



## APPRAISAL SECTION

### Ray Palmer review of Robert Banting's appraisal report on US Sugar Corp assets

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October 27, 2008

#### **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:**

The appraisal report under review is recommended for approval based on the details set forth in this review document.

#### **NOTICE TO THE READER:**

**The appraisal report being reviewed contains multiple data entries that were been provided to the appraisers by the property owners and are designated "Confidential, Proprietary and Trade Secret" in accordance with s. 812.081, Florida Statutes, and are 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

### Property Description:

The subject property comprises all of the tangible assets owned by United States Sugar Corporation (USSC). Excluded from the appraisal were the intangible assets, such as corporate names, goodwill, etc. Neither were any growing crops included in the value estimate. The tangible assets were categorized into enterprise components, or asset groups, based on their primary uses. These are identified as:

1. Sugarcane (Cane) Land
2. Citrus Land
3. Clewiston Sugar Mill and Refinery Complex
4. Southern Gardens Citrus Processing Plant
5. SCFE (South Central Florida Express) Railroad
6. USSC Railroad
7. Furniture, Fixtures and Equipment
8. Clewiston Office Buildings
9. Gilchrist County Citrus Nursery

Even though the components were valued separately, some of the sugar related assets are interdependent on one another due to the nature of the sugar enterprise as it is currently operated. Beginning in the 1930s, USSC saw the benefit of maintaining control of multiple parts of the sugar production. Over time the company acquired a vast amount of land on which to grow the cane, developed the USSC railroad to haul the cane to the mill, and expanded the mill and refinery complex to convert raw sugar to refined granular and liquid sugar, with molasses as a by-product.

The citrus processing plant is far less reliant on the citrus groves since most of the fruit that supports the plant comes from independent growers. The groves could be operated separate from the citrus plant with no significant impact to its value. Additionally, the railroads have no impact to the citrus processing plant or grove operations.

The SCFE Railroad has been operated independently since it was acquired in 1994, and was therefore, valued as a separate enterprise.

A summary description of each component is presented in the following paragraphs. A detailed description of each is included in the Mr. Banting's appraisal report.

### Cane Land

The appraiser uses the general description of agricultural land to describe the acreage used for sugarcane production. I will refer to it as sugarcane or cane land to reflect its current use. This acreage includes all of the land owned by USSC that is used for growing sugarcane. The nearly 150,000 acres consists of organic muck soils located 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 cane land's **highest and best use** is for continued production of sugarcane to meet the raw material requirements of the sugar mill and refinery. A relatively small portion of the total acreage was valued as being more suitable for "transition" to alternative uses over the near term.



### Citrus Land

The citrus land is comprised of mineral (sandy) soils that are suited for citrus production. Planted on about 32,000 acres of land in Hendry County, the three orange groves supply approximately 20% of the total fruit processed at US Sugar's Southern Gardens citrus processing plant. **Improvements** on the grove lands include typical equipment storage and support buildings, fuel stations, pumps and water control structures.

The **highest and best use** of the citrus grove land was concluded to be for continued usage as citrus groves.

### Sugar Mill and Refinery Complex

The sugar facility includes all of the mill and refinery structures, fixtures and machinery, along with the internal railway (USSC Railroad) and the land (over 1,900 acres) on which the facility is located. The sugarcane and raw sugar capacities of this facility makes it one of the world's largest integrated sugar processing operations.

**Improvements** at the facility are very extensive. The section of the appraisal report prepared by the Schaffer Group provides a detailed list of the highly specialized buildings, machinery, fixtures and equipment that make up the sugar milling and refining facility.

The **highest and best use** of the sugar mill and refinery complex was concluded to be continued usage as improved.

### Southern Gardens Citrus Processing Plant

The Southern Gardens Citrus Processing facility is located in an area of Southwest Florida that is the most productive citrus regions in the state. The plant is a state of the art facility renowned as one of the most efficient citrus juice processors in the world. It has the storage capacity for 56 million gallons of not from concentrate (NFC) orange juice. The facility also produces cattle feed pellets as one of several marketable citrus by-products.

**Improvements** at the citrus processing plant are also very extensive. The section of the appraisal report prepared by Brent Gabler and the Creative Citrus Services team provides a detailed list of the highly specialized buildings, machinery, fixtures and equipment that make up this facility.

The **highest and best use** of the citrus processing plant was concluded to be continued use as improved.



### SCFE Railroad

This federally regulated short line railway was acquired by USSC in 1994. With its 14 locomotives and railway maintenance equipment, it owns over 100 miles of rail right of way extending from Sebring to Lake Harbor at the southern edge of Lake Okeechobee and a branch line to the Okeelanta sugar facility south of South Bay. Although USSC is its primary customer, the railway also maintains an independent customer base. It also controls another 62 miles of tracks running from Lake Harbor to Ft. Pierce through an exclusive track usage agreement which is in effect through 2024.

Beyond the railroad corridor (underlying land), the **improvements** consist of the rails (tracks), ties, bed, etc., the equipment to maintain the railway and buildings for locomotive repairs and a staff office.

The **highest and best use** of the railroad was concluded to be continued use as improved.

### USSC Railroad

This independent railway system was developed primarily to haul sugarcane from the fields to the mill. With about 122 miles of rail, 14 locomotives, nearly 1,000 cane hauling cars and 112 boxcars, the railroad provides a highly economical system for getting the cane to the mill. Except for the rail cars, a similar list of **improvements** (rails ties, buildings, etc.) described for the SCFE railroad are owned by the USSC Railroad component. The **highest and best use** of the railroad was concluded to be continued use as improved.

### Furniture, Fixtures and Equipment

An inventory of the furniture, fixtures and equipment has been a very difficult process. Even though it continues to be refined as this review is being prepared, the most recent list provided by the appraiser is the most accurate compilation to date. There was a total of over 13,000 separate items identified in the valuation analysis. Many of the items were valued as part of the independent sugar, citrus, railroad, and office valuation reports. However, the agricultural and citrus grove equipment items were not included as part of other analyses but were added to the overall appraised value conclusion by the appraiser who prepared the consolidated appraisal report.

### Clewiston Office Buildings

The three adjacent office buildings are located in Clewiston and serve as the headquarters for the US Sugar Corporation. The total combined area of the building **improvements** is about 38,000 square feet. The **highest and best use** for the offices buildings as currently improved was concluded to be its current office use based on the site's location, land use classification, and zoning.

### Gilchrist County Citrus Nursery

The citrus nursery site totals a little over 79 acres located in Gilchrist County, Florida. The property was purchased in the northern region of Florida to construct a new citrus tree nursery where it would be sufficiently removed from citrus diseases that are seriously impacting the citrus industry in south and central Florida. The company is developing tree varieties that are resistant to the most damaging citrus diseases.

**Improvements** on the site include greenhouses, irrigation systems, extensive climate control systems, automated plant propagation and plant care fixtures. A mobile home and various supporting fixtures and equipment are located on the site.



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## R Banting appraisal of US Sugar Corp tangible assets

The appraiser's analysis of the **highest and best use** concluded that the property should continue as a citrus nursery based on the site's location, land use classification, and improvements on site.

### Size:

Component	Acres
Agricultural (Cane) Land	149,870.54
Citrus Land	32,603.61
Sugar Mill/Refinery Complex	1,909.25
Citrus Plant Complex	172.52
Clewiston Office Buildings	2.96
Citrus Nursery	79.16
SCFE Railroad	1,039.39
USSC Railroad	649.61
Furniture, Fixtures & Equipment	N/A
Total Acreage Appraised	186,327.04
* The final acreage is subject to completed surveys	

### Interest Appraised:

The appraised interest for all components 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 individual asset group reports within the combined appraisal for a list of assumptions or limiting conditions relating to that component.

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

- The sugar related assets would continue as an integrated operation (agricultural lands, rail system and industrial) for the production and processing of sugarcane into refined sugar and molasses
- An adequate supply of sugarcane would be available for processing
- Control of sugarcane production and transport is an important aspect that any potential buyer would consider when valuing the industrial assets.
- None of the subject properties possess any natural, cultural, recreational, historical, or scientific value.
- No market impact created by the River of Grass proposed project
- Adequate access
- No value impact from unknown conditions
- Water use permits will continue uninterrupted
- Any Trade Secret (not to be disclosed per 815.045, F.S.) data within the report will be redacted prior to release to public records requests



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R Banting appraisal of US Sugar Corp tangible assets**

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**Effective Date of Appraisal:**

August 15, 2008

**Date of Report:**

October 18, 2008

**Summary of Appraised Value:**

Asset Group	Appraised Value
Cane Land *	\$750,000,000
Citrus Groves	\$175,000,000
Clewiston Office Buildings	\$5,000,000
Citrus Nursery	\$2,700,000
Sugar Mill/Refinery Complex *	\$461,000,000
Citrus Plant Complex	\$178,000,000
SCFE Railroad	\$99,000,000
USSC Railroad *	Included in sugar mill value
Furniture, Fixtures & Equipment	\$54,000,000
Total Appraised Value	\$1,724,700,000
<b>Total Appraised Value *</b>	<b>\$1,725,000,000</b>

**Note - \*** The cane land, sugar mill and refinery, and the USSC railroad operate as an integrated enterprise due to the nature of the sugar production, transport, and processing into refined sugar. The values concluded for those components are conditional on the continuation of the current uses. Changes in the nature of the interdependency may cause individual component values to be higher or lower than the values concluded in the report under review. The other groups are considered reasonably independent and could be operated individually without significant changes to the component value estimates.



### **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 all tangible assets of the US Sugar Corporation, prepared by Robert Banting, MAI.

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

The date of this review assignment is October 27, 2008.

#### **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 approximately 186,327 acres, which are in several different locations throughout the EAA (Everglades Agricultural Area) and neighboring areas within Palm Beach, Hendry, and Glades Counties. The SCFE Railroad line extends into Highlands County. Only the Gilchrist County 79-acre citrus nursery property is located outside the South Florida region. The parcel zoning and land use designations are agricultural on most of the acreage, with small areas of industrial, commercial and residential zoning on the facilities, offices, etc.

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.

#### **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 October 18, 2008.

#### **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 August 15, 2008.



### 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 is the President of Anderson and Carr, Inc., whose business office is located at 521 South Olive Avenue, West Palm Beach, Florida 33401. In an effort to find experts to assist in the valuation analyses of each specialized asset, and to accomplish the immense appraisal task in the minimum time frame possible, a team of expert consultants and appraisers were assembled to assist Mr. Banting during the valuation analysis, data gathering and report preparation. In addition to Mr. Banting's highly qualified staff of appraisers, he was provided expert assistance from the following specialty appraisers and consultants:

- Brent Gabler and a team of citrus facility experts from Creative Citrus Services, Inc.
- Marlan Mitch and the team of sugar facility experts at Schaffer Associates International LLC
- Carl Chrappa and his team of railroad and equipment experts from Independent Equipment Company
- Lazaro Seijo and his staff of furniture, fixture and equipment appraisers from L&M Appraisal Services

### 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 closely monitored the progress of the appraisers and their consultants throughout the appraisal research, inspections, data collection and report development processes. I maintained continuous communications with the appraisers and consultants to answer questions and provide assistance when information was needed from the property owner or the South Florida Water Management District.

After the reports were 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 period of research, discovery and analysis. I have personally interviewed the appraiser and supporting experts who provided direct or indirect assistance with the analyses and development of the report being reviewed. 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 Technical Review Memorandum. Professional assistance in the review process was provided by Brad Duncan and Eric Barkhurst, Sr. Review Appraisers on staff at the District.



**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, each of which may contain assumptions and limiting conditions applicable only to that asset component. It is important that the reader view the individual asset reports within the overall appraisal for a list of assumptions or limiting conditions relating to that component. I have paraphrased below most of the non-typical assumptions included in the appraisal report.

- The sugar related assets would continue as an integrated operation (agricultural lands, rail system and industrial) for the production and processing of sugarcane into refined sugar and molasses
- An adequate supply of sugarcane would be available for processing
- Control of sugarcane production and transport is an important aspect that a potential buyer would consider when valuing the industrial assets.
- None of the subject properties possess any natural, cultural, recreational, historical, or scientific value.
- No positive or negative market impact which may have been created by the River of Grass proposed project
- Adequate physical and legal access consistent with that parcel's highest and best use
- There will be no value impact resulting from unknown conditions, such as contamination
- Water use permits needed for continued operation at the current highest and best use will continue uninterrupted
- Any data within the report considered by USSC to be Trade Secret (not to be disclosed per 815.045, F.S.) will remain the solely responsible of South Florida Water Management for any future redacting of information within this document that would be required to protect the trade secrets of USSC
- Any information furnished by other parties upon which portions of this report are based, is believed to be reliable when further verification was not possible. This assumes that Trade Secret information made available by US Sugar, including income and expense data represents full and complete disclosures and accurate representations without reservation
- Sugar Mill production reports, including general lost time, were provided and reviewed. A detailed breakdown of lost time was requested, but not provided.

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

The appraisal report prepared by the Mr. Banting and the team of appraisers and consultants appears thorough and extensive. The experts who were responsible for each of the primary component value analyses provided evidence and support to the extent of their market research. Where appropriate, the research extended globally, especially relative to the sugar milling and refining complex and the citrus processing facility. The availability of market data was often extremely limited and required extensive knowledge of the particular business enterprise. The resulting appraisal report included a vast amount of data that was analyzed and presented in a format that is very thorough yet understandable to a reader who may not be familiar with the agricultural and related operations addressed in the report.



### **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 multiple valuation analyses on multiple asset components. The appraiser then combined the component values derived from the specialty appraisers and consultants into a single value indication. The market data utilized in each component analysis and the propriety of adjustments within each component of the appraisal are addressed below.

**Cane Land** - The appraiser incorporated the services of a variety of staff and appraisal specialists to research the market for sales transactions that would provide an indication of market value of the subject agricultural (sugarcane) land. In his final analysis the appraiser utilized comparable sales based on location, soil type, etc. Other characteristics of the comparable sales properties that impact value were also addressed and compared to the subject land. The appraiser provided a thorough analysis of the sales data and made appropriate adjustments. The sales utilized were adequate and relevant considering the large acreage of the subject cane land holdings.

The appraiser also developed an analysis using land rents as a check of reasonableness against the sales comparison conclusion. Sufficient lease data of agricultural cane land was found to develop an income approach analysis. The data was adequate and relevant to this analysis.

**Citrus Land** - The availability of recent sales transactions of citrus grove properties was sufficient to develop a good analysis using the sales comparison approach for the citrus land. The cost approach was not considered appropriate due to the wide variety of tree ages on the subject properties.

In the sales comparison approach analysis, the appraiser used 11 transactions of citrus grove properties to compare to the subject groves. Comparative characteristics included size, location, tree condition, production potential, irrigation, etc. The sales utilized were adequate and relevant to the citrus grove properties comprising the subject ownership.

In the income approach analysis the appraiser used market data of grove sales where income potential of the groves could be verified. This information was compared to the subject groves on a "net tree acre" basis consistent with the method used to analyze comparable grove sales data. Appropriate discount rates were developed from market sources and incorporated into the analysis. The projected income and expense calculations appeared reasonable and relevant to this portion of the grove land appraisal.

**Sugar Mill and Refinery Complex** – The valuation analysis of the sugar mill and refinery facility was conducted by Marlan Mitch and the expert staff at Schaffer Associates International LLC. Their work was monitored and their report was reviewed by Mr. Banting. He assisted the Schaffer team with the estimation of value of the land and the non-factory buildings on the site.

The Schaffer consultants incorporated the cost, income and sales comparison approaches in their valuation analysis of the sugar factory. Extensive market data from Schaffer's files and data sources enabled them to use information relative to the potential market for specialized facilities like the subject. Anderson and Carr provided an analysis of land and non-factory buildings. The data is adequate and relevant to the valuation analysis for the sugar facility.

The income approach analysis reflected Mr. Mitch's extensive knowledge of the potential of the USSC facility based on the recent mill modifications and the operating capabilities and interactions of the equipment that comprises the milling operation. He concluded that the mill has substantially greater production potential than what was shown in the past operating season (the first season after the mill expansion project). His estimate of the potential was addressed in the discounted cash flow calculations. Appropriate data was used in this analysis.



Since the USSC Railroad (internal railway) provides an economical method of transporting the sugarcane from the fields to the mill, it is an integral component of the income potential of the overall milling operation. As such, the cash flow projections included the railway operating expenses without additional profit. This results in a value attributable to the railway being included in the overall value of the mill and refinery as part of an integrated business enterprise.

As further support for the other approaches, a sales comparison analysis was also developed utilizing the most recent transactions of sugar mills and refineries. Since sugar processing is a global industry and most facilities are located outside the United States, it is appropriate that the only recent comparable sales were located in other countries. It is also very rare for facilities to be integrated with both milling and refining operations. Therefore, the comparables were analyzed separately for milling facilities and refining facilities.

The data incorporated by the appraisers and consultants was adequate and relevant to the analyses developed in this portion of the appraisal report.

**Southern Gardens Citrus Processing Plant** – Brent Gabler and the team of experts he assembled to provide the valuation analysis from Creative Citrus Services, Inc. for the citrus processing facility were very knowledgeable of the global citrus processing industry and have extensive knowledge of the USSC owned Southern Gardens citrus facility.

When considering the depreciated cost of all improvements which makes up the citrus processing facility, Mr. Gabler's knowledge of the equipment and processing requirements of citrus processing was important to calculating the cost benefits of the Southern Gardens operation. Additional support was provided by Anderson and Carr for the value contribution of the land and non-processing buildings.

The income approach required the development of appropriate discount rates, accurate estimates of income and expenses, and the proper development of the discounted cash flow calculations from which to estimate market value. The market data from which the information was derived appear to be well supported.

The data incorporated by the appraisers and consultants was adequate and relevant to the analyses developed in this portion of the appraisal report.

**SCFE Railroad** – The railroad value estimates were provided by Carl Chrappa and his experts at IEC (Independent Equipment Company). All three approaches to value were incorporated into the analysis of the equipment and infrastructure. The land value contribution was provided by Anderson and Carr using the "across the fence" method of the sales comparison approach.

In the cost approach analysis, Mr. Chrappa considered the age, condition, quality, etc. of the equipment, fixture or other improvement, then made applicable adjustments to the cost to reflect the depreciated replacement cost. The sales comparison, or market data, approach was used when sufficient data was available. The income approach was developed for the SCFE railroad. The income approach for that portion of the land and equipment was used as a test of the reasonableness of the results of the cost and market approaches to value.

The data incorporated by the appraisers and consultants was adequate and relevant to the analyses developed in this portion of the appraisal report.

**USSC Railroad** – Carl Chrappa and his team found that only two of the approaches to value were applicable to the valuation analysis of the equipment and infrastructure that makes up the USSC Railroad. The land value contribution was provided by Anderson and Carr using the "across the fence" method of the sales comparison approach.



As with the cost approach analysis on the other railroad system, the appraiser considered the characteristics that impact value before making applicable adjustments to the cost new to reflect the depreciated replacement cost. The sales comparison, or market data, approach was used when sufficient data was available.

The income approach was not applicable for the valuation of the USSC Railroad since no revenue is reported specifically to the USSC railroad.

Although the market data was adequate and relevant to the value estimate, its value is included as part of the sugar mill and refinery enterprise.

**Furniture, Fixtures and Equipment (FF&E)** – The appraiser who provided the expertise and analysis for the valuation of the furniture, fixtures and equipment was Lazaro Seijo and his staff at L&M Appraisal Services. As an appraiser who has specialized in this type of valuation, the L&M staff was able to inspect and document the thousands of items owned by USSC. He used the cost and market approaches to value since the income approach is not applicable in this appraisal of furniture, fixtures and equipment. Although some items included in this appraisal report were also addressed in the appraisal of other facilities and land components, any duplications were eliminated by Mr. Banting in his combined asset valuation report.

L&M maintains a data base of equipment value data which is updated on a continuous basis. The data base is compiled by market segments (furniture, computers, warehouse equipment, etc.). The appraisers used appropriate units of comparisons to determine if the market data is comparable to the subject. The appraiser used adequate and relevant market data to estimate the value of the equipment.

**Combined Asset Components** - It is my opinion that the data summarized in the appraisal report under review was adequate and relevant. Furthermore, the adjustments to the data were adequately explained, supported, and applied properly.

DRAFT



### 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 tangible assets owned by US Sugar Corporation. The appraisers and consultants who provided analyses and value estimates for final consideration in the overall value estimate, utilized the three approaches to value where appropriate. In some of the component reports it was appropriate to use only one or two of the approaches. Appropriate variations of value approaches were used as necessary. The methods used for each component are discussed below.

**Cane Land** - The cost approach was not considered applicable for the land value analysis. The sales comparison is the most appropriate method for estimating the value of agricultural land and the income approach using market lease data is a good tool to check for reasonableness of the sales comparison approach when adequate lease data is available.

In his final analysis the appraiser utilized the 14 most comparable sales based on location, soil type, etc. Though some were quite large in size relative to available land sales, none were close to the subject's large size in total acres. However, the appraiser used the largest available sales of other agricultural land types to develop a comparative analysis of market impacts related to the size differential. The result was a derived market adjustment to the sales of between 40 and 50 percent, depending on the size of the sale properties.

Other characteristics of the comparable sales properties that impacted value were also addressed and compared to the subject land. The appraiser provided a thorough analysis of the sales data and made appropriate adjustments..

The appraiser also developed an analysis using land rents as a check of reasonableness against the sales comparison conclusion. Sufficient lease data of agricultural cane land was found to develop an income approach analysis. The results confirmed the value estimate derived from the sales analysis was reasonable and appropriately developed.

**Citrus Land** - The availability of recent sales transactions of citrus grove properties was sufficient to develop a good analysis using the sales comparison approach for the citrus land. The cost approach was not considered appropriate due to the mixture of tree ages on the subject properties. An income approach analysis was beneficial on two of the three citrus grove properties, but such an analysis on the larger grove was not appropriate due to the current condition and amount of replanting needed.

In the sales comparison approach analysis, the appraiser used 11 transactions of citrus grove properties to compare to the subject groves. Comparative characteristics included size, location, tree condition, production potential, irrigation, etc. The resulting value indications were reasonable and adequately supported.

In the income approach analysis the appraiser used market data of grove sales where the income potential of the groves could be obtained. This information was compared to the subject groves on a "net tree acre" basis consistent with the method used to analyze the grove sales data.

**Sugar Mill and Refinery Complex** – The Schaffer consultants incorporated the cost, income and sales comparison approaches in their valuation analysis of the sugar factory. The cost approach is primarily based on the Schaffer group's extensive knowledge of the global sugar processing industry in general, and of the USSC facility in particular. The detailed cost analysis provided a reasonable value indication for the sugar facility when combined with the Anderson and Carr portion which included the land and non-factory buildings.



The income approach analysis reflected Mr. Mitch's extensive knowledge of the potential of the USSC facility based on the recent mill modifications and the operating systems that comprise the milling operation. He concluded that the mill has greater production potential than in the past operating season. His estimate of the potential was addressed in the discounted cash flow calculations. The resulting indication of value for the mill was reasonable and appropriate.

The USSC Railroad (internal railway) provides an economical method of transporting the sugarcane from the fields to the mill and is an integral component of the income potential of the milling operation. The value attributable to the railway was included in the overall value of the mill and refinery as part of an integrated business enterprise.

A sales comparison analysis was also developed utilizing the most recent transactions of sugar mills and refineries. The comparables were separated into milling facilities and refining facilities. After considering differences for size, capacities, production potential, etc., the value conclusion based on the sales comparison provided reasonable support for the values indicated by the cost and income analyses.

**Southern Gardens Citrus Processing Plant** – Since there were no known sales transactions of comparable citrus processing plants, the sales comparison approach to value was appropriately not used. The income approach provides the most reliable value indication for this type of operation. With the addition of the cost approach, a reasonable indication of value can be concluded for this type of facility.

The cost approach to value was developed using appropriate methods and calculations. Additional support was provided by Anderson and Carr for the value contribution of the land and non-processing buildings. The value concluded from the depreciated cost analysis is reasonable and well supported.

The income approach typically provides the best value indication for facilities like the Southern Gardens citrus processing plant. With a historically stable operating income, the value of the facility appears well documented and supportable. Additionally, value is likely more reasonable due to the increased income from the cattle feed by-product in response to the increasing price of corn.

Considering the excellent quality of the processing operation, the capacity and quality of the orange juice storage tanks as part of the facility, and the historical reputation as a reliable supplier of high quality products, it appears that the value estimate for the citrus enterprise is well supported.

**SCFE Railroad** – All three approaches to value were incorporated into the analysis of the equipment and infrastructure. The land value contribution was provided by Anderson and Carr using the "across the fence" method of the sales comparison approach. Mr. Chrappa's knowledge and experience in appraising railway systems and equipment were very beneficial to the efficiency and quality of the work product developed in connection with this part of the valuation assignment.

In the cost approach analysis, characteristics such as age, condition, quality, etc. of the equipment, fixture or other improvement were considered. The appraiser then made applicable adjustments to the replacement cost estimate to reflect the depreciated replacement cost new. This method is typical when more reliable methods are not practical or when sufficient market data for the particular item is not readily available.

The sales comparison, or market data, approach was used when sufficient data was available. This method enabled the appraiser to determine the "Fair Market Value-in Place", based on current secondary market conditions related to the equipment that was exclusive to SCFE Railroad operation.



An income approach analysis was developed for the SCFE railroad. The income approach for that portion of the land and equipment was used as a test of the reasonableness of the results of the cost and market approaches to value. A reasonable estimate of value was developed using the income approach based on discounted cash flows of the SCFE railroad.

**USSC Railroad** – Two of the approaches to value were applicable to the valuation analysis of the USSC Railroad equipment and infrastructure. The land value contribution was provided by Anderson and Carr using the “across the fence” method of the sales comparison approach.

The appraiser considered the characteristics that impact value before making applicable adjustments to the replacement cost new to reflect the depreciated replacement cost. This method is typical when more reliable methods are not practical or when sufficient market data for the particular item is not readily available.

The sales comparison, or market data, approach was used when sufficient data was available. This method enabled the appraiser to determine the “Fair Market Value-in Place”, based on current secondary market conditions related to the equipment that was exclusive to the USSC Railroad enterprise.

The income approach was not applicable for the valuation of the USSC Railroad since revenue data related specifically to the USSC railroad was not considered separate from the mill income.

As previously addressed the USSC Railroad provides an economical method of transporting the sugarcane from the fields to the mill. It is an integral component of the income potential of the overall sugar milling operation. This results in the value attributable to the railway being included in the overall value of the mill and refinery as part of an integrated business enterprise.

**Furniture, Fixtures and Equipment (FF&E)** – Only the cost and market approaches to value were applicable in the valuation analysis of the furniture, fixtures and equipment. Some items included in this analysis were also valued as part of other asset components, such as the sugar and citrus facilities and the railroads. Therefore, the duplicated values were eliminated by Mr. Banting in the overall value reflected for all assets when consolidated.

The appraisers used appropriate units of comparisons to determine if the market data is comparable to the subject. By incorporating this data the appraiser used the cost and market data methods in combination to estimate the “fair market value in place” of each item in the report.

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

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

The appraiser estimated the market value of the fee simple interest for the different asset groups. Each of the groups will be discussed separately in this review document. Having considered the indicated value of the groups, the appraiser provided an overall value estimate for all assets combined as a single economic unit.

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.

Therefore, this appraisal under review is RECOMMENDED FOR APPROVAL and use by the South Florida Water Management District for the stated intended use.

The estimate of market value is summarized as follows:

Summary of Appraised Value:

Asset Group	Acres	Appraised Value
Cane Land *	149,870.54	\$750,000,000
Citrus Groves	32,603.61	\$175,000,000
Clewiston Office Buildings	1,909.25	\$5,000,000
Citrus Nursery	172.52	\$2,700,000
Sugar Mill/Refinery Complex *	2.96	\$461,000,000
Citrus Plant Complex	79.16	\$178,000,000
SCFE Railroad	1,039.39	\$99,000,000
USSC Railroad *	649.61	Included in sugar mill value
Furniture, Fixtures & Equipment	N/A	\$54,000,000
Total Appraised Value	186,327.04	\$1,724,700,000
<b>Total Appraised Value *</b>		<b>\$1,725,000,000</b>

Notes:

- The cane land, sugar mill and refinery, and the USSC railroad operate as an integrated enterprise due to the nature of the sugar production, transport, and processing into refined sugar. The values concluded for those components are conditional on the continuation of the current uses. Changes in the interdependency may cause individual component values to be higher or lower than the values concluded in the report under review. The other groups are considered reasonably independent and could be operated individually without significant changes to the component value estimates.
- The final acreage is subject to completed surveys.
- The value estimate is subject to the assumptions and limiting conditions identified within the appraisal report under review.



## ***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.

DRAFT



**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. Specific areas not inspected by me personally were inspected by members of the District Land Acquisition Department staff who reported the details of the inspections to me.
- Brad Duncan and Eric Barkhurst, Sr. Review Appraisers on staff at the South Florida Water Management District provided appraisal review assistance on this review to the person signing this certification.

Ray Palmer  
St. Cert. Gen. REA RZ1602



**USPAP Checklist - Summary Report**

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