

Duff & Phelps, LLC

GUIDANCE PRESENTATION TO SOUTH FLORIDA WATER MANAGEMENT DISTRICT

DECEMBER 2, 2008

I. Engagement Overview

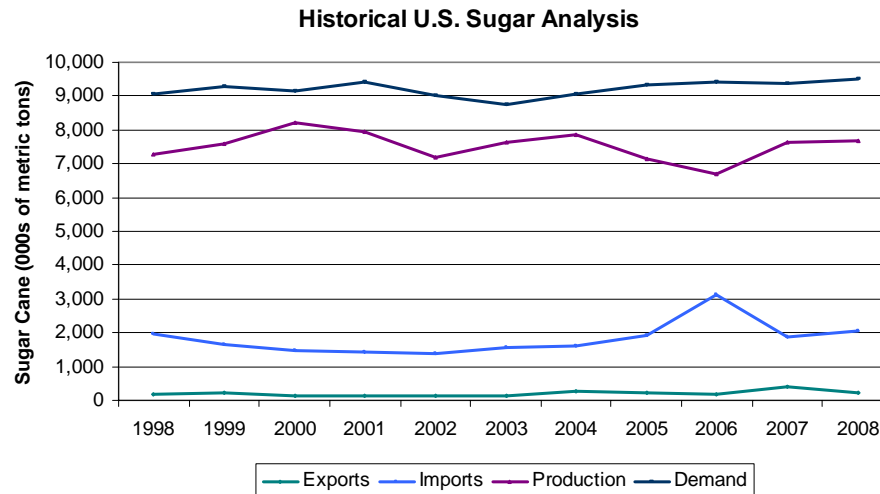
Overview

- Duff & Phelps was engaged on August 21, 2008 as an independent financial advisor to the Board of Governors of South Florida Water Management District (“SFWMD” or the “Client”) to provide an opinion (the “Opinion”) as to the fairness, from a financial point of view, to the Client of the then-proposed \$2.0 billion in aggregate consideration to be paid by the Client to United States Sugar Corporation (“USSC”) in connection with the proposed purchase by the Client of 187,000 acres of sugarcane land and citrus groves, a sugar mill, a refinery, a citrus plant, a citrus nursery, rock mines, a railroad and railcars, and all other equipment and assets constituting the preponderance of assets of USSC (the “Proposed Transaction”).
- Duff & Phelps was selected for this assignment because:
 - Largest valuation firm in the U.S.
 - Leading fairness opinion provider; ranked 4th in the U.S. in terms of opinions provided, as reported by Thomson Financial Securities Data, rendering over 60 fairness opinions in 2007
 - Major real estate appraisal practice with 12 managing directors and 119 professionals
 - NYSE listed public company
- On October 1, 2008, Duff & Phelps provided preliminary guidance in the event that we were asked to render our Opinion.
- We indicated that Duff & Phelps would find the transaction fair at or below a purchase price of \$1.3 billion.
- Our conclusion was not an explicit valuation, as it represented the top end of our comfort level in terms of fairness.
- Although we have performed certain analyses, provided guidance as indicated above, and indicated that we were prepared to render our Opinion, we have not to date rendered such opinion in any form.

II. Sugar Industry Overview

U.S. Sugar Industry

- Protective quotas on imported raw cane sugar, refined and specialty sugar, and sugar-containing products.
- U.S. Sugar exports, imports, production and demand from 1998 - 2008.
 - Flat Demand
 - Low Export Volume
 - Imports typically supply 10% - 15% of U.S. sugar demand



Source: Bloomberg

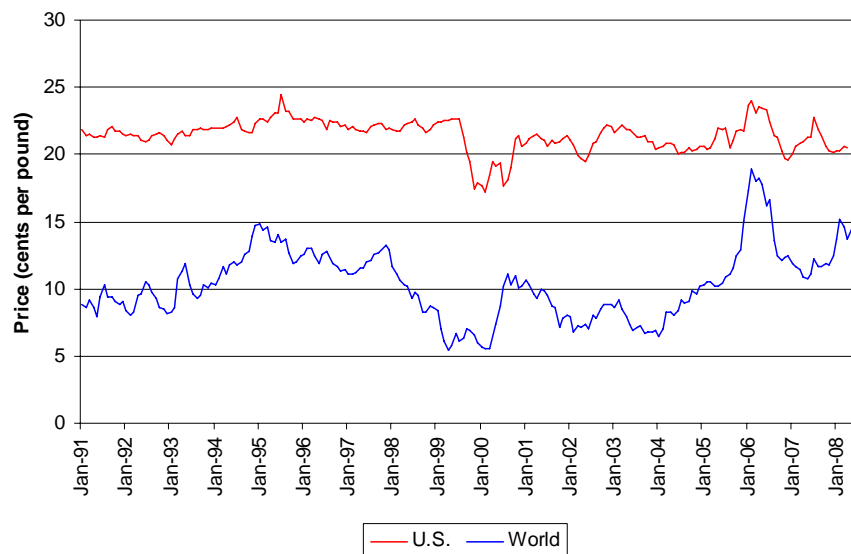
U.S demand supplied by
tariff-protected domestic
providers and low-cost
foreign supply.

II. Sugar Industry Overview

U.S. Sugar Industry (continued)

U.S. and World Raw Sugar Prices

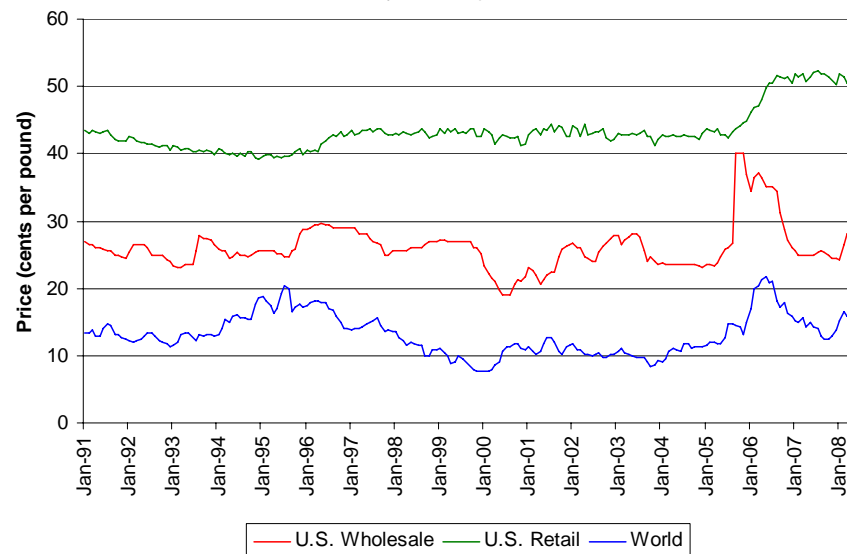
January 1991 - April 2008



Source: USDA

U.S. and World Refined Sugar Prices

January 1991 - April 2008



Source: USDA

II. Citrus Industry Overview

Citrus Industry

- 95% of Florida oranges are processed into orange juice whereas other orange-producing states (California, Texas, and Arizona) grow primarily for consumption, with only 10%-20% of oranges processed into orange juice.
- Steady decline in the total production of Florida oranges in recent and coming years due to:
 - Increased land development in recent years
 - Hurricane effects and the prevalence of disease (“Canker” and “Greening”)
 - Increasing imports from Brazil due to large supply and low cost advantages
- Large portion of remaining production is utilized for fresh, or not from concentrate (“NFC”), orange juice production.
- Brazil will likely continue to enter the U.S. NFC orange juice market to a significant extent.

III. Duff & Phelps Valuation Approach

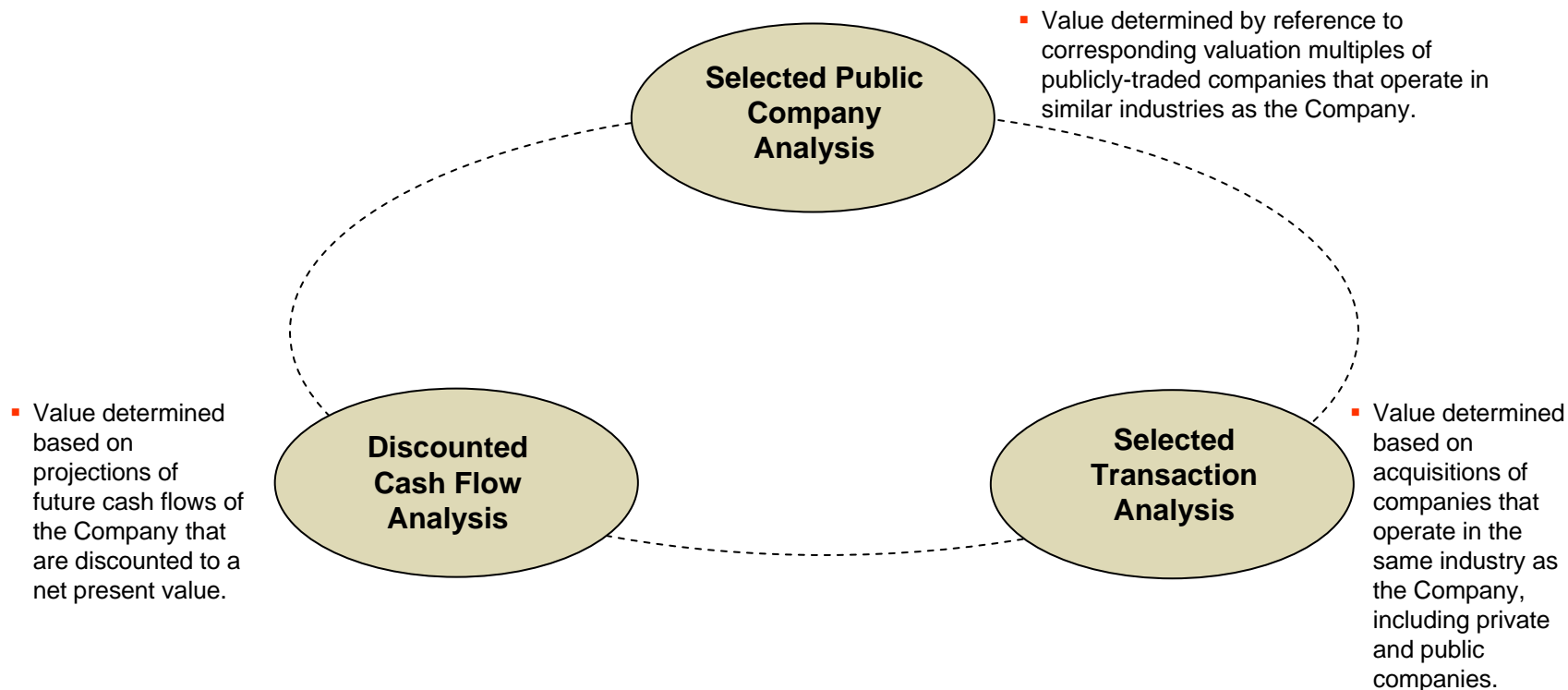
Valuation Approach

- Initial SFWMD commissioned appraisals supported a \$2.0 billion purchase price.
- Simple addition of Sugar/Rail operations, Citrus operations, and land holdings results in significant overstatement of aggregate value by double counting of certain aspects involved in valuation.
- There is “Rent” value associated with USSC’s extensive land holdings which is consequently embedded in the company’s land valuation.
- D&P approach eliminates double counting the profitability of the standalone businesses and the rent value embedded in the value of land holdings.
- A pro forma review of the Sugar/Rail operations, including a rental expense, yields a stand-alone level of profitability Sugar/Rail operations, ex-land.
- The SCFE (IBIS) and internal rail operations are included in the Sugar operations, as both predominantly support internal operations.
- With regard to the land holdings, Duff & Phelps conducted its own due diligence and analyzed two appraisals provided to SFWMD. Duff & Phelps selected the appraisal it felt most comfortable with.

III. Duff & Phelps Valuation Approach

Valuation Methodologies

- In determining the value of the Sugar/Rail and Citrus operations, we employed valuation methodologies used and accepted within the financial community. The operating and financial assumptions underlying our analysis reflect a going-concern operations, with USSC's present management's expectations, intentions, capabilities, and strategic objectives reflected in the future cash flows.



IV. Stand-Alone Valuation of Sugar/Rail and Citrus Operations

Selected Public Company / M&A Transaction Analysis

- Duff & Phelps reviewed the current trading multiples of eleven publicly traded agriculture and sugar processors that we determined may be relevant to our analysis.
- Duff & Phelps identified 14 relevant M&A transactions that we determined may be relevant to our analysis to select multiples for USSC.

Stand-Alone Discounted Cash Flow Analysis

- Duff & Phelps performed a discounted cash flow (“DCF”) analysis of both the Sugar / Rail and Citrus segments.
- Free cash flow was calculated based on long-term financial projections provided by USSC management, and was discounted by a weighted average cost of capital which was developed reflecting current market conditions.

IV. Stand-Alone Valuation of Sugar/Rail and Citrus Operations

Sugar/Rail Operations Stand-Alone Valuation Conclusions

- The Selected Public Company / M&A Transaction analysis yielded an estimated enterprise value range of \$210 - \$240 million for the Sugar/Rail operations.
- The DCF enterprise value indication for the Sugar / Rail operations was approximately \$200 million.
- The concluded enterprise range for the Sugar / Rail operations was approximately \$210 - \$240 million.

Citrus Operations Stand-Alone Valuation Conclusions

- The Selected Public Company / M&A Transaction analysis yielded an estimated enterprise value range of \$140 - \$160 million for the Citrus operations.
- The DCF enterprise value indication for the Citrus operations was approximately \$155 million.
- The concluded enterprise range for the Citrus operations was approximately \$140 - \$160 million.

V. Land Valuation Review

Background

- In July 2008, South Florida Water Management District (“SFWMD”) engaged two, third-party appraisers to estimate the market value of the fee simple interest in approximately 182,550± acres of non-contiguous land located throughout Palm Beach, Hendry, Glades, and Gilchrist Counties, Florida (the “Subject Property” or “Property”).
- The Subject Property includes land that is primarily used for sugar and citrus production and specifically excludes the land associated with the sugar mill and refinery, citrus plant, and railroad right-of-way and operations. Soil conditions on the Property are primarily muck and sandy soils conducive for sugar cane and citrus production, respectively.
- Land is valued as vacant and at its highest and best use without consideration of current use or project influence related to the potential transaction between SFWMD and US Sugar Corp.
 - Highest and best use refers to a use that is (1) legal permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. A specific use must meet all 4 criteria to be considered the highest and best use as vacant;
 - Highest and best use as vacant is critical step in the appraisal process as the results this analysis is a determining factor in the selection of comparable land data; and
 - Highest and best use of the land as vacant is unaffected by existing building or site improvements or being part of a business enterprise.

V. Land Valuation Review

Scope of Work

- We performed the following scope of work for the Land Valuation Review:
 - Performed an aerial inspection of a portion of the sugar cane land, sugar cane refinery and mill, citrus plant, and surrounding neighborhood;
 - Performed a physical inspection of the office complex, citrus plant, and sugar cane refinery and mill;
 - Reviewed and analyzed various financial documents provided by USSC Management;
 - Participated in discussions and interviews with various representatives of SFWMD, third-party appraisers and consultants hired by SFWMD, and USSC management;
 - Reviewed articles, research and surveys published by the US Department of Agriculture, The University of Florida, Louisiana State University, Appraisal Institute, and American Sugar Alliance;
 - Interviewed Professors Charles Moss and Rod Clouser from the University of Florida's Agriculture Food/Resource Economics Department, Dr. Michael Salassi from Louisiana State University's Department of Agricultural Economics, and Associate Professor of Agronomy, Rod Gilbert from the University of Florida Everglades Research and Education Center;
 - Various discussions with Jeffrey Ashmore, Senior Advisor to D&P with significant operational experience in the sugar industry;
 - Utilized the resources of approximately 10 Fixed Asset and Real Estate professionals from Duff & Phelps, LLC;
 - Researched and analyzed land sale comparables, land rent comparables, and other market data related to the citrus and sugar industries; and
 - Reviewed draft land appraisals performed by Mr. E. Larry Sewell, MAI of Sewell, Valentich, Tillis & Associates and Mr. Robert B. Banting, MAI of Andersen & Carr, Inc.

V. Land Valuation Review

Comparable Land Sale Data

Bulk Land Sales

- The following comparable land sales are included as these are the largest transactions by acreage in the region:
 - Represent bulk land sales of pasture land primarily used for cattle and farming
 - Located north and west of Lake Okeechobee

| | Grantor | Grantee | Date | County | Soil Type | Size (Ac.) | Price | Price/Ac | Use |
|---|---------------------|--|------|-----------------|-----------|------------|---------------|-----------|---------|
| 1 | Babcock Florida Co. | Board of TIITF of the State of Florida | 2006 | Charlotte & Lee | Mineral | 73,239.17 | \$350,000,000 | \$4,778.9 | Pasture |
| 2 | The Latt Maxcy Corp | LM Land Company, LLC | 2005 | Osceola | Mineral | 27,410.10 | \$137,050,050 | \$5,000.0 | Pasture |

V. Land Valuation Review

Comparable Land Sale Data

Citrus Land Sales

- Subject Property is comprised of 32,604± gross acres of citrus land in three, non-contiguous citrus groves.
- Total consists of 20,956± acres of net tree acres ("NTA"), 16,497± acres is planted net tree acres, 4,459± is unplanted net tree acres, and 11,648± acreage is utilized for infrastructure. There have been significant loss of trees due to canker and greening.
- Devils Garden citrus trees are in good condition with good productivity. Southern Gardens and Dunwoody/Alcoma Groves citrus trees are older and in poor condition resulting in lower yields.
- The following tables show price per acre for citrus land and also the price differential between productive and older/unproductive citrus groves.

| No. | Date of Sale | County | Gross Acres | Net Tree Acres | Condition | Efficiency Ratio | Production Box/NTA | Sale Price | Price Per Gross Acre | Price Per Net Acre |
|-----|--------------|------------------|-------------|----------------|------------|------------------|--------------------|--------------|----------------------|--------------------|
| 1 | Dec-06 | Highlands | 3,624 | 3,200 | Good | 88% | 109 | \$42,420,000 | \$11,705 | \$13,256 |
| 2 | Dec-07 | Hendry | 2,156 | 1,506 | Good | 70% | 225-365 | \$27,500,000 | \$12,754 | \$18,260 |
| 3 | Aug-07 | DeSoto & Hendry | 3,424 | 2,564 | Good | 75% | 313 | \$38,500,000 | \$11,244 | \$15,016 |
| 4 | Dec-07 | DeSoto | 1,242 | 870 | Good | 70% | 375-450 | \$18,500,000 | \$14,900 | \$21,264 |
| 5 | Jan-08 | Highlands | 909 | 803 | Good | 88% | 451 | \$12,600,000 | \$13,863 | \$15,691 |
| 1 | Jan-07 | DeSoto | 1,922 | 1,623 | Poor | 84% | 150-175 | \$10,600,000 | \$5,515 | \$6,531 |
| 2 | Feb-07 | DeSoto/Charlotte | 972 | 780 | Poor | 80% | N/A | \$4,200,000 | \$4,320 | \$5,384 |
| 3 | Dec-07 | DeSoto | 500 | 409 | Average | 82% | 250-300 | \$4,050,000 | \$8,100 | \$9,902 |
| 4 | May-08 | Hendry | 1,046 | 561 | Below Avg. | 54% | 244 | \$5,000,000 | \$4,780 | \$8,913 |

V. Land Valuation Review

Comparable Land Sale Data

Sugar Cane Land Sales

- Approximately 149,383± acres of sugar cane and agricultural land.
- The following tables show price differential between land for sugar production versus land for alternative agricultural uses.

| No. | Date of Sale | County | Gross Acres | Use | Sale Price | Price Per Gross Acre | Soil Type |
|-----|--------------|------------|-------------|--------------|--------------|----------------------|-----------|
| 1 | Mar-06 | Hendry | 3,208.0 | Cane | \$12,834,000 | \$4,001 | Muck |
| 2 | Dec-03 | Hendry | 943.5 | Cane | \$2,592,100 | \$2,747 | Sand/Muck |
| 3 | Dec-05 | Glades | 461.0 | Cane | \$2,283,508 | \$4,954 | Muck |
| 4 | Mar-04 | Hendry | 403.8 | Cane | \$1,432,900 | \$3,548 | Muck |
| 6 | Dec-03 | Hendry | 625.0 | Cane | \$1,687,500 | \$2,700 | Muck |
| 7 | Aug-03 | Hendry | 767.8 | Cane | \$2,000,000 | \$2,605 | Muck |
| 1 | Sep-06 | Palm Beach | 1,918.0 | Farm Lettuce | \$14,659,011 | \$7,643 | Muck |
| 2 | May-05 | Hendry | 3,092.5 | Farm Crops | \$15,507,500 | \$5,015 | Mineral |
| 3 | Mar-07 | Palm Beach | 757.3 | Farm Sod | \$6,058,400 | \$8,000 | Muck |
| 4 | Apr-04 | Martin | 1,215.4 | Farm Tree | \$10,938,870 | \$9,000 | Muck |
| 5 | Jun-06 | Hendry | 1,232.0 | Farm Veg | \$9,364,500 | \$7,601 | Mineral |
| 6 | Jun-06 | Hendry | 3,568.0 | Farm Tree | \$24,976,500 | \$7,000 | Mineral |
| 7 | Aug-07 | Hendry | 960.0 | Farm Pasture | \$4,800,000 | \$5,000 | Mineral |
| 8 | Feb-06 | Hendry | 2,009.7 | Farm Pasture | \$13,063,050 | \$6,500 | Mineral |

V. Land Valuation Review

Ground Rent Capitalization

- Duff & Phelps reviewed a statistically significant number of USSC sugar cane land leases.
- Sugar cane land rents range from \$125 to \$325 per acre.
 - Higher rents are generally due to superior soil productivity (i.e., muck soils)
 - Rates generally remain flat over the term of the lease
 - Typical lease terms are 5 -15 years with crops on 4 year planting cycles
- For illustrative purposes only, the following matrix shows the indicated price per acre of sugar cane land given rent per acre at specified capitalization rates:

| | | Land Capitalization Rate | | | | | | |
|---------------|----------|--------------------------|---------|---------|---------|---------|---------|---------|
| | | 5% | 6% | 7% | 8% | 9% | 10% | 11% |
| Rent per Acre | \$200.00 | \$4,000 | \$3,333 | \$2,857 | \$2,500 | \$2,222 | \$2,000 | \$1,818 |
| | \$225.00 | \$4,500 | \$3,750 | \$3,214 | \$2,813 | \$2,500 | \$2,250 | \$2,045 |
| | \$250.00 | \$5,000 | \$4,167 | \$3,571 | \$3,125 | \$2,778 | \$2,500 | \$2,273 |
| | \$275.00 | \$5,500 | \$4,583 | \$3,929 | \$3,438 | \$3,056 | \$2,750 | \$2,500 |
| | \$300.00 | \$6,000 | \$5,000 | \$4,286 | \$3,750 | \$3,333 | \$3,000 | \$2,727 |

V. Land Valuation Review

Land Valuation Review

- Following is a chart that details the differences in estimated component values between the two draft land appraisals:

| | Andersen & Carr, Inc. | | Sewell, Valentich, Tillis & Assoc. | |
|--------------------------|-----------------------|-----------------------|------------------------------------|-----------------------|
| | <u>Amount</u> | <u>Price Per Unit</u> | <u>Amount</u> | <u>Price Per Unit</u> |
| Clewison Office Building | \$5,000,000 | \$131.11 | \$4,600,000 | \$120.62 |
| Gilchrist Nursery | \$2,700,000 | N/A | \$2,500,000 | N/A |
| <i>Subtotal</i> | \$7,700,000 | | \$7,100,000 | |
| Grove Properties (1) | <u>Amount</u> | <u>Price Per Unit</u> | <u>Amount</u> | <u>Price Per Unit</u> |
| Devils Gardens | \$40,000,000 | \$12,099 | \$49,000,000 | \$14,822 |
| Southern Citrus | \$87,500,000 | \$8,953 | \$96,400,000 | \$9,864 |
| Dunwoody/Alcoma | \$47,500,000 | \$13,897 | \$52,600,000 | \$15,389 |
| Agricultural Lands (2) | \$570,000,000 | \$3,975 | \$788,000,000 | \$6,032 |
| Transitional Lands (3,4) | \$180,000,000 | \$30,124 | \$213,960,000 | \$11,416 |
| <i>Subtotal (5)</i> | \$925,000,000 | \$5,067 | \$1,199,960,000 | \$6,573 |
| Total | \$932,700,000 | | \$1,207,060,000 | |

- (1) Based on Net Tree Acres in production
- (2) Based on gross acres
- (3) Andersen & Carr Appraisal assumes 4% of total agricultural land is transitional.
- (4) Sewell appraisal assumes 13% of total agricultural land is transitional.
- (5) Does not include Clewiston Office Building or Gilchrist Nursery

V. Land Valuation Review

Land Valuation Review

- Comments on principal differences between the draft land appraisals:

| | |
|---------------------------------|------------------------|
| Agricultural Land | \$218.00M |
| Citrus Land | \$23.00M |
| <u>Transitional Land</u> | <u>\$33.96M</u> |
| Total | \$274.96M |

- Agricultural Land
 - Andersen & Carr appraisal has a total of 143,407± acres valued at approximately \$4,000 per acre.
 - Sewell appraisal has a total of 130,640± acres valued at approximately \$6,000 per acre.
 - Significantly more componentization results in higher aggregate per acre estimate
- Citrus Land
 - Sewell appraisal is 9% to 18% higher on per acre values for each of the three citrus groves.
 - 65% of the difference is based on the Sewell appraisal of Dunwoody/Alcoma Grove. Sales Comparison yields (\$37.6M) and Income Approach yields (\$52.6M). Sewell reconciles the value at \$52.6M.
- Transitional Land
 - Andersen & Carr appraisal has a total of 5,975± acres valued at approximately \$30,000 per acre.
 - Sewell appraisal has a total of 18,742± acres valued at approximately \$11,400 per acre.
 - Primary difference is attributable to the allocation of the mining land

V. Land Valuation Review

Land Valuation Review

- Critical issues regarding draft land appraisals:
 - Appraisers should avoid a Summation Appraisal
 - Appraisers have appraised smaller land components based on opinions of highest and best use that are unsupported by quantitative analyses.
 - » Use of smaller subject land parcels and, thus, smaller land comparable data skews results upward;
 - » No quantification of a discount to account for bulk purchase;
 - » Simply adding the component values does not properly account for the future market risks of ownership; and
 - » Estimates may reflect break-up value or piece meal disposition of Subject Property without regard to risk, timing or discounting.
 - Sewell Appraisal never concludes or states a single value for the Subject Property at \$1.2B
 - » Only provides estimates of market value for the components of the Subject Property

V. Land Valuation Review

Land Valuation Review

- Transitional Land
 - Highest and best use for transitional residential, commercial, and industrial development not documented or supported in the appraisal reports:
 - » No quantification of supply and demand, costs, rates of return, pricing, absorption, etc.;
 - » Market conditions have deteriorated significantly since the 1st quarter 2007;
 - » Debt and equity are significantly more expensive and harder to obtain;
 - » Supply of entitled and un-entitled vacant land significantly outstrips demand;
 - » High demand for alternative uses resulted in significant price increases for agricultural land, which appeared to peak in 2007; and
 - » Demand for transitional residential and commercial uses has decreased dramatically.

V. Land Valuation Review

Land Valuation Review

- Transitional Land
 - Mining land is encumbered by two leases:
 - » Appraisers valued the fee simple interest.
 - » Appraisers should have valued the leased fee interest based on the expected cash benefits (i.e., royalty payments) to be received by USSC.
 - » Appraisers assumed that all required mining permits were in-place.
 - Appraisers place sole reliance on the Sales Comparison Approach;
 - » Comparable data sale prices range from \$5,000 to \$29,000 per acre;
 - » Physical differences (size, location, access to infrastructure, etc.);
 - » Difficult to assess comparability due to differences in annual tonnage, proven reserves, types of aggregate, etc.;
 - » Conclusions of value are at the upper end of the range; and
 - » Sole reliance on one approach may lead to a misleading result.

V. Land Valuation Review

Land Valuation Review

- Comparable Land Sales data reflect historical market events
 - Majority of land sales are from the 2003 – 2007 time period;
 - Many of the land sales used in the draft land appraisals were purchased for alternative uses:
 - » Related to the boom in the home building industry (i.e., sod and tree farming);
 - » Speculative land acquisitions (i.e., de-bulking, development); and
 - » Many of these uses are no longer meet the criteria for highest and best use as vacant.

VI. Fairness Indication

Fairness Indication

| Valuation Range | | |
|-------------------------|------------------|----------------|
| (\$ millions) | Enterprise Value | |
| | Low | High |
| Sugar / Rail Segment | \$200 - | \$240 |
| Citrus Segment | \$140 - | \$160 |
| Real Estate | \$930 - | \$930 |
| Sum of the Parts | \$1,270 - | \$1,330 |

¹ The Real Estate value does not represent an appraisal by Duff & Phelps, rather the value provided by a third party appraiser.