



APPRAISAL SECTION

Review by Ray Palmer
of

Robert Banting, MAI - Appraisal of US Sugar Corp Land to be Acquired

July 22, 2009

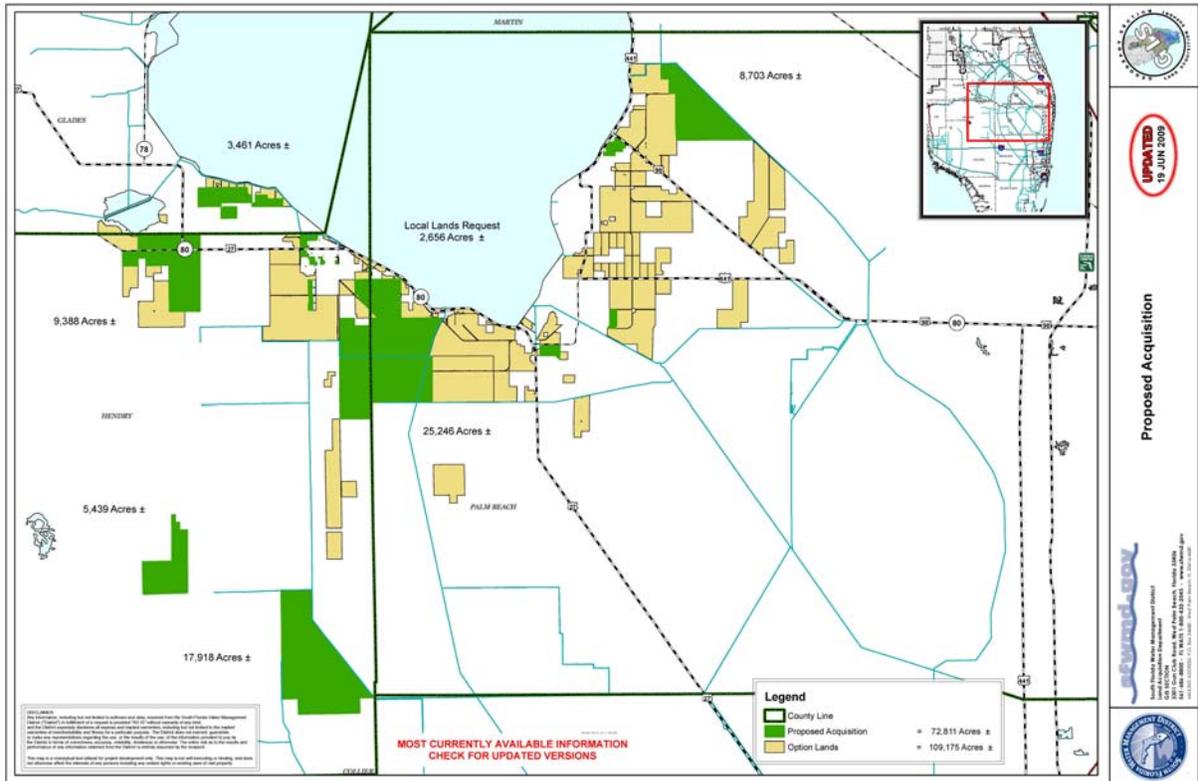
Executive Summary

TO: Ruth Clements, Director
Land Acquisition Department

FROM: Ray Palmer, Chief Appraiser
St. Cert. Gen. REA RZ1602

PROJECT: River of Grass

PROPERTY OWNER: U.S. Sugar Corporation and subsidiaries





ACCEPTANCE OF THE REPORT:

The appraisal report is accepted as having met the requirements of the scope of work for this assignment including the Florida Statutes regulating appraisal activities and the USPAP (Uniform Standards of Professional Appraisal Practice).

APPROVAL RECOMMENDATION:

Both this appraisal report and the alternate report are acceptable and provide reasonable and appropriate value estimates for the property under review and either could be recommended for approval based on the details set forth in the respective review documents. However, it is my opinion that the alternate appraisal report provides a more convincing demonstration of the current market conditions and better supports the indicated value conclusions for the lands proposed for acquisition.

NOTICE TO THE READER:

The original appraisal on the properties addressed in this appraisal report had an effective date of value of August 15, 2008. The subject components were valued as portions of larger tracts of land based upon the highest and best use conclusion of the properties. A significant change in the appraiser's analysis of value for the agricultural tracts was to value them as independent parcels that would likely sell separately. The appraiser considered property characteristics that have an impact on property values. Specifically the appraiser's adjustment for size was not appropriate for two of the agricultural properties, and only a moderate size adjustment for the largest parcel.

The appraisal report may have contained data provided to the appraisers by the property owners that was designated "Confidential, Proprietary and Trade Secret" in accordance with s. 812.081, Florida Statutes. This data is exempt from disclosure under the Public Records Act, Chapter 119, Florida Statutes, pursuant to s. 815.045, Florida Statutes. Any data that is classified as "trade secret" will be permanently redacted from copies of the appraisal report or review memorandum prior to distribution.



SUMMARY OF THE REVIEW

Appraiser Under Review:

Robert Banting, MAI

Previous Appraisal Report Information:

The summary appraisal report under review represents the second appraisal of the lands briefly described herein. The first appraisal had an effective date of value of August 15, 2008, and provided detailed information which is relative to the current report's valuation analyses and processes. By reference, the appraiser made the original report a significant part of this appraisal assignment. As such, the current report is dependent on the original report for a complete and thorough understanding of the new value conclusions.

Property Description:

The subject property comprises 40,066± acres of agricultural land holdings owned by United States Sugar Corporation (USSC). No growing crops, rolling stock equipment, furniture, or intangible assets were included in the value estimate. The land groups were categorized by the appraiser based on their primary uses. These are identified as:

- Agricultural Land
 - Moore Haven S-4 Area (Land East of Blumberg Road)
 - Central Area (Land West of Blumberg Road)
 - Pahokee Area (Land East of US 27/Pahokee/Northeast)
- Community Request Lands (Transitional Lands)
 - Palm Beach County
 - Hendry County (Agricultural)
 - Hendry County (Transitional)

(Note: Mr. Banting did not reappraise the three Citrus grove tracts totaling 32,000 ± acres as part of this proposed acquisition. Negotiations for the proposed purchase are based on the grove values estimated in a previous report by this appraiser with an effective date of August 15, 2008.)

A summary description of the major land groups appraised in the current appraisal is presented in the following paragraphs. A detailed description of each is included in the Mr. Banting's previous and current appraisal reports. The subject tracts include the following land components.

Agricultural Land

The appraiser uses the general description of agricultural land to describe the acreage used for sugarcane production. I will refer to that acreage as "sugarcane" or "cane" land to reflect its current use. This acreage includes those lands proposed for acquisition from USSC that is currently used for growing sugarcane. All of the agricultural designated acres, and most of the transitional designated acres, are organic muck soils, and all lands are located within the EAA (Everglades Agricultural Area), in Palm Beach, Hendry and Glades Counties. **Improvements** on the cane lands are scattered throughout the properties and include equipment storage, buildings and fuel stations for the agricultural operations, plus pumps and water control structures.

The appraiser's analysis concluded that the **highest and best use** for the agricultural acres is for continued agricultural production. The mill and refinery's need for the sugarcane support this. Each component part was valued separately and not based on any theory of value contribution to the larger USSC holdings.



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Moore Haven S-4 agricultural lands containing approximately 3,461.02± acres of land, located in the western part of the EAA, east of Moore Haven, close to the southwest shore of Lake Okeechobee.

Central agricultural area contains approximately 25,246.22± acres located southeast of Clewiston, in the central part of the EAA, east of Blumberg Road and west of Highway 27.

Eastern agricultural lands containing 8,702.92± acres located in the northeastern EAA, east of Lake Okeechobee, near to the community of Pahokee.

Community Request Lands (Transitional Lands)

The Community Request Lands total approximately 2,655.8± acres. These lands are described as primarily “transitional” and are presently vacant or in sugarcane production. The transitional lands are a group of select tracts described in a previous appraisal as properties which may transition from its present use to more intensive uses such as residential, commercial, industrial or low intensity use. The appraiser indicated that most of the “transitional” tracts are considered to have a future or potential highest and best use other than for agricultural production and have potential utility that would influence their market value. The appraiser’s analysis showed that the market will pay a premium for lands which can have an interim use for agricultural purposes, and a future potential for more intensive uses.

Size Summary:

| Component | Acres |
|---|-----------------|
| Moore Haven S-4 agricultural area | 3,461.02 |
| Central agricultural area | 25,246.22 |
| Eastern agricultural area | 8,702.92 |
| Community Request Lands: | |
| <i>Palm Beach County</i> | |
| <i>Hendry County (Agricultural)</i> | |
| <i>Hendry County (Transitional)</i> | |
| <i>Total for Community Request Lands</i> | <u>2,655.80</u> |
| Total Acreage Appraised * | 40,065.96 |
| * The final acreage is subject to completed surveys | |

Interest Appraised:

The appraised interest for all land was fee simple subject to common title exceptions (a title commitment and review was not available to the appraiser prior to completion of the appraisal report). Therefore, no title encumbrances other than what would typically be found on similar properties in the market.

Special Assumptions or Limiting Conditions:

Because of the extent and complexity of the appraisal assignment, there are multiple segments to the appraisal, each of which may contain assumptions and limiting conditions applicable only to that component appraisal report. It is important that the reader view the original and current appraisal reports for a list of assumptions or limiting conditions relating to that each land component.

The non-typical assumptions that were included in the appraisal report referenced such issues as:

- Exclusion of project influence



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- Assumption of adequate access.
- Soil productivity and unknown conditions.
- Continued water supply.
- The continued and uninterrupted operation of the Clewiston sugar mill and interdependent relationship of lands used for agricultural purposes if necessary to support the mill.

Cost Benefit of Option Agreement

The appraiser was also asked to provide an analysis of the exclusive option to purchase all remaining lands owned by USSC. This analysis was considered an appraisal consulting assignment, separate from the valuation of the land to be purchased. This part of the assignment includes the process of developing an analysis, recommendation or opinion to solve a problem, where an opinion of value is a component of the analysis. The purpose is to provide an indication of the mathematical difference between market value of the remaining lands owned by USSC and the option price to purchase those same lands, which consist of approximately 107,000± acres.

Effective Date of Appraisal:

May 1, 2009

Date of Report:

June 1, 2009

Summary of Appraised Value:

The following summation of values is for presentation purposes only. The final value estimates were not summed by the appraiser, and no discount was considered for bulk sale or wholesale purchases. The appraiser provided individual values for the various land components. Each of the component parts was valued separately, as purchased individually from a larger parent ownership. The appraiser's analysis suggested that the highest and best use of these properties is for independent ownerships and use.

| Component | Acres | Appraised Value |
|--|-----------------|-----------------------|
| Moore Haven S-4 agricultural area | 3,461.02 | \$ 27,500,000 |
| Central agricultural area | 25,246.22 | \$ 164,000,000 |
| Eastern agricultural area | 8,702.92 | \$ 69,500,000 |
| Community request lands | <u>2,655.80</u> | <u>\$ 40,000,000</u> |
| Total for this appraisal | 40,065.96 | \$ 301,000,000 |
| Value Citrus Land (original appraisal) | 32,745.00 | <u>\$ 175,000,000</u> |
| | 72,810.96 | \$ 476,000,000 |
| Cost Benefit of Option | | <u>\$ 32,500,000</u> |
| Summation of Values | | \$ 508,000,000 |



S.R. 3-2-a

Client

The client is the South Florida Water Management District Land Acquisition Department Director or designee.

Intended Users

The South Florida Water Management District Land Acquisition Department and all appropriate funding partners are the intended users of this report.

Intended Use

The intended use of this appraisal review is for quality control.

Purpose of the Assignment

The purpose of this appraisal review is to determine if the content, analysis, and conclusions contained within the appraisal report being reviewed are in compliance with all applicable standards and contract requirements.

*The purpose does **not** include the development of an opinion of value about the subject property of the work under review.*

S.R. 3-2-b

Subject of the Appraisal Review Assignment - S.R.3-1(b)(i)

The subject of this review is the appraisal report on certain lands owned by the US Sugar Corporation or its subsidiaries, prepared by Robert Banting, MAI.

Date of the Review - S.R.3-1(b)(ii)

The completion date of this review assignment is July 22, 2009.

Property and Ownership Interest Appraised (if any) in the Work Under Review- S.R.3-1(b)(iii)

The subject property of the appraisal under review contains land in several different locations throughout the EAA (Everglades Agricultural Area) and neighboring areas within Palm Beach, Hendry, and Glades Counties. The parcel zoning and land use designations are agricultural on most of the acreage, with small areas of industrial, commercial and residential zoning.

The appraiser estimated the **market value** of the **fee simple interest**, subject to common title exceptions. As of the date of this report, no title commitment was available for the appraiser to consider.

Additionally, the appraiser was requested to provide an analysis of an exclusive option to purchase most of the remaining lands owned by USSC. The appraiser compared the current appraised value of the remaining 107,000± acres of land to the option purchase price in order to provide a mathematical indication of the difference between the value of the land and the option price. The option did not represent a marketable interest which could be sold to a third party and could only be transferred to the State (Trustees of the Internal Improvement Trust Fund). The calculation provided indication of the difference between the appraiser's estimate of the current market value of the property and the stated option price.



Date of the Work Under Review - S.R.3-1(b)(iv)

The date of the report that is the subject of this assignment is June 1, 2009.

Effective Date of the Opinion in the Work Under Review - S.R.3-1(b)(iv)

The effective date of value of the work under review is May 1, 2009.

Appraiser Who Completed the Work Under Review - S.R.3-1(b)(v)

The appraiser who completed the work under review is Robert Banting, MAI, Florida State-Certified General Appraiser RZ4. Mr. Banting's business office is located at 521 South Olive Avenue, West Palm Beach, Florida 33401.

S.R. 3-2-c

Scope of Work Used to Develop the Appraisal Review- S.R.3-1(c)

The purpose of this appraisal review is to determine if the content, analysis, and conclusions contained within the appraisal report being reviewed are in compliance with applicable standards and contract requirements. In order to accomplish this, I maintained communications with the appraiser during the period of developing this update in order to answer questions and provide assistance when information was needed from the South Florida Water Management District.

After the report was completed, I sought corrections or revisions necessary for clarification prior to acceptance of the final report. *The purpose of this review does not include the development of an opinion of value about the subject property of the appraisal being reviewed.*

I am very familiar with the geographic areas in which the subject property is located. Inspections of the subject properties were made by me or department staff during the previous periods of research, discovery and analysis. I have personally interviewed the appraiser and some of the supporting experts who provided direct or indirect assistance with the analyses and development of this and the original report. Standard Rule 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) has been carefully considered and applied in the development and communication of this Review Memorandum.

S.R. 3-2-d

Completeness of the Material Under Review- S.R.3-1(d)

It is my opinion that the material under review is complete within the scope of the work applicable to this assignment. Because of the extent and complexity of the appraisal assignment, there are multiple segments to the appraisal. It is important that the reader see the original appraisal report and the updated report under review for a complete list of assumptions or limiting conditions.

The Special or Extraordinary Assumptions were agreed upon by the appraiser and the client prior to completion of the appraisal and the current report and are considered normal for this type of assignment. The inclusion of the *Assumptions* does not result in a misleading value conclusion.

The current appraisal report prepared by the Mr. Banting appears extensive and complete. When combined with the original appraisal report the current appraisal report included a vast amount of data that was analyzed and presented in a thorough and understandable format.



Adequacy and Relevance of the Data & Propriety of Adjustments- S.R.3-1(e)

The complexity of the appraisal assignment under review resulted in a report containing separate valuation analyses on various land groups. The extents of the analysis of each, and the propriety of any adjustments, are addressed below.

Agricultural Land – In the original report the appraiser incorporated the services of a variety of staff, consultants and appraisal specialists to research the market for sales transactions that would provide an indication of market value of the subject agricultural land. The appraiser's analysis appears to have resulted on the application of appropriate value conclusions in the current appraisal. This was supported by research and analysis of current sales data. The data analysis in the original and the current appraisals were adequate and relevant to the valuation of these properties.

Community Request Land (Transitional Land) – In the original appraisal in August 2008, the appraiser concluded that the transition land group was to be divided into land types based on characteristics which have an impact on value. The data from the original report as supported by the additional current appraisal analyses were adequate and relevant to the valuation of these properties.

Citrus Land – *The 32,000± acres of citrus groves included in the proposed purchase as part of the 73,000± acquisition were not reappraised as part of the current appraisal assignment. The negotiations for that part of the acquisition based the value of the groves on the value estimates from the original appraisal by this appraiser. As such, no additional valuation analysis was developed by the appraiser.*

Combined Land Components - It is my opinion that the data summarized in the original and current appraisal reports were adequate and relevant. Furthermore, the adjustments to the data were adequately explained, supported, and applied properly.

Option to Purchase Remaining Land – The appraiser provided a comparative analysis of the exclusive option price to purchase the remaining 107,000± acres of land within a three year period compared to the estimated current value of that acreage. The comparison was based the land values of the remaining acreage considering the component sizes and other characteristics that contribute to market value as supported by current data. The analysis was adequately supported and documented and was relevant to the valuation analysis of the option agreement.

Appropriateness of the Appraisal Methods - S.R.3-1(f)

The Sales Comparison, Income Capitalization and the Cost Approaches were considered as part of the process of developing a value estimate in the appraisal of the lands owned by US Sugar Corporation. The methods used for each component are discussed below.

Agricultural Land - The sales comparison is the most appropriate method for estimating the value of agricultural land. The appraiser did not feel sufficient information was available for an income approach analysis, and a cost approach was not appropriate for these properties.

The appraiser utilized groups of comparable sales based on similar characteristics of the lands. His analysis considered that under normal marketing conditions the land would likely sell in various sized units over an extended marketing period rather than to a single purchaser. This approach to the large total acreage issue considered size as one of the characteristics that required an adjustment for some component groups of properties. The resulting analysis was reasonable and appropriate for the agricultural properties addressed in this appraisal.

The appraiser provided a detailed description and comparison of the sales data to the subject land for characteristics that have an impact on value. The appraiser's analysis of the sales data was adequate and appropriate adjustments were made for each group of



properties in this category.

Community Request Land (Transitional Land) – The appraiser analyzed sales data in the original appraisal valuation estimate of the Transition Land group, and researched additional sales data to support the value conclusions for the proposed lands to be acquired. He concluded that the highest and best use for this category of vacant lands to be for future transition to residential, commercial or industrial use. The resulting value estimate for the transition land was reasonable and appropriate for these properties.

Combined Asset Components – It is my opinion that the appropriate methods and techniques were used in each component analysis and value conclusion by Mr. Banting.

Option to Purchase Remaining Land – The appraiser's analysis of the exclusive option price to purchase the remaining 107,000± acres of land was reasonable and appropriate.

Reasonableness of Analysis, Opinions and Conclusions - S.R.3-1(g)

The appraiser estimated the market value of the fee simple interest for the properties proposed for acquisition by the District. The appraiser did not provide an overall combined value estimate. Rather, he concluded that the properties would likely sell under typical marketing conditions as various sized units over an extended time period. I have provided a summation of the individual groups for convenience of the reader of this review to show the combined total of the value estimates.

It is my opinion that the content, analyses, and conclusions stated in the report under review are in compliance with appropriate standards and contract requirements.

S.R. 3-2-e

Other Known Pertinent Information

No other data or information is known to be available to the reviewer that was not available to the appraisers and consultants.

Recommendation

It is my opinion that the appraisal under review is complete; the analyses and conclusions are adequate, relevant, appropriate, and reasonable; complies with USPAP; and is therefore accepted.

Both this appraisal report and the alternate report are acceptable and provide reasonable and appropriate value estimates for the property under review. This appraiser also provided an analysis of the difference in value between the remaining 107,000± acres of land and the option to purchase that acreage within a three year period. However, the alternative report provided a more convincing analysis of the current market conditions and better supported the indicated value conclusions for the lands proposed for acquisition.



LIMITING CONDITIONS

1. Possession of this Technical Review Memorandum, or a copy thereof, does **not** carry with it the right of publication.
2. This Technical Review Memorandum is intended solely for the use of the South Florida Water Management District Land Acquisition Program. Neither all nor any part of the contents of this Technical Review Memorandum shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the reviewer.
3. The reviewer, by reason of this Technical Review Memorandum is not required to give further consultation or testimony, or to be in attendance in court with reference to the property that is the subject of this review, unless arrangements have been previously made.
4. This Technical Review Memorandum constitutes a limited assignment and should not be construed as an appraisal. The assignment did not include the reviewer to form an opinion of value about the subject property of the work reviewed.
5. The analysis, opinions and conclusions in the Technical Review Memorandum are based solely on the data, analysis, and conclusions contained in the appraisal report under review. It is assumed that these data are representative of existing market data. No attempt, unless otherwise stated, has been made to obtain additional market data for this review.
6. All analysis and conclusions expressed by the reviewer are limited by the scope of the review process as defined herein.



S.R. 3-2(f)

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the facts and data reported by the reviewer and used in the review process are true and correct.
- the analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent on developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of most of the subject properties of the work under review. Some areas were inspected by members of the District Land Acquisition Department staff who reported the details of the observations to me.

Ray Palmer
St. Cert. Gen. REA RZ1602



USPAP Checklist - Summary Report

| STANDARD | DESCRIPTION | COMPLETED | COMMENTS |
|--------------------|---|-----------|----------|
| S.R. 2-2(b) | The content of a Summary Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum: | | |
| (i) | State the identity of the client and | √ | |
| | Any intended users, by name or type | √ | |
| (ii) | State the intended use of the appraisal | √ | |
| (iii) | Summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment | √ | |
| (iv) | State the real property interest appraised | √ | |
| (v) | State the purpose of the appraisal including | √ | |
| | The type and definition of value and | √ | |
| | Its source | √ | |
| (vi) | State the effective date of the appraisal and | √ | |
| | The date of the report | √ | |
| (vii) | Summarize sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal | √ | |
| (viii) | State all assumptions, hypothetical conditions, and limiting conditions that affected the analyses, opinions, and conclusions | √ | |
| (ix) | Summarize the information analyzed, | √ | |
| | the appraisal procedures followed, and | √ | |
| | the reasoning that supports the analyses, opinions and conclusions | √ | |
| (x) | State the use of the real estate existing as of the date of value and | √ | |
| | The use of the real estate reflected in the appraisal; and | √ | |
| | When the purpose of the assignment is market value, summarize the support and rationale for the appraiser's opinion of the highest and best use of the real estate | √ | |
| (xi) | State and explain any departures from specific requirements of STANDARD 1 and | √ | |
| | The reason for excluding any of the usual valuation approaches | √ | |
| (xii) | Include a signed certification in accordance with Standard Rules 2-3 | √ | |