

**ADDENDUM TO  
APPRAISAL OF  
REAL ESTATE OF THE  
UNITED STATES SUGAR CORPORATION  
PALM BEACH, HENDRY, GLADES,  
& GILCHRIST COUNTIES  
FLORIDA  
(USSC, SC100-1 THROUGH SC100-174)**

**FOR**

**THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT**

**BY**

**ANDERSON & CARR, INC.  
521 SOUTH OLIVE AVENUE  
WEST PALM BEACH, FLORIDA 33401**

**DATE OF VALUE: AUGUST 15, 2008  
DATE OF ADDENDUM: DECEMBER 9, 2008**

**FILE NO.: 280593.002**



Based on our understanding of the lease and BMP we have estimated the value of the leased fee interest that would be held by SFWMD if the lease is executed, based on our appraised value of the fee simple estate of \$1,300,000,000.

In order to calculate the value of the leased fee interest, we have assumed that the sale could be consummated by the end of June 2009 and that the first rent payment would be due on July 1, 2009. We have further assumed that the SFWMD would adopt the most aggressive take down schedule allowed by the lease. That would allow SFWMD to gain control of 13,000 acres on July 1, 2010 (as per SFWMD - see lease summary), an additional 30,000 acres on January 1 2016 and the remaining 139,474.15 acres on June 30, 2016. Finally, due to the below market nature of the lease, we have assumed that the tenant would not elect to exercise any early termination clauses and would retain the property for the full term of the lease.

Based on those assumptions, we have estimated that the market value of the leased fee interest to be held by SFWMD as of July 1, 2009 if the lease is executed as currently written would be:

**ONE BILLION DOLLARS**  
**\$1,000,000,000**

This implies a loss in value of \$300 Million. This amount is largely attributable to the below market lease rate of \$50.00 per acre per year for the sugar cane portion of the subject tract.

Based on our review of the restrictions placed on the operation by the terms of the lease and the BMP we have estimated that the market rental rate for the subject sugar cane land is approximately \$200 per acre per year (under the terms of the lease and BMP). Due to the large portions of the citrus lands that are currently not productive, the proposed lease of \$50.00 per acre for the citrus lands appears to be at or near market. This would imply a weighted average market lease rate for the entire 182,474.15 acre tract of \$173.20 per acre per year, rounded to \$175.00 per acre per year.

On the following pages we have summarized the proposed lease and BMP as well as detailed the methodology and reasoning utilized in estimating the above captioned values and market rental rates.

**Lease Summary:**

We have reviewed a draft of a proposed lease dated November 18, 2008 that was provided to us by our client SFWMD. The following are the most substantive components of the lease:

Parties:

The lease specifies South Florida Water Management District as lessor and both United States Sugar Corporation and Southern Gardens Groves Corporation collectively and jointly as lessee.

Permitted Uses:

- a) All agricultural operations on the premises
- b) Lessee's historical business of citrus and sugar cane
- c) All uses related to the historical business such as row crops, operation of existing railroads and preexisting residential uses
- d) Rock mining
- e) Tenant farming

The lessee has the right to retain all rents derived from the premises. They may also sublease with the written consent of the lessor.

Commencement and Termination:

The lease commencement date is not specified but the termination date is specified to be June 30, 2016. If the closing is delayed until after January 1, 2010 the termination date will be extended to June 30, 2017. If the closing is delayed until December 2009 the term of the lease would be as short as 6.5 years. If the closing occurs on or around January 1, 2010 the lease term would also be 6.5 years.

For the purposes of this analysis we have assumed a closing on or about June 30, 2009 which would coincide with a first quarterly payment due date of July 1, 2009. This would create a full seven year term.

The lessee has the right, after January 1, 2011 to terminate the lease by giving written notice on or before June 10, 2011 and each June 10<sup>th</sup> of each calendar year thereafter whereupon the lease would terminate on May 1<sup>st</sup> of the next calendar year (for the sugar lands) and July 1<sup>st</sup> of the next calendar year for the citrus groves. After June 30, 2014, if the lessee has allowed fallow fields to exist on the premises the lessor has the right to terminate the lease on the applicable premises with 15 days written notice. Both parties have the right to terminate the lease if the other party is in default but there is a 45 day remedy period that may be extended to 120 days.

First Partial Release:

We interpreted the lease to state that the lessor has the right to terminate the lease for a 10,000 acre portion of the premises for either a restoration project (up to 10,000 acre in 2,000 acre blocks) and/or a governmental transfer (up to 3,000 acres) by giving notice one year prior to any May 1<sup>st</sup> (sugar cane land) or July 1<sup>st</sup> (citrus grove). We are informed by SFWMD that the intent of the lease was to allow them to take down a total of 13,000 acres at that time. For the purposes of this analysis we have assumed that 13,000 acres would be released at that time.

It should be noted that we have assumed a closing on or around June 30, 2009 to allow the first partial release of 13,000 acres on or around July 1, 2010.

Second Partial Release:

The lessor has the right to terminate the lease for a 30,000 acre portion of the premises for a restoration project by giving notice on or before December 15, 2013 whereupon the lease would terminate for that portion of the premises on December 15, 2015.

Rent:

The specified rental rate is \$50.00 per acre per year paid quarterly on the commencement date (prorated) and then payable on the first day of each calendar quarter (i.e. January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup> and October 1<sup>st</sup>).

No rent is due for the final 12 months of the term of the lease.

Net Lease:

The lease is absolutely net to the lessor with all maintenance, insurance and taxes to be paid by the tenant.

**BMP Summary:**

The lessee will be constrained in its use of the leased premises by a Best Management Practices Plan that will be put in place on the subject property in order to assure that the property will be maximally useful as a planned water attenuation project at the end of the lease. Despite the fact that SFWMD does not currently plan to utilize the entire parcel for this use, we have assumed that the entire parcel would be governed by this plan in order to allow the SFWMD maximum flexibility to utilize the property as it sees fit at then end of the lease term.

We have reviewed “Best Management Practices Plan” drafts for both Sugar Cane Production and Citrus prepared by URS Corporation dated November 2008. We have additionally interviewed Timothy B. DeBord, vice President of URS Corporation in order to understand how this plan would differ from customary and standard management practices that would constrain any standard agricultural tenant.

Based on our understanding of the plan and our conversations with Mr. DeBord, the basic frame work of the proposed plan is standard and customary. The primary differences which will further constrain the lessee are as follows:

Heightened Oversight:

The BMP recommends increased preventative measures to safeguard against fuel spills at pump stations and have routine inspections whenever pump stations are in operation. Chemical storage areas are recommended to have monthly site inspections with generally improved housekeeping. Copper based nutrients from pesticide applications must be closely monitored (with samplings every other year) to attempt to avoid buildups of copper in excess of 85 mg/kg to protect snail kites following future inundation.

No Application Periods:

USSC reportedly provided URS Corporation with a list of all pesticide and fertilizer products currently in use on the subject lands. URS Corporation has taken that list and created a chart of allowable times prior to the end of the lease (prior to flooding) that each chemical may be used. The most significant aspect of this list is that there is a group of products which are not recommended for use for a period of two years prior to flooding at the termination of the lease.

According to Mr. DeBord, the most significant impact on the lessee of this restriction has to do with pesticides. Due to the ever increasing cost of fertilizers and pesticides, there has been a general industry trend toward a reduction in use of both types of products. In the final two year period of the lease there would be a minimal reduction of productivity in both the grove and sugar cane operations associated with implementation of the plan. However, pesticide applications are done on an as needed basis. Therefore if a significant insect or disease outbreak occurred in the final two year period of the lease, the tenant would be constrained in the products that they could utilize to suppress the problem.

**Value of the Leased Fee Interest**

We have incorporated the terms of the lease and the assumptions outlined previously regarding lease start and end dates as well as partial releases to calculate the value of the leased fee interest.

Leased Fee Interest is defined as an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of lessor (the leased fee owner) and lessee are specified by contract terms contained within the lease.

Source: The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, 2002, Page 161.

We have relied on our market research and testimony to the Board of Governors by market participants who stated that agricultural land in this market is typically leased based on a 5% return to the land. We have utilized that figure as the basis for a 5% discount rate to bring the future value of cash flows and reversions back to present value dollars.

We have also assumed that the subject land would experience stable values over the term of the lease. This is due to the fact that we are in a period of recession which may or may not extend through the end of the lease term.

We have utilized the appraised market value from our appraisal of \$1,300,000,000 to calculate the differential created between the market value of the fee simple estate and the leased fee interest value created by the terms of the proposed lease.

The calculation of the Market Value of the Leased Fee interest is presented on the following page:

**ANDERSON & CARR, INC.**

Leased Fee Valuation											
Assumptions	Acreage	182,474									
	Appraised Value	\$1,300,000,000									
	Value/Acre	\$7,124									
	Annual Rent/Acre	\$50.00									
	Discount Rate	5.00%									
	Annual Appreciation	0.00%									
Period		1-Jul-2009	1-Oct-2009	1-Jan-2010	1-Apr-2010	1-Jul-2010	1-Oct-2010	1-Jan-2011	1-Apr-2011	1-Jul-2011	1-Oct-2011
Acres Leased		182,474	182,474	182,474	182,474	169,474	169,474	169,474	169,474	169,474	169,474
Terminated Acres						13,000					
Quarterly Rent Received		\$2,280,927	\$2,280,927	\$2,280,927	\$2,280,927	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427
Land Reversion						\$92,615,858					
Total Rent & Reversion		\$2,280,927	\$2,280,927	\$2,280,927	\$2,280,927	\$94,734,285	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427
Present Value Factor		1.00000	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422
Present Value		\$2,280,927	\$2,252,767	\$2,224,955	\$2,197,487	\$90,141,972	\$1,990,849	\$1,966,271	\$1,941,996	\$1,918,020	\$1,894,341
Period		1-Jan-2012	1-Apr-2012	1-Jul-2012	1-Oct-2012	1-Jan-2013	1-Apr-2013	1-Jul-2013	1-Oct-2013	1-Jan-2014	1-Apr-2014
Acres Leased		169,474	169,474	169,474	169,474	169,474	169,474	169,474	169,474	169,474	169,474
Terminated Acres											
Quarterly Rent Received		\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427
Land Reversion											
Total Rent & Reversion		\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427
Present Value Factor		0.88318	0.87228	0.86151	0.85087	0.84037	0.82999	0.81975	0.80963	0.79963	0.78976
Present Value		\$1,870,954	\$1,847,856	\$1,825,043	\$1,802,512	\$1,780,258	\$1,758,280	\$1,736,573	\$1,715,134	\$1,693,959	\$1,673,046
Period		1-Jul-2014	1-Oct-2014	1-Jan-2015	1-Apr-2015	1-Jul-2015	1-Oct-2015	1-Jan-2016	1-Apr-2016	30-Jun-2016	
Acres Leased		169,474	169,474	169,474	169,474	169,474	169,474	139,474	139,474		
Terminated Acres								30,000		139,474	
Quarterly Rent Received		\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$0	\$0	\$0	\$0		
Land Reversion								\$213,728,904		\$993,655,238	
Total Rent & Reversion		\$2,118,427	\$2,118,427	\$2,118,427	\$2,118,427	\$0	\$0	\$213,728,904	\$0	\$993,655,238	
Present Value Factor		0.78001	0.77038	0.76087	0.75147	0.74220	0.73303	0.72398	0.71505	0.71505	
Present Value		\$1,652,391	\$1,631,991	\$1,611,843	\$1,591,944	\$0	\$0	\$154,736,379	\$0	\$710,509,461	
Value of Leased Fee		\$998,247,208									
Rounded to											
<b>Leased Fee Value</b>		<b>\$1,000,000,000</b>									

**Summary of Calculation of Leased Fee Value and Value Diminution**

Appraised Fee Simple Value:	\$1,300,000,000
Less Leased Fee Value:	<u>\$1,000,000,000</u>
Differential from Fee Simple Value:	\$300,000,000

The \$300,000,000 differential is the diminution in market value created by the terms of the lease and BMP based on the assumptions set forth in this document.

**Market Lease Rates Assuming Implementation of Best Management Practices**

Sugar Cane Land

In our original appraisal we concluded that the current weighted average annual rental rate per acre for the subject sugar cane land was \$220.00 per acre per year (net). We utilized a capitalization rate range of 4.5% to 5.5%, to attain an indication of fair market value of \$4,500/acre which was supportive of our determination of \$4,500 (from Sales Comparison Approach) for that portion of the subject which would stay in sugar cane production into the foreseeable future.

As discussed previously, the proposed BMP places restrictions on the use of the subject lands in terms of both increased oversight and restrictions on application of fertilizers and pesticides in the final two years of the lease. Due to these restriction we conclude that it is reasonable to place an approximately 10% discount on the weighted average annual rental rate per acre for the sugar cane land ( $\$220.00 \times 90\% = \$198$ ), to attain a current market rental rate for the sugar cane land assuming the implementation of the proposed BMP and proposed lease terms, rounded to:

**Market Rent for Cane Land:**

**TWO HUNDRED DOLLARS/ACRE/YEAR**  
**\$200.00/Acre/Year**

Citrus Groves

The complication encountered in establishing a market rental rate for the subject groves comes from the large portion of the overall land area that is either non producing due to its drainage use or non-profitable due to disease abatement programs.

We interviewed several market participants regarding the applicable method for assigning a market rental rate to the current grove operations. The most logical method attained from this process was indexing the lease rate to the current net operating income from the grove operation.

We have been informed of grove operators who lease grove land based on 25% of the net operating income. The current Net operating income from the grove operation forecast by our appraisal was zero from the Southern Gardens Grove, \$3,499,090 from the Devil's Garden Grove and \$2,628,220 from the Dunwody Alcoma Grove. This indicates a total net operating income from the three groves of \$6,127,310.

If 25% of this amount or \$1,531,827 per year is paid in the form of rent, this equates to approximately \$47.00/acre for the 32,603.61 gross acres involved in the grove operations.

If this is rounded to \$50.00 per acre per year this would indicate that the current lease would generally be in line with market norms for the grove portion of the subject site.

Due to the high level of oversight currently required for disease prevention and the reported minimal degradation of productivity associated with the final two years of the lease under the BMP we see no indication of a need to discount the market rental rate due to the terms of the proposed BMP.

Thus the current market rental rate for the grove operations assuming the implementation of the proposed BMP is:

**Market Rent for Citrus Grove Land:**

**FIFTY DOLLARS PER ACRE PER YEAR**  
**\$50.00/Acre/Year**

Entire USSC Property Weighted Average Market Rental Rate with proposed BMP

Sugar Cane Land:

149,870.54 acres @ \$200.00/Acre/Year = \$29,974,108  
Grove Land:

32,603.61 acres @ \$50.00/Acre/Year = \$1,630,180

Total Annual Market Rental Rate/Year \$31,604,288

This would imply a weighted average market lease rate for the entire 182,474.15 acre tract of \$173.20 per acre per year assuming the implementation of the proposed BMP, rounded to:

**ONE HUNDRED SEVENTY-FIVE DOLLARS PER ACRE PER YEAR  
\$175.00/Acre/Year.**

Respectfully submitted,

ANDERSON & CARR, INC.

Robert B. Banting, MAI, SRA  
State-Certified General Real Estate Appraiser RZ4

Wayne B. Lewis  
State-Certified General Real Estate Appraiser RZ2452

RBB/WBL:agp

# QUALIFICATIONS OF APPRAISER ROBERT B. BANTING, MAI, SRA

## PROFESSIONAL DESIGNATIONS - YEAR RECEIVED

MAI - Member Appraisal Institute - 1984  
SRA - Senior Residential Appraiser, Appraisal Institute - 1977  
SRPA - Senior Real Property Appraiser, Appraisal Institute - 1980  
State-Certified General Real Estate Appraiser, State of Florida, License No. RZ4 - 1991

## EDUCATION AND SPECIAL TRAINING

Licensed Real Estate Broker - #3748 - State of Florida  
Graduate, University of Florida, College of Business Administration, BSBA (Major - Real Estate & Urban Land Studies) 1973  
Successfully completed and passed the following Society of Real Estate Appraisers (SREA) and American Institute of Real Estate Appraisers (AIREA) courses and/or exams: Note: the SREA & AIREA merged in 1991 to form the Appraisal Institute.

SREA R2: Case Study of Single Family Residence  
SREA 201: Principles of Income Property Appraising  
SREA: Single Family Residence Demonstration Report  
SREA: Income Property Demonstration Report  
AIREA 1B: Capitalization Theory and Techniques  
SREA 101: Introduction to Appraising Real Property  
AIREA: Case Studies in Real Estate Valuation  
AIREA: Standards of Professional Practice  
AIREA: Introduction to Real Estate Investment Analysis  
AIREA 2-2: Valuation Analysis and Report Writing  
AIREA: Comprehensive Examination  
AIREA: Litigation Valuation  
AIREA: Standards of Professional Practice Part C

## ATTENDED VARIOUS APPRAISAL SEMINARS AND COURSES, INCLUDING:

The Internet and Appraising	Golf Course Valuation	Discounting Condominiums & Subdivisions
Narrative Report Writing	Appraising for Condemnation	Condemnation: Legal Rules & Appraisal Practices
Condominium Appraisal	Reviewing Appraisals	Analyzing Commercial Lease Clauses
Eminent Domain Trials	Tax Considerations in Real Estate	Testing Reasonableness/Discounted Cash Flow
Mortgage Equity Analysis	Partnerships & Syndications	Hotel and Motel Valuation
Advanced Appraisal Techniques	Federal Appraisal Requirements	Analytic Uses of Computer in the Appraisal Shop
Valuation of Leases and Leaseholds	Valuation Litigation Mock Trial	Residential Construction From The Inside Out
Rates, Ratios, and Reasonableness	Analyzing Income Producing Properties	Development of Major/Large Residential Projects
Standards of Professional Practice	Regression Analysis In Appraisal Practice	Federal Appraisal Requirements

Engaged in appraising and consulting assignments including market research, rental studies, feasibility analysis, expert witness testimony, cash flow analysis, settlement conferences, and brokerage covering all types of real estate since 1972.

President of Anderson & Carr, Inc., Realtors and Appraisers, established 1947

Past President Palm Beach County Chapter, Society of Real Estate Appraisers (SREA)

Realtor Member of Central Palm Beach County Association of Realtors

Special Master for Palm Beach County Property Appraisal Adjustment Board

Qualified as an Expert Witness providing testimony in matters of condemnation, property disputes, bankruptcy court, foreclosures, and other issues of real property valuation.

Member of Admissions Committee, Appraisal Institute - South Florida Chapter

Member of Review and Counseling Committee, Appraisal Institute - South Florida Chapter

Approved appraiser for State of Florida, Department of Transportation and Department Natural Resources.

Instructor of seminars, sponsored by the West Palm Beach Board of Realtors.

Authored articles for The Palm Beach Post and Realtor newsletter.

Real Estate Advisory Board Member, University of Florida.

## TYPES OF PROPERTY APPRAISED - PARTIAL LISTING

Air Rights	Medical Buildings	Apartment Buildings	Churches
Amusement Parks	Department Stores	Hotels - Motels	Marinas
Condominiums	Industrial Buildings	Office Buildings	Residences - All Types
Mobile Home Parks	Service Stations	Special Purpose Buildings	Restaurants
Auto Dealerships	Vacant Lots - Acreage	Residential Projects	Golf Courses
Shopping Centers	Leasehold Interests	Financial Institutions	Easements

"I am currently certified under the continuing education program of the Appraisal Institute."

**QUALIFICATIONS OF APPRAISER  
WAYNE B. LEWIS**

**GENERAL INFORMATION**

State-Certified General Real Estate Appraiser, State of Florida, License No. RZ2452  
American Institute of Real Estate Appraisers exams 410, 420, 500, 510, 520, 540, & 550  
Florida Licensed Real Estate Sales Person

**EDUCATION AND SPECIAL TRAINING:**

Master of Science in Real Estate and Urban Affairs (M.S.R.E.)  
Georgia State University School of Business Administration; Appraisal major  
Bachelor of Business Administration (B.B.A)  
Emory University School of Business Administration; Economics major

**EXPERIENCE:**

**Anderson & Carr, Inc., FL**

**April 2000**

Commercial and residential real estate valuation, highest and best use analysis, market studies and construction loan analysis. Real estate brokerage and leasing. Advanced candidate for MAI designation having passed the comprehensive examination and senior level experience reviews as well as all educational requirements.

**The Appraisal Group Atlanta, GA**

**October 1999 – March 2000**

Commercial and residential real estate valuation, highest and best use analysis, market studies and construction loan analysis.

**PRIMIS, Inc. Atlanta, GA**

**February 1998 – September 1999**

Director of operations of the Atlanta office of PRIMIS, Inc. Successfully turned around an under performing office with annual run rate of \$300,000 to a run rate of \$1,000,000 in a twelve month period. Established capability to electronically deliver full appraisal reports via the internet resulting in 25% cost savings. Participated in the selection panel tasked with choosing a new computer appraisal software for the nationwide network of offices. Participated in the design of a partially automated residential appraisal software that is proprietary to PRIMIS, Inc. Regularly demonstrate proprietary appraisal ordering, tracking and delivery software for corporate targeted acquisition candidates. Recruited and trained the current staff of 25 appraisers and office assistants (original staff of seven). Engineered high growth while improving customer satisfaction in the appraisal, flood determination and limited title search industry. Served as marketing representative, senior review appraiser, reviewer of monthly income statements and performed all duties of the director of operations. The Atlanta office of PRIMIS, Inc. is currently servicing 400+ residential appraisals per month.

**The Appraisal Group Atlanta, GA**

**July 1994 – January 1998**

Partner/Senior Appraiser - Commercial and residential real estate valuation, highest and best use analysis, market studies and construction loan analysis. Primary activity focused on acquisition and development loan analysis associated with multiphased single family residential community developments. Additional areas of concentration ranged from industrial products such as carpet manufacture; trucking and warehouse distribution buildings; to golf courses; horse facilities; fast food restaurants; office and rental buildings; apartments and single family residences. Long range budget planning with particular attention on cost savings. Served as marketing representative focusing on new client development and retention. Utilized a wide range of computer skills in report writing, discounted cash flow analysis, and development and renovation cost estimation designed to attain effective communication with clients.