

# SEWELL, VALENTICH, TILLIS & ASSOCIATES

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May 12, 2009

Ms. Ruth Clements, Director  
Land Acquisition Department  
Mr. Ray Palmer, Chief Appraiser  
Land Acquisition Department  
South Florida Water Management District  
3301 Gun Club Road  
West Palm Beach, FL 33406

Re: Summary of Value Estimates  
Effective Date: May 1, 2009  
Approximately 40,065.96± Acres of Land Located In  
Hendry, Palm Beach & Glades Counties, FL

Dear Ms. Clements and Mr. Palmer:

This document is written for the purpose of providing for your review a description of the work performed to date in conjunction with our completion of a formal appraisal of the above-referenced lands. This information is intended to summarize and reconfirm the information which was previously presented in our oral appraisal. In that presentation, we discussed, in detail, the work which we have performed when completing this new appraisal assignment. This includes re-inspecting many of the subject lands, researching additional comparable land sales, verifying and analyzing those comparable sales and data, as well as reviewing the current status of the local real estate market in which these subject properties are located.

The work performed has allowed us to provide a current market value estimate for these lands based upon the original extraordinary assumptions and analyses performed in our first appraisal dated August 2008. That appraisal is, by reference, made part of this document. The appraisal which we are currently completing will exclude lands previously appraised and identified as USSC citrus groves.

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You have also requested, as part of this assignment, that we give consideration to any potential positive or negative impact which may be caused or created by an option to purchase the remaining lands owned by USSC. The current proposed purchase of approximately 72,800± acres of land (including 32,000± acres of citrus land) will include, at no identified cost, the option to purchase approximately 107,000± acres of land which comprise the balance of USSC holdings. The question being asked at this point relates to whether or not the values of the land proposed for purchase in the option would be greater than, equal to, or less than the identified cost of purchase.

We have investigated the relative financial advantage or disadvantage of exercising this option to purchase by comparing the identified option price at \$7,400/gross acre to those values previously estimated within our first appraisal assignment. With the exception of two components, and for the purpose of analyzing this option, our value estimates will remain unchanged from those estimates reflected in the first appraisal assignment. Each of the two components which will have values different from those shown in the first appraisal, are lands which were identified as transitional and suitable for limestone rock excavation.

The first of these lands, identified as approximately 5,400± acres leased to Stewart Mining Industries, has been analyzed in the review of the option by considering the lease which encumbers the land. This lease would be anticipated to remain in place should the South Florida Water Management District exercise the option to purchase the property.

The second rock mining component, representing approximately 7,600± acres of land, which was originally leased to Florida Rock Industries, has been valued employing an additional extraordinary assumption which was agreed to prior to our accepting this new appraisal assignment. This extraordinary assumption anticipates that, in accordance with lease provisions, the lease will be declared null and void and have no impact upon the property. This assumption, therefore, acknowledges that should the South Florida Water Management District exercise its option to purchase these lands, they would be acquired “free and clear” of any encumbrances.

We have concluded that each of these lands will continue to have a highest and best use related to future rock production and that there is a high probability that they will be permitted to allow for the extraction and sale of limestone rock materials.

Our evaluation of the rock lands of the option analysis has been developed with the aid of an appraisal firm specializing in the appraisal of mineral interests. Mr. Stuart Limb, FRICS, AIMA, principal of CMC, Inc., has carefully studied the future potential rock production associated with the Stewart Mining property and reviewed the current lease so that he might project and thereby estimate the net present value of the income which this future mining operation is capable of developing.

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This information is then used to determine the royalty payment which would be made to the South Florida Water Management District should it purchase this land as a component of the option lands, leaving the current lease in place. Mr. Limb has also provided information to assist the appraisers in better understanding the value of those lands previously leased to Florida Rock Industries by evaluating the current status of the local rock market in South Florida and to estimate probable demand for rock product at the subject location.

The summary sheet found attached to this document provides a review of the values of the individual components which are currently being appraised as part of this assignment.

### **EXPLANATION OF APPRAISAL PROCESS FOR 40,065.96± ACRES**

The current appraisal assignment involves the evaluation of 40,065.96± acres of land owned by the United States Sugar Corporation. With the exception of Parcel #200-013, all lands addressed in this current appraisal were previously appraised in our first appraisal with an effective date of August 8, 2008. Parcel 200-013 is a 309.1±-acre tract of land located proximate to the City of Clewiston's utility plant which has been added as a new appraisal parcel. This land is located in an area lying to the west of Blumberg Road and has been valued based upon the original value estimate for those lands at a price of \$5,000/acre.

Lands originally appraised and then included, once again, in this new appraisal assignment include the following:

- Moore Haven South: 3,461.02± Acres
- Agricultural lands east of Blumberg Road: 25,246.22± Acres
- Lands located proximate to Pahokee: 8,702.92± Acres
- Transitional lands and community request lands: 2,655.8± Acres

The value estimates reflected within our original appraisal with an effective date of August 2008, have been utilized and remain unchanged for the purpose of this appraisal, as we have determined the market within the subject area to be stable. The allocation of the value on a price per acre basis, however, has changed as an independent evaluation of each component now being considered for purchase has been completed. Consideration has been given to the locational characteristics of each of the component parts, their size, and the productivity of the soil.

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By way of example, *in the first appraisal*, the 3,461± acres of land located near Moore Haven were valued on an average of \$5,000/gross acre. This value per acre estimate was applied to approximately 30,695± acres of land, all of which were identified as lands lying west of Blumberg Road. This \$5,000/gross acre price was estimated as the average value of those lands, recognizing that portions of the land were considered highly productive, while all other areas were considered to be far less productive. Once again, the \$5,000/gross acre for the entire 30,695± acres represented the average price per acre value estimate for the entire lands lying west of Blumberg Road.

When valuing those same 3,461± acres located near Moore Haven in this current appraisal assignment, a value estimate of \$8,500/gross acre was estimated. This different allocation of value for lands lying west of Blumberg Road recognizes that the proposed 3,461± acres intended to be purchased at this time consist of lands considered to be more productive than the average lands originally valued as part of a larger component of all lands lying west of Blumberg Road.

The same procedure has been followed for each of the other components of land which make up the current proposed purchase, totaling some 40,065.96± acres. Lands lying east of Blumberg Road consisting of some 25,246± acres were originally valued at an average price of \$5,500/gross acre. At the time of the first appraisal, those 25,246± acres represented only a component of a larger parcel of lands lying east of Blumberg Road, totaling some 42,960± acres. This current appraisal values those 25,246± acres at a price which is unchanged from the original appraisal as a component of the larger parcel at \$5,500/ gross acre. This recognizes that the lands currently proposed for purchase are, on the average, equal to the lands which were originally valued as part of a larger component.

Lands now being considered for purchase which lie in close proximity to Pahokee represent some of the most productive lands owned by USSC. The total proposed purchase includes some 8,703± acres which are currently valued at \$9,000/gross acre. This value recognizes that muck depths and productivity at this location enhance the value of the properties. The same lands, when valued in the first appraisal, reflected an average price of \$7,500/gross acre. This reallocation of value again takes into consideration that some lands would have been valued at less than \$7,500/gross acre, while others would be valued at a higher price when the original 56,985± acres were valued.

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Lands which are currently proposed to be purchased and which were originally identified as transitional, include some 2,655.8± acres of land. In our original appraisal, these lands were valued based upon their land use classification, locational characteristics, and highest and best use. The value estimate reflected within the current appraisal will, once again, value these transitional lands at a price equal to that reflected within the first appraisal as sales researched within this market area do not suggest any significant change in the pricing of transitional lands as of a current date.

### **ANALYSIS OF OPTION INCLUDED IN INITIAL PURCHASE**

This assignment also addresses a request that we give consideration to any positive or negative financial impact which may be created by the negotiated option to purchase all remaining lands owned by USSC. Information provided suggests that this option to purchase will be included as a component of the original sale of some 72,800± acres of land. There is no identified cost for this option, thereby indicating that the total consideration paid for the 72,800± acres would include any rights conveyed by the option. This, therefore, implies that if there is any positive benefit created by this option, that benefit would be included in the total consideration paid to purchase the 72,800± acres currently proposed to be acquired.

The stated price to acquire the additional 107,000± acres reflected within the option is based upon a gross price, which applies to all lands, in the amount of \$7,400/acre. We have analyzed the potential impact of this option by comparing the stated option purchase price of \$7,400/gross acre to the value of those components which may be purchased should the option be exercised. When analyzing the impact of this option, we have relied upon our value estimates developed during the first appraisal assignment, which have been supplemented by a current sales search and further analysis to verify any change in value. In reviewing these value estimates, we have concluded that there are only two parcels which should be valued at a different price from that reflected within the original or first appraisal having an effective date of August 2008.

The first of these parcels is the Stewart Mining site located proximate to the community of Pahokee. This site contains approximately 5,400± acres of land which, at the time of our first appraisal, was in the process of being permitted to allow limestone rock excavation. This land is currently leased to the Stewart Mining Industries, Inc. and would be expected to be purchased subject to that lease. That is to say that should the South Florida Water Management District purchase this property based upon the terms of the option and pay \$7,400/acre, they would not have full use of the land since the Stewart Mining Industries would continue to have the opportunity to operate a limestone mining business pursuant to the terms of the original lease.

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Actual mining of the site would not occur until all permits have been granted to allow such mining. This would, therefore, grant limited rights to the South Florida Water Management District after it has purchased the land. The primary benefit enjoyed by the District would be receipt of royalties paid by the mining operator for the continued right to extract minerals or limestone materials. The value of the property, therefore, may be divided into a leased fee and a leasehold interest with SFWMD acquiring the right to the leased fee.

The evaluation of the lease fee is typically conducted by considering the present value of the net proceeds which the lessor will enjoy during the terms of the lease plus the value of the reversion of the property at the termination of the lease. The evaluation of the royalties associated with the proposed rock mining operation required the appraiser to employ other professionals who specialize in the evaluation of such mineral interests. To assist us in this evaluation, we requested that Mr. Stuart Limb, FRICS, AIMA, President of CMC, Inc., analyze the current lease and provide a market value calculation in order to indicate the present value of royalties which would be anticipated to be paid by the lessee. We have also considered the minor reversionary value which would be expected after the termination of the lease.

There is a second parcel which has been valued for the purpose of analyzing the option in a manner different from that reflected within our original appraisal. This land consists of approximately 7,600± acres originally leased to Florida Rock Industries. We understand that the termination of the lease to Florida Rock Industries is currently being litigated and that the court has yet to determine whether or not that lease will be declared null and void. For the purpose of this option analysis, we have employed the extraordinary assumption that the court will rule that Florida Rock Industries has no legal interests in the land and, therefore, should the option be exercised, SFWMD would acquire title to this property free and clear of any encumbrances.

Mr. Stuart Limb is currently in the process of performing an evaluation of these lands. As of the date of the writing of this summary, Mr. Limb has not had the opportunity to conclude his study and, therefore, has offered no opinion of value. We, therefore, reserve the right to amend this summary and our conclusions as to any advantage offered by the option based upon receipt of Mr. Limb's final reports which will identify and analyze the value of these lands.

In our original appraisal dated August 2008, the value of the Florida Rock Industries' 7,600± acres of land was based upon the extraordinary assumption that these lands would "likely be permitted." Our original appraisal reflected an element of risk associated with the final permitting of this land to allow for rock excavation. Since the completion of our first appraisal, additional progress has been made and, in our opinion, the risk of achieving final permitting is less than that reflected in our first appraisal assignment.

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When valuing the 7,600± acres of land in our first appraisal, we relied upon a Sales Comparison Approach to value. This approach to value is still considered to be a reliable appraisal technique used for the purpose of valuing lands having the potential for rock excavation. In this approach, we researched the sales of other lands which were not permitted for rock excavation, but had potential for such permitting. While completing this second appraisal assignment, we have continued to research sales of properties having the potential for rock excavation. Sales which have recently occurred in the subject market area subsequent to the completion of our first appraisal further confirm that lands having potential for rock excavation have values significant greater than lands which are utilized only for agricultural purposes. Confidential information obtained through verification indicate values somewhat greater than those reflected by sales information available at the time of the writing of our first appraisal report. These sales data, along with further verifications, as well as preliminary information provided by CMC, Inc., suggest that the evaluation of the lands formerly leased to Florida Rock Industries would have a current market value greater than that originally estimated in our first appraisal report.

This information supports an increase in value from our original value estimate of \$20,000/gross acre to a current market value estimate of \$28,000/gross acre for the approximate 7,600± acres of land.

In the final analysis, when evaluating the potential impact of the option, we have concluded that purchasing the lands under the terms of this option results, in some cases, in paying a price above market value, while in other instances involves the purchase of components at a favorable price below that which is considered to be the current market value of the component.

The next step in the evaluation of the option requires that the appraiser adjusts or considers the impact to the option land caused by the purchase of some of the more favorable land to be included in the initial purchase of some 72,800± acres. We have previously discussed that the components now being considered for purchase are, in some cases, some of the most valuable lands owned by USSC. The net effect of this purchase is to leave lands remaining to be purchased in the option which reflects an average value less than that originally considered in the first appraisal assignment. By way of example, those lands located westerly of Blumberg Road were originally valued in the first appraisal at an average price of \$5,000/acre.

Should the South Florida Water Management District purchase the proposed 3,461± acres of land located proximate to the community of Moore Haven at \$8,500/acre, the average value originally reflected for all lands lying westerly of Blumberg Road would decrease to a price less than \$5,000/acre. This is due to the fact that the land remaining would, on the average, be less productive. Therefore, for the purpose of analyzing the option, those remaining lands lying westerly of Blumberg Road would have an adjusted value less than the original value, i.e. approximately \$4,550/gross acre.

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A similar exercise has been performed for the various components which make up the lands which may be purchased under the option. The adjusted prices have, in each case, been considered and compared to the option price at \$7,400/acre. The net result of this exercise indicates that the transitional lands which may be purchased under the option would have an overall value greater than that price of \$7,400/gross acre and, therefore, would contribute favorably to the option advantage. Lands lying east of Blumberg Road, however, valued at \$5,500/gross acre and purchased under the terms of the option at \$7,400/gross acre, would have a negative impact upon the advantage of the option.

The evaluation of the rock lands represents the component of the option which most significantly influences any advantage which may be produced by exercising the option. The Florida Rock Industries' land currently valued at \$28,000/gross acre could be purchased at a price of \$7,400/gross acre. This produces a significant net advantage caused by the option opportunity.

Considering each of the components which remain to be purchased under the terms of the option and comparing the relative advantage or disadvantage caused by purchasing those properties at \$7,400/gross acre, determines whether or not an advantage is created by the option. For the purpose of this analysis, each advantage or disadvantage has been estimated and then summed to determine whether or not the results of the purchase of the entire 107,000± acres would be either positive or negative. The net result of the consideration and comparison of the various component parts results in an estimate of a positive advantage in the amount of approximately \$68,000,000. This estimate is effective as of the current date of the writing of this summary and may be revised to reflect the final conclusions and estimates contained within the report now being prepared by Mr. Stuart Limb, FRICS, AIMA.

Thank you again for the opportunity to provide this appraisal service. Should you have questions or need additional information, please do not hesitate to contact me.

Sincerely,



E. LARRY SEWELL, MAI  
State-Certified General Real Estate Appraiser RZ501

ELS:daf

USSC APPRAISAL SUBJECT COMPONENT SUBJECT PROPERTY IDENTIFICATION	TOTAL SIZE ACRES	COMPONENT VALUE/ AC	VALUE ESTIMATE AS OF MAY 1, 2009
<b>Moore Haven S-4</b>	3,461.02	\$ 8,500	\$29,418,670
USSC Lands East of Blumberg Rd	25,246.22	\$ 5,500	\$138,854,210
USSC Lands East US 27 Pahokee and North	8,702.92	\$ 9,000	\$78,326,280
Transitional Lands	2,655.80	\$ 15,814	\$41,998,325
<b>TOTAL USSC ACRES</b>	<b>40,065.96</b>	<b>ACRES</b>	

## CERTIFICATION

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, 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 upon developing or reporting pre-determined results.
- my compensation for completing this assignment is not contingent on the development or reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics of the Appraisal Institute*.
- I have made a personal inspection of the property that is the subject of this report.
- Mr. Stuart Limb, FRICS, AIMA, principal of CMC, Inc., provided significant real property appraisal assistance to the person signing this certification.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.



E. LARRY SEWELL, MAI  
State-Certified General Real Estate Appraiser RZ501

May 12, 2009

## **CONTINGENT AND LIMITING CONDITIONS**

1. The appraiser(s) whose signature appears on the letter of transmittal assumes no responsibility for matters legal in character and no opinion as to the title is rendered. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management, unless otherwise specifically stated.
2. Any sketches or renderings contained within this report are approximate only and are included, along with photographs, for the purpose of assisting the reader in visualizing the property or problem at hand.
3. All statements and cost estimates are derived from sources believed to be reliable, but are in no sense guaranteed.
4. No survey or topographical study of the property has been made by the appraiser(s) and the appraiser(s) assumes no responsibility in connection with such matters. Size of the property which is the subject of the appraisal is derived from sources believed to be accurate, however, the reader or client is cautioned to rely only upon a qualified land surveyor or engineer for exact figures.
5. The appraiser(s) is not required to give testimony or attendance in court by reason of this appraisal unless prior arrangements have been made. Fees for the subsequent presentation, support, or testimony of value estimates or matters contained within this analysis are in addition to those charged for the initial preparation of the original value estimate.
6. Possession of any copy or part of this report does not carry with it the right of publication, nor may it be used for any purpose by anyone but the client, without the previous written consent of the client or appraiser(s).
7. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, newspapers, or other media, without the written consent and approval of the author, particularly as to valuation conclusion, the identity of the appraiser(s) or firm with which he/she or they are connected, or any reference to the Appraisal Institute.
8. The appraiser(s) assumes there are no hidden conditions of the property which would render it more or less valuable than an otherwise apparently comparable property. The appraiser(s) assumes no responsibility for such conditions or for any engineering which might be required to discover them.

**CONTINGENT AND LIMITING CONDITIONS, Cont'd.**

9. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage or agricultural chemicals, which may or may not be present on the property, or other environmental conditions were not called to the attention of the appraiser, nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property, unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

## **CURRICULUM VITAE**

### **E. LARRY SEWELL, MAI**

The appraiser is a partner and principal in the real estate appraisal firm, SEWELL, VALENTICH, TILLIS & ASSOCIATES, which is a partnership of professional associations formally organized for the purpose of providing real estate and related evaluation services to the general public. Acting as a full-service appraisal association, SVTA participates primarily in the evaluation of real estate and emphasizes the representation of both public and private entities involved in eminent domain litigation. Examples of analyses of real property interest include evaluations for the following: eminent domain; inverse condemnation; Bert Harris claims; tax appeal; court ordered partitioning; insurance cost analysis; evaluation of partial interests, such as easements; reservations; lease evaluations; temporary construction easements; encroachments, residual interests; and the evaluation of special purpose or unique properties which are not commonly marketed.

Appraisal and consulting assignments frequently require the development of analytical studies to determine the impact caused by extraneous conditions such as inharmonious land uses, governmental actions or restrictions placed upon the use of properties. Damage analyses and studies conducted by the appraiser include: evaluation of impact caused by the presence of expanded roadways; over-flight of aircraft; proximity to electrical transmission facilities; high pressure gas lines; encroachments; construction defects; flowage easements; public schools; and a number of other unique evaluation issues.

Approved in numerous jurisdictions throughout the State of Florida, the appraiser has been accepted by various courts as an expert witness and allowed to present testimony relating to the value of a wide variety of real estate interests. The appraiser has also served as a court-appointed commissioner for the purpose of partitioning lands, has participated in numerous mediations and negotiations.

The appraiser routinely attends professional appraisal classes and seminars to maintain a level of expertise required to fulfill both State of Florida and Appraisal Institute continuing educational requirements.

#### **Professional Affiliations and Licensing**

Member of the Appraisal Institute (MAI)  
Florida Real Estate Broker #0079444  
State-Certified General Real Estate Appraiser No. RZ501  
Building Contractor's License, #RR0043100, (Class "C", Reg. Residential)