening project to 7,000 FT. making the new “North Georgia Regional Airport” among the longest in the area. That may be a *Tipping Point* for strong economic activity. We will repeat our 2005 Forecast challenge “Barrow’s near term opportunity is hitching a ride on the coat tails of Braselton. This gateway is already cranking with business activity, above average housing and a growing retail component. Braselton is Barrow’s gateway to I-85. Its development leadership must capitalize on those opportunities.”

North Georgia Airport Runway Length

Cornelia	5,500 ft.
Gainesville	5,500 ft.
Winder	7,000 ft. (1)
Athens	5,522 ft.
Lawrenceville	6,000 ft.
Jasper	5,000 ft.
Toccoa	4,000 ft.
Jefferson	4,108 ft.
Elberton	4,000 ft.
Canon	3,500 ft.
Dahlonega	3,090 ft.
Ellijay	3,500 ft.
Blairsville	3,800 ft.

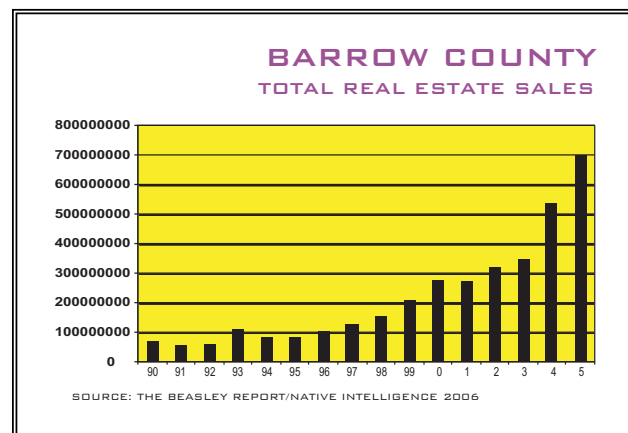
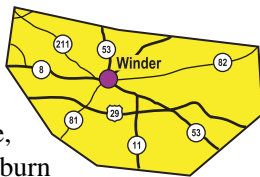
Source: GA DOT

(1) As Extended



BARROW

We still believe in Barrow! But the process of metamorphosing itself into an economic butterfly is slow and arduous. In the meantime, the cities of Braselton, Winder, Auburn and Carl are cutting up the community like a block of economic Swiss cheese; still way too much residential development and not enough business industry and retail. The tax base is being stretched to the limit, housing is

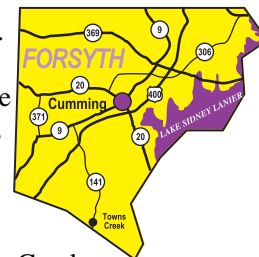


CHEROKEE

With an average home price of \$239,224 up 8-10% from 2004, the Cherokee market is maturing into a solid middle class suburban enclave. With plenty of available land (we estimate 60% of the county remains undeveloped), a reasonable pro-growth government, strong business support group and accessibility to employment corridors 75, 575, and GA 400, Cherokee will double its population by 2015. Retail centers are following the roof tops. An emerging business market in Canton and Woodstock, one that principally serves Northeast Atlanta, we hope will prevent Cherokee from becoming **just another bedroom** for Atlanta.

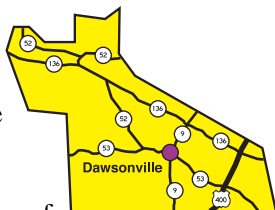
FORSYTH

What a wonderful economic model. Strong and affluent executive housing establishes a foothold in the 80's and 90's; followed by business and industry relocations to Johns Creek, McFarland, McGinnis Road and now GA 400; followed by a diversification of retail mix in Johns Creek and Cumming. So why mess it up with talk about growth limits, zoning that forces out big box retailers and development codes that add \$10 to \$20 per building square foot? Our only explanation is that this county of 148,000 people is still learning to fit into its size. Growing pains.

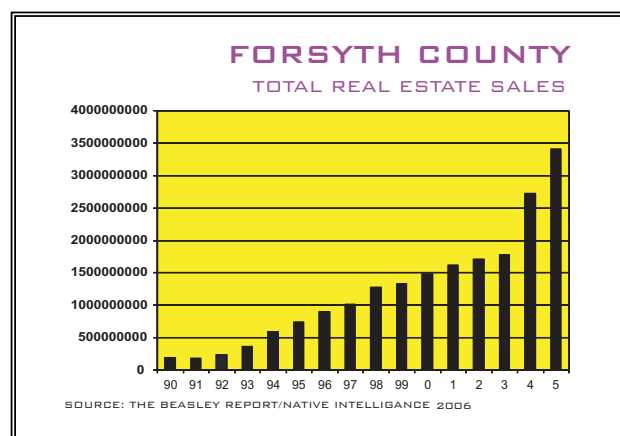
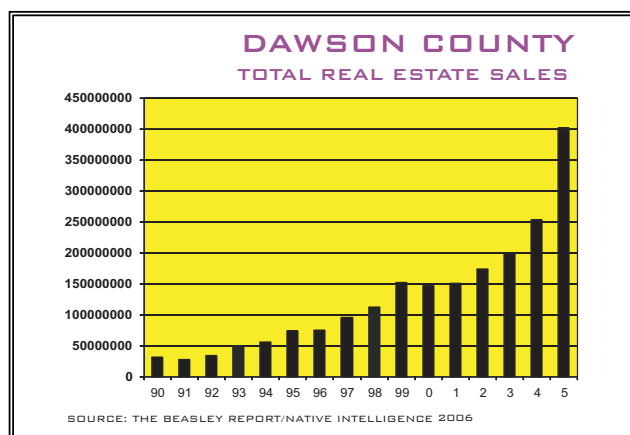


DAWSON

2005 saw a major settling out of issues and stabilizing in the fast growing footprint... with the future of Gold Creek, Thunder Road, opportunities on U.S. Corps of Engineers' parks and implementation of liquor by the drink now behind them, Commissioners in both the city of Dawsonville and County of Dawson are clearly focused on future growth. On their plate are important issues like the Dawson Forrest airport holdings, the 53 proposed fly over bridge, a regional airport, water resource solutions and business recruitment. The wisdom of economic diversification beyond the North Georgia Outlet Center's tax revenue is super sound. With average home prices soaring above \$290,000, the new, the affluent, the educated populous will forever transform this rural holdout.

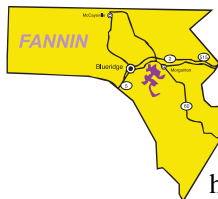
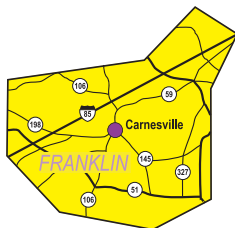


REALITY CHECK; if the anti growth forces had been at work during the expansion years they wouldn't have a place to live themselves. **BALANCE**, that's a great word. Forsyth must balance its tax base and economic recruitment with "Quality of Life." We support quality in design and choices in development. The last moratorium drove all the small builders to new fertile ground... call that Dawson... and signaled to metro Atlanta that Forsyth wasn't ready. We think the opposite. Forsyth is ready and given **balance** will become the rightful power center along GA 400.

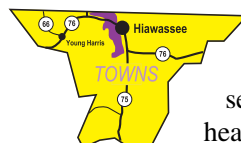
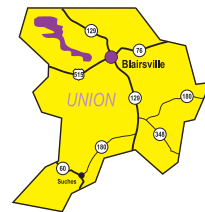


FRANKLIN

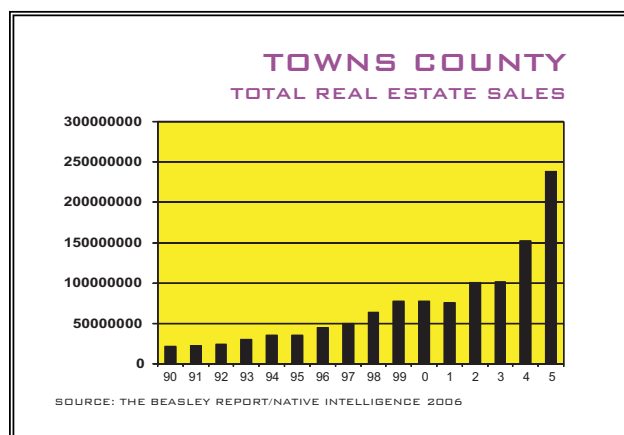
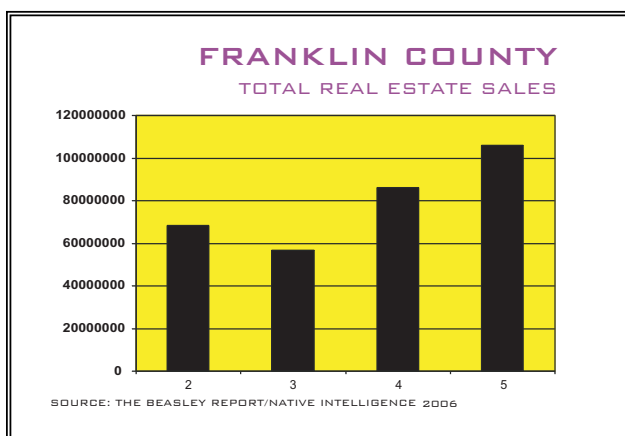
This past fall Native Intelligence™ was asked to participate in Franklin's community vision process. Wow! What enthusiasm and leadership among large landowners, businesses and government getting together well before the growth flood... Franklin's population is only 20,782 but in the line of I-85 dominoes... Gwinnett... Jackson... Banks... and then Franklin. Wanting to be much more than a string of truck stops, fast food and honky tonks, they are visioning how they can compete with Jackson and Banks for a share of industrial economic development. We are bullish they will pull it off. Land is plentiful and value priced, exits are well positioned, (a nice alternative to traffic congested exits to the north and south) and from what we see, government leadership is focused towards progress.



Why else would Home Depot place a major store in the middle of the mountain forests? We estimate 50-75% of all new home construction is second home related. The best effect of the herding weekend masses is that they leave their property taxes behind and don't strain government or social services.

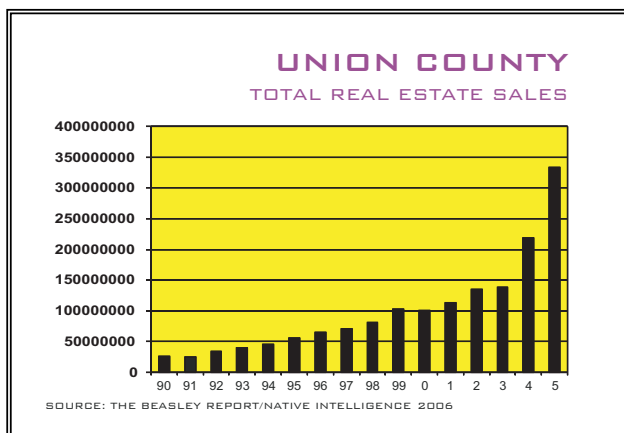
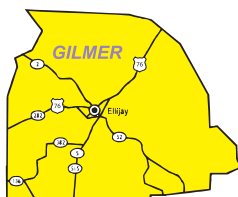


But make no mistake, they do want services readily available and competent healthcare, restaurants, entertainment and fire and security protection. With the interest in second home investment this migration should continue for decades.



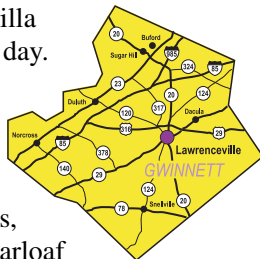
THE NORTHERN ARC GILMER, FANNIN, TOWNS AND UNION

Second Home Mecca best describes this area as cabins (grand and modest) are fueling construction and thus supporting a retail frenzy. Largely devoid of major production building, the region is home to some of the best home-grown housing craftsmen around.



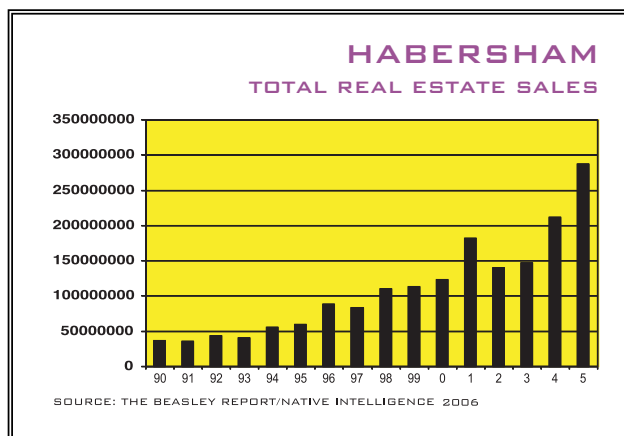
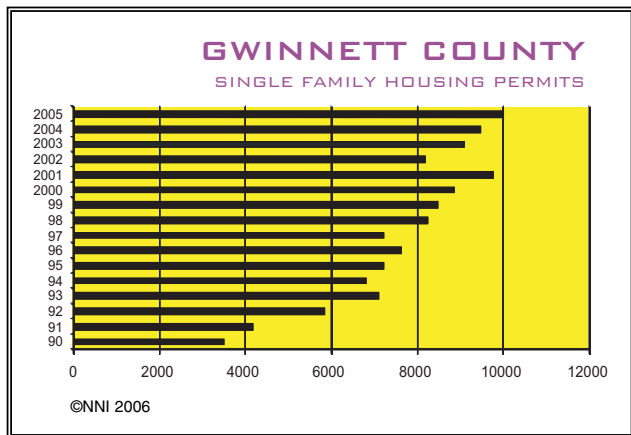
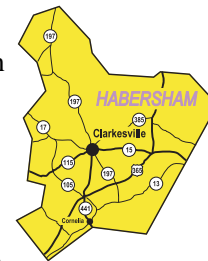
GWINNETT

MORE. The 800 lb “King Kong” gorilla keeps eating and growing with every day. We could devote an entire Forecast just on the economic engine of Gwinnett. A change of leadership on the commission hasn’t dampened the appetite of developers, speculators, retailers and business expansion. Sugarloaf is becoming the capital core for quality office deposing Lawrenceville, the county seat, as the center of Commerce. Leading from the top floor of the 1818 club in the Gwinnett Chamber Building, Gwinnett Power brokers hold court on growth, progress and drive new ideas to Gwinnett’s ever expanding vision. Not without its problems... sewer issues, exorbitant land prices and choking roads, Gwinnett is still on target to break the million population mark by 2015-2020. To get there we will see intensity of development in the four corners of the county and densification and urbanization around the key nodes of Peachtree Corners, Sugar Loaf, Chateau Élan, Mill Creek, Hamilton Mill, Lawrenceville and Duluth.



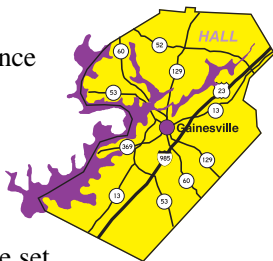
HABERSHAM

Rising land prices over the last three years have tempered activity and growth allowing Habersham to take a breather. Quality residential, second home development and a demand for gentleman farms are all on the radar. New retail activity in Clarkesville (Ingles), Midway (Lowe’s) and Cornelia (CVS) and an ever expanding medical zone are filling the much needed tax coffers. Rumors of a new Wal-Mart, new Home Depot and a host of other retail lemmings are running rampant from one end of the county to the other. As the Midway market (365/441) matures we undoubtedly are seeing a major retail and business center emerging.

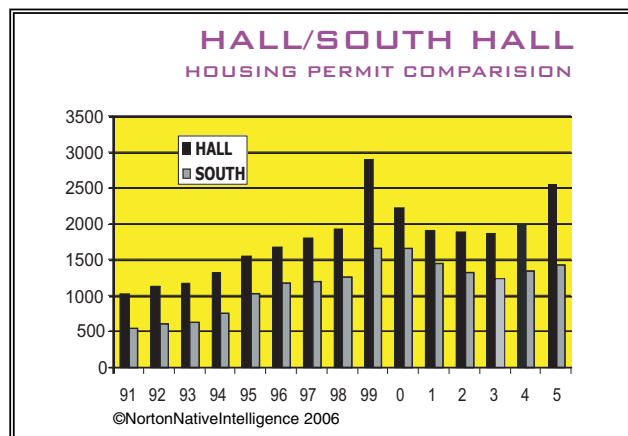
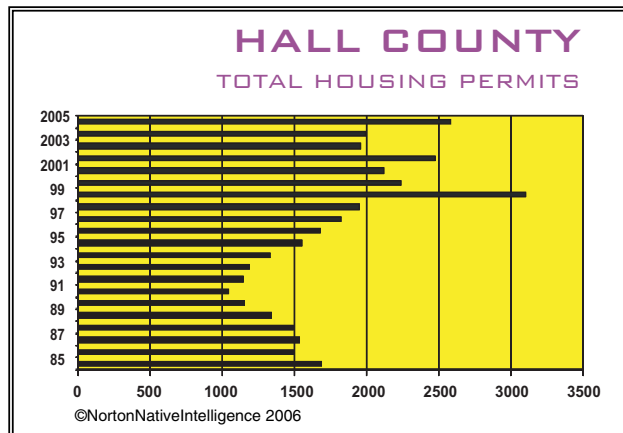


HALL

Renewal. A breath of fresh air has moved into Hall County as the balance of political power shifted at year beginning from anti everything (growth included) toward building a platform of infrastructure and progress. The attitude that “we can do anything we set our mind to” is back. Congratulations Hall County, but sustainability is the lynch pin for progress. Momentum lost during the dark years must be regained. Fierce competition from industrial Jackson, affluent Forsyth and “King Kong” Gwinnett strongly affect Hall’s future. The Chamber’s effort toward that foundation with its 2030 visioning is a head start but it will take time, energy and resources to implement.

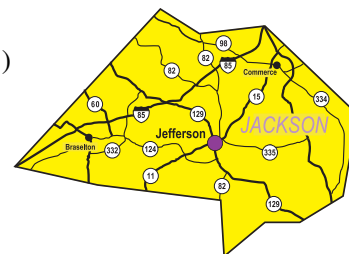


Hall’s best asset perhaps is its housing base diversity. Multiple house price points, housing condos, rental units, mobile homes, middle class neighborhoods, lake homes and executive housing is perhaps its greatest attractor. Properly channeled, the county could further diversify its employment components. While Forsyth gets North Fulton’s office white collar overflow and Jackson captures every big box distributor on the planet, mid size technical, biotechnical and small entrepreneur office users ala Peachtree Corners and Norcross would feel right at home in Hall with the environment, lake and recreational lifestyle. Models like Redmond, Washington; Fort Collins, Colorado; and Reno, Nevada should be investigated. Hall is in the middle of great things happening. It’s time to stand up and fight for a seat at the table!



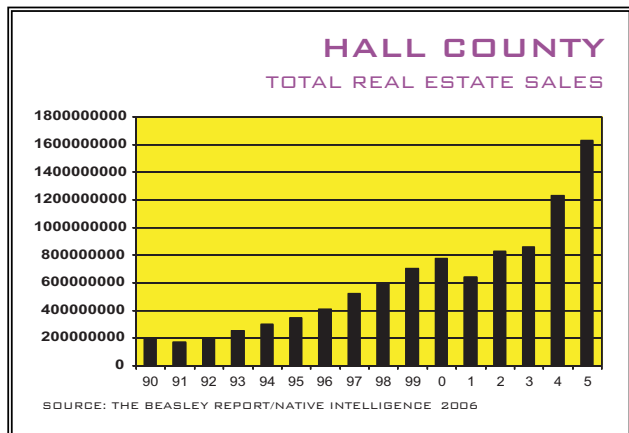
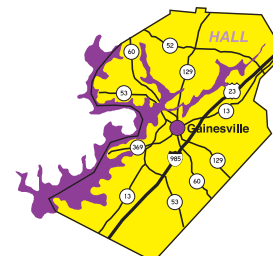
JACKSON

(See Trend #10 on page 13)



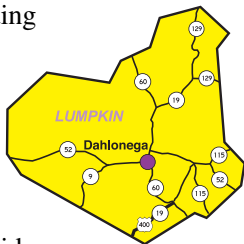
LAKE LANIER

(See Trend #3 on page 5)



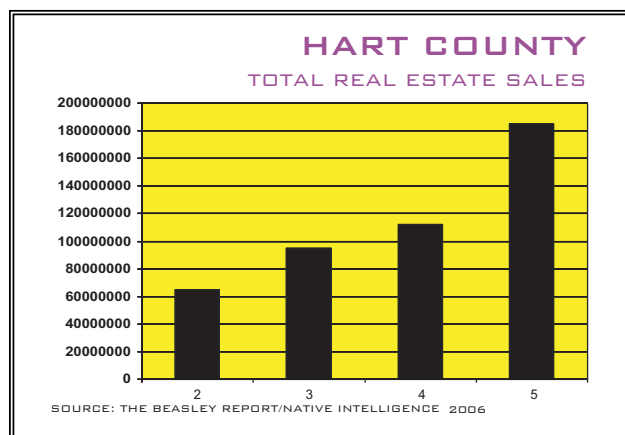
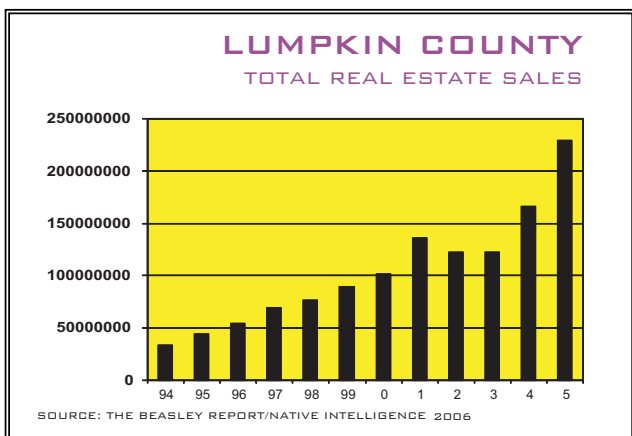
LUMPKIN

Progressively working out of impending financial bankruptcy, Lumpkin County is seeing daylight as development and economic vitality creep up Georgia 400. But Daylight is not all they see. They also have stars in their eyes as North Atlanta is discovering picturesque valleys and ridges and the multidimensional, homegrown “Disney Land” town square of Dahlonega. Everything is going to be just fine. The growth wave and sprawl means opportunity, employment and prosperity from the old county courthouse. The Bob Buisson Family Foundation purchase of the Folkways Center helps solidify and perhaps expand that regional attraction, which will compliment the emerging winery developments. Notwithstanding all other positive features, with water and sewer now available, a powerful retail market is about to crank up at US 60 and GA 400/Long Branch. The 2006 opening of Home Depot and the inevitable retailers that will follow will anchor a new city or center of commerce for Lumpkin County, the gateway to the mountains. Watch for good things to happen in Lumpkin, “the gold in them there hills is **glittering** business.”



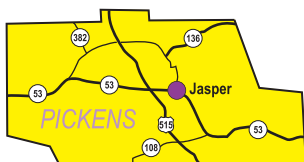
MADISON, HART AND ELBERT

This trio of rural counties is on the outer reaches of our projected growth corridor. So close but yet so far. Rolling land with a modest amount of Lake Hartwell frontage, they might present long-term land plays, 15, 20 & 25 year holds. The employment centers of Hartwell and Elberton are still struggling to emerge out of the textile era. But then again there’s Lake Hartwell and following that Lake Russell, both which may offer Atlanta second home buyers a value priced alternative to Lake Lanier. Madison is seeing more attention than ever from Commerce and Athens investors, speculators and users. Conventional wisdom still holds... research thoroughly, purchase wisely and plan to hold.



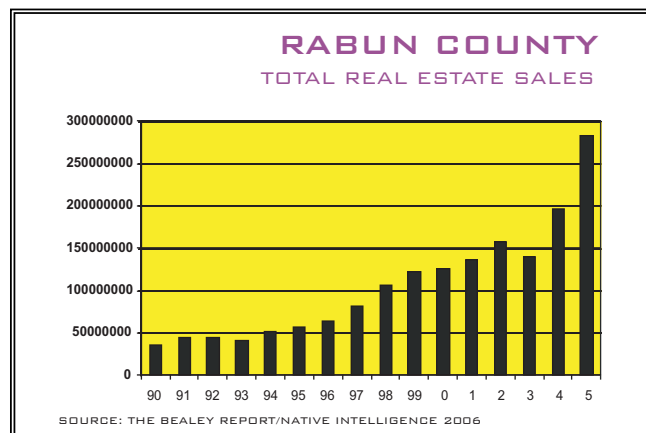
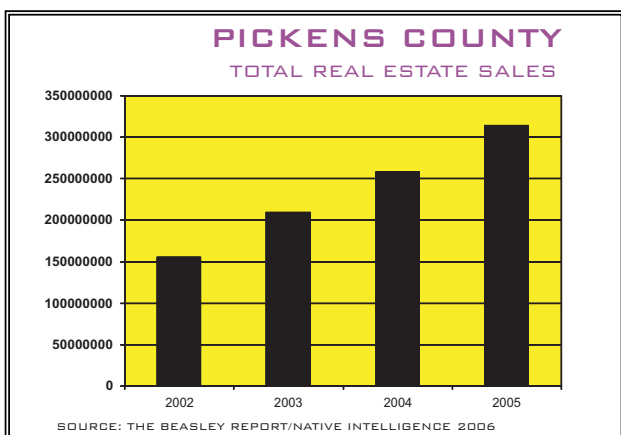
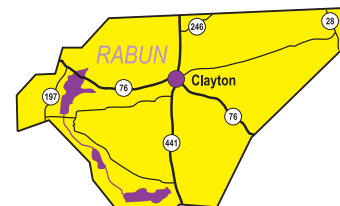
PICKENS

We remain bullish on Pickens as an affordable housing market for the regions along I-575 and the growing market for second home migration. As Big Canoe and Bent Tree mature and Crystal Falls comes on line, the market for further second home growth is a mile wide. The huge wild card long-term for Pickens is the remaining timber holdings of Temple Inland. A master planned development on their acreage could create a major city rivaling Peachtree City in Atlanta's south.



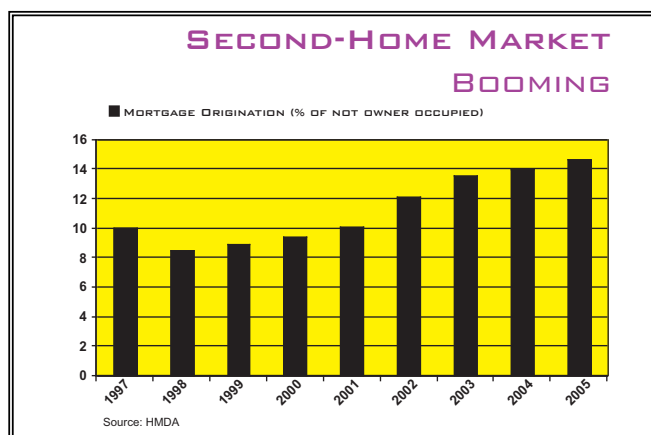
RABUN

With the spine of US 441 a construction war zone, Rabun is pausing its frenzied pace but watch out. Once completed "Katie bar the door." Improved accessibility will drive more folks through the pipeline and into the remaining hills, valleys and lake front. Rabun is clearly in the sights of every Atlanta second home buyer prospect. That continues to spell W.I.N.D.F.A.L.L. for the tax base, construction, the service industry and weekend oriented retail restaurant sectors. A new four lane US 441 will drive more convenience retail and could open the boutique retail market. The Merrill Estate's purchase of Sky Valley and the pending sale/redevelopment of La Prades on Lake Burton will help stabilize strategic parcels and invigorate those areas. Rabun doesn't need to attract a major industry, **they have become one.**



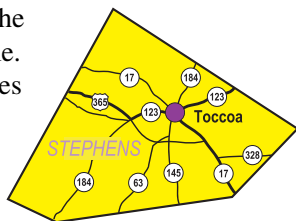
“Remember your mountain heritage, it's what makes you....you.”

W. L. NORTON, SR.



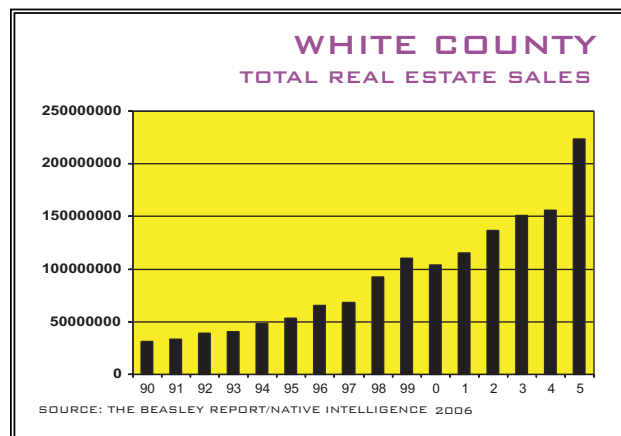
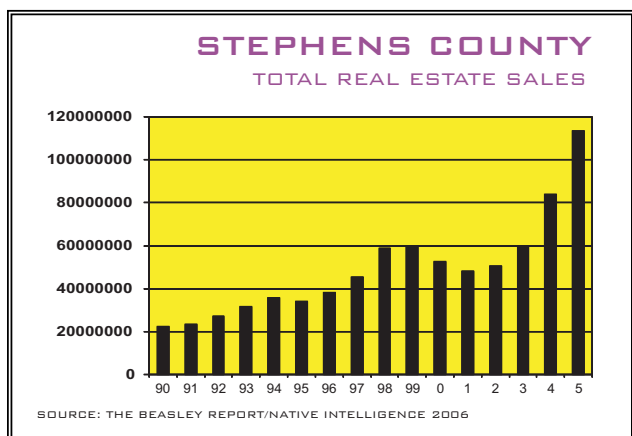
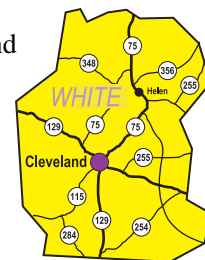
STEPHENS

We see a polarized future for Stephens until they can solidly reenergize their vision and jumpstart the county back into the industrial and development game. With some of the best land values of the region, a newly opened state-of-the-art Fieldale Hatchery and a “super duper” Wal-Mart under construction, signs are positive. On the flipside, the industrial sectors are still in the doldrums and downtown progress is stagnant at best. **BOOSTERISM** and self promotion, both internal and external, is the best medicine. We scratch our head and want much more from Stephens. The potential is clearly there, they just need to get out of their time warp.



WHITE

With the commissioners still pushing and pulling most of the populous into the 21st Century, White County is moving in baby steps, but in the right direction. While the methodology is sometimes not clear...mountain protection act, road paving and subdivision policies...the goal is at least to improve and manage the direction of growth while protecting the scenic vistas, fertile valleys and ridge tops which bring the hordes of tourists each week. In fact, White County really should lay aside their efforts to attract major industrial users and focus squarely on the real prize of **periodic tourism** and **second home tourism** that's the communities' strong suit. Development like Innsbrook, Mountain Lakes, Laceola, and Tom Slick's development in Nacoochee Valley bring tens of thousands more in property base revenue, job creation and sales tax. The major industry in White is construction and development. Riding the second home boom will mean a rise in the economic prosperity for those residents who live in White County 24-7.



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