



NATIVE
INTELLIGENCE 2012

Change...

For over 25 years, The Norton Agency and its talented brokers and staff have been chronicling **Change**. Well before Obama politicized the word, we've been using **Change** as a sounding chord to ignite our community spirit. **Change** in our region's demographic complexion, **Change** in consumer patterns and **Change** in the attitudes of the people that make up the life fabric of our Region.

Our reports themselves have changed as well, 8 sheets of carefully typed mimeographed market interpretations has since morphed into 48 pages of bound data, hundreds of charts and indices and evolving into an annual compressive Regional review. One client called Norton's report "North Georgia's Annual Business Bible." We like to simply refer to it as our *Norton Native Intelligence*[™], modern day "Indians" listening to the ground for approaching hoofbeats of **opportunity**. In the 21st Century, information has become the new currency and at this important 25 year **milestone** we commit to stretch our reach further.

With this year's report, Norton stretches itself again and launches an interwoven, interactive blend of print and electronic microns. Our 25th Anniversary Forecast Report now features our interpretations, thoughts and predictions in written form with direct links to a VAULT of back-up Regional community data. Accessible to the public, Norton friends and especially our Clients this portal is

www.nortonintelligence.com

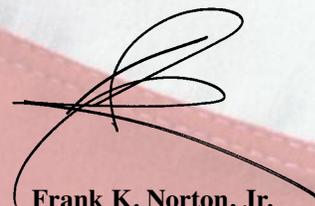
Norton Native Intelligence[™] Staff has spent thousands of hours building a robust platform of historical and current community data at your fingertips in order to Power ... to Propel ... our clients forward through the storm of economic business and Regional **Change**.

Change is Norton's middle name, ingrained in our DNA. The ability to adapt and thrive amidst adversity and opportunity alike, change in drive, direction and flow, but also to use our innate energy to propel forward. Either you manage change or CHANGE will manage you. Our team, now approaching 300, is well versed in the opportunities afforded by this new economy and every day guides our clients like watchmen carrying the lanterns down dark, dark alleys into the bright light of **Tomorrow**.

We invite you to join our successful cadre of clients, let us help you weather the storm, our community and business change. And let us help awaken your senses and alter your pocketbooks in order to capitalize on the lifetime opportunities at hand.



Robert V. Norton
President
Norton Insurance



Frank K. Norton, Jr.
President
The Norton Agency



THE TOP 10 TRENDS FOR 2012

I. IT'S NOT THE END OF THE WORLD

Legend has it that the Mayans, the most civilized race of ancient astronomers, mathematicians and clergy, developed one of the most accurate modern calendars only with an apocalyptic end game. The visionaries only ran their calendar out as far as they could ever imagine and stopped in 2012. But as we well know... we're still here at this writing so it's clear that **2012** will not be the end of the world, it goes on, and life goes on. Day by day civilization progresses forward.

Notwithstanding the dire Mayan prediction, very few could have foreseen the financial transformation the world economy has gone through over the last two, three and now four years. The world economy has seen a protracted business correction, recession, flat-lined recovery, and massive employment realignment and construction industry elimination. Essentially the period that could be named after the Beach Boy's classic hit "**Wipeout.**" We have hit bottom and the ground has stopped moving under our feet.

But we've seen clearly rising out of the smoke, fog and mist that it's not ... **The End of the World.** Business, like a forest floor after a horrific summer fire, is showing signs of rejuvenated life. North Georgia communities are showing signs of regeneration and **rebirth.** We called it Evolution in 2011's Forecast but today it's much, much more. Production lines have started back up (without additional hiring) efficiency experts are streamlining workflow, adjusting to vaporized layers of management. Georgia is still the fourth fastest growing State in the Nation. New industries: wind, water, power, automotive, food stuffs have emerged and replacing in part empty warehouses and now filling supply chain delivery systems. Transportation firms like Syfan Logistics are

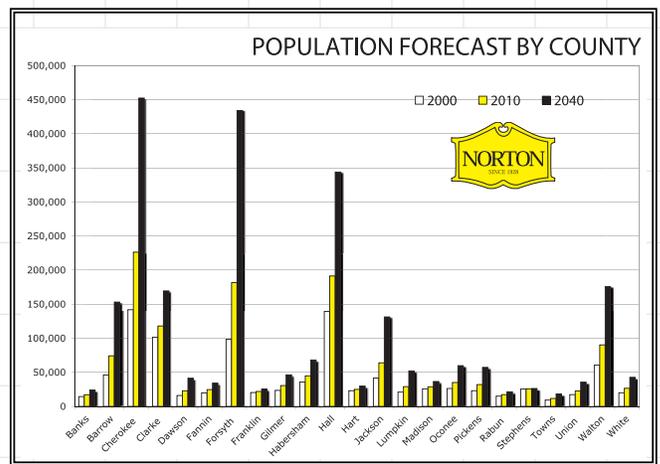
powering up to move "just-in-time" needed goods and services across the continent.

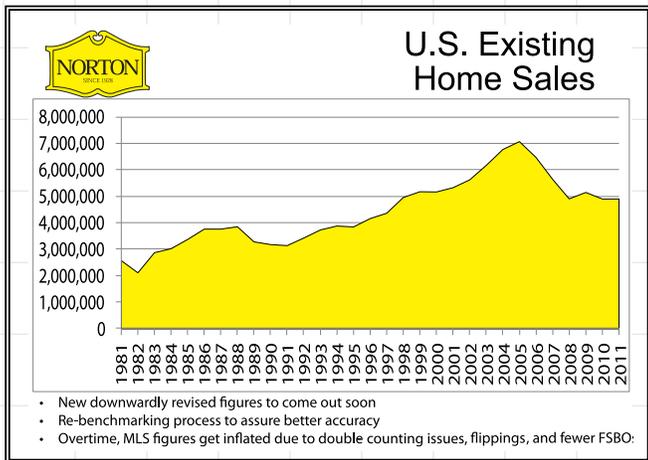
It's a dawn of a new world, where the age of conspicuous consumption is being replaced with private anonymous hoarding, where family values trickle down into core community values. Where we live happily in our middle class homes (not temporary ATM machines) we keep our cars longer and we browse and shop endlessly for value whether in store or online. The new mantra is ... "to live below your means, not above them." An economy where eating out is now recreation but so is watching the Food Channel, buying locally sourced-products and cooking at home.

We have learned to stay cool when the news gets scary. When a big shock hits the market it can be hard to resist the urge to sell, give up, hunker down. There are ways to outwit your instincts and steel your nerves. It's a big war out there, an economic war and it's time to fight back. What is Armageddon for some is a lifetime opportunity for others. 2000 to 2010 may be the lost decade but years ahead we're going to look back with reflection of the generational shift and the capital surge forward that resulted.

The mantra rolling into the New Year? Rules must be broken, and so must tired old business models and mountains of bureaucracy. Any expectations that fat corporate jobs are coming back? Kiss that one good-bye, and let's move forward with what we've got and create and execute in unexpected ways. That readers, is a jobs plan. Now if we could just get the %@!# banks to bend a little we could change the world.

2012 is not the end of the world; the horizon is long and wide before us. We've awakened from a long





consumers. We have the ability to create all the jobs America needs by just **changing consumer buying habits**. ABC has gone on to focus on American made automobiles, yes Honda does qualify. As we buy many American made, American job created, foreign owned vehicles ... it's no longer **foreign** made, just **foreign** owned. With the National unemployment hovering around 9.9%, jobs are important and the creation of jobs **#1** in our road to economic recovery.

Norton has even done its own **Made in America** research by breaking down the components that go into our typical Southern house construction. Our version "**Made in Georgia**" is quiet remarkable in itself. Norton Native Intelligence's™ research assistant, Jeremy Herren, spent weeks digging into the components of the average Georgia middle class house construction and then catalogued the various Georgia manufacturers that contributed to those elements. Yes, you can buy Chinese imported nails but a manufacturer in the United States makes the same quality and at less cost. To see our full report go to www.nortonintelligence.com (special reports) and download our full White Paper on "Norton's Georgia Made House."

We have become complacent it seems, toward digging into what we buy and the impact our economic decisions have on the local business vitality. Only recently did we begin reading labels for locally sourced products. It's just too easy to **skim**, **scan** and **swipe** our way out of a store.

Another pioneering effort is a project underway by Will Schofield and the Hall County School System which daily feeds over 25,706 students or provides 6,940,620 meals per year (some breakfast and lunch). They're making a conscious effort to turn their cafeteria into local purveyors of local groceries and prepared foods. While seasonal conditions exists, why buy tomatoes from Chile when you can buy tomatoes from Gillsville? Why import cheese from overseas vs. using Georgia made cheese? The goal here isn't just **social consciousness** it's **economic consciousness** and thus more jobs.

Buy local, while an important factor to support locally owned business, it is also important to spend your local dollars in your local stores even Wal-Mart. The typical Wal-Mart economic single store ENGINE sells a total of \$100 million dollars of goods and services per year. The "local" effect goes well beyond the 4-500 employees, annual inventory tax and an employment salary multiplier. The

gluttonous carnage of an indulgence of our own making and are embarking on a wild, undiscovered journey of full life before us.

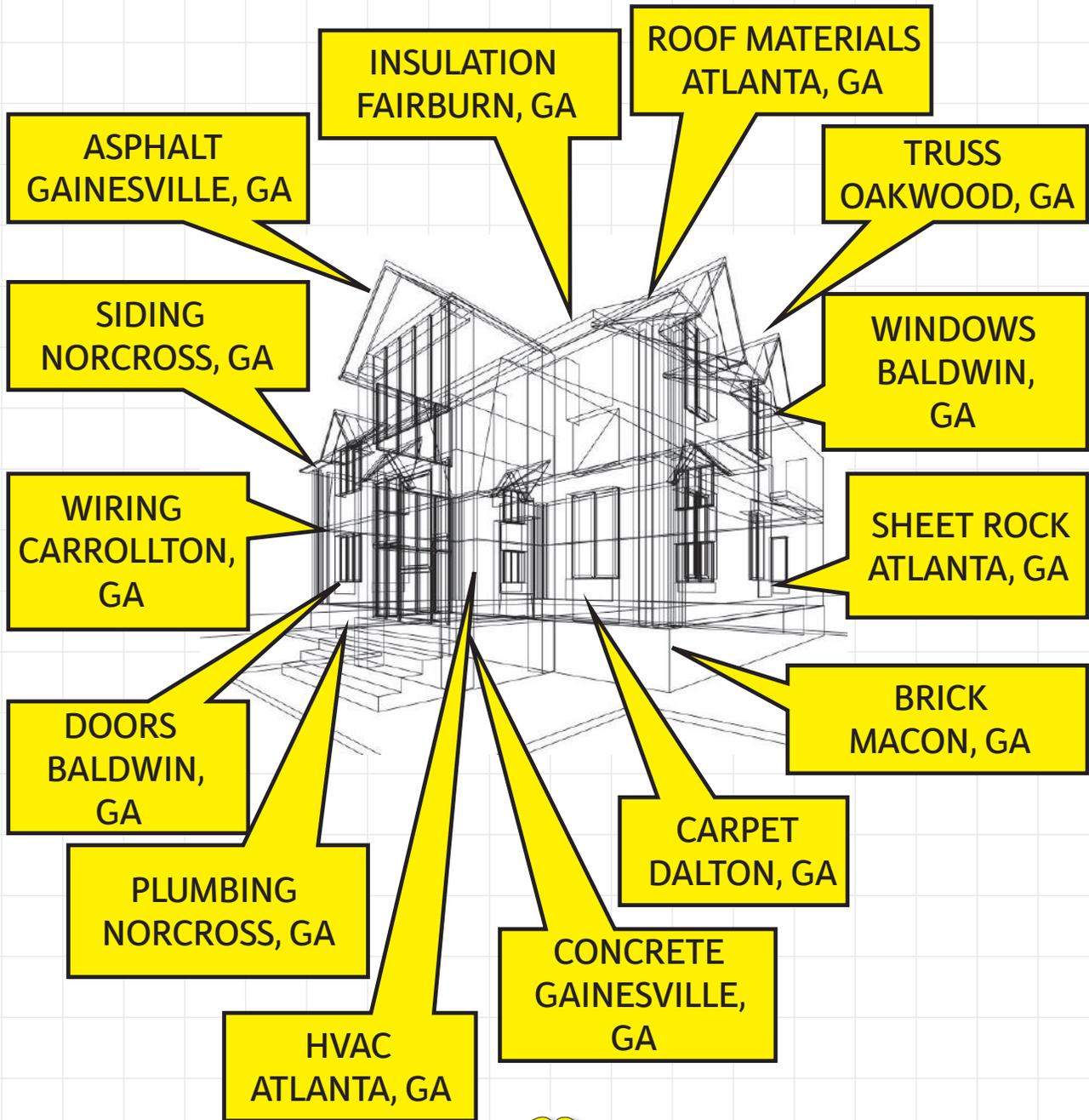
2. BUY LOCAL

It has started in slow, measured steps, a cry out of the American Heartland, **Buy American** and **Buy Local**.

There has been pain and community suffering as jobs have trickled overseas and American job loss mounts. The sleeping giant, China, awakened and is now producing consumables by the tanker load all destined for American pocketbooks. This summer an ABC TV Special Report was launched called "MADE IN AMERICA." Diane Sawyer and her team produced dramatic illustrations about the power and potential of buying "Made in America" ...and started the series by emptying a typical American family's entire house of "made elsewhere" furnishings and refilling it with American made, American job created furniture and fixtures.

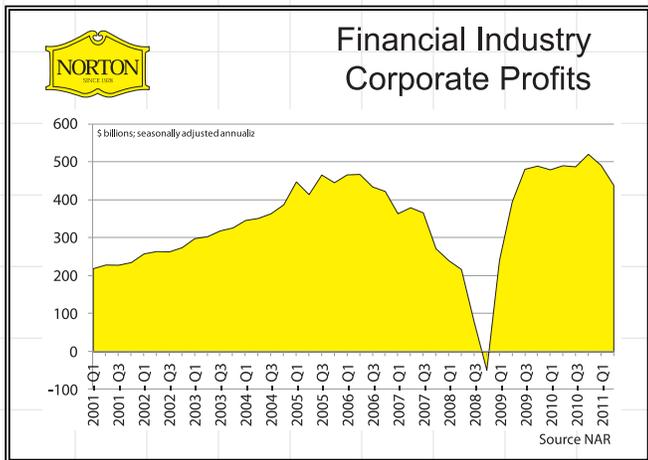
With the exception of the family computer, everything in today's home can be produced by American industry on American soil without being imported. If a household just spent \$3.32 more on American made products, it would create 10,000 new jobs (Moody's Economy.com). That is precisely the job creating power that we have as American

The Anatomy of a Georgia Home



HOUSING, MADE IN AMERICA

*NOTE: IN MANY CASES THE MANUFACTURERS PRODUCING THESE COMMODITIES HAVE MULTIPLE PROVIDERS BASED IN GEORGIA.



3. WATER

While Governor Deal continues to push forward his **powerful** water plan, we're dumbfounded with a large number of public officials' and private citizens' general lack of **urgency** with respect to WATER. At the time of this writing the Lake is down 11.5 feet and once again the plug looks like it has been pulled out of the bottom. While there are occasional bursts of media coverage, by and large over the last 18 months, it seems Georgia's water czars are slow playing the dealt cards and sitting on their hands.

ARE WE THIRSTY YET?

Yes, Judge Paul Magnuson, whose ruling on Lake Lanier has been overturned and headed as predicted to the Supreme Court (Norton Prediction Forecast 2009), but either some of the General Assembly water leadership has gone stealth or they are mired in the back smoked-filled rooms we call **politics**. The Aqua clock has been hit with a snooze button, but our liquid neutron bomb still ticks on.

ARE WE THIRSTY YET?

The pressure valve of immediate growth has been relieved. Metro Atlanta housing permits 2011 were 5,309 vs. 42,000 during the peak... but that folks is just momentarily. Without water Atlanta is simply a concrete desert. We must have a plan; an integrated plan for providing Georgia's economy and its thirsty demographics with sustainable clean, fresh water sources.

Ideas Worthy of Remembering

- Digging Lake Lanier deeper. It makes too much sense to dig out the 15 - 20% of Lanier's storage capacity filled with 50 years of silt in an existing EPA approved reservoir versus waiting 10 to 15 years for government permission for a new reservoir. This restores 61 to 92 billion gallons of storage capacity. The by-product of digging it deeper is it puts thousands of grading contractors back to work and cranks up both idle machinery and the economy.

average Wal-Mart stimulates or collects 1 cent toward each SPLOST tax, 1 cent toward school SPLOST tax, 1 cent toward LOST tax or a total \$3,000,000 in local revenue for schools, fire stations and infrastructure support each and every year. Plus more revenue to the State. (Just ask Jackson County, about the POWER OF WAL-MART, they don't have one.) So it stands to reason that we need to make conscious household buying decisions to buy our next flat screen TV at the Oakwood Wal-Mart vs. the Wal-Mart conveniently next to Mall of Georgia in **Gwinnett**. Buying "local" where local opportunities abound is crucial to support of our **local CIVILIZATION**. So buying "local" needs to extend to government as well. It's downright insulting to local business for **local** governments to import architects, consultants, contractors, subcontractors and engineers from across county lines to design, build or plan for **local** projects; when the same high talent lives, operates and **pays taxes right here**. **Local** money, paid for by **locals** should be spent with **locals**, who employ **locals** and support the **local economy**.

GOVERNMENT LEADERSHIP WHO DO OTHERWISE ARE KILLING OUR GOLDEN GOOSE WITH OUR OWN MONEY.

Norton Native Intelligence™ is encouraged by the simmering "local" movement. As part of a **LOCALLY** owned Real Estate and Insurance Company, buying local hits right at home with our own business model. We're proud that for 84 years, one hundred percent of our revenue and investments has been put back to work in the North Georgia Region.

- And once dug deeper then raise the pool 2 feet. The extra 2 feet equates to another 28 billions of gallons of liquid refreshment or the equivalent of another 20 future reservoirs built decades away in Middle Georgia.
- Work in parallel to create and implement quickly the network of regional reservoirs both South of Atlanta and throughout the North Georgia mountains. Let's call this GVA Georgia Valley Authority (pardon TVA) ...Cool clean water, natural vistas and recreation, in **wait** until we need it.
- **Conservation** – Reward development and redevelopment; business and personal, for substantial water conservation initiatives through Georgia Tax Credits.
- And as a backup plan in the event that the U.S. Supreme Court rules against us, plan to mobilize Governor Deal and the National Guard atop Buford Dam – turn the flood gates off, shut down the water stream and tell Alabama and Florida to ... COME AND GET IT!

Investing in water is a solid asset.

ARE WE THIRSTY YET?

4. THE EUROPEAN HOUSING MODEL

While housing has taken a major hit to the gut, the bright spots are well worth digging into and analyzing for macro and micro trends. After extensive study of new home sales performance in 2011, a deep discovery of the changing consumer is warranted as kindred austerity attitudes are clearly emerging.

A review of the major nationals' business platforms and the government's monetary and housing policy shifts, Norton Native Intelligence™ believes we are moving to a European housing model.

Consider this:

- The average resale home price in North Georgia was \$137,500 in 2011 down from \$185,500 in 2007.
- Average people with Average Credit buying Average Houses.
- Statistically over 45,075 homes under \$175,000 traded hands in Metro Atlanta in 2011 or 72% of the total volume.
- New government policies are pushing larger down payments requiring families to save longer. While savings is now up 6% per household (bank savings, money market, 401K, IRA) it takes 10 years at \$2,000 per year to accumulate \$20,000.00 of free cash in the average American bank account.
- This X-Y generation has seen the equity built up in their baby boom parents' homes take a major nose dive and are skittish on future purchases.
- There is a growing propensity to rent vs. own, with home rental favored over apartment rental in the prime buying age 25 to 40.
- The baby boom parents are urging their x and y children to invest in the American dream. And family loans or grubstake gifts are softening some of the purchase disinterest.
- The major National builders are blueprinting larger homes on smaller lots in tighter areas just like in Belgium, Holland, Great Britain or Germany. Row after row of free standing homes lined up like soldiers along a street.
- The American dream of home ownership has dimmed slightly in this economic time warp. Home ownership rates are projected to fall from 69% (2006) to 63% in 2013.

But home ownership is part of America's DNA. Since the time of the Pilgrims, home ownership, farm ownership, private ownership free from government supervision or confiscation has been one of our country's founding principles.

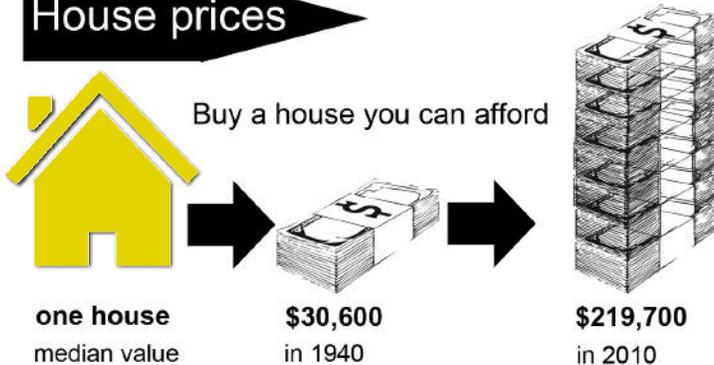
We believe it's because homes are more than the walls they're made of – more than the investment of many years of hard work. Real estate isn't just a market ... it's a state of mind. Homes are deeply connected to the life we live. This is why all buyers will "imagine" themselves living in a particular home when they go to see it, and why they try to think about what life would be like within those walls. This is also why foreclosure is so emotionally draining.

THE CURRENT STATE OF HOME AFFORDABILITY

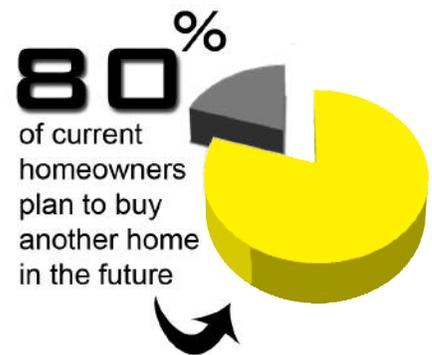
7,344,000

the number of new, privately owned housing units authorized from Sept. 2009 to Sept. 2011

House prices



Median home values are seven times higher than they were 70 years ago when the first census was done in 1940.



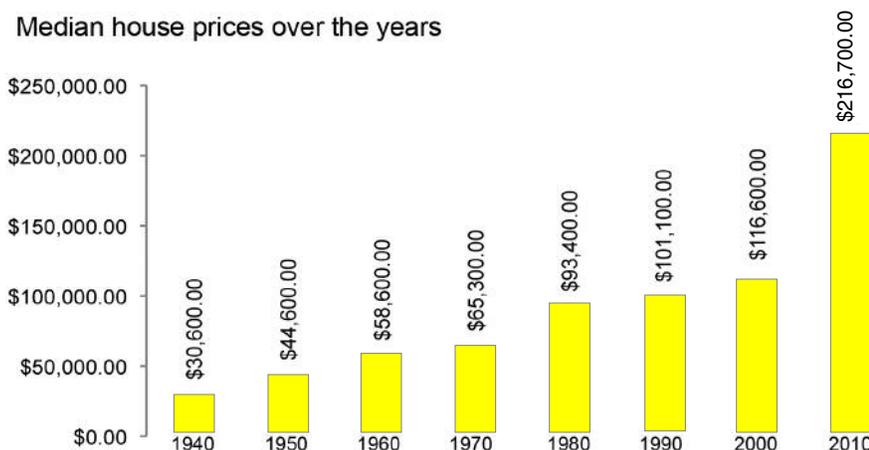
In fact, **57%** say owning a home is one of the best long-term investments they personally can make

4 years' salary →

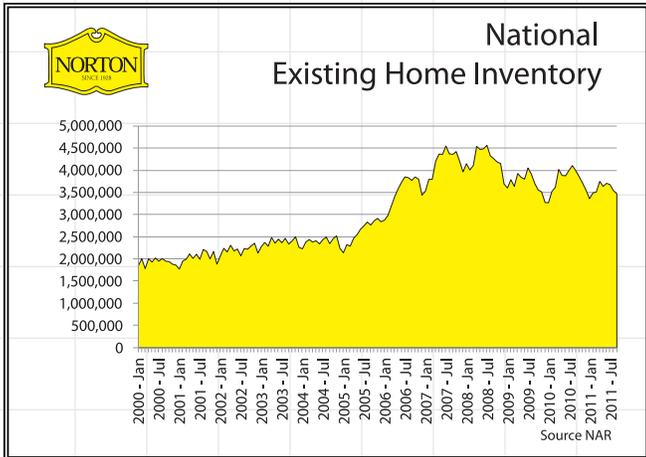


Today, the average American household can gather the money to buy a median home in 4 years. That is if no money is spent on anything else.

Median house prices over the years



Owning a four bedroom, two bathroom is the American Dream. Depending on where you live, the dream make be close to reality.



- Multiple generation living options, multiple main floor bedrooms for elderly, larger tubs and elderly assistance design devices.
- The demand for McMansions has paused, but will re-emerge when the economy rebounds. The American spirit seeks bigness and many people feel they're entitled once they've earned enough money.

Norton Native Intelligence™ continues to be bullish on housing. Shelter is one of human civilization's greatest needs, but in the great economic Evolution (Forecast 2011) we see the market stratification of housing becoming more evident.

A home is a future, a present and a past. It's a living thing. It's where we feel attached to life, where we dream and where we plan for what's next. A home **in the next twenty years will be considered a Nest not a Nest Egg.** A basic human need, shelter with a by-product of paced monthly savings. But a savings account not an open checkbook: Stratification is fundamental when addressing the industry's recovery.

- More houses packed into the same community infrastructure.
- Housing expandability for expanding families – bonus rooms, 4 or 5 bedroom additions, 2 master suites.
- New construction so that there are homes within homes. Sections can be closed off as kids leave; parents' age and households evolve.
- We see homeowners staying in their homes longer. It used to be the home ownership cycle was 7 years but is now predicted to move to 10 to 12 years.

- Luxury Housing & Estates
- Custom Built Housing
- Middle Income Housing
- Starter First Time Housing
- Modular Mobile Home
- Long Term Home Rentals
- Short Term Home Rentals

5. REASSESSING THE STIGMA

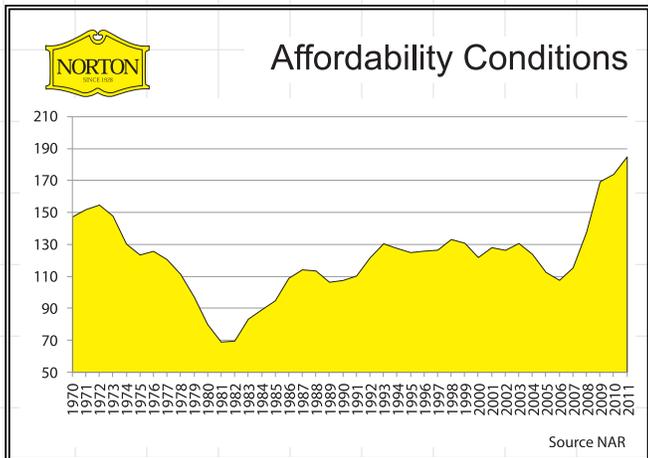
You remember the Stigma, the scarlet letter of American civilization, the red badge of shame, head hung low, spirits down. Friends quit calling, barely speaking in the grocery store...

You remember it if you are over 40, the stigma of foreclosure, bankruptcy, repossessions, that has been part of American financial complexion since the turn of the 20th Century. The stigma meant embarrassment, the long road of credit rebuilding, wealth stability, regaining good name, good reputation and building back a sound, solid track record.

NATIONAL
Demographics of Recent Buyers

Source NAR

	2011 Profile	2010 Profile
Median Age	43	39
Gross Household Income	\$80,900	\$72,200
Household Composition	64% married couples 18% single females 10% single males 7% unmarried couples	58% married couples 20% single females 12% single males 8% unmarried couples
Own a 2 nd Home	19%	14%



foreclosure, bankruptcy reposition become hazy fog or whether the pendulum swings back. While credit may take 5 to 7 years to rebuild we do know **this time it's different and the stigma has almost faded into the sunset.**

Note: the Norton Agency has created both Home Rental Credit Counseling Services and a Home Mortgage Credit Clinic to help our many clients in stress.

6. LENDING IS INVISIBLE

Show me the money! Today it's invisible. Lending in America and North Georgia is invisible. Banks are dormant, many just trading water waiting for either a divine miracle or a Federal shutdown. Bank Directors large and small are under a microscope and new Federal policies keep pouring in.

But out of the war torn rubble and smoky ashes of **2000-2006** is emerging a beast of a creature called

OWNER FINANCING.

With lending on the sidelines and cash a growing vehicle for acquisitions (out of over 800 Norton residential transactions, 43% were all cash). There is an **emerging** need and **emerging** opportunity for alternative lending. Private investors in America are sitting on an estimated 4 trillion dollars in liquid assets, searching for higher yields and a slice of risk reward security. For this reason we're seeing a new phantom or underground lending industry come out of hiding.

- A high net worth individual loans a modest amount \$75,000 at 5% interest, no closing costs (home value \$125,000) to another rental home owner for a 5 year term, 20 year AM, saving the landlord refinancing costs and gives a stable attractive return to the individual lender vs. keeping it in a sub 1% money market.
- Another high net worth Regional investor sitting on a pile of cash is looking for quality commercial lending opportunities for 5 year, 10% interest money.

In 2012, the times are different, **this time it's different**, part psychological, and part financial. We don't know if it's the times we're in or the nature of this downturn but foreclosure and bankruptcy aren't what they used to be. It seems the Stigma has faded; everybody it appears is doing it, millions underwater, handing in the keys. It's not just the unemployed or the builders or developers that are doing it, it's moved into Main Street America. Doctors, lawyers, CPAs are allowing properties to go back to the bank.

Strategic Default: calculated financial decisions that stop mortgage payments, hold off paying and buy another property in the name of your wife, Father or Mother-in-law, who has good credit. The strategic Default concept is being played out coast to coast.

A quick survey of bankers over this Fall has confirmed our theory. In this recession foreclosures or bankruptcy is no longer the badge of shame it used to be, in fact, one banker even said "I'd loan some of the (defaulting) borrower's money again." "They are good people caught." While admitting the same banker said he had a list of defaulting borrower's he "would not touch again with a 10 foot pole." The attitude is distinctively different; Norton Native Intelligence™ believes this economic tsunami is so pervasive, so swift in its rise and so softening in its fall there are people just **caught**. Caught between tumbling assets,, caught in industry downsizing, caught in the irrational investment exuberance or just caught.

While a micro trend, it is a distant social shift, and only time will tell whether the psychological effects of

7. EMPIRE BUILDING IS OVER

Believe it or not our Forecast gets us in trouble from time to time. Over the 25 issues of Norton Native Intelligence™ we've been condemned at times for being **too** outspoken, swimming upstream, upsetting the status quo or rhythm of current business boosterism. Our goal is always to present the facts and offer common sense commentary on the hard, cold reality of our community. But it is ok, life goes on and those who are stung or whose feelings are hurt can quit coming to our Forecast events and put aside our reams of free data they use for their own business or government administrations.

We love North Georgia too much to let it be spoiled by self-centered politics or self-centered politicians who tell us what **We** want ... what **We** need ... rather than listening to the sounds and cries of the people of the business community, the citizens of our Region.

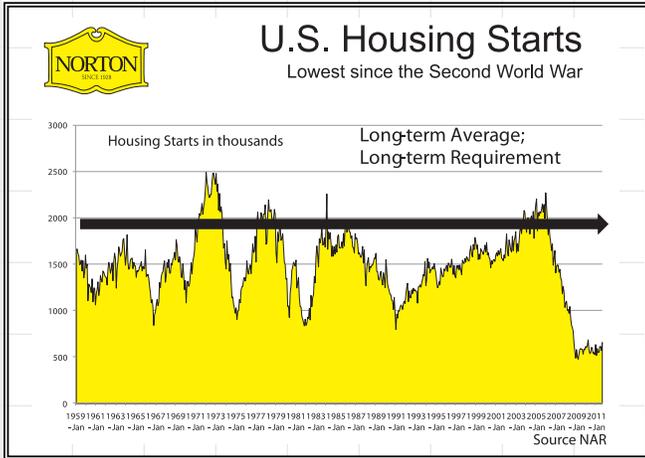
Norton, as part of our business makeup, believes it to be part of our social responsibility, part of our business conscience to point out "emperors without clothes, or cracks in the foundations." We want to make North Georgia better, stronger, resilient and stronger and stronger. And stronger still.

"The mightiest of the oaks are those battered in the wind, pelted in the storms and still stand steadfast giving shade, shelter and warmth to those below it."

Anonymous

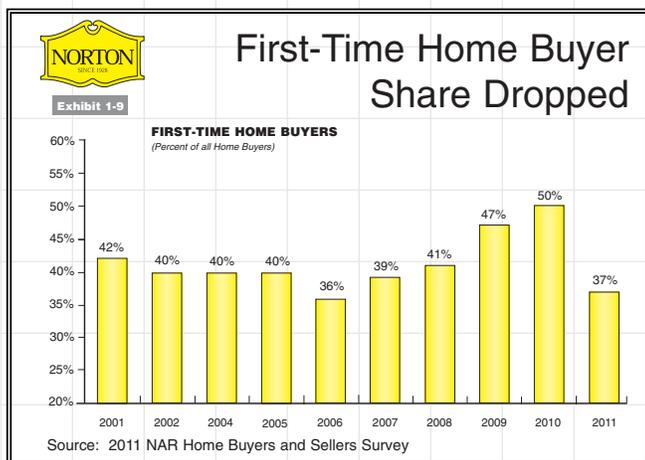
Empire building is over and the empires that are built are crumbling under their own weight.

While privately-owned business has advanced the idea of "right sizing" its administration, capital conservation, and work flow; public government large, small and smallest has yet to address realigning of their footprints or service menus. We have become a refuge or support for all sizes of people problems and issues. Governments have supplanted the private sector, replaced the rolls of charities and church and used our hard-earned money via inflated tax revenues, to justify program delivery and swell its own entitled employment. They gather in

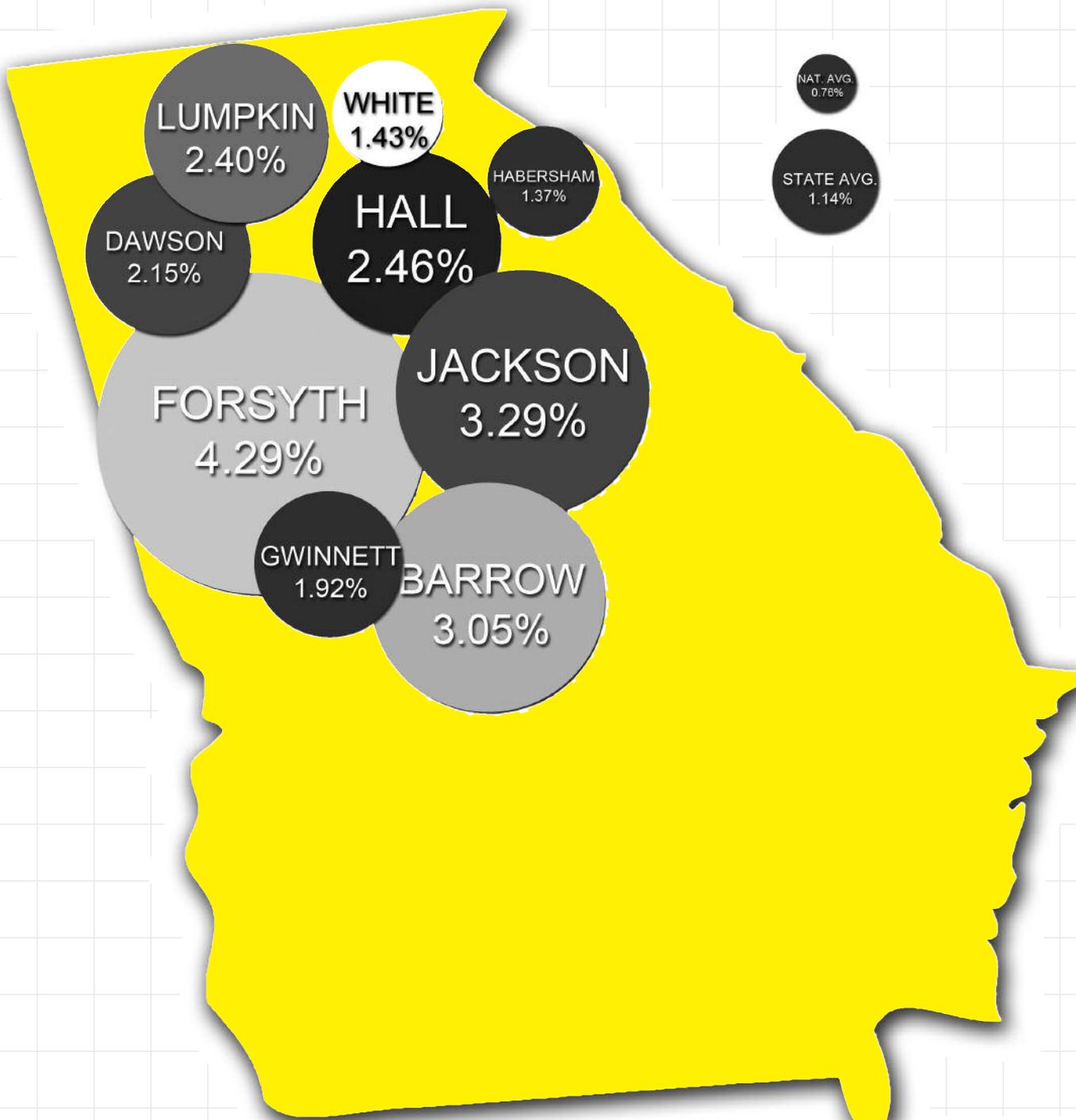


- Still another family fund created a stand alone small business lending model charging 10% interest and 3 points for small business loans and rental properties.
- Large funds are in the early stages of due diligence for a construction lending model.
- Credit Unions are seeing a 20% to 40% increase in membership across the Country and are starting to dominate traditional auto lending. Some Credit Unions are offering financial services, mortgage and personal insurance thus becoming the equivalent of the home town banker.

With local lending impotent and new home supplies at 40 year lows they see opportunity with capital letters, M.O.N.E.Y.



Northeast Georgia's Annual GROWTH RATE TRENDS



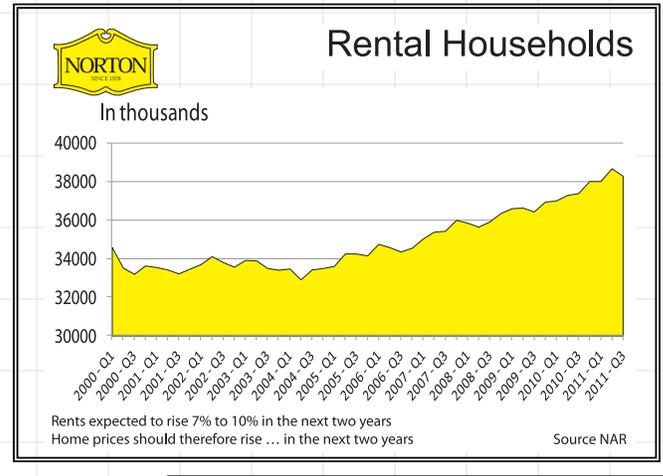
All information is from the US Bureau of the Census,
2000 Census of Population and Housing for 2010 and 2015.

government workshops to learn of great local, state or Federal programs in other regions and like genetic cloning, try to replicate them in their own communities. What works in Savannah or Augusta has a hard time translating in Dahlonega or Cumming ... programs in Macon don't necessarily work in Jefferson and Gainesville. The equipment to fight crime in a war zone of Metro Atlanta is not needed in Clermont, Baldwin or Hiawassee: governments don't realize that one size does not fit **all**. So government flush with other people's money, go Gnarls Barkley "**CRAZY**" with non-sensical programs and purchases.

- Rabun County purchases with a Homeland Security Grant an \$88,000.00 bomb sniffing dog. How many bombs are ever found in Rabun County? And can they not borrow a neighboring county's dog?
- Hall County spent \$150,724.96 for a souped-up Winnebago mobile command center office and a mobile meth testing lab for another \$222,222 all with confiscated funds or federal grants. Both are used a scant amount of time and spend most of their lives gleaming in the Hall County prison's parking lot as trophies or paraded to public events.
- Gainesville, using a 3 million dollar grant in the late 1970's, tore down several downtown retail blocks on the "wonderful premise" that a city-owned convention center would stimulate a hotel boom. At the time 8 blocks west was the privately-owned, successful McKibbon Brothers "Holiday Hall" doing the very same thing. Now the reality is that since construction 35 years ago few if any years did it ever operate without a subsidy. Millions more have been spent in repair, maintenance, reconfiguring parking decks and now has an annual loss (direct and indirect) exceeding \$500,000.00.
- And we learn that gifts; Rabbits (Red), would cost us money to return!

We all need to be asking the tough questions and our leadership should have developed a Plan B and C if things change or don't work out as idealistically envisioned.

But isolated in the North Georgia forests are bold communities like Hoschton which, when faced with economic collapse, re-engineered every corner of city government cutting its budget by a reported 65%. **Congratulations!** And if Hoschton can do it, how about Cumming, Dahlonega, Cleveland or Buford?



Reality is that governments have been in the **Empire** building business for decades. The **Empires** built over the last few years are crumbling while some politicians fiddle like Nero with the political kingdoms. Impotent in their cost control actions and have always looked to a rise in tax rates, fee rates or assessments to feed their gluttonous appetite for power. They are learning quickly that the **EMPIRES STRIKE BACK** deep in the pockets of the taxpayer, generation after generation to support their subsistence.

It's time to unshackle government, bring in local business intelligence and re-engineer government, consolidate services, some cities, streamline operations and slash executive overhead: Appoint Business Leadership Councils to advise government on "right sizing" public services; Listen and learn from the community's business leaders who have spent the last 4 years in a combat zone of their own private enterprise restructuring, then work rapidly to transform government and education delivery systems.

Empire building is over; it's time to tap into private enterprise INTELLIGENCE.



8

UNDER ALL IS LAND

For several years now Norton Native Intelligence™ has watched the dormant land market wondering about recovery, the future demand and overall values. Bankers by and large think **land** is worthless or even less. Norton remains unconcerned about commercial potential properties, strategic holdings in the major growth corridors and impending directions of growth. It's the raw farmland, timber tracts and acreage parcels in the hinderlands across Georgia that have had us scratching our head. **But no more.**

While no land rush, there is strong movement of value priced land sales across all points of Georgia agricultural and timber tracts selling in South Georgia, operating farms stretching their reach through acquisitions toward out of money or tired neighbors. And added to this good news is Georgia Ag Credit which has a number of lending initiatives that are supporting the rekindled farm industry growth. To quote Gerald O'Hara in Margaret Mitchell's epic *Gone with the Wind*,

“Why land is the only thing in the whole world worth working for, worth fighting for, worth dying for because it's the only thing that lasts.”

We have also observed a number of great land plays over the last 18 months that give us reasonable assurance that the trough has been dug deep enough and the valleys and mountains of our Region are beginning once again to be filled with prospectors.

For example:

- An investor buys a 300 + acre parcel in Banks County with retirement money (all cash, of course) for \$1,800.00 per acre. Cut the standing timber, build a new lake with the money and hunt on it for 20 years. The bet is the 20 year performance of land appreciation will outstrip the stock or bond market.
- An emerging organic farmer purchased a failed golf course in Madison County, Georgia, 135 + acres for \$225,000 or \$1,666 per acre. The added benefit here is a convertible 3,000 square feet “golf cart barn”

– soon to be “farm” barn and an operational sprinkler system for the fairways that he will turn into agricultural.

- A group of guys buy a failed un-built subdivision of 70+ acres and plan to construct 5-7 gentleman farms for 70% less than the pre 2006 sale price.

Land, utilitarian function, personal use land is today's exceptional investment. Land could be the future currency. Ag-Business products especially the organic, farm to table offerings and sustainable agriculture are **big** ideas and **bigger** returns. Owning land in AMERICA is still owning land in AMERICA. In 2012 it will be the visionary investor who will buy land; picnic or hunt on it and twenty years later harvest great profits.

Remember **Gerald O'Hara's cry**
Land..... “it's the only thing that lasts.”

9

MAKE NORTON HOUSING CZAR

While most real estate organizations are busy retooling for an anti-housing Federal Government, it's time to step up and challenge the political machine and advance positive actions that would kick start the American housing industry.

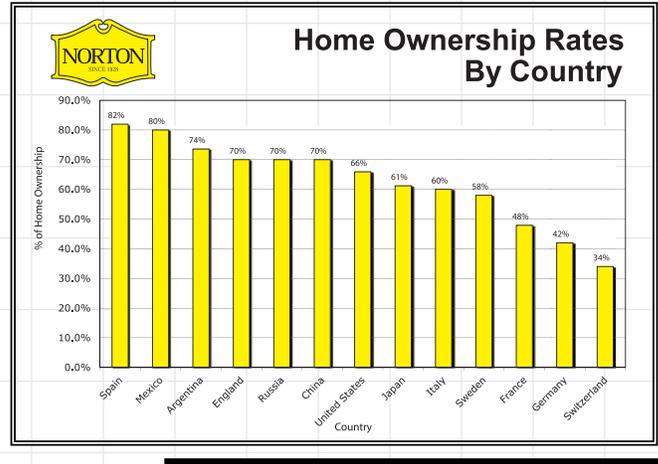
Make Norton Housing Czar: make someone Housing Czar to lead us out of the dark, murky abyss and up into the bright light of American prosperity. Problem solve ... not erect obstacles ... in this era of economic malaise.

Fix the housing and you fix the economy

The housing industry accounts for 30 to 42% of this country's GNP when incorporating home construction, land development, household goods and services. And while most real estate organizations are planning for this anti-housing Federal Government, it is vital to America's

revival that housing play an economic role in that resurgence. Government must quit focusing on supply (shadow inventory, foreclosures) and focus on creating housing demand, renewed employment growth, reasonable mortgage products, deregulation of the housing industry and its impediments. Strong, decisive action is warranted, bold initiatives both public and private are necessary. The stalled housing component drags down consumer spending/ consumer confidence, increases unemployment and as we have seen these past 4 years, puts a pall on the American psyche.

To revolutionize America's housing industry **Czar Norton** would:



- Target National home ownership at 66-67% of all households up from the current 63% and below America's peak at 69% (there were way too many marginal borrowers and predatory lenders that hurt the market). This boost would stabilize current inventories and stimulate a modest new home construction cycle.
- Create and promote a federally backed 40 year mortgage product that would be available for credit worthy borrowers willing to offer 20% or more as a down payment. This could eliminate PMI but creating a retirement sensitive mortgage product for solid housing and solid borrowers.
- Relax and streamline appraisal standards. The pendulum has swung far enough; the professional appraisers are intimidated by the FDIC, FHA and HUD Gestapo and play a "see how low you can go" game for value. Value is value or what a reasonable seller would pay for a property – **not less**.
- Stimulate the long-term housing industry through the ramp up of an older product called "The Portable Mortgage" or a mortgage that can be moved from one property to another (same borrower same credit) without incurring new loan origination fees or stringent underwriting.
- Create a Federal backed SBA type initiative for small builders as a homebuilder and job creation/preservation stimulus. The original SBA matches community bank investments with guarantees for small business enterprise. The housing industry is just that ... a small business enterprise. This new initiative could ease the fears of community banks, have like SBA strongest

underwriting guidelines, but would kick start small builder business enabling them to provide quality new housing stock in communities where the big industrial builders (Pulte, D.R. Horton, and Lennar) won't venture.

- With traditional lenders absent in the market stimulate the housing industry on Wall Street or amongst Hedge Funds by granting housing tax credits for long term housing product financing.
- Unshackle National building codes which ultimately trickle downs to local codes, all of which require mountains of paperwork, are profit inhibiting, and narrows material choice. At the same time local communities must do a thorough review of all their own permitting code and zoning compliance ordinances. The era of 4 sided brick McMansions has waned. Basic utility housing is not only in Vogue but required.
- Allow IRA and 401K savings to be used as home purchase (first, second or investment home purchases) without penalty. The American Family Home is one of the most important family retirement components; Treat it with the same respect. For more information go to www.homeira.org.
- Allow for greater use of 21st century pre-engineered factory component housing methods which speed home construction, lowers interest carry and assures quality control /standards.
- Eliminate the Community Reinvestment Act, CRA requirement of banks. It put too many homes in places no one wanted to live. Instead, stimulate housing

ANOTHER DAY, ANOTHER DOLLAR

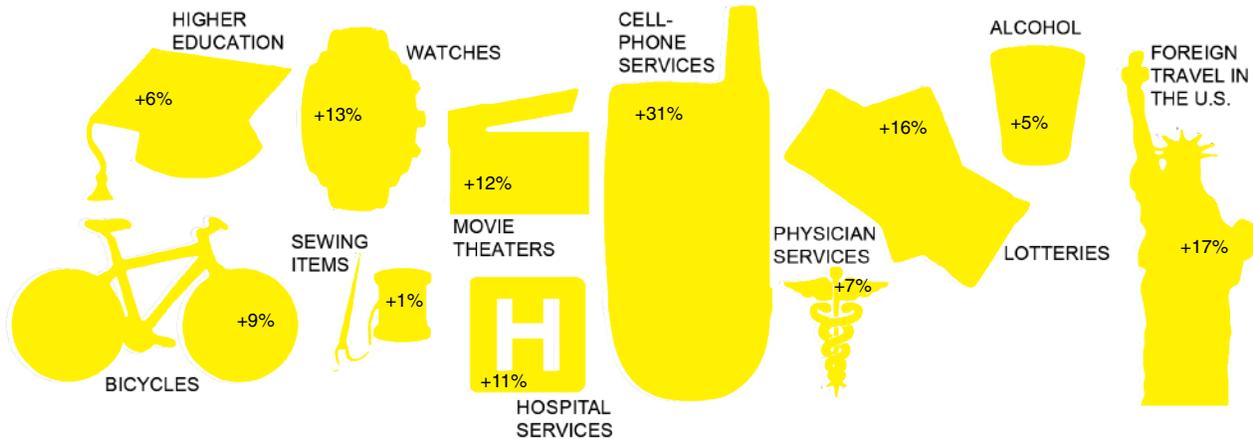
HOW OUR WALLETS HAVE WAVERED IN THE PAST FOUR YEARS

Remember 2007? Six months before the official beginning of the Great Recession, unemployment stood at 4.6%, and Americans were saving less than 2% of their disposable income. Today's slightly more cautious consumers are squirreling away 5.4% in the face of a double unemployment rate. Not surprisingly, our spending habits have adjusted to the new economic reality. A comparison of pre- and postrecession U.S. spending patterns reveals a nation that is, on the whole, thrifter in some ways (who needs a fuel-guzzling yacht when a bicycle will get you around?) yet a little more indulgent in others (we're scrounging up more money for booze.) Whether the revamping of our household budgets is permanent remains to be seen, but one thing is clear; tough times indeed got Americans thinking about what they can and cannot live without.

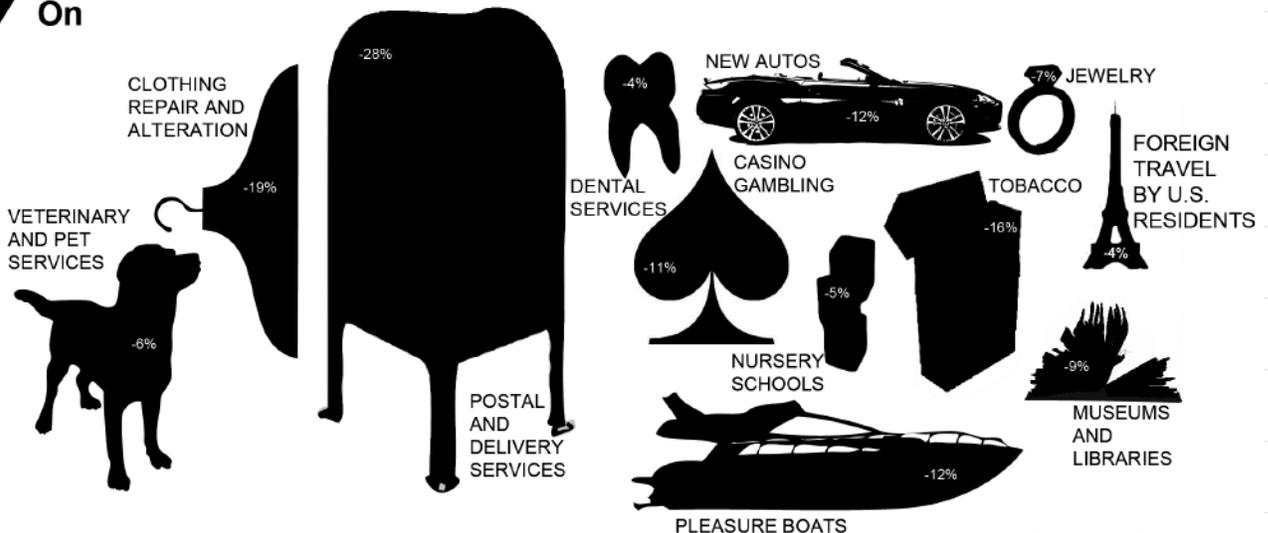


**Since 2007
Consumers in the U.S.
Are Spending More On**

Rate of spending growth
2003-2007 **14%** | 2007-2011 **3%**



**And
Less
On**



Source: Department of Commerce and Time Magazine

growth with low income housing enterprise assistance grants and let the developer put those in regions where people demand is driven, rather than government maps or statistics drive it. This program could be stimulated further by jump starting community enterprise zones with pro-active mortgage products, personal tax incentives and credit underwriting.

- Eliminate the gift tax limitations where the gift tax is used for a child's or grandchild's home purchase. That would help bridge the next generation of home ownership and accelerate housing recovery.

Make Norton Housing **Czar** and if not Norton some **real** human, **real** street smart organization deeply experienced in the housing battlefield and drive this market segment back onto the tracks.

“The streets of America are paved with Gold”
“The American right and privilege to OWN a home”
“The dream fulfilled of your own business, being your own boss”

With declining home ownership, soaring savings rate and a stagnant risk adverse lending climate (thank you Federal regulators) money is being hoarded in dormant money market funds or abysmal CD rate instruments. Americans have herded their remaining assets into the back 40 corral and businesses have created CIRCLE THE WAGON strategic plans. Cash mounts, liquidly improves but stagnation and stflation has emerged. Washington's politics are in chaos. Wall Street's performance looks like a bad EKG, and consumer confidence has bunkered down into Middle Earth. Engines must be restarted, sidelined capital put back to work, troubled assets need a permanent home ... if life as we know it is to normalize (or God willing, return to the way it was). Never before in the history of our country has so much money been sitting on the sidelines. Stock trading is down 43 % (2006-2011), IRAs and 401Ks cash positions are swelling and the investor consumer and American citizen are in a state of

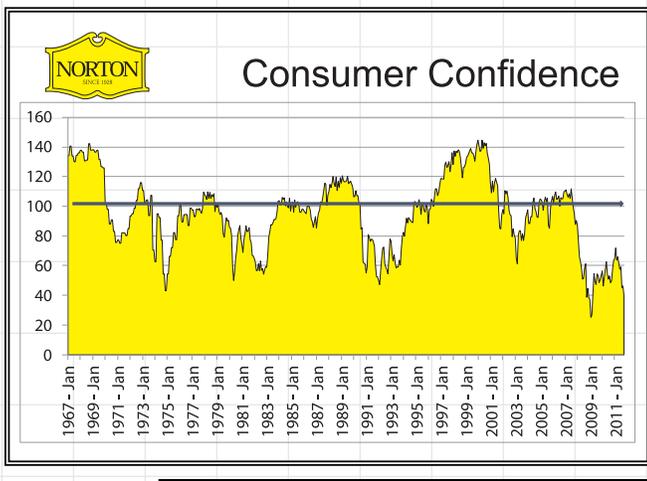
I INVEST IN AMERICA

Pelting storms of change, rising seas of despair, hurricane force winds of foreclosures, sinking portfolio values, and crisis level consumer confidence. Are we witness to the fading of the AMERICAN DREAM?

IRRATIONAL UNCERTAINTY

While corporate operating profit margins are at all time highs, very limited plant expansions are even on the drawing board. The news media has video clip by video clip chronicled, the new race to the BOTTOM.

A virtual financial Zombie land for our country. It's too hard to fathom that this irrational uncertainty is America, but in the midst of the Armageddon, Norton and its team are spending more and more of its time working with a **stealth** breed of buyers we now refer to as VULTURE CAPITALISTS.



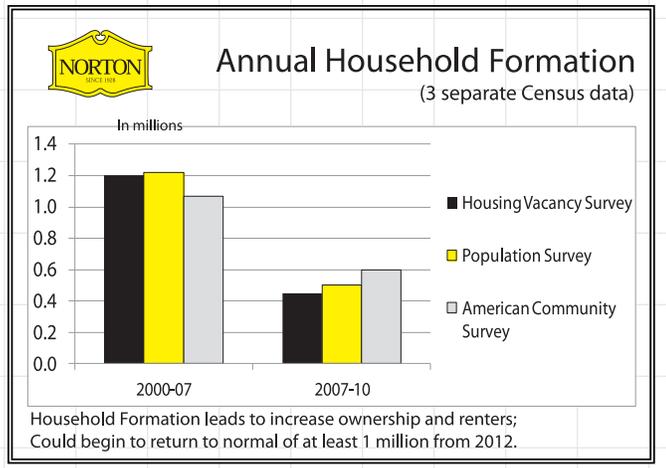
		Key Indicator Forecast		
		2012	2013	2014
GDP Growth		2.0% to 2.5%	2.3% to 2.8%	3.0% to 3.5%
Net New Jobs		1.7 to 2.2 million	2.0 to 2.5 million	2.5 to 3.0 million
CPI Inflation		3.0 to 3.5%	3.0 to 3.5%	2.5 to 3.0%
Rent Growth		3.0%	3.5%	3.5%
Home price Growth		2.0%	3.0%	4.0%
Home Sales		4.0%	6.0%	6.0%
Mortgage Rate		4.5%	4.8%	5.5%

Source NAR

Not necessary in high net worth, although some are, these would be buyers and buyers are flush with opportunistic money; capital ready to be redeployed towards investments that have now reached cellar prices. While the economy most likely will be flat lined for the next 3 to 7 years, prices have leveled off. The reality of catching a falling knife is faded; the “knife” has now hit ground ... thus **pay dirt**.

After 4 years of paralysis in Washington and Wall Street it’s become clear the only real solutions to our REAL RECOVERY lies in our own hearts, minds and **pocketbooks**. It takes bold courage to dig deep in our pockets and invest money in our future. The control is in our hands. We can no longer rely on government or business to pull us up and out, we must do it ourselves.

It’s time to “Invest In America” scour the properties for sale and put dormant foreclosures back in the vibrant home rental pool. It’s time to invest our capital in our own business expansion (Norton has opened 2 new offices, bought 4 new businesses and started 4 others in the last 4 years alone). It’s time to capture market share and flex our recession resilient business muscle.



Recovery will occur ... it’s just a matter of timing. Spending drives 2/3 of America’s growth and it’s time to start spending. The age for **ad hoc imperialism** or **culture capitalism** will be short lived (Norton Native Intelligence™ projects a 3-4 year window) as the best of the best properties get gobbled up. Whether it’s a spectacular lake home, a million dollar Chateau Elan property, a gentleman’s farm in Habersham County, a shopping center in Forsyth or a cabin in Rabun or Lumpkin, the buy side opportunities are incredible. The old adage “you make your money on the buy side” is ever true today.



Cost Comparisons over 30 years

Item	Price Index in 1981	Price Index in 2011	% Change
Consumer price index	87.2	226.3	160%
Rent index	84.7	254.3	200%
Food price index	91.6	229.6	150%
Gasoline price index	103.6	308.4	197%
College tuition index	75.8	601.3	693%
Medical care index	78.6	401.4	410%
Monthly mortgage payment on a median priced home	\$598 (14% mortgage rate)	\$698 (4% mortgage rate)	17%

Source NAR

While a bold statement ... it’s **time to steal your dream**, time to build “legacy” investments, make “generational” investments. The Land Barons of North Georgia: Banks, Mashburn, Orkin, Day, Noblin, Lovell, assembled their multi generational holdings through good times and bad ... but accelerating their acquisitions in the BAD. Legacy investments focus on “the good stuff” in long term directions of growth. It’s a great time to trade up, get what you always dreamed of. The old money makes new money.

Tactical asset allocation is in or reallocation is well underway. As of this writing 43% of all Norton 2011 residential purchases were all cash transactions. That’s over 95 million dollars that has moved from one asset class to another. A HUGE TREND in itself. In the real estate market and the financial markets, it’s always smart to **Follow The Money**. And the money has started to loosen. One legacy purchase after another reduces the available inventory, shores up the local economy and powers us toward recovery.

The emerging market is America, our own backyard. It’s time to dig deep and invest again. The risk now small, the rewardoh, so great. AMERICA land of the free, home of the brave, **OPPORTUNITY** for everyone.

- Invest in Education
- Invest in Public Infrastructure
- Invest in the Environment
- Invest in Manufacturing
- Invest in Job Creation
- Invest in Real Estate
- Invest in **Our** Children
- Invest in **Our** Future.

INVEST IN AMERICA Let the eagles soar once again.

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President



BOB NORTON
President, Insurance



BRAD ABERNATHY
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Associate Broker



ED BROWN
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BETH CARMICHAEL
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BRENDA DUCKETT
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JEAN FERRIS
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JANE FLEMING
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ANDY FOX
Commercial Acreage Sales



DOUG GARRISON
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CARMINE GIORGIO
Coordinator of Acreage Services
Associate Vice President



DARLENE HANSON
Leasing Specialist



BETTY HOWARD
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TOMMY HOWARD
Vice President
General Manager



GINA JOHNSON
Associate Vice President
Associate Broker



JR JOHNSON
Commercial Sales Associate



DOYLE KIRK
Sales Associate
White County



RON LEWALLEN
Associate Broker
Commercial Sales



STEPHEN LOVETT
Commercial Land and
Lot Specialist



ROBERT MURILLO
Director of Logistics
Asset Management



MATT MCDORD
Vice President, Partner



JOHN PAGE
Chief Financial Officer



WAYNE PARKER
Vice President
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