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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Emergency Petition by) DOCKET NO. 981609-WS
 D.R. Horton Custom Homes, Inc.)
 to eliminate authority of)
 Southlake Utilities, Inc. to)
 collect service availability)
 charges and AFPI charges in Lake)
 County)

In re: Complaint by D.R. Horton) DOCKET NO. 980992-WS
 Custom Homes, Inc. against)
 Southlake Utilities, Inc. In)
 Lake County regarding collection)
 of certain AFPI charges.)

TESTIMONY
OF
ROBERT E. IRWIN
ON BEHALF OF SOUTHLAKE UTILITIES, INC.

Q. Please state your name and address.

A. My name is Robert E. Irwin. My business address is 1100 South Orange Avenue, Suite A, Orlando, Florida 32806.

Q. By whom are you employed?

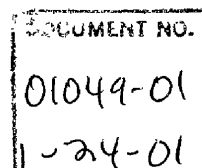
A. I am employed by the Irwin Appraisal Group, Inc. ("IAG").

Q. What is the nature of IAG's work?

A. IAG is a Commercial Real Estate Appraiser, Consulting, and Marketing Analysis firm.

Q. What is your position with IAG?

A. I am the President of IAG.



1 Q. What is the nature of your work with IAG?

2 A. I am a real estate appraiser and consultant.

3 Q. Did you prepare, or have prepared at your direction
4 and under your supervision, the testimony you are
5 about to give in this matter?

6 A. Yes.

7 Q. What is the nature of your assignment in this
8 matter?

9 A. To testify as to the valuation as utility sites of
10 the water and wastewater treatment plant sites of
11 Southlake Utilities, Inc., ("Southlake").

12 Q. For the purpose of having you qualified as an expert
13 in the field of real estate appraisal, I would like
14 to investigate your formal education and prior
15 employment.

16 Please identify where you received your
17 undergraduate degree and the area of concentration
18 of your studies?

19 A. I attended and graduated from Florida State
20 University in August, 1963, with a dual major in
21 Insurance and Finance.

22 Q. How long have you practiced in the area of real
23 estate appraisal?

24 A. I have been a commercial appraiser in the State of
25 Florida since 1973. From 1973 through 1982, I was

1 associated with Irwin Appraisal & Consulting
2 Services, Inc. and Rex-McGill Realty as a commercial
3 real estate appraiser, and had a State of Florida
4 real estate salesman's license. During this time
5 frame I worked primarily under the direction of
6 Ronald L. Irwin, MAI. Assignments included all
7 types of commercial appraisal assignments including
8 but not limited to utility sites for Southern States
9 Utilities, vacant land parcels, mobile home and
10 recreational vehicle parks, multifamily apartments,
11 warehouses, offices and single family residential
12 subdivisions.

13 From January 1983 through January 1993, I was co-
14 owner and Vice President of Bell and Irwin, Inc., a
15 commercial appraisal firm. During this time I
16 obtained the MAI designation and obtained the real
17 estate broker's license in the State of Florida. I
18 performed the same type appraisal duties and
19 assignments as I did with my previous association.
20 I was also responsible for the review and guidance
21 of up to five non designated commercial appraisers.
22 Prior to my appraisal experience from 1973 to
23 current, I was self-employed. I was involved with
24 the construction and development of an 80 acre
25 mountain retreat subdivision from about 1970 through

1 1972, known as Mill Ridge, located in the North
2 Carolina mountains, about midway between Boone and
3 Banner Elk.

4 Prior to that I was co-owner and manager of Roe-Win,
5 Inc., a heavy equipment company specializing in the
6 development of properties in St. Croix, US Virgin
7 Islands, from 1965 through 1969.

8 Q. How did you prepare yourself to become a real estate
9 appraiser?

10 A. I attended courses sponsored by the American
11 Institute of Real Estate Appraisers and by the
12 Society of Real Estate Appraisers.

13 Q. Please describe the subject matter of some of these
14 courses you have completed.

15 A. The following are some of the courses and seminars I
16 have attended or successfully completed:

17 Real Estate Appraisal Principles, which deals with
18 the general principals and methodology of appraising
19 residential and commercial properties.

20 Basic Valuation Procedures, which deals with the
21 actual methodology utilized in preparing appraisal
22 reports for residential and commercial appraisals.

23 Capitalization Theory & Techniques, Part A & B and
24 Part 3, which deals with specific analysis and
25 methodology concerning the income approach to value.

1 Standards of Practice, which deals with the rules,
2 regulations and code of standards of practice as
3 well as the code of ethics for the appraisal
4 institute.

5 Case Studies, which deals with actual appraisal
6 problems.

7 Report Writing, which deals with the methodology
8 utilized in writing commercial appraisal reports.

9 Discounted Cash Flow Analysis, which deals with the
10 methodology and analysis used in preparing
11 discounted cash flow analysis for the income
12 approach.

13 Subdivision Analysis, which deals with the
14 methodology utilized in analyzing and valuing
15 residential or commercial subdivisions.

16 Condemnation Appraisal Basic Principals and
17 Applications and Advanced Applications, which deals
18 with the complete understanding of the analysis and
19 methodology utilized in condemnation for right-of-
20 way or utility purposes.

21 Appraising Troubled Properties, which deals with an
22 understanding of valuing properties which have
23 undergone foreclosure or other unusual market
24 circumstances.

1 Q. Do you participate in any voluntary program of
2 continuing education?

3 A. Yes. The Appraisal Institute conducts voluntary
4 programs for continuing education for its members
5 and those meeting the requirements set by the
6 institute are certified. I am currently certified
7 under this program through December 31, 2002.

8 Q. Do you belong to any professional societies?

9 A. I am a member of the Appraisal Institute.

10 Q. What does the term "MAI" mean?

11 A. It means Member of the Appraisal Institute. The
12 Appraisal Institute confers the MAI designation on
13 individuals who demonstrate the knowledge,
14 experience and judgment necessary to appraise all
15 types of real property.

16 Q. Is this the highest designation that a professional
17 appraiser may hold?

18 A. Yes.

19 Q. And, are you so designated?

20 A. Yes.

21 Q. Are you a state licensed real estate appraiser?

22 A. Yes. I am licensed as a state certified general
23 real estate appraiser in Florida, license Number
24 RZ0000137.

25

1 Q. I show you a document marked Exhibit REI-1 and ask
2 if you can identify it.

3 A. It is my resume.

4 Q. Is your resume true and correct?

5 A. Yes.

6 Q. For whom do you appraise?

7 A. I have prepared appraisals for governmental bodies,
8 such as Orange and Seminole County School Boards.
9 I have also prepared appraisals for commercial
10 banks, law firms and individuals.

11 Q. What types of property have you appraised for these
12 clients?

13 A. I have appraised agricultural, vacant land of most
14 types including utility sites, and both existing and
15 proposed commercial, residential (both single family
16 and multi-family projects), industrial, office,
17 single family residential subdivisions, mobile home
18 and recreational vehicle parks, adult convalescent
19 centers, and retail shopping centers.

20 Q. Have you been qualified as an expert witness to
21 testify in court involving the value of property?

22 A. Yes. I have qualified as an expert witness in Orange
23 County Circuit Court and U.S. Bankruptcy Court. I
24 served as a Special Master for the Orange County
25

1 Value Adjustment Board for property tax appeals in
2 1997, 1998, 1999 and 2000.

3 Q. As a commercial appraiser, is your compensation for
4 your work on behalf of Southlake Utilities, Inc., in
5 any way contingent on the outcome of this case.

6 A. No. I am bound by a code of ethics which prohibits
7 contingency appraisals.

8 Q. Did you make an appraisal of the 2.53 acre water
9 treatment plant site and the 10 acre wastewater
10 treatment plant site ("Plant Site") which are
11 located within the Southlake PUD, located along US
12 Highway 27, about one mile north of the intersection
13 with US 192, in south Lake County, Florida?

14 A. Yes.

15 Q. What was the purpose of your appraisal of the two
16 sites?

17 A. To estimate the fair market value of the fee simple
18 estate in the two utility sites, as though vacant,
19 as of market conditions prevailing on September 22,
20 1990, and August 17, 1993.

21 Q. I show you a document marked Exhibit REI-2 and ask
22 if you can identify it.

23 A. Yes, it is the November 29, 2000, appraisal of the
24 water treatment and the wastewater treatment plant
25 sites which I appraised.

1 Q. How do you define "Market Value"?

2 A. Market Value is the most probable price that the
3 property should have brought in a competitive and
4 open market under all conditions requisite to a fair
5 sale, with the buyer and seller each acting
6 prudently, knowledgeably and assuming the price is
7 not affected by undue stimulus. In other words, a
8 price a seller willing, but not compelled to sell,
9 and the buyer willing, but not compelled to buy,
10 would agree upon in fair negotiations with knowledge
11 of all the facts.

12 Q. How did you proceed to make these appraisals?

13 A. I gathered information on the subject sites,
14 inspected the sites on several occasions, researched
15 comparable sales, analyzed the highest and best use,
16 analyzed the comparable sales to form an opinion as
17 to the market value of the two parcels as utility
18 sites and researched tax values on sales of property
19 in the Lake County area. I prepared a written
20 report on the valuation of the subject property.

21 Q. What method of valuation did you utilize to estimate
22 the market values of the two utility sites as of
23 September 22, 1990, and August 17, 1993, and why was
24 this method chosen?

25

1 A. The appraisal process is the orderly procedure in
2 which data used to estimate the value of a property
3 are classified, analyzed and presented. The first
4 step is identifying the real estate, the effective
5 date of the value estimate, the property rights
6 appraised and the type of values sought. Then the
7 appraiser collects and analyzes the factors which
8 affect the value of the property being appraised
9 ("Subject Property"). These include area and
10 neighborhood analysis, highest and best use
11 analysis, and the application of the applicable
12 approaches to estimating the property's value.

13 Vacant land parcels are most commonly appraised
14 using the Direct Sales Comparison Approach.
15 Alternative approaches include allocation,
16 extraction subdivision development analysis, land
17 residual and ground rent capitalization.

18 Because this appraisal was on the two utility sites
19 as though they were vacant, and because several
20 excellent comparable vacant land sales existed, the
21 sales comparison approach was utilized. Under this
22 methodology, data is gathered and analyzed on sales
23 of vacant land which is considered to be comparable
24 in characteristics to the Subject Property. Logical
25 adjustments for dissimilar characteristics are made

1 leading to an indicated value for the Subject
2 Property. The sales comparison approach is the most
3 commonly accepted approach for valuing land.

4 The principal of substitution affirms that an
5 informed buyer should pay no more for a given site
6 than an amount for which a substitute site with
7 equal of similar amenities could be obtained.

8 I gathered information on a number of vacant land
9 sales in the subject neighborhood to value the water
10 treatment plant site. In fact, two of the sales
11 considered were purchased for utility use. These
12 sales have been analyzed and adjustments have been
13 made for differences in property characteristics
14 which would have an effect on value. It should be
15 noted that the purchase of the two sites acquired
16 for utility use were made at a price in line with
17 that of commercial use property or considered to be
18 at fair market value. No reduction in price was
19 observed in the market because of the intended use
20 as a utility site. In valuing the wastewater
21 treatment plant site, I expanded the search to
22 include several counties for sales of land zoned and
23 approved for multi-family development, similar to
24 the highest and best use conclusion for the
25 wastewater treatment plant site.

1 Q. Tell us what the term "highest and best use" means.

2 A. The term "highest and best use" means the reasonable
3 and probable use that will support the highest
4 present market value as of the effective date of the
5 appraisal. The highest and best use of the property
6 as defined in the Appraisal Institute's, The
7 Appraisal of Real Estate, Eleventh Edition (1996) is
8 "the reasonably probable and legal use of vacant
9 land or an improved property, which is physically
10 possible, appropriately supported, financially
11 feasible, and that results in the highest value."

12 Q. Did you make a determination of the highest and best
13 use for the property?

14 A. Yes. It is in my opinion that the highest and best
15 use for the water plant utility site was commercial
16 use and the highest and best use of the wastewater
17 plant utility site was multi-family use.

18 Q. It has been suggested that the Subject Property be
19 appraised as utility property. Please respond.

20 A. First, the guiding principal of real estate
21 valuation is to value land at its highest and best
22 use. As set forth on page 302 of The Appraisal of
23 Real Estate (11th Edition), one of the leading
24 authorities in the real estate appraisal profession,
25

1 "Land value must always be considered
2 in terms of highest and best use.
3 Even if the site has improvements,
4 the value of the land is based on its
5 highest and best use as though vacant
6 and available for development to its
7 most economic use."

8 An appraiser must analyze the physical
9 characteristics of a parcel, the available
10 utilities, and the site improvements to determine
11 the highest and best use of the site. According to
12 Rule 1-3 of the Uniform Standards of Professional
13 Appraisal Practice of the Appraisal Institute, 2000
14 Edition:

15 "When the value opinion to be developed
16 is market value, and given the scope of
17 work identified in accordance with
18 Standard Rule 1-2(f), an appraiser must:

19 (a) identify and analyze the
20 effect on use and value of the
21 existing land use regulations,
22 reasonably probable modifica-
23 tions of such land use
24 regulations, economic demand,
25 the physical adaptability of

1 the real estate, and market
2 area trends;
3 (b) develop an opinion of the
4 highest and best use of the real
5 estate. The appraiser must
6 recognize that the land is
7 appraised as though vacant and
8 available for development to its
9 highest and best use, and that
10 the appraisal of improvements is
11 based on their actual con-
12 tribution to the site."

13 In this docket, the highest and best use of the two
14 utility sites as of September 22, 1990, and August
15 17, 1993, was as commercial property for the water
16 plant site and multi-family property for the
17 wastewater plant site.

18 Q. Are there any circumstances under which a site could
19 be appraised at other than its highest and best use?

20 A. Yes. Upon request, an appraisal could be performed
21 to estimate the use value or legal, nonconforming
22 use value of an improved site.

23 Q. Would such an appraisal be appropriate here?

24 A. No. However, the appraised value should be the
25 same. The property would be valued as its highest

1 and best use and then the costs of any improvements
2 would be determined and included.

3 Q. If you were asked to perform an appraisal to
4 determine market value of a property at the time of
5 sale, how would you, a professional real estate
6 appraiser, interpret such a request?

7 A. I would interpret the request as calling for an
8 appraisal of a parcel's market value based upon the
9 highest and best use of the parcel as of that date.

10 Q. Could a vacant parcel be developed for an
11 alternative use other than its highest and best use?

12 A. Yes. A purchaser could use a site for a number of
13 uses other than its highest and best use.

14 Q. What is the effect on the appraisal of the
15 purchaser's intent to use the parcel for a use less
16 than its highest and best use?

17 A. The purchaser's intended use of a parcel has
18 absolutely no effect whatsoever on the appraisal of
19 the parcel.

20 Q. Why not?

21 A. Because the Seller would know that the property
22 could be developed to its highest and best use, and,
23 therefore, the property would command a price based
24 on its highest and best use. For example, if a
25 parcel's highest and best use was as a commercial

1 office building, the Seller would require a purchase
2 price based on its use as a commercial office
3 building. The Purchaser's intended use of a parcel
4 should have no effect on the Seller's demanded
5 price. That is one reason that appraisals are
6 performed by using the highest and best use of a
7 parcel. As another example which was confirmed by
8 the actual parties involved, two sales discussed in
9 the appraisal were purchased for utility use.
10 However, the price paid for each of these sites was
11 in line with the fair market value or purchase price
12 of the other sales considered. These other sales
13 were non-utility purchases.

14 Q. Were either of the Plant Sites a Special Use or
15 Special Purpose property in 1990 or 1993?

16 A. No. To be a Special Use or Special Purpose
17 property, a property must have 1) physical features
18 peculiar to its specific use, 2) no apparent market
19 other than the current owner-user, and 3) no
20 feasible economic alternate use. The Plant Site
21 parcels did not meet these criteria in 1990 or 1993.
22 They had feasible economic alternative uses (e.g.,
23 an office, commercial or multi-family use); they
24 were and are in a desirable location and had a
25 market other than Southlake Utilities; and, although

1 they were and are usable and developable sites, they
2 had no physical features peculiar for the use as a
3 water treatment plant site and wastewater treatment
4 plant site.

5 Q. Are you aware of any sales of water treatment plant
6 and wastewater treatment plant sites in the
7 Southlake service area?

8 A. Only the lease of the wastewater and water treatment
9 plant sites and the sale of a well site. To the
10 best of my knowledge there were no other sales of
11 water treatment plant and wastewater treatment plant
12 sites in that area. Your ordinary purchaser is not
13 looking to buy a water or wastewater treatment plant
14 site. Hence there were no comparable sales in the
15 area to use to appraise the property as Special Use
16 or Special Purpose property.

17 Q. Did you find any purchases of utility property in
18 Lake County in your appraisal?

19 A. Yes. As a matter of fact, my appraisal uses the
20 sale of two different parcels of land which were
21 purchased for utility purposes. In the valuation
22 section pertaining to the water treatment plant,
23 comparable land sale 1 was purchased by United
24 Telephone Company of Florida, in December 1985 for
25 \$60,870.00 per acre for a 0.46 acre site.

1 Comparable sale 6 was negotiated in January, 1993
2 and purchased in January, 1994, for a confirmed
3 price of \$157,000.00 or \$57,720.00 per acre for the
4 2.72 acre site.

5 Q. Was the purchase price based on its use as utility
6 property?

7 A. No. According to Mr. Robert Halecky, property
8 manager for Florida Power Corp., the property was
9 purchased based upon its appraised fair market
10 value. I was unable to confirm sale 1 with the
11 purchasing party, however, according to the Lake
12 County Property Appraiser's records, it was a
13 "qualified sale", meaning an arms length transaction
14 with a willing buyer and a willing seller,
15 knowledgeable of the market at the time of sale.

16 Q. Did you speak with officials of Lake County and
17 Orange County, Florida, as to how they determined
18 acquisition prices for utility property?

19 A. Yes, I spoke with Mr. Billy Schiller, CFE, Land
20 Section Supervisor with the Orange County Property
21 Appraiser's office and Mr. Frank Royce, CFE, Chief
22 Deputy of the Lake County Property Appraiser's
23 office. They both advised me that properties
24 purchased by the county for utility purposes (i.e.,
25 water and wastewater systems) are purchased based

1 upon the market value of the fee simple interest in
2 the property under the principal of the highest and
3 best use of the property. The purchase price is
4 typically determined by an appraisal prepared by an
5 independent appraiser, not a county employee. In
6 other words, the county pays for the property based
7 upon its highest and best use value, even if the
8 property will be used for a less intense use, such
9 as a utility purpose.

10 Q. In your review of comparable property sales, did you
11 review the tax assessment records of Lake County for
12 the properties at the time of their sales?

13 A. Yes.

14 Q. Were the tax assessment values of the comparable
15 sales similar to the sales prices?

16 A. No. The tax assessment values on record by Lake
17 County bare no relationship to the sales price
18 (market value) of the properties. Mr. Royce, Chief
19 Deputy of the Lake County Property Appraiser's
20 office, stated that the land assessments for tax
21 purposes assigned to utility properties are
22 typically lower than market value assigned to a
23 nonutility site of similar characteristics.

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1 Q. Was your appraisal performed in accordance with the
2 appraisal standards followed in the State of
3 Florida?

4 A. Yes. My analyses, opinions and conclusions were
5 developed and the appraisal report is being prepared
6 in conformity with the Uniform Standards of
7 Professional Practice (USPAP) of the Appraisal
8 Foundation, with the requirements of the Code of
9 Professional Ethics and the Standards of
10 Professional Practice of the Appraisal Institute.
11 The report and its use is subject to the
12 requirements of the Appraisal Institute relating to
13 review by its duly authorized representatives, and
14 to the requirements of the State of Florida relating
15 to review by the Real Estate Appraisal Sub-committee
16 of the Florida Real Estate Commission. I have
17 completed the requirements of the continuing
18 education program of the Appraisal Institute and the
19 State of Florida.

20 The appraisal conforms to the Federal Deposit
21 Insurance Corporation's Final Rule on Appraisals
22 published in the Federal Register August 20, 1990,
23 and effective September 19, 1990, under "12 CFR part
24 323: Appraisals" as follows: 323.4(a)(1) no
25 departures are made from the Uniform Standards of

1 Professional Appraisal Practice (USPAP); (2) I have
2 the knowledge and experience on the type of property
3 appraised and of its geographic location market area
4 to meet the USPAP Competency Requirements; (3)
5 through (14) were met in the appraisal report.

6 Q. After doing all of the work described above and in
7 the appraisal, and in light of your experience, did
8 you form an opinion as to the market value of the
9 two utility sites?

10 A. Yes.

11 Q. What is your opinion as to the market value of the
12 utility sites as of September 22, 1990?

13 A. As of September 22, 1990, the water treatment plant
14 site, containing 2.52 acres had a market value as a
15 utility site for the fee simple estate in the land
16 of \$50,000.00 per acre, for a total value of
17 \$126,000.00. As of September 22, 1990, the
18 wastewater treatment plant site, containing 10.0
19 acres of land had a value as a utility site for the
20 fee simple estate in the land of \$44,000.00 per
21 acre, for a total value of \$440,000.00. Thus the
22 combined value for the two utility sites totals
23 \$566,000.00

24

25

1 Q. Is your opinion of a market value of \$566,000.00 for
2 the two utility sites as of September 22, 1990,
3 still true and correct today?

4 A. Yes.

5 Q. What is your opinion as to the market value of the
6 two utility sites as of August 17, 1993?

7 A. As of August 17, 1993, the utility sites had a
8 market value for land only of \$566,000.00. The
9 market value was the same for both valuation dates.

10 Q. Is your opinion of a market value of \$566,000.00 for
11 the two utility sites as of August 17, 1993, still
12 true and correct today?

13 A. Yes.

14 Q. Is your appraisal report still true and correct
15 today?

16 A. Yes.

17 Q. Do you have further comments that you would like to
18 make?

19 A. No. However, I will be glad to answer any questions
20 that anyone would like to ask.

21

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*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

Qualifications/Addenda

Qualifications of Robert E. Irwin, MAI

Business Address

Irwin Appraisal Group, Inc.
1100 South Orange Avenue, Suite A
Orlando, Florida 32806-1217

Office: (407) 426-7772
Fax: (407) 426-7995
E-Mail: Robert1105@aol.com

Education

Florida State University, Bachelor of Science Degree, 1963, Finance and Insurance Major

Real Estate Education

Appraisal Institute - Completion of MAI course work.

Seminars/Continuing Education

- Standards of Professional Practice (1992)
- The High Tech Appraisal Office
- The Internet and Appraising
- USPAP/Core Law Update
- Appraisal Practices for Litigation
- Fair Lending and the Appraiser
- Understanding Limited Appraisals and Reporting Options
- Comprehensive Appraisal Workshop
- Discounted Cash Flow Analysis
- Appraising Troubled Properties
- Subdivision Analysis
- Appraiser's Legal Liabilities
- Appraisal Regulations of the Federal Banking Agencies
- Easement Valuation

The Appraisal Institute conducts a program of continuing education for its designated members. MAIs and RMs who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program through December 31, 2002.

Designations

- Member of the Appraisal Institute (MAI), Certificate 7208

*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

Qualifications/Addenda

Certifications & Licenses

- State-Certified General Appraiser (Florida), License No. 0000137
- Registered Florida Real Estate Broker, License No. BK-0139840

Experience

- Irwin Appraisal Group, Inc., President, 1993 to Present
- Bell and Irwin, Inc., Owner/Partner, 1983 to 1993
- Irwin Appraisal & Consulting Services, Inc. and Rex-McGill Realty, Associate, 1973 to 1983
- Staff Appraiser under the direction of Ronald L. Irwin, MAI, 1973 to 1982.

Qualified Expert Witness

- U.S. Bankruptcy Court - Judges Proctor, Corkcoran, and Jennemam
- Orange County, Florida, Value Adjustment Board Special Master - 2000,1999, 1998, 1997

**A Complete Appraisal,
Summary Appraisal Report
of**

**Two Utility Sites Totaling 12.52 Acres Within the South Lake PUD
Located About One Mile North of U.S. Highway 192,
On U.S. Highway 27, Lake County, Florida**

Prepared For

**Mr. Robert L. Chapman, III
Southlake Utilities, Inc.
2525 Lanier Place
Durham, North Carolina 27705**

DATE OF INSPECTION: November 1, 2000
DATES OF VALUATION: September 22, 1990
August 17, 1993
DATE OF REPORT: November 29, 2000

Prepared By

Irwin Appraisal Group, Inc.

**Robert E. Irwin, MAI, President
State-Certified General Appraiser, License No. 0000137**

Irwin Appraisal Group, Inc.

Appraisers and Consultants

ROBERT E. IRWIN, MAI, PRESIDENT
STATE-CERTIFIED GENERAL APPRAISER #0000137

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R. JEFFREY IRWIN, ASSOCIATE
STATE-CERTIFIED GENERAL APPRAISER #0002090
JOHN R. STOKES, ASSOCIATE
STATE-CERTIFIED GENERAL APPRAISER #0002032

November 29, 2000

Mr. Robert L. Chapman, III
Southlake Utilities, Inc.
2525 Lanier Place
Durham, North Carolina 27705

Dear Mr. Chapman:

As requested, I have personally inspected and conducted the necessary investigations and analyses for the purpose of expressing an opinion of market value of the fee simple estate in two utility sites within the Southlake PUD containing a total combined land area of 12.52 acres. The properties are located north of the interchange of U.S. highways 192 and 27, in an unincorporated area Lake County, Florida.

The intended use of the appraisal is to establish the fair market value of the fee simple interest in the two parcels as utility sites as of the two dates of valuation (September 22, 1990 and August 17, 1993) for submission to the Florida Public Service Commission.

The subject of this appraisal is two separate parcels utilized as a wastewater treatment plant site and a water treatment plant site. The wastewater treatment plant site, containing 10 acres, is located about 514 ± feet east of the westerly right-of-way of U.S. Highway 27 in the southerly portion of the Southlake PUD. The water treatment plant site, containing 2.52 acres, is located along, and has frontage on, the east side U.S. Highway 27 near the northerly boundary of the Southlake PUD. The two properties are encumbered by a 99-year lease entered into on August 17, 1993. As per instructions of the client, and for the purpose of this appraisal assignment, the properties are being valued in fee simple.

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 predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined 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, 2000 Edition*, and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- 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, Robert E. Irwin, MAI, am currently certified under the continuing education program of the Appraisal Institute through 2002.

Based on the conditions and contingencies as discussed within the appraisal report, it is my opinion and conclusion that the market value "as though vacant" of the fee simple estate in the subject properties as utility sites, as of September 22, 1990, was **\$566,000**, extended as follows:

Water Treatment Plant	\$126,000
Wastewater Treatment Plant	<u>\$440,000</u>
Total Value Estimate	\$566,000

Furthermore, it is my opinion and conclusion that the market value of the subject properties in fee simple estate "as though vacant", as utility sites, as of August 17, 1993, was **\$566,000**, extended as follows:

Water Treatment Plant	\$126,000
Wastewater Treatment Plant	<u>\$440,000</u>
Total Value Estimate	\$566,000

The value estimates in this report are based on market data and conditions as of September 22, 1990, and August 17, 1993, based on research and investigations of public records and other sources as of those dates.

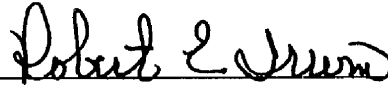
Mr. Robert L. Chapman, III
November 29, 2000
Page Three

This transmittal letter and certification of appraisal precede the narrative appraisal report, further describing the subject property and containing the reasoning and pertinent data leading to the estimated value. Your attention is directed to the "General Underlying Assumptions" and "Limiting Conditions" which are considered usual for this type assignment and have been included at the beginning of the report.

Thank you for selecting Irwin Appraisal Group, Inc. for your real estate appraisal needs. If I can be of further assistance, please do not hesitate to call.

Respectfully submitted,

IRWIN APPRAISAL GROUP, INC.



Robert E. Irwin, MAI, President
State-Certified General Appraiser 0000137

00-X-77

000001

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INTRODUCTION/SUMMARY OF CONCLUSIONS

GENERAL UNDERLYING ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated. The legal description is assumed to be correct for the purposes of this report.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
4. All engineering material is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
6. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations unless non-compliance is stated, defined, and considered in the appraisal report.
7. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
8. It is assumed that the utilization of the land is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless noted in the report.

LIMITING CONDITIONS

This appraisal report has been made with the following limiting conditions:

1. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

***Introduction/
Summary of Conclusions***

2. The appraiser herein by reason of this appraisal is not required to give further information consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
3. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
4. The property was appraised as if free and clear of any existing long-term leases on land or improvements which would affect the value of the land.
5. Sales data and information regarding vacant land sales were abstracted from public records, sales services, and other sources. This information is assumed to be accurate and correct.
6. I do not have the required expertise for determining the presence or absence of hazardous substances; defined as all hazardous or toxic materials, wastes, pollutants, or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction, or otherwise present on the properties as of the dates of value. I assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances. I do not assume responsibility for loss as a result of the presence of such substances.
7. Florida's growth management laws and concurrency provision may have a significant influence on the potential for development of vacant land, or redevelopment of improved properties. Under most local government jurisdictions, a verification of a property's standing in regard to concurrency may involve a substantial financial commitment and time delay of several weeks to several months. Therefore, a full analysis of the influence of concurrency on the subject property and comparable properties is not within the scope of an appraisal assignment. Any known concurrency conditions are reported. The valuation is subject to Florida's growth management laws and, in particular, concurrency having no negative influence on the value of the subject property, or the reliability of the comparable sales analysis, unless a known influence is reported herein.

IMPORTANT DEFINITIONS

Market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Fee Simple Estate. Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.²

Leased Fee Estate. An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.³

Leasehold Estate. The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.⁴

Easement. An interest in real property that conveys use, but not ownership, of a portion of an owner's property.⁵

¹Uniform Standards of Professional Appraisal Practice (USPAP), 2000 Edition.

²The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 140.

³The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 204.

⁴The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 204.

⁵The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 110.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet all legal permissibility, physical possibility, financial feasibility, and maximum profitability.⁶

Exposure Time. 1.) The time a property remains on the market. 2.) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.⁷

Marketing Period. 1.) The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. 2.) Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal.⁸

PURPOSE OF THE APPRAISAL

The purpose of this appraisal was to estimate the market value of the fee simple estate in the two utility sites "as though vacant" under market conditions prevailing on September 22, 1990, and August 17, 1993.

INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is to establish the market value of the two properties as utility sites for submission to the Florida Public Service Commission as utility sites as of the dates of valuation.

⁶The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 171.

⁷The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 126.

⁸The Dictionary of Real Estate Appraisal, Third Edition, 1993, Appraisal Institute, Chicago, Illinois; Page 220.

SCOPE OF THE APPRAISAL

The *scope of the appraisal* requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Guide Notes to the Standards of Professional Practice adopted by the Appraisal Institute. The standards contain binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis, or opinion. These uniform standards set the requirements to communicate the appraiser's analyses, opinions, and conclusions in a manner that will be meaningful and not misleading in the marketplace.

Definition of the appraisal problem includes the identification of the real estate and property rights being appraised. The function, purpose, definition of value, and date of appraisal, are also discussed and considered. Other limiting conditions are analyzed as to their effects on the subject.

Collection and analysis of data involves the collection of all data relative to the subject property itself and the influences on value of the subject property. This includes both general data such as social, economic, governmental, and environmental influences. Also, specific influences such as site and improvement data, and comparable sales are analyzed.

The *highest and best use analysis* is then completed as though the site is vacant as of the date of valuation. The four factors that determine the property's highest and best use are all analyzed. These include the physically possible, legally permissible, financially feasible, and maximally productive uses. The determination of the subject's highest and best use, as vacant, dictates the type of land sales that will be used in the land valuation.

The three approaches to value, the *Cost*, *Sales Comparison*, and *Income approaches* to value are typically applied. However, the subject of this appraisal is vacant land. Therefore, only the *Sales Comparison Approach* has been applied. The sales comparison approach is a method of estimating value whereby the subject properties are compared with similar properties that sold within the time frame of the two dates of valuation, September 22, 1990, and August 17, 1993.

The time frame used in collecting data was from about 1988 through 1994. Sources used to collect data were the Public Records of Lake, Orange, Seminole, Osceola, and Polk counties; MicroBase, an on-line sales search medium; and, conversations with numerous real estate professionals, property owners, and participants in the subject market.

COMPETENCY PROVISION

In order to comply with the regulations of Title XI of FIRREA, the competency of the appraiser must be addressed. The competency provision of the USPAP states that "prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently or, alternatively: (1) disclose the lack of knowledge and/or experience to the client before accepting the assignment; (2) take all steps necessary or appropriate to complete the assignment competently; and (3) describe the lack of knowledge and/or experience and the steps taken to complete the assignment in the report.

I have valued numerous similar parcels of vacant land in the Central Florida market since 1973. Based on the appraisals completed over the past 27 years and my general knowledge of the Central Florida market, the competency provision has been satisfied.

SUMMARY OF IMPORTANT CONCLUSIONS

Property Type: Two parcels of land developed as utility sites totaling 12.52 acres

Property Owner: Southlake Utilities, Inc.
% Mr. Robert Chapman, III
2525 Lanier Place
Durham, North Carolina 27705

Dates of Valuation: September 22, 1990 and August 17, 1993

Property Rights Appraised: Fee Simple Estate

Site Data: Water Treatment Plant Site

The water treatment plant site is flag-shaped having frontage estimated at about 56-feet along the east side of U.S. Highway 27, containing 2.52 acres. The site is generally level and wraps around a commercial building used as a retail petroleum sales facilities with convenience store. This building was existing as of the dates of value with similar use.

Wastewater Treatment Plant Site

The wastewater treatment plant contains 10 acres of land. It is located about 514 feet west of the westerly right-of-way of U.S. Highway 27. This site is rectangular and consists of slightly sloping land to the south southwest. Access from U.S. Highway 27 is via a 10 foot wide dirt road which also provides access to the Florida Power Boggy Marsh substation.

Both sites are composed of generally sandy soils and appear physically capable to support a variety of improvements. All necessary utilities, as of the date of this report are available to this site.

Zoning: PUD - Lake County, Florida

Land Use Designation: Multi-family and Commercial

Highest and Best Use: Water Treatment Plant Site - Commercial Retail Development
Wastewater Treatment Plant Site - Multi-family Residential Development

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

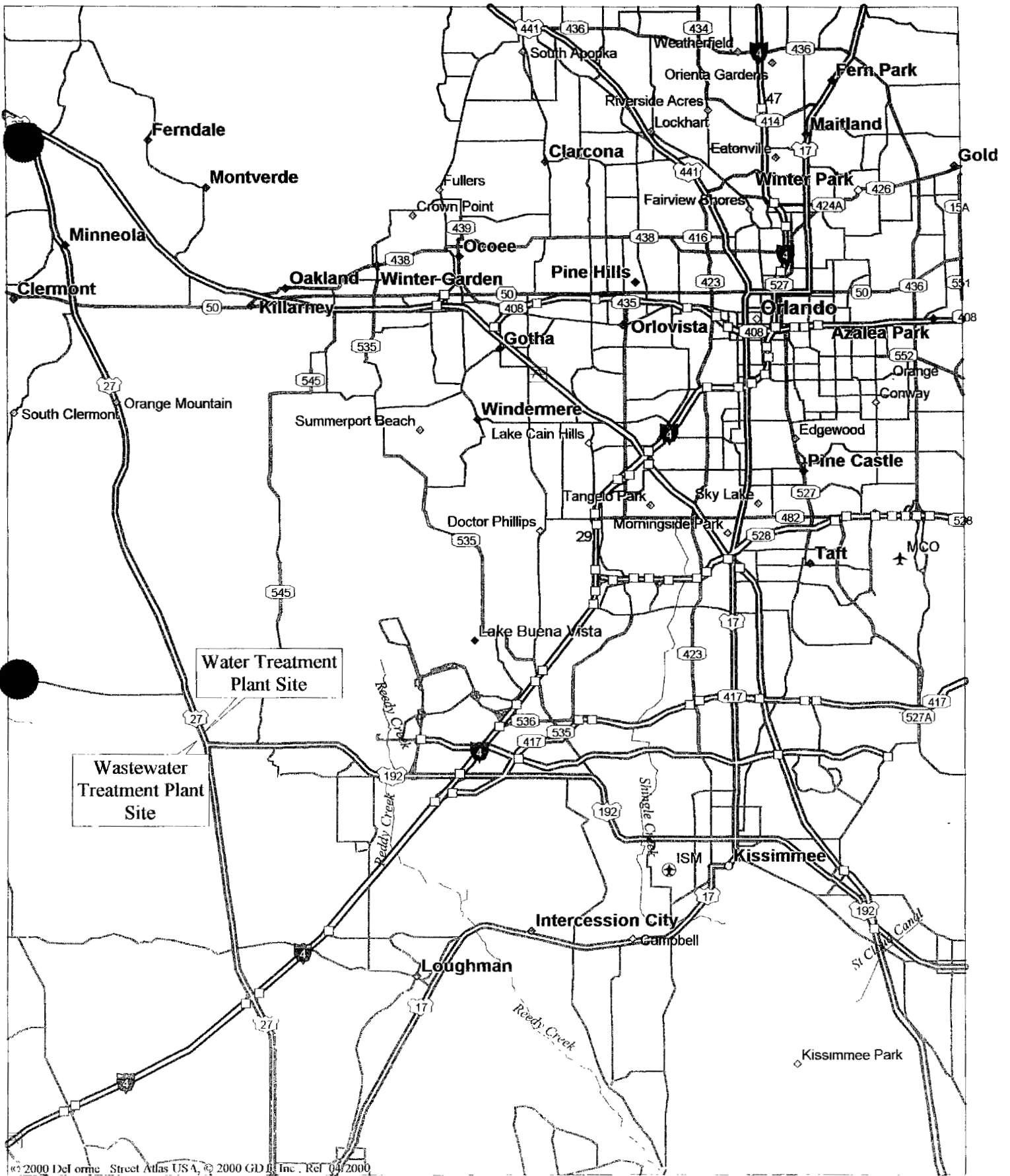
***Introduction/
Summary of Conclusions***

Indications of Value: As of September 22, 1990

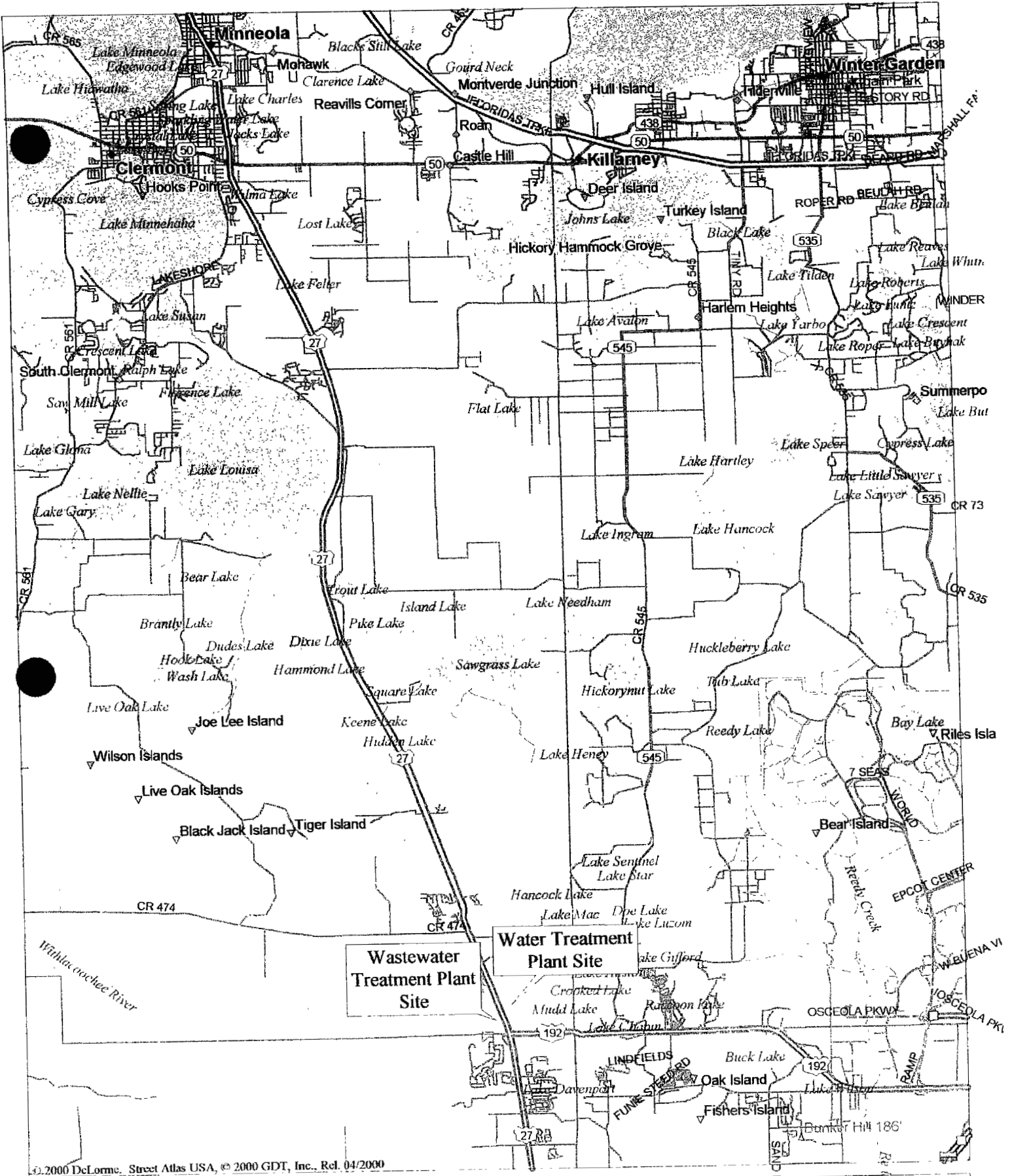
Water Treatment Plant Site	\$126,000
Wastewater Treatment Plant Site	<u>\$440,000</u>
Combined Value as of September 22, 1990	\$566,000

As of August 17, 1993

Water Treatment Plant Site	\$126,000
Wastewater Treatment Plant Site	<u>\$440,000</u>
Combined Market Value as of August 17, 1993	\$566,000



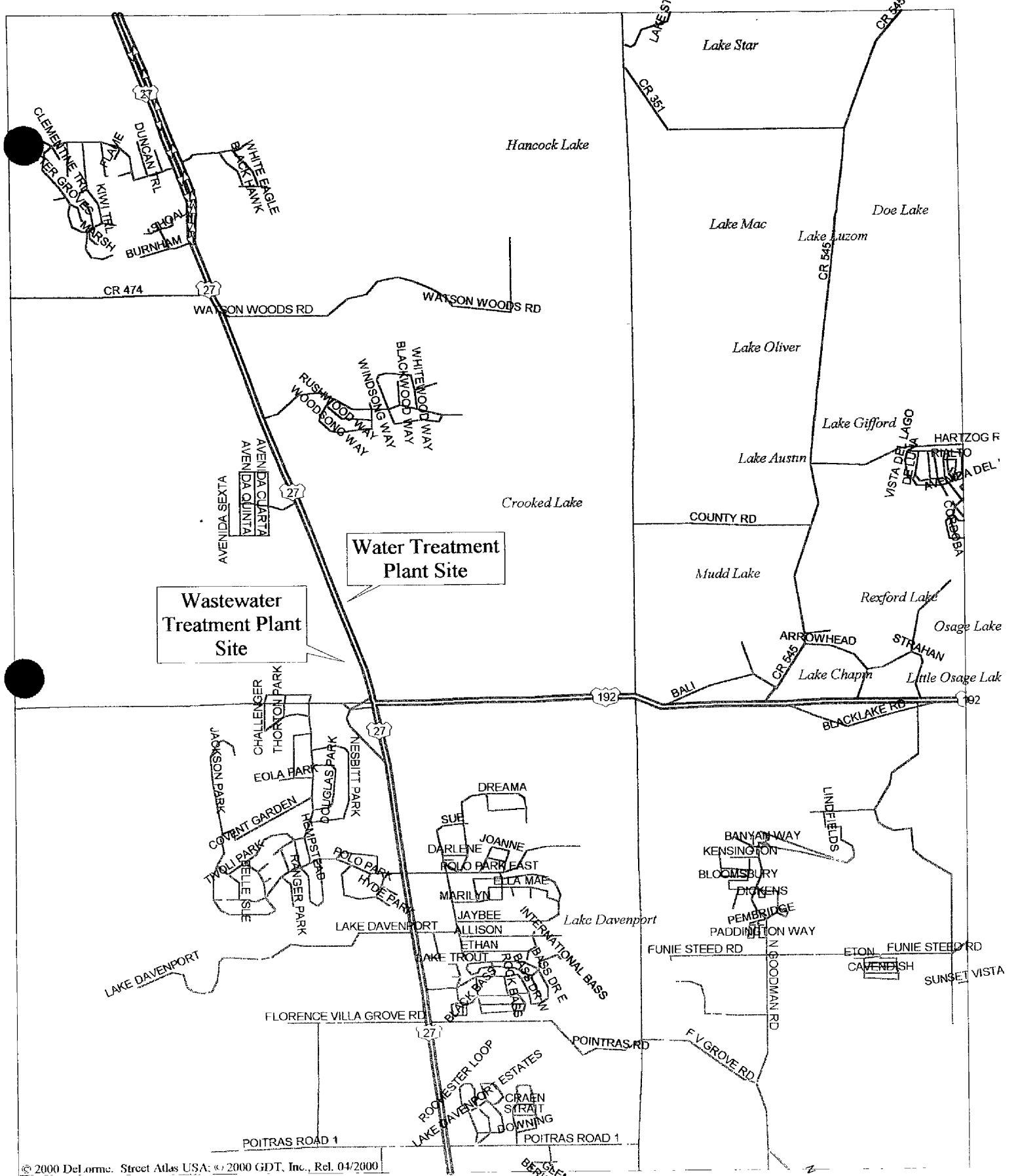
Orlando Metropolitan Area Map



© 2000 DeLorme. Street Atlas USA, © 2000 GDT, Inc., Rel. 04/2000

South Lake County Map

00001



Neighborhood Map

*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

*Property Identification/
Descriptive Data*



An easterly view of the Water Treatment Plant site from U.S. Highway 27.
All subject photographs were taken November 28, 2000.



An easterly view of the Water Treatment Plant site showing its approximate
northwest corner and the north boundary line.

*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

*Property Identification/
Descriptive Data*



A westerly view of the access road to the Wastewater Treatment Plant site from U.S. Highway 27.



A southwesterly view of the Wastewater Treatment Plant site.

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

***Property Identification/
Descriptive Data***

LOCATION

The subject properties are located within the Southlake PUD in the south section of Lake County, Florida. The Water Treatment Plant site is located along the east side of U.S. Highway 27 and the Wastewater Treatment Plant site is located about 514 feet west of U.S. Highway 27. The subject properties are located north of the intersection of U.S. highways 192 and 27. This places the subject properties in the extreme southeast corner of Lake County near the four corners of Lake, Polk, Orange, and Osceola counties. The neighborhood includes lands and developments within all four counties. The subject neighborhood is bounded to the north by State Road 50, to the west by County Road 33, to the east by State Road 535 and the Disney developments, and to the south by Interstate 4. Please refer to the location maps at the beginning of the appraisal.

OWNERSHIP HISTORY

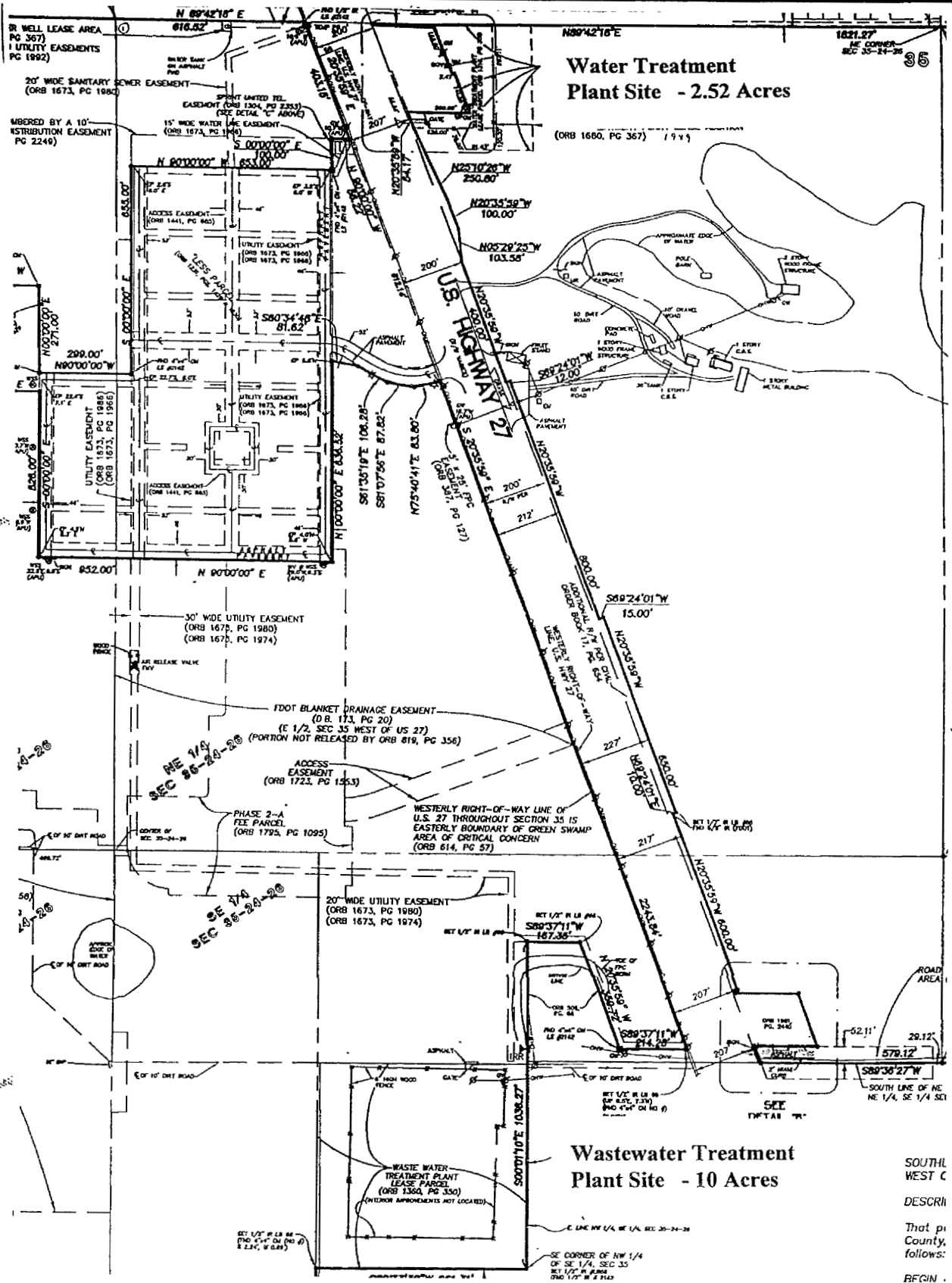
A review of the Public Records of Lake County indicates that the subject property has been under the ownership of the Robert L. Chapman family in excess of five years.

It is understood that the subject properties were leased by Southlake Utilities, Inc., from Robert L. Chapman, II, and Elizabeth T. Chapman, along with a third site referred to as the water tank parcel on August, 17, 1993. It is reported and understood that the properties under lease have been changed by an addendum or another lease whereby the original 99-year lease dated August 17, 1993, recorded in O.R. Book 1316, Page 0350, has been amended and no longer includes the water tank parcel. However, the original lease, as recorded in the above O.R. Book and Page, refers to the Water Treatment Plant site containing 1.38 acres. The amount of land for the water tank site contained 1.15 acres. The Water Treatment Plant site was increased in size to reflect the inclusion of the water tank acreage for a total of 2.52 acres for the Water Treatment site.

LEGAL DESCRIPTION

The Wastewater Treatment Plant site is legally described as:

*The Southeast 1/4 of the Northwest 1/4 of the Southeast 1/4 of Section 35, Township 24 South,
Range 20 East, Lake County, Florida, containing 10 acres, more or less.*



Water Treatment Plant Site - 2.52 Acres

(ORB 1680, PG 367) (1991)

Wastewater Treatment Plant Site - 10 Acres

SOUTH WEST C
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That pi
County,
follows:
R/CIN

SITE MAP

000020

*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

*Property Identification/
Descriptive Data*

The Water Treatment Plant site legal description is legally described as:

That part of the North ½ of Northeast ¼ of Section 35, Township 24 South, Range 25 East, in Lake County, Florida, bounded and described as follows: from the Northeast corner of said Section 35, continue along the northerly boundary of said Section 35, S 89° 42' 18" W, 1,430.092 feet to the point of beginning; thence continue S 89° 42' 18" W, 191.307 feet; thence S 20° 35' 59" E, 165.00 feet; thence N 89° 48' 01" E, 7.47 feet; thence S 20° 35' 59" E, 141.56 feet; thence S.89° 48' 01' W, 200.00 feet to the easterly right-of-way of U.S. Highway 27; thence continue along said easterly right-of-way of said highway, S 20° 35' 59" E, 55.84 feet, thence S 25° 10' 17" E, 75.00 feet; thence N 89° 48' 01" E, 91.433 feet; thence N 01° 11' 59" W, 120.301 feet; thence N 00° 18' 42" W, 287.110 feet, more or less, to the point of beginning. Containing 59,999 square feet, 1.38 acres more or less.

And,

That part of Section 35, Township 24 South, Range 26 East, Lake County, Florida, described as follows:

Commence at the Northeast corner of Section 35, Township 24 South, Range 26 East and run S 89° 42' 18" W along the North line of the Northeast ¼ of said Section 35 for a distance of 1,308.05 feet to the POINT OF BEGINNING; thence continue S 89° 42' 18" W along said line for a distance of 122.03 feet; thence run S 00° 18' 42" E along the East line of lands described in Official Records Book 1316, Page 350, as amended in Official Records Book 1529, Page 1183, of the Public Records of Lake County, Florida, for a distance of 287.68 feet; thence run S 00° 11' 59" E along said line for a distance of 120.30 feet to the Southeast corner of said lands; thence run N 89° 48' 01" E for a distance of 122.26 feet; thence run N 00° 18' 42" W for a distance of 408.18 feet to the POINT OF BEGINNING. Containing 1.143 acres more or less and being subject to any rights-of-way, restrictions and easements of record.

NEIGHBORHOOD DESCRIPTION

The subject property is located in southeast Lake County near the four corners of Lake, Orange, Polk, and Osceola counties. The neighborhood includes lands and developments within all four counties. It is bounded to the north by State Road 50; to the west by County Road 33, to the east by State Road 35 and the Disney developments and to the south by Interstate 4.

The subject properties are located along the east and west sides of U.S. Highway 27 about one-half to one mile north of U.S. Highway 192. U.S. Highway 27 is the primary north-south thoroughfare bisecting the subject neighborhood. It is a four land roadway with a grass median and center turn lanes.

The property along U.S. Highway 27 as of the dates of valuation was predominantly agricultural land comprised of freeze destroyed citrus groves. Developments along U.S. Highway 27 consisted primarily of single family residential subdivisions, with exception of the Southlake apartments which was constructed in 1993 and 1994, and commercial developments near the intersections of U.S. Highway 27 and State Road 50 and Interstate 4.

U.S. Highway 192 is an east west highway beginning at U.S. Highway 27 and extending east through Osceola County, towards Melbourne on Florida's east coast. U.S. Highway 192 is a two and four lane roadway which provides primary access to the Disney Developments and the cities of St. Cloud and Kissimmee from the subject neighborhood. It is intensively developed east of the subject neighborhood near the Disney Developments through the city of Kissimmee.

Interstate 4 is a major multi-lane highway that runs in a northeast-southwest direction, located about six miles south of the subject. Interstate 4 is accessible via U.S. Highway 27 and U.S. Highway 192. It provides easy access to the general Orlando area and extends west to Tampa and east to Daytona Beach.

The neighborhood is located west of the Interstate 4/SR 535 interchange and west of Walt Disney World. This location is about 24 miles southwest of the central business district of Orlando and about 20 miles northwest of the central business district of Kissimmee. The neighborhood is situated in the western parameters of concentration of most economic activities which developed as a result of the influence of Walt Disney World and the expanding Orlando area. Demand for residential developments during the dates of evaluation was increasing primarily for single family residential subdivisions. Several subdivisions located along U.S. Highway 27 through the subject's neighborhood included Greater Groves, Lake Davenport Estates, Magnolia Glen, Davenport Lakes, Espirit at Polo Park, Westridge, Loma Del Sol, Sawgrass, Eagle Ridge, and Westchester subdivision. These subdivisions at about 1993 had a proposed total number of 3,544 lots with about 1,434 developed and 762 sold.

During the 1980's, U.S. Highway 27 was primarily a thoroughfare to a destination. However, in the late 1980's and early 1990's more than a dozen subdivisions were developed or were in the process of being developed along U.S. Highway 27. Many of the home buyers of these subdivisions were employees of Walt Disney World and related attractions. The neighborhood also attracted retirees, northerners looking for winter homes, and foreign visitors looking for vacation rentals.

Demographic data during 1990 and 1993 were typically unreliable due to the development and explosion of residential development in the neighborhood far exceeding projections and estimates from demographic studies at those times. The Southlake Apartments project was the first large scale apartment project conducted in the subject neighborhood and was well received in the market place. The subject area was considered a developing area for multi-family development with pent up demand exceeding the observations and expectations of development and developers.

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GROVE

U.S. HIGHWAY 27

STATE ROAD 25

THIS IS PART OF SUBJECT AS PER LEGAL DESCRIPTION DRAWN IN BY APPRAISER ROBERT LEWIN FOR ILLUSTRATIVE PURPOSES FOR APPRAISAL REPORT

WATER TREATMENT PLANT SITE - 2.52 AC.



ASSESSMENT MAP LAKE COUNTY, FLORIDA

SECTION	N 1/2 35
TOWNSHIP	24S
RANGE	26E
TRACING	PRINT

Tax Map Location

000023

In conclusion, the subject neighborhood was predominantly a rural agricultural district undergoing transition to residential and commercial use. The boom in residential development in the subject neighborhood was largely due in part to population and job growth in the metropolitan Orlando area and along with residents of metropolitan Orlando looking for more rural areas to settle in order to avoid the city congestion. The subject area since the dates of valuation has continued to experience significant single family, multi family, and commercial development and has transformed this stretch of U.S. Highway 27 into a heavily populated area.

SITE DESCRIPTION

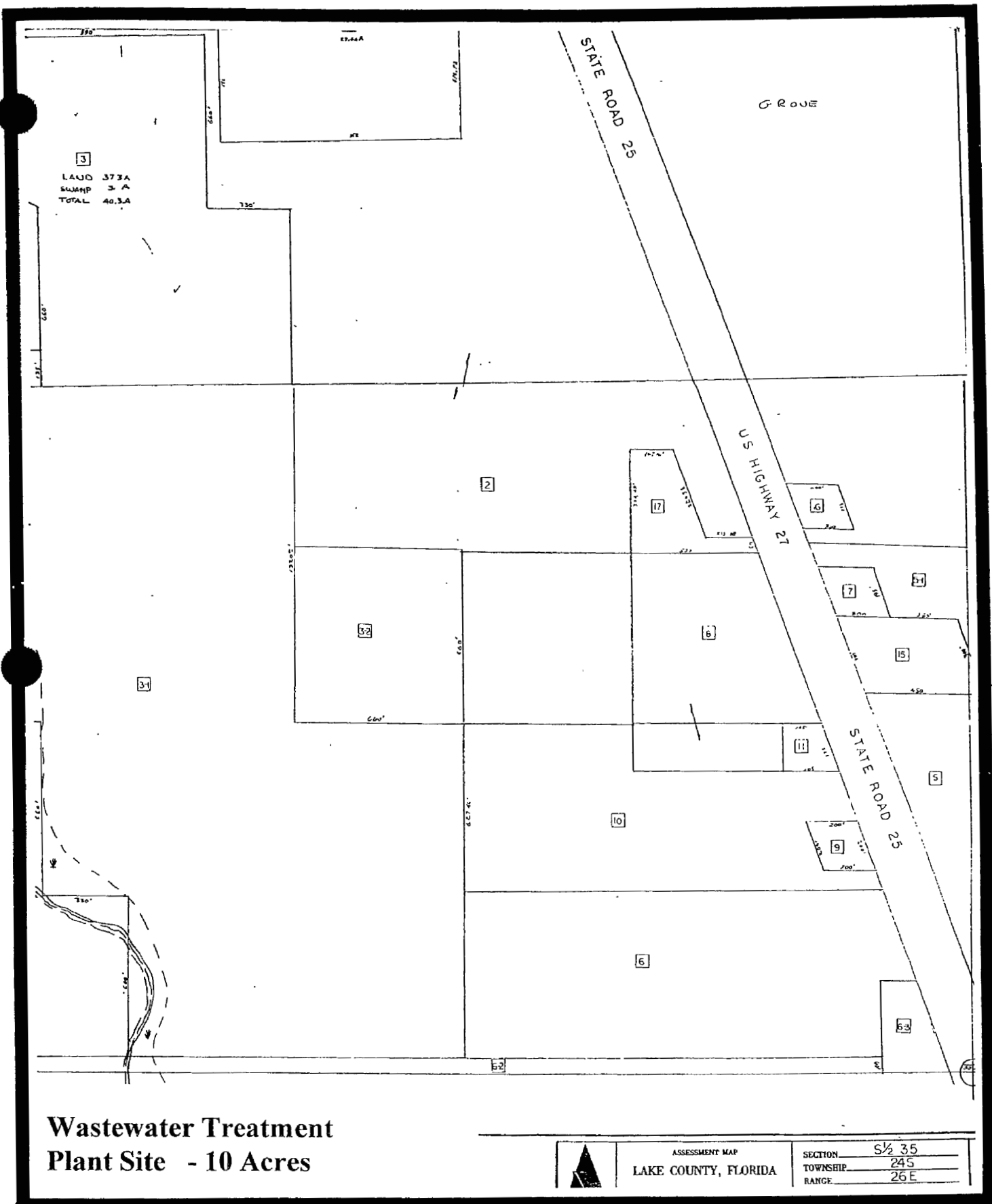
The following site descriptions are based on personal inspections of the subject sites by the appraiser, data obtained from the client, and public records information. Completed surveys of the properties were not provided however, a portion of the survey of the overall boundary of the Southlake PUD was provided and is reproduced on a previous facing page. The following two facing pages provide portions of the Lake County Property Appraiser's tax maps showing the subject properties.

Size and Shape. The Water Treatment Plant site is irregular and somewhat "L" shaped, wrapping around a commercial property which is currently a retail convenience store with gas sales. At the dates of valuation this was used as a retail gasoline Shell station. The subject has about 56 feet frontage on U.S. Highway 27. It should be noted that although the subject is irregularly shaped, it was part of the Southlake PUD. The site was part of the larger parent parcel and was designed in configuration to accommodate the water plant. It could have been included with additional land of the adjoining parcel, were it not utilized as a utility site, to provide a more typical and usable site for commercial development. The site contains a total of 2.52 acres.

The Wastewater Treatment Plant site is located about 514 feet west of U.S. Highway 27. It has 660 feet of depth by 660 feet of width, containing 10 acres.

Access. Access to the Water Treatment Plant site is via the east side of U.S. Highway 27. Access to the Wastewater Treatment Plant site is by a ten foot dirt road extending westward from U.S. Highway 27 to the plant. This roadway also provides access to the Florida Power Corporation Boggy Marsh substation located immediately to the northeast of the Wastewater Treatment Plant site.

Topography. Both sites have generally level topography. The Wastewater Treatment Plant site slopes to the west-southwest. The Water Treatment Plant site is at about road grade with U.S. 27 and has a slight slope to the east. Topographical maps and surveys were not provided to the appraisers.



**Wastewater Treatment
 Plant Site - 10 Acres**



ASSESSMENT MAP
 LAKE COUNTY, FLORIDA

SECTION	S $\frac{1}{2}$ 35
TOWNSHIP	24S
RANGE	26E

Graphics, Inc. ©COPYRIGHT 1978

Tax Map Location

000025

**Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida**

**Property Identification/
Descriptive Data**

Inspection of the sites and nearby areas disclosed no unusual adverse conditions affecting the land, but no responsibility is accepted for discovering or evaluating the subsoil, hidden, or unusual conditions. The *General Underlying Assumptions & Limiting Conditions* at the beginning of this appraisal cover unapparent conditions of the properties. Photographs at the beginning of this section aid in visualizing the subject properties.

Easements, Encroachments, and Deed Restrictions. According to the portion of the boundary survey provided, the Water Treatment site is encumbered by a 10-foot wide Florida Power Corporation distribution easement as per O.R. Book 1325, Page 2161. The Southlake PUD site plan has noted on the property that the exact location is not determinable. The value estimates reported herein are subject to the easement having no detrimental affect to value.

There are no noted easements, encroachments, and deed restrictions known to be placed on the Wastewater Treatment Plant.

Hazardous Substances. I am not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, waste, pollutants or contaminants, including but not limited to asbestos, PCB, UFFI, or other raw materials or chemicals used in construction or otherwise present on the properties or on surrounding properties. Therefore, I assume no responsibility for studies or analyses which would be required to conclude the presence or absence of such substances or loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired.

Surrounding Land Uses. The Water Treatment Plant site is located immediately east and south of an retail gasoline sales/convenience store building. Development existing as of the date of valuations beyond this scope is unknown.

Surrounding uses adjoining the Wastewater Treatment Plant site as of the date of valuations is believed to be vacant land to the north, west, south, and east, with the existing power substation located to the northeast.

Conclusion. The subject sites are considered adequate for development of utility sites and/or for an assemblage with adjoining lands for commercial and/or multi family/residential development.

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

***Property Identification/
Descriptive Data***

ZONING

The subject parent tract has a PUD, Planned Unit Development, zoning classification known as Southlake PUD. The subject properties are part of this PUD, containing 617 gross acres, which was previously used predominantly for cultivation of citrus prior to development. According to data provided, the Southlake PUD is designated as a Florida Quality Development by the State of Florida Department of Community Affairs, which is the first of its kind in Lake County and one of only a few in the entire state. The Southlake PUD was approved for development for a total 8,000 residential dwelling units reflecting a gross density of 12.97 dwelling units per acre. According to the data provided, the Florida quality development order required that at least 50% of the 8,000 approved dwelling units were to be affordable to households with incomes in the moderate and low income categories.

FUTURE LAND USE DESIGNATION

Southlake PUD was zoned Planned Unit Development by Lake County and approved on September 6, 1990. On June 18, 1991, the Lake County Board of County Commissioners rendered the opinion that the Southlake PUD, of which the subject sites are part of, was consistent with the Lake County Comprehensive Plan and approved the designation of Southlake as a Florida Quality Development. On June 27, 1991, the Department of Community Affairs executed the development order formally designating the Southlake PUD as a Florida Quality Development.

GROWTH MANAGEMENT REGULATIONS

The State of Florida has enacted growth management laws which require local governments to establish a long-term growth management plan and provide for concurrency management. The local governments must establish future land use plans which are binding and, in some cases, supersede existing zoning. The future land use designations cannot be changed without the amendment and state government approval of the local government's entire future land use plan.

Concurrency Impact. Concurrency is a state-regulated compliance program which relates to governmental approval of development projects relative to the adequacy of off-site infrastructure capacities and the ability of the existing infrastructures serving such potential development sites to handle the impact that will be generated by the development.

The effect of concurrency on the value of the real property for appraisal purposes is of significant concern at this time to buyers and sellers of real estate, developers of projects requiring government approvals, government agencies themselves, and lending institutions who are making investment commitments on various projects that will be affected by concurrency requirements.

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

***Property Identification/
Descriptive Data***

From a realistic viewpoint, **the impact of concurrency on a specific project must be determined on a case-by-case basis**. Government agencies who have been contacted with regard to their stand on concurrency are tending to provide a formal procedure, including a detailed application and application fees to make determinations of requirements that will be required by the various government regulatory departments (including planning, zoning, engineering, utilities, transportation, etc.).

The results of such formal application and a formal written commitment by the government agency regarding the property only becomes a firm commitment upon payment of impact fees for the proposed project within a relatively short period of time from the issuance of committed requirements by those government agencies. Without payment of the required impact fees, such approved requirements become invalid within a very short period of time and cannot be relied on.

Therefore, from an appraisal standpoint, it would only be possible to address major considerations of sufficiency with regard to concurrency impact (major roads needing expansion, major sewage or water treatment plant expansion requirements, etc.), but specific requirements relative to each individual property will be a limiting condition of the appraisal report, which must be satisfied by the owner prior to the development.

ASSESSMENT AND TAXES

There is no historical data available regarding assessment and taxes of the individual sites which are the subject of this appraisal as of the dates of valuation. Based upon data and current tax records, it appears the subject Wastewater Treatment Plant site is assessed as tax parcel number 35-24-26-0003-00-001900. The total assessed value for the year 2000 is \$16,875.

The Water Treatment Plant site is assessed as tax parcel number 35-24-26-0001-00-02300 as a 1.38 acre site, with the remainder of this subject site being part of a larger adjoining parcel. The assessed value for the 1.38 acres for the year 2000 was \$7,590, or about \$10,474 per acre. The tax records do not indicate the additional lands added to the Water Plant site in the ammended lease in 1999 providing for a total 2.52 acres to the water plant site.

In conclusion, the assessment and taxes for the subject properties are not considered reliable for the purpose of estimating or implying market value as of the dates of valuation. Likewise, it should be noted that a review of over 20 land parcels indicated that of those parcels which have sold during the past several years, the assessments are below sale price indications as per the records. This is also the case of Comparable Sale 1 (purchased for utility purposes) applied in the valuation of the Water Treatment Plant site. Sale 1 was purchased in 1985 for \$1.40 per square foot and was assessed in Year 2000 for \$1,518, or about \$3,485 per acre. Thus, any assessments applied to the subject property are not considered proper for utilization in estimating fair market value for the subject properties.

HIGHEST AND BEST USE ANALYSIS

Highest and best use is the reasonably probable and legal use of a vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. A site is always valued in terms of its highest and best use. The determination of the highest and best use of a property is a sequential process. Potential uses for a property are tested as being physically possible, legally permissible, financially feasible, and maximally productive. That use which provides the highest value is the highest and best use. The appraiser must determine the highest and best use of the site as though it were vacant as well as currently improved. Determining the highest and best use as vacant assumes that the land is already vacant or can be made vacant by demolition of the existing improvements. The highest and best use as vacant is generally used to estimate the land value for the subject property. The four tests of highest and best use are as follows:

Physically Possible. An analysis of the physical characteristics of the subject sites such as size, shape, location, topography and soil types, is made to determine the suitability of the site for development.

The two subject properties under this appraisal consists of a 10 acre site for the Wastewater Treatment Plant and the 2.52 acre site utilized for the Water Treatment Plant. Both sites are of adequate size for the concluded highest and best use of each site.

The highest and best use of the 10 acre site is considered to be for multi-family development consistent with subsequent use to lands to the north consisting of multi-family apartment development in 1993-94 and 1999. The highest and best use for the subject 2.52 acre site located on the east side of U.S. Highway 27 is considered as a commercial retail/service /office potential which, as of the date of valuation, could have been developed or assembled with adjoining land held under the same ownership to provide a larger parcel of developable land such as a strip center or shopping center site.

Based on a review of the physical features of the subject sites, they are considered physically suitable for a variety of improvements. The 10 acre site was considered best suited for multi-residential development due to its location, configuration, size and topography and the 2.52 acre site was considered best suited for commercial retail/service/office development. Both sites were also considered suitable for use as a utility site.

Legally Permissible. The zoning regulations, future land use plan, building codes, deed restrictions, and any other governmental or environmental restriction that may apply are considered.

As vacant parcels within the South Lake PUD, a wide variety of potential land uses were possible including commercial, single family, or multi family residential.

The highest and best use for the Water Treatment Plant site is considered for development into a commercial retail/service/office facility. Commercial land uses are typically constructed to serve the needs of the area residents taking advantage of good frontage location, etc. The subject has frontage along U.S. Highway 27 and, based upon the location within the subject PUD and access, it is considered that commercial usage would have been the most profitable use of this property. The demand for small commercial sites is supported in the *Sales Comparison Approach* which was applied to this site.

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Highest and Best Use Analysis

The highest and best use of the 10 acre Wastewater Treatment site is considered for multi-family residential development. An alternative use of the subject property as of the date of valuation particularly, in 1990, would have been for development of a single family residential use. However, this type of development was not considered to be maximally productive or it would reflect an underutilization of the subject site. In addition, a 10 acre parcel is typically too small for development into a single family residential subdivision whereas a 10 acre parcel is considered adequate for a multi-family development. Likewise, the site was zoned and approved for a multi family residential development as per the PUD. At the 1990 date of valuation, there was adequate supply of single family residential development activity in the subject area and this demand was considered to have been adequately met in the market place. There was no multi-family residential construction activity in the subject area; however, there was an indication of an adequate market for such improvement. This has further been proven by later construction activity of multi family residential developments in the subject area and their rent up to stabilization.

Financially Feasible/Maximally Productive. Uses must be found to be feasible, which is dependent on the demand for certain types of property, the existing supply, and the demographics of the surrounding area of influence.

Based on the physically possible and legally permissible uses of the subject sites, it appears that the financially feasible uses would include multi-family and office/commercial development.

The subject area was, and is currently, one of the fastest growing areas within Lake County. This growth is primarily taking place within the single-family sector and the multi-family and commercial markets.

As Though Vacant. Based on the above four tests, the highest and best use "as though vacant" was for multi-family residential development to the maximum allowable density of twenty dwelling units per acre for the Wastewater Treatment Plant site and general commercial/office for the Water Treatment Plant site.

MARKETABILITY

The marketability of the subject properties as of September 22, 1990, was considered average. However there is very limited data available to date to arrive at or support a reasonable marketing period for either of the properties under appraisal in this report.

The best source for estimating market activity was the confirmed activity by public records and confirmation of sales where possible in applying the Sales Comparison Approach to the two subject sites. Based upon historical data obtainable, it appears that the market in 1990 was stronger than in 1993.

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Highest and Best Use Analysis

Therefore, while demand for real estate in the subject market in 1990 was active, considerable activity was in land speculation. The market appeared to have softened in 1993 with less activity. Typically with investments properties such as the subject properties, when the market softens, the asking prices for lands in areas with development potential in the future are not reduced but merely are left on the market with little activity. Such premise has been proven in the subject area based upon recent activity following the valuation date in both residential and commercial use lands. Therefore, it is likely that a reasonable marketing period for the subject sites as of August 1990 would have been within one year whereas estimated marketing time for the subject sites in 1993 may have been in excess of one year.

SALES COMPARISON APPROACH TO VALUE

In estimating the market value of the subject property, the *Sales Comparison Approach* to value was utilized. The sales comparison approach is a method of estimating value whereby the subject property is compared with similar properties that have sold recently or for which listing prices or offering figures are known. The information on typical comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market. Preferably all properties are in the same area or in similar neighborhoods.

The sales comparison approach is based upon a comparison of the prices that are paid for similar competitive properties in the same market, representing bona fide arms length transactions. It is based on the premise that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility. This approach is a systematic procedure for reflecting comparative shopping. Sales comparisons are generally concluded by relative units of comparison (e.g., per acre, square foot, lot, unit, etc.). The most market-oriented unit of comparison is used to reconcile a single value indication.

Adjustments may be necessary to the comparable sales in many instances since no two properties are identical. If the comparable sale property is inferior to the subject for a particular characteristic, the sale price is enhanced by an appropriate adjustment factor. Conversely, if the comparable sale property is superior to the subject, the sale price is reduced by a corresponding adjustment factor.

In the case of the subject properties, I have researched and valued the two sites under two different land uses. The first land use is based on commercial and utility use land sales which were applied to the Water Treatment Plant site containing 2.52 acres. There was adequate market activity to support a reasonable value estimate for this subject property as of the date of valuations. A total of six comparable sales were considered, of which two of the sales were utilized for utility purposes following acquisition.

In the case of the Wastewater Treatment Plant site containing 10 acres, there was very limited data in the immediate subject market upon which to arrive at a reasonable value estimate for the subject land for a multi family residential use as of the dates of valuation and no sales of this size acquired for utility use. However, based upon the actions of the market place confirmed in valuing the 2.52 acre water utility site, it is evident that the price paid for a site is contingent upon the highest and best use of the property as per zoning and market trends, at the current market price, not the intended use of a particular parcel. Even though the two comparable sales referred to in the above paragraph were purchased for a utility use, the price paid was based upon the going market price for similar properties. Therefore, the sale search was expanded into all of Lake, Orange, and Osceola counties to include land sales acquired for multi family residential development from about January 1988 through December 1994. This analysis provided an abundance of land sales activity for multi family residential use which was weighed heavily in arriving at the value estimate for the subject land in its highest and best use consideration.

In addition to obtaining and analyzing sales for commercial and retail development, the property records of Orange, Osceola, Polk, and Lake counties were also researched for qualified sales under land use classification of "Utilities", "Municipal", and several other land use classifications in search of

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Lake County, Florida***

Sales Comparison Approach to Value

comparable sales for lands which were acquired and developed with water and sewer plants or other utility purpose improvements.

In talking with county officials, it was determined that analyzing these type land use categories was not as reliable as the approaches followed due to nature of acquisitions. Frank Royce, Chief Deputy of the Lake County Property Appraiser, and Billy Schiller, Land Section Supervisor with the Orange County Property Appraiser, both confirmed that properties purchased by the county for utility purposes are most always purchased based on the market value of the fee simple estate in the property value under the principal of the highest and best use of the property, not the utility use. This conclusion has been documented or proven by the analysis of the water treatment plant site, in which the two sites purchased for utility use were at the upper range of the value indication.

Typically most of the sales found coded utilities reflected easements and/or partial interest or limited interest in properties where the full bundle of rights were not acquired in fee simple. Likewise, consideration was given to municipalities acquiring lands for expansion of facilities such as water and sewer plants. However, it was confirmed that under this type transaction, typically the properties are appraised in fee simple under the highest and best use potential of the property as zoned at the time of acquisition. The purchase price was based upon fair market value as of the date of acquisition with no consideration given to the proposed utility use of the site following acquisition.

Water Treatment Plant Site

As mentioned previously, the subject site is zoned PUD and was considered to have development potential for retail/commercial usage. Due to its proximity and location to U.S. Highway 27, most consideration has been given to land sales having frontage or access to U.S. 27 comparable to the subject. A sales search in Lake County was conducted and over 13 sales were considered. The six most comparable sales utilized transpired from December 1985 through January 1994.

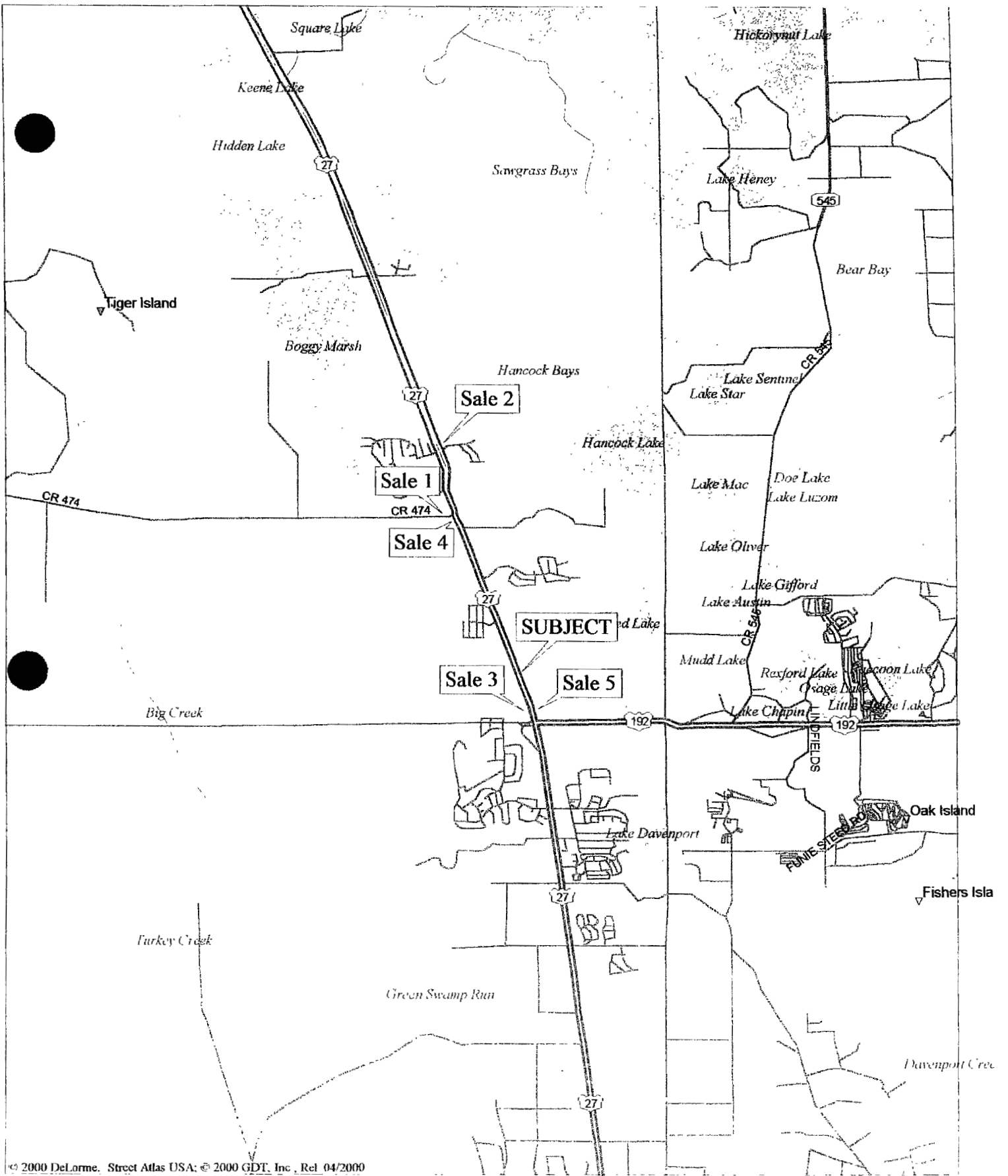
Please refer to the following page for a summary of the sales opposite a sales location map. The sales chart provides all of the adequate information including the Lake County property ID number, the date of sale, the recording information, and the sales price, size, and unit value indication. Following the chart and sales location map is a brief summary of each sale and the value conclusion for the subject property. Sales 1 and 6 were acquisitions for utility purposes.

Lake County Commercial Land Sales

(County Land Use Code 1000)

No.	Property ID #	Date of Sale	OR Book & Page	Price	Land Size (Acres)	Land Size (SF)	Price Paid Per SF	Price Paid Per Acre
1	26-24-26-0004-000-00400	12/85	0861/0810	\$28,000	0.46	20,038	\$1.40	\$60,870
2	23-24-26-0002-000-00501	12/86	0901/1299	\$50,000	0.68	29,621	\$1.69	\$73,529
3	35-24-26-0004-000-00800	01/89	0994/1085	\$734,400	12.23	532,739	\$1.38	\$60,049
4	26-24-26-0002-000-00500	11/89	1032/1902	\$320,000	7.06	307,534	\$1.04	\$45,326
5	35-24-26-0004-000-01500	04/90	1055/0076	\$83,500	3.10	135,036	\$0.62	\$26,935
6	09-22-26-1100-011-00001	01/94	1280/2316	\$157,000	2.72	118,483	\$1.33	\$57,720

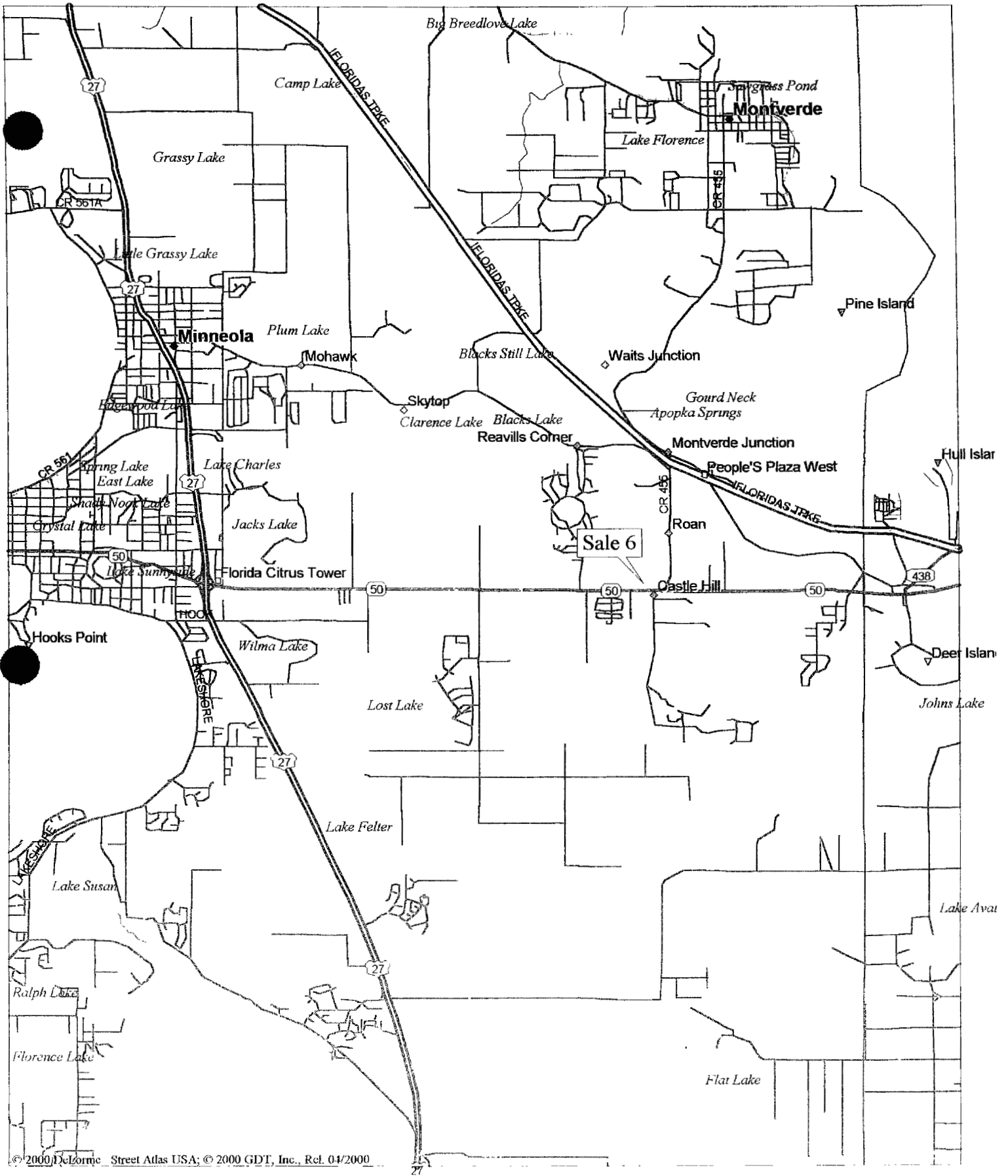
Conclusion: Water Treatment Plant Site 2.52 Acres x \$50,000 per Acre = \$126,000



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Commercial and Utility Sales Location Map

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Commercial and Utility Sales Location Map

C00036

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Sales Comparison Approach to Value

Comparable Land Sale 1 is located along the north side of County Road 474 about 480 feet west of the unsignalized intersection with U.S. Highway 27, Lake County, Florida. The street address is 16235 County Road 474. According to the Public Records of Lake County, this 20,038 square foot (0.46 acre) vacant site sold in December 1985 for \$28,000 or \$1.40 per square foot (\$60,870 per acre). The grantee was United Telephone Company of Florida, P. O. Box 12913, Shawnee Mission, Kansas, 66282.

The property is about 10 to 12 feet above street grade with a steep slope to the street and a majority of the land is sloping to generally level to the north. The property is presently improved with metal telephone equipment containers on concrete slab. The property has about 106.46 feet frontage along the northerly right of way of CR 474 by a depth of 190 feet. The Lake County property appraisers land use code assigned to this property is 9100, or Utilities. The assessed value for the year 2000 is \$1,518 which is significantly below the purchase price.

Comparable Land Sale 2 is located along the east right-of-way of U.S. Highway 27 about one mile north of the subject. The street address is 2700 U.S. Highway 27, Lake County, Florida. This property was acquired by Ralph O. and Ruth Ann Butler, 731 Sunny Dell Drive, Clermont, Florida, in December 1986 for a purchase price of \$50,000. The sale price reflects \$1.69 per square foot or \$73,529 per acre for the 29,621 square foot or 0.68 acre site. This purchase was confirmed with Mrs. Butler on November 27, 2000. The property has 117 feet frontage along U.S. Highway 27 by a maximum depth of 273.6 feet and is basically rectangular in shape. This property has a commercial store land use classification by Lake County with a land assessment of \$20,475, or \$30,110 per acre for the taxable year 2000. The land assessment is also below the price paid. The site is generally level, sloping slightly to the south and appears to have good physical and drainage characteristics comparable to the subject.

According to the Public Records of Lake County, improvements existing on this site at the time of purchase was a 889 square foot wood siding building constructed in 1975. Mrs. Butler stated she did remember if they considered a value contribution of the value of the building improvements separate from the land value at the time of purchase. It was a basic building used as a fruit stand with a dirt parking area. In analyzing this sale, an allocation of \$10,000 was assigned to the building improvements reflecting an adjusted sale price of \$40,000 which would reflect \$58,824 per acre or \$1.35 per square foot. This sale is considered inferior in location to the subject due to it being further removed from U.S. Highway 192 and Interstate 4 and is in an area that has not experienced the amount of residential and commercial development as the subject.

Comparable Land Sale 3 is located about one-quarter mile south of the subject along the west side of U.S. Highway 27 and immediately east of the subject Wastewater Treatment Plant. No street address is listed in the Public Records of Lake County for this property. This sale was confirmed by the grantor, Paul Curtis, Trustee, on November 22, 2000.

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Sales Comparison Approach to Value

According to Mr. Curtis the property contained 12.23 acres of vacant commercial land. It sold in January 1989 for \$734,400 or \$1.38 per square foot (\$60,049 per acre). This property had U.S. Highway road frontage consisting of about 640 feet. The land is generally level and comparable to the subject site. The land use classification as per Lake County is vacant commercial (1,000). The assessment for the year 2000 is \$293,520 for this property or less than half the 1989 purchase price.

Mr. Curtis indicated the purchaser was Peak Financial. In August 1992, Peak Financial defaulted on the mortgage and the property was deeded back to Mr. Curtis. This property has been on the market at an asking price of \$85,000 per acre for a total of \$1,040,000. According to the listing information the property is ideal for a shopping center, restaurants, beverage establishments, retail lumber company, gasoline service station, post office, hotel and motels, or professional offices. There is a break in the median of U.S. Highway 27 at the north end south end of the property. It should be noted that this sale is substantially larger than sales 1 and 2, and also larger than sales 4, 5 and 6. However, even at the larger size the price per unit of Sale 3 is at about the same price per square foot as Sale 1 and slightly below Sale 2, both of which are less than one acre in size. Thus, based on this comparable information, there is no indication of a size adjustment to be applied to any of the sales.

Comparable Land Sale 4 is located at the southwest corner of County Road 474 and U.S. Highway 27, having a street address of 1525 U.S. Highway 27, Lake County, Florida. This sale is located immediately south of Land Sale 2. According to the Public Records of Lake County, the grantee was W. T. Paul Liao, 4180 North Meadow Circle, Tampa, Florida. The 7.06 acre tract was purchased in November 1989 for \$320,000. The tract has about 749 feet frontage along the west side of U.S. Highway 27 and 800 feet frontage along the south side of County Road 474. The Lake County land use classification for this property is vacant commercial (1000). The assessed value for the year 2000 is \$539,838 or \$76,443 per acre.

This site is generally level and has the same physical characteristics as the subject property. The purchase price of \$320,000 reflects \$45,326 per acre or \$1.04 per square foot. This property is considered superior to the subject due to its greater amount of road frontage and corner location at an unsignalized intersection.

Comparable Land Sale 5 is located on the east side of U.S. Highway 27 immediately east of Sale 3. According to the Public Records of Lake County, the grantor, Orlando 311, Ltd., sold to Edrick G. Clukies, 801 Braefield Court, Chesterfield, Missouri, the 3.1 acre site for \$83,500. The property is generally level with the same physical characteristics as the subject and Land Sale 3. The property has 300 feet frontage along U.S. Highway 27 by 450 feet depth, containing 135,000 square feet. It is located immediately south of a retail gasoline sales facility which was previously an older Humble Oil Company station.

The Lake County Property Appraiser has this property classified as vacant commercial (1000). The assessed land value was \$90,720 for this property for the year 2000. Based upon the information obtained from the Public Records, this sale reflects \$0.62 per square foot or \$26,925 per acre.

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Sales Comparison Approach to Value

Comparable Land Sale 6 is located on the north side of State Road 50, about four miles west of the city of Clermont. Florida Power Corporation purchased 2.72 acres of vacant land from Hartle Groves, Inc., closing the purchase in January 1994, for \$157,000, as per Mr. Robert Halecky on November 26, 2000. Mr. Halecky is the regional real estate representative and property manager for Florida Power Corporation. The public records of Lake County indicate a sale price of \$136,100. During the confirmation, Mr. Halecky stated that the property was contracted for purchase in January 1993. The confirmed size of the property is 2.72 acres after set back for State Road 50 right-of-way.

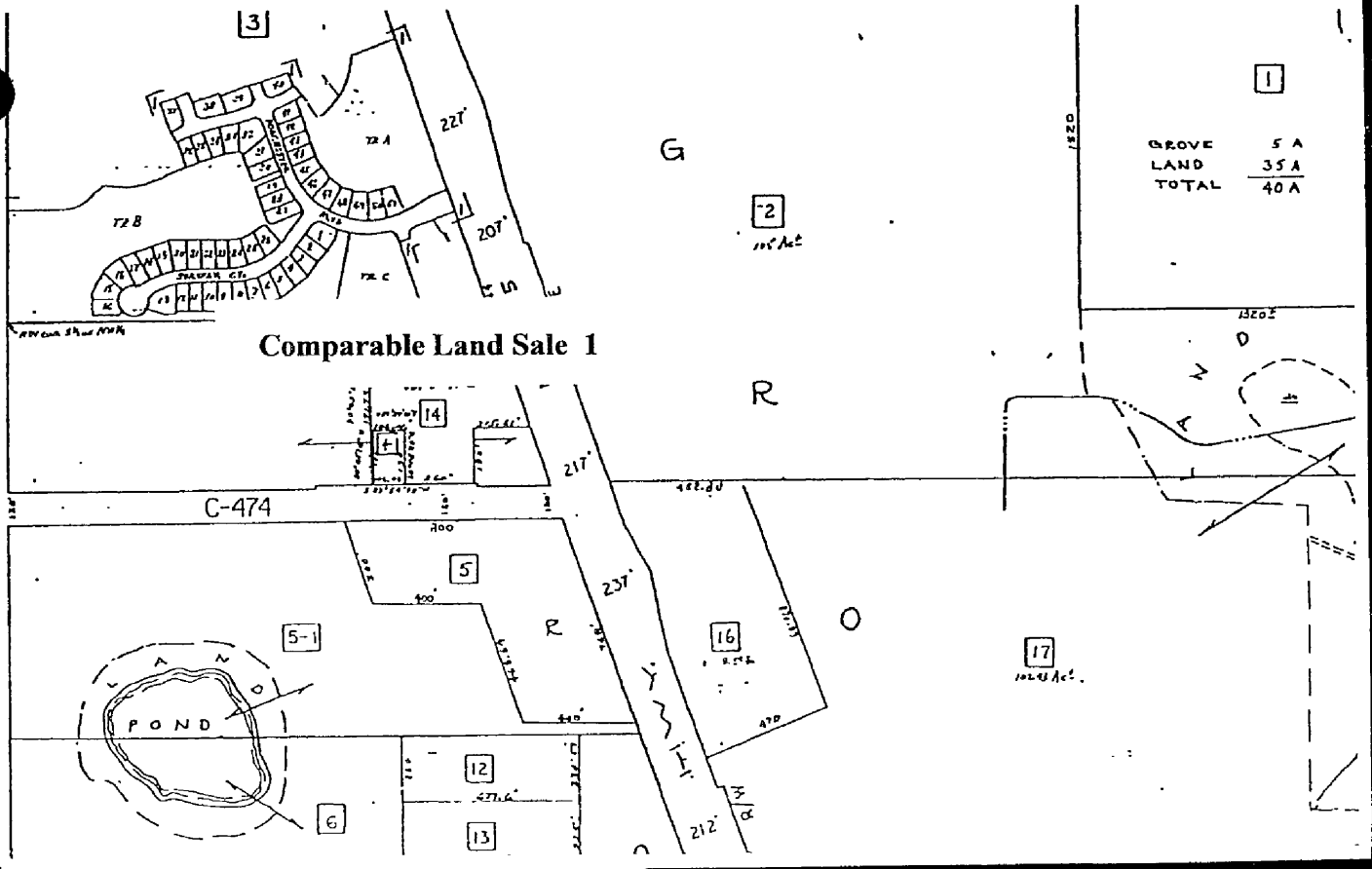
This property has subsequently been improved with a power sub-station for Florida Power. The site is rectangular having 370 feet frontage by a depth of 320 feet, containing 118,400 square feet or 2.72 acres of land area. The site is hilly and sloped to the north, and required excavation and fill work prior to being usable for its intended purpose.

The confirmed purchase price of \$157,000 reflects a unit price of \$1.33 per square foot, or \$57,720 per acre. This property is considered comparable to the subject in location, as the neighborhood of the sale was similar to the subject neighborhood at sale date. However a downward adjustment was considered for the greater road frontage of the sale. Any adjustment for configuration is considered offset by the physical characteristics of the sale as compared to the subject.

After reviewing the data regarding the six sales, most consideration has been given to sales 1 and 6 which were purchased for utility use. Other than Sale 3, there is no evidence or market data indicating previous sales activity for any of the comparables indicating a reduction in land or property value during the time span for the valuation of the subject property. As confirmed with the grantor, this was a speculative purchase. However, it is noteworthy to note that all sales activity slowed down with there being no commercial land sales up through January 1994 in the subject market area. There was no market evidence of discounting of asking or selling prices during this time period.

In conclusion, based on the data presented, it is my estimate that the fair market value for the 2.52 acre Water Treatment Plant site based on market conditions prevailing September 22, 1990, was \$50,000 per acre, or **\$126,000**.

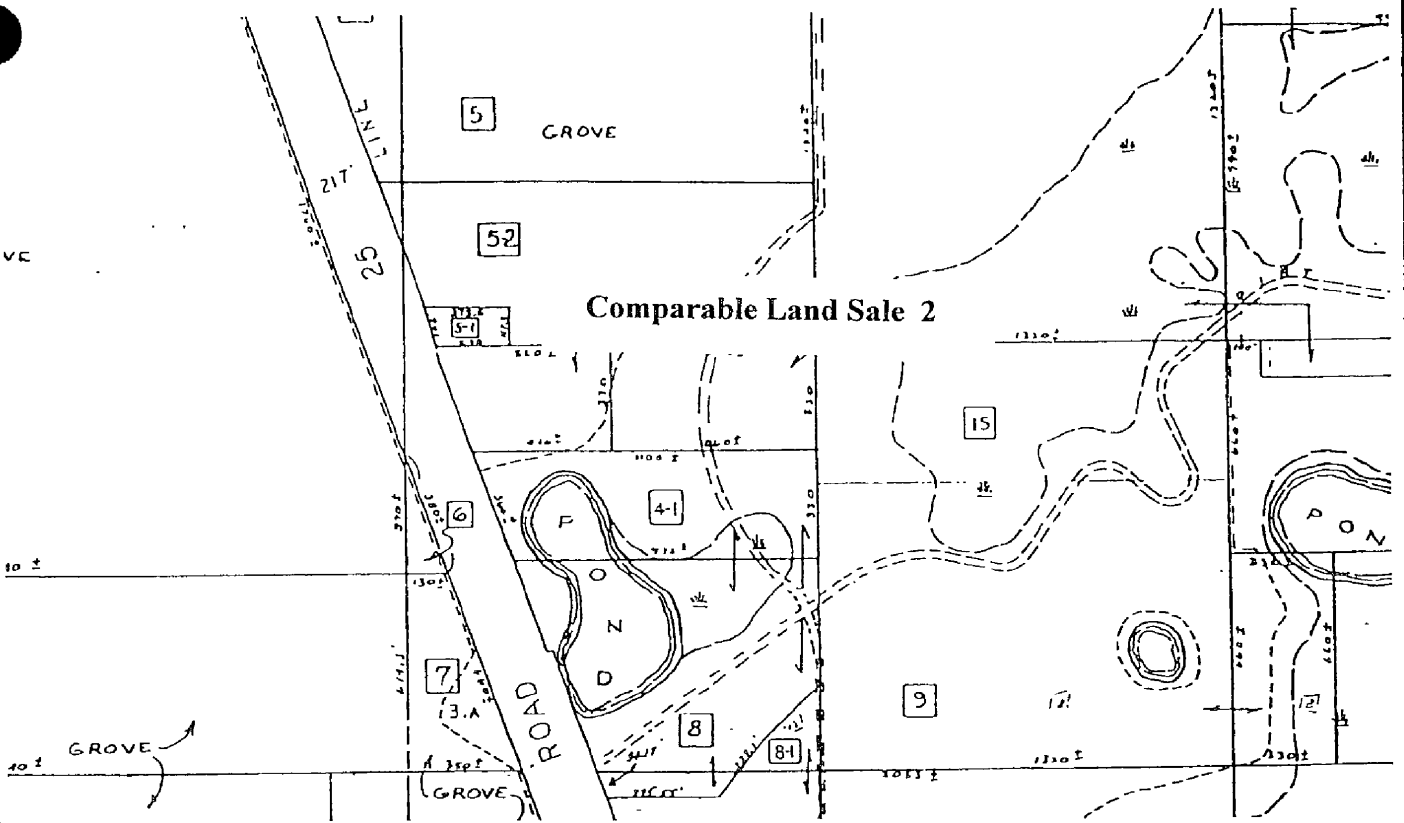
Furthermore, it is my opinion and conclusion that the market value as of August 17, 1993 was also \$50,000 per acre, or **\$126,000**.



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Comparable Land Sale

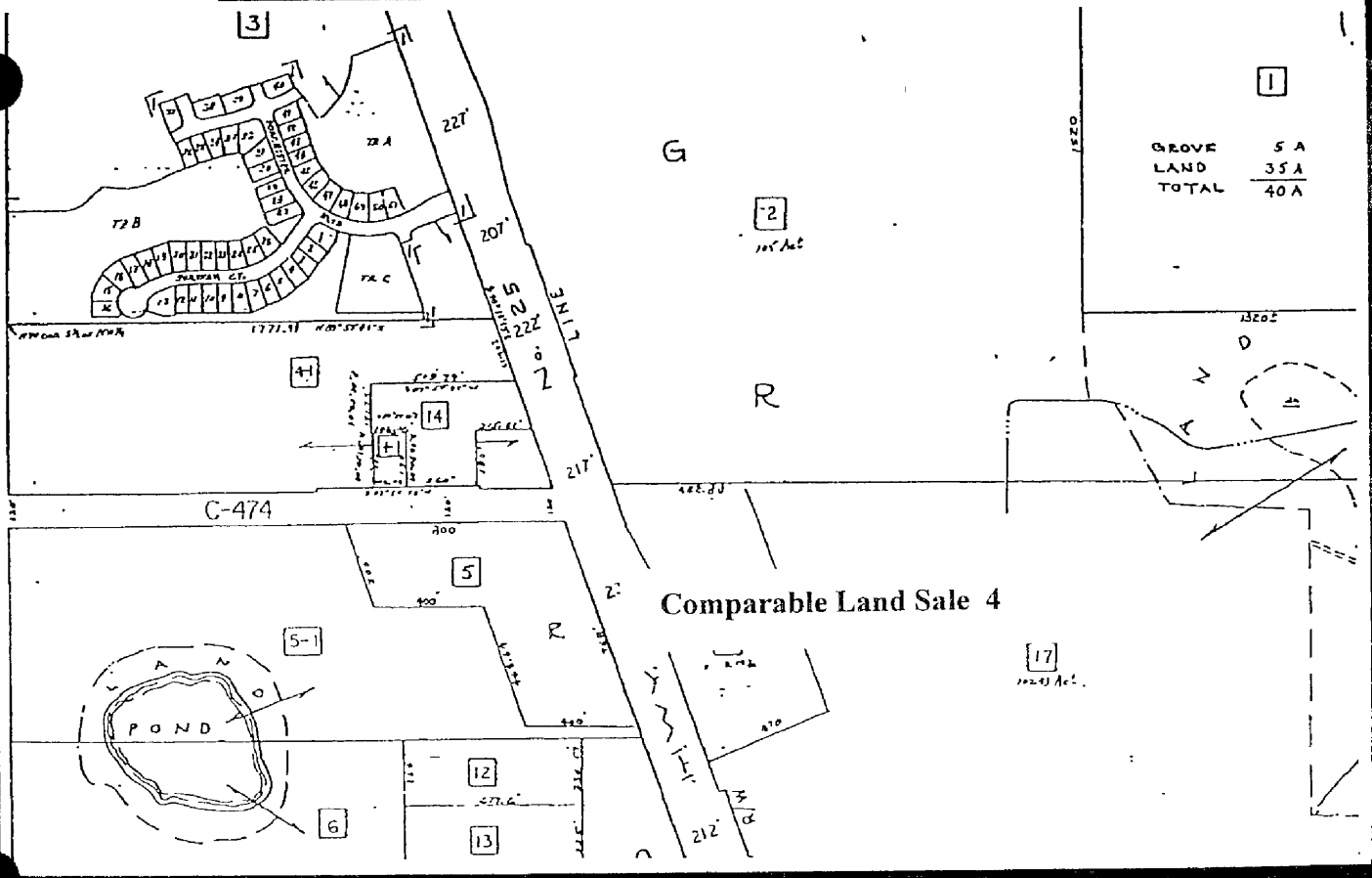
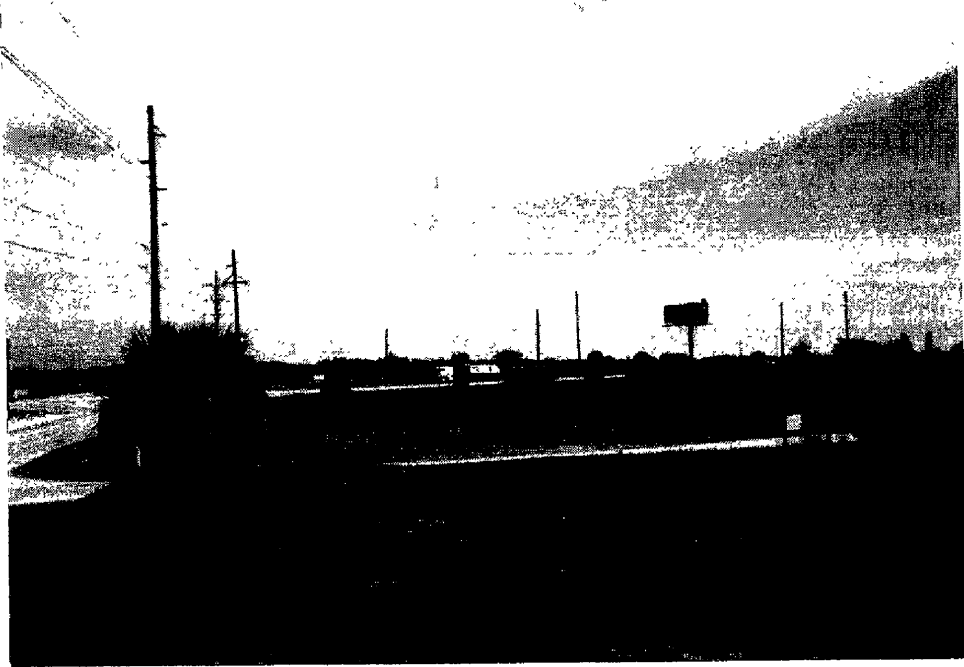
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Comparable Land Sale

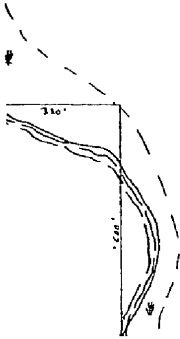
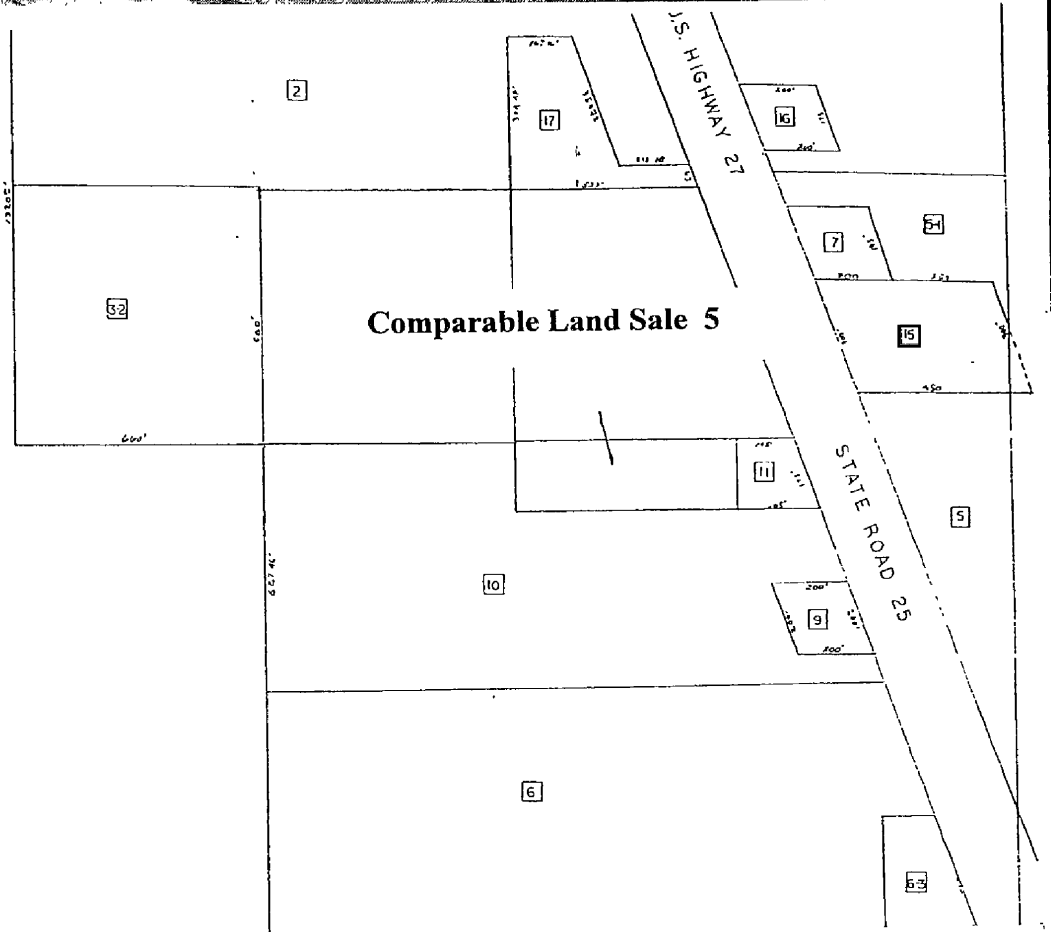
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Comparable Land Sale 4

Comparable Land Sale

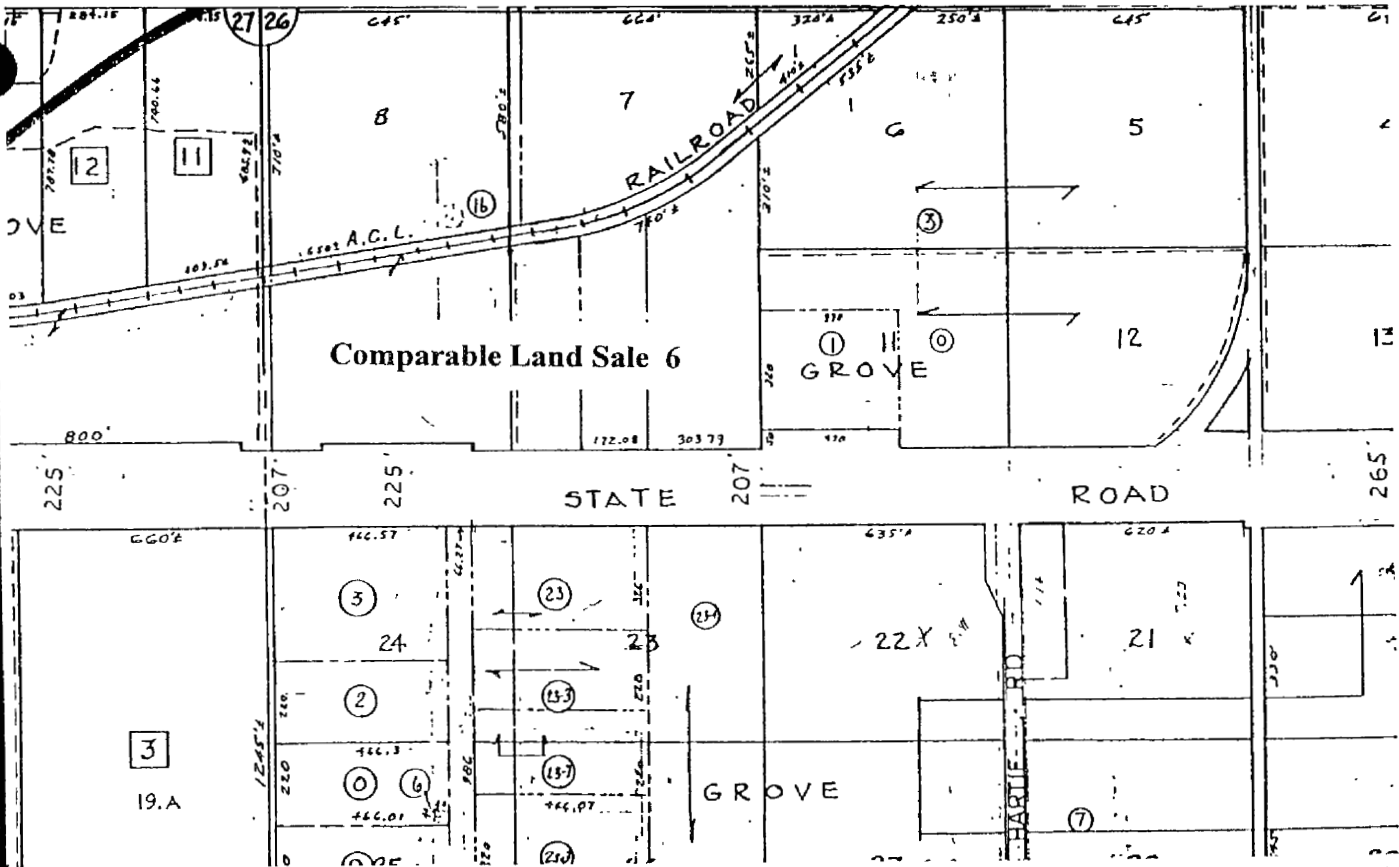
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Comparable Land Sale

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Comparable Land Sale

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Wastewater Treatment Plant Site

The Wastewater Treatment Plant site contains 10± acres of land located at the southerly end of the Southlake PUD. According to data provided to the appraiser the subject property received the PUD zoning classification on September 6, 1990. The Southlake PUD was approved for development of a total of 8,000 residential dwelling units, reflecting a gross density of 12.97 dwelling units per acre. Significant portions of the residential units were to be made available as affordable housing. According to the Florida Quality Development order which was issued on June 27, 1991, at least 4,000 (50%) of the 8,000 total dwelling units were to be affordable to households with incomes in the moderate category. Of these 4,000 dwelling units, 1,600 were to be affordable to households with incomes in the low category and 2,400 dwelling units were to be affordable to households with incomes in the moderate category. The primary target market for the project is the relatively low to moderate service sector employees working in the subject area and the tourist related attractions.

The price paid per developable unit (apartment unit) is typically the most relevant unit of comparison in the subject market for multi-family land sales. Therefore, predominant emphasis has been based upon the analysis of the subject and comparable sales based on the price paid per developable unit.

The subject PUD ordinance does not designate a maximum developable unit per acre for the subject property. I have estimated a net density of 20 units per acre for the subject site based upon a review of apartment development activity subsequent to the dates of valuation, September 22, 1990, and August 17, 1993. Currently there are four apartment projects in the immediate subject market area. The two projects located within the Southlake PUD are Southlake Apartments and Kagan's Crossing. Southlake Apartments were constructed about 1994, consisting of 329 units on 27.66 acres reflecting a density of 11.9 units per acre. Kagan's Crossing apartments are under construction as of this date and consist of 272 apartment units on 11.949 acres for a density of 22.76 units per acre. In addition, there are two apartment projects, one completed and one under construction, in the immediate area on the east side of U.S. Highway 27 opposite the subject property. Sarah's Place apartment project consists of 330 apartment units constructed in 1998 on 16.08 acres reflecting a density of 20.5 units per acre. The second apartment project, being constructed by the same developer, is located about one mile north of the Water Treatment Plant. Nelson Place is currently nearing completion of construction. The 358 unit project reflects about the same density of 20 to 21 units per acre.

Thus, the three most recent apartment projects constructed support a concluded density of 20 units per acre to be applied to the subject. Therefore, based on 10 acres of land, this would permit development of 200 multi-family residential units. I have estimated the land value for the subject based on 200 developable units.

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Sales Comparison Approach to Value

A sales search was conducted within the immediate subject neighborhood, all of Lake, Orange, and Osceola counties for the period ranging from about 1986 through 1993/1994. The data was obtained from a review of Public Records of the counties, apartment listing services, and research of in-house office files during this time span. Where possible, confirmation of the sales was made. However, due to the time span and turnover of properties, the most reliable source was considered to be from the review of the property appraisers tax records of qualified sales.

A chart summarizing the sales for each county is shown facing a brief discussion of the sale for that county on the following pages. A conclusion of market value for the subject property as of the two dates of valuation follows the county land sales discussions.

Lake County Apartment Land Sales

(County Land Use Code 300)

No.	Property ID #	Date of Sale	OR Book & Page	Price	Land Size (Acres)	Land Size (SF)	Units	Density	Acre	Price Paid Per SF	Unit
1	15-19-26-0004-000-01701	02/87 01/89	0913/1330 0994/1319	\$135,500 \$130,000	4.27 4.27	186,001 186,001	48 48	11.2 11.2	\$31,733 \$30,445	\$0.73 \$0.70	\$2,823 \$2,708
2	12-18-26-0800-00C-00200	03/87	1004/0687	\$98,000	4.00	174,240	47	11.8	\$24,500	\$0.56	\$2,085
3	15-19-26-0004-000-02800	08/88	0978/0052	\$94,500	2.92	127,195	46	15.8	\$32,363	\$0.74	\$2,054
4	24-19-24-0004-000-01601 (Duplex Development)	06/89	1014/1625	\$58,700	2.65	115,434	26	9.8	\$22,151	\$0.51	\$2,258
5	27-19-24-0003-000-07401	12/89	1039/1566	\$126,000	4.83	210,395	30	6.2	\$26,087	\$0.60	\$4,200
6	35-24-26-0001-000-01800 (Southlake Apartments)	06/93	1231/1829	\$617,700	27.66	1,204,870	329	11.9	\$22,332	\$0.51	\$1,878
7	22-19-26-0705-002-00004	12/93	1262/2012	\$112,000	3.52	153,331	36	10.2	\$31,818	\$0.73	\$3,111
8	20-18-24-0001-000-03200	01/94	1270/1604	\$133,700	4.56	198,634	36	7.9	\$29,320	\$0.67	\$3,714
9	26-24-26-0004-000-03100 (Sarah's Place)	12/97	1573/1340	\$783,800	16.08	700,445	330	20.5	\$48,744	\$1.12	\$2,375
10	26-24-26-0002-000-03800 (Florida Housing Project)	01/00	1797/2402	\$1,230,000	20.09	875,120	358	17.8	\$61,224	\$1.41	\$3,436

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Lake County Apartment Land Sales

Sales 1 to 8 obtained from the Lake County Public Records range from February 1987 through January 2000. Sales 9 and 10 were provided primarily for general information and to indicate the general stability of apartment land in Lake County. The bulk of the sales were located in the Leesburg/Tavares area with one in Lady Lake and one in the Umatilla area. Typically, these were smaller apartment developments, all 48 units or less. Thus, these are not considered to be directly comparable to the subject site due to the land size.

Sale 6 in June 1993, representing the Southlake Apartments, is not an arm's length transaction but was included due to the size and the location.

The subject site, as of September 22, 1990, was considered to be in a developing area and in the early stages of demand build up for apartment units. It is estimated that the subject property would support a land value at the lower range of values presented by the sales. Based on the data presented, there is limited evidence of property value appreciation from 1990 to 1993. Thus, it is concluded that the value of the subject property for 1990 and 1993 would be at about at the same level.

Orange County Apartment Land Sales

(County Land Use Code 310)

No.	Property ID #	Date of Sale	OR Book & Page	Price	--- Land Size ---		Units	Density Per Acre	---- Price Paid Per ----		
					(Acres)	(SF)			Acre	SF	Unit
1	10-23-29-0000-00-067	05/86	3785/2682	\$1,033,400	8.60	374,616	156	18.1	\$120,163	\$2.76	\$6,624
2	08-23-29-2791-00-010	09/87	3917/1871	\$2,926,000	21.40	932,184	418	19.5	\$136,729	\$3.14	\$7,000
3	17-23-29-5406-00-040	02/88	3961/4091	\$1,674,000	26.30	1,145,628	400	15.2	\$63,650	\$1.46	\$4,185
4	10-23-30-0000-00-011	08/88	4005/3946	\$663,600	9.54	415,562	144	15.1	\$69,560	\$1.60	\$4,608
5	31-22-29-4203-00-050	01/89	4049/4055	\$2,085,000	18.00	784,080	300	16.7	\$115,833	\$2.66	\$6,950
6	04-23-30-5504-06-000	01/89	4053/0440	\$1,371,000	20.52	893,851	194	9.5	\$66,813	\$1.53	\$7,067
7	11-22-30-0000-00-029	03/89	4078/4780	\$1,230,200	14.09	613,760	252	17.9	\$87,310	\$2.00	\$4,882
8	35-22-28-5617-18-000	07/89	4102/2132	\$1,600,000	16.70	727,452	200	12.0	\$95,808	\$2.20	\$8,000
9	11-22-30-0000-00-019	07/89	4103/2633	\$725,000	5.11	222,592	104	20.4	\$141,879	\$3.26	\$6,971
10	03-22-30-0000-00-002	11/89	4133/1848	\$3,070,000	23.83	1,038,035	324	13.6	\$128,829	\$2.96	\$9,475
11	31-22-29-4203-00-020	02/90	4161/0185	\$1,168,000	12.35	537,966	160	13.0	\$94,575	\$2.17	\$7,300
12	29-22-31-0000-00-051	04/90	4176/3241	\$3,189,700	17.05	742,698	366	21.5	\$187,079	\$4.29	\$8,715
13	31-22-29-4203-00-060	03/90 04/90	4162/1106 4176/4037	\$2,123,000 \$2,628,100	23.00 23.00	1,001,880	360 360	15.7 15.7	\$92,304 \$114,265	\$2.12 \$2.62	\$5,897 \$7,300
14	36-22-28-5610-00-100	04/90	4174/1486	\$2,210,000	23.90	1,041,084	260	10.9	\$92,469	\$2.12	\$8,500
	21-22-31-0000-00-025	08/90	4213/3812	\$1,566,000	30.25	1,317,690	348	11.5	\$51,769	\$1.19	\$4,500
16	31-22-29-4203-00-040	05/91	4286/1922	\$2,450,000	24.00	1,045,440	370	15.4	\$102,083	\$2.34	\$6,622
17	28-22-27-0000-00-025	12/91	4355/2445	\$650,000	19.51	849,856	184	9.4	\$33,316	\$0.76	\$3,533
18	22-22-31-9459-00-010	03/93	4170/1979	\$1,296,700	20.50	892,980	308	15.0	\$63,254	\$1.45	\$4,210
19	16-23-29-6657-00-010	06/93	4624/4635	\$2,640,000	25.20	1,097,712	440	17.5	\$104,762	\$2.41	\$6,000
20	36-22-28-5601-01-400	12/93	4668/4258	\$3,192,000	28.10	1,224,036	336	12.0	\$113,594	\$2.61	\$9,500
21	35-23-28-0000-00-045	12/93	4676/1289	\$2,590,600	39.30	1,711,908	416	10.6	\$65,919	\$1.51	\$6,227

*Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida*

Sales Comparison Approach to Value

Orange County Apartment Land Sales

Over 30 apartment land sales were considered in Orange County of which 21 have been charted and presented in this analysis. The sales ranged from May 1986 through December 1993 with a price per unit being in excess of those indicated by Lake and Osceola counties.

A similar comparable to the subject is considered to be Sale 17, located in Winter Garden area of West Orange County. The sale took place in December 1991 indicating a unit price of \$3,533 per unit.

All the other sales are considered better locations with greater demand and market conditions as of the dates of valuation.

Osceola County Apartment Sales

(County Land Use Codes 200 & 300)

No.	Property ID #	Date of Sale	OR Book & Page	Price	--- Land Size ---		Units	Density	----- Price Paid Per -----			Project Name & Location
					(Acres)	(SF)			Acres	SF	Unit	
1	17-25-29-00U0-0037-0000	01/86	0795/2392	\$600,000	12.28	534,917	216	18	\$48,860	\$1.12	\$2,778	Polo's South Kissimmee
2	18-25-29-00U0-0033-0000	09/88	0891/1608	\$839,600	29.15	1,269,774	360	12	\$28,803	\$0.66	\$2,332	Wellington Woods Kissimmee
3	18-25-29-1896-0001-0090	02/88	0869/1323	\$1,958,400	44.84	1,953,230	348	8	\$43,675	\$1.00	\$5,628	Hideaway Bay Club Kissimmee
4	03-25-28-0000-0025-0000	12/89	0949/2125	\$1,832,000	22.41	976,180	256	11	\$81,749	\$1.88	\$7,156	Images Kissimmee
5	19-25-30-0000-0060-0000	08/89	0936/2842	\$375,000	11.60	505,296	130	11	\$32,328	\$0.74	\$2,885	Breezewood Village Kissimmee
6	16-25-29-00U0-0260-0000	01/90	0952/0497	\$650,000	9.10	396,396	136	15	\$71,429	\$1.64	\$4,779	Columbia Arms Kissimmee
7	17-25-29-00U0-0037-0000	03/90	0961/1621	\$1,050,000	12.28	534,917	216	18	\$85,505	\$1.96	\$4,861	Polo's South Resale of #1
8	16-25-29-2004-0001-0010	12/91	1042/2344	\$1,211,300	20.50	892,980	280	14	\$59,088	\$1.36	\$4,326	The Reef Club Kissimmee
9	16-25-29-00U0-0135-0000	08/92	1082/2500	\$800,000	18.09	788,000	208	11	\$44,223	\$1.02	\$3,846	Bermuda Lakes Kissimmee
10	18-25-29-00U0-0033-0000	12/92	1101/2579	\$1,400,000	29.15	1,269,774	360	12	\$48,027	\$1.10	\$3,889	Wellington Woods Resale of #2
11	16-26-30-0757-0001-00C0	11/90	0998/0298	\$360,300	16.01	697,396	216	13	\$22,505	\$0.52	\$1,668	Crestwood St. Cloud

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***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

Sales Comparison Approach to Value

Osceola County Apartment Land Sales

The eleven multifamily land sales which transpired in Osceola County provided a range from \$1,668 per unit to \$7,156 per unit in December 1989.

All of the sales except for Sale 11 were located in the Kissimmee market area, considered superior to the subject location. The closest land sale is Sale 4 which sets the upper range of the apartment sales. However, this location is located along U.S. 192 within the heavy tourist area of Osceola County and was developed with a timeshare project. Thus, limited consideration is given to this sale.

The market activity for apartment projects during 1989 to 1992 was relatively consistent with a typical price ranging from about \$2,900 to \$4,800 per unit. The locations and market are considered better than the subject during the dates of valuation due to residential, commercial, and tourist attraction development in these areas. The subject property was considered to be on the outer fringe of the development activity and should reflect a lower per unit value indication.

Conclusion

After reviewing the data, it was concluded by market evidence that utility sites are typically purchased at the market value for the site based upon its highest and best use, not based upon its intended use, such as a utility site. This is supported by the two sales considered in valuing the water treatment site which were purchased for utility use, but were purchased at the going market price for comparable commercial properties. Therefore after reviewing the data of apartment land sales within the three counties, it is my opinion that the estimated market value for the Wastewater Treatment Site, as of September 22, 1990, was \$2,200 per developable unit as an apartment site. It is also my conclusion that there is not adequate evidence to support an increase or decrease in market value for the subject property for the value date of August 17, 1993. Thus, I conclude that the market value of the fee simple estate in the site as of August 17, 1993, was also \$2,200 per unit. Therefore, the estimated market value for the subject sewer plant site, as of September 22, 1990, and August 17, 1993, is **\$440,000**, extended as follows:

$$200 \text{ Units} \times \$2,200 \text{ per Unit} = \$440,000$$

The value conclusion of \$440,000 reflects a price per acre of \$44,000 which is also toward the low end of the range of the comparable sales when analyzed on this unit of comparison.

As a check, I have applied an analysis of the concluded value for the subject property based on current apartment land sales based on current market conditions. A recent survey considered six apartment projects, three under contract as of late 1999, one sale in March 1999, one in 1998 and one in June 1997. The sales reflected a range from \$4,441 to \$5,500, or an average of \$5,236 per unit.

The sales in this area are considered somewhat comparable though maybe slightly superior in location and property values to that of the subject. Utilizing a concluded value of \$5,000 as an estimate of fair market value of the subject property under current conditions, this estimate of market value has been discounted at 8% to indicate a value for the subject property as of 1990 and 1993. The discount rate of 8% is based on an inflationary rate average at about 2.5% to 3% and a 5% return on money at a safe rate. When applied, the discounted value of \$5,000 for 10 years to September 1990 indicates a value of \$2,316 per unit and a value indication as of August 1993 of \$2,917 per unit.

Thus, it is concluded that the market value estimate for the subject property of \$2,200 per unit as of September 1990 and August 1993 is reasonable and is supported by both past sales during the valuation period.

Therefore, it is my opinion and conclusion that the market value of the subject Wastewater Treatment Plant site, as of September 22, 1990, and August 17, 1993, was **\$440,000**.

RECONCILIATION

The purpose of this appraisal was to estimate the market value of the fee simple estate in the two separate utility sites referred to as the Water Treatment Plant site and the Wastewater Treatment Plant site based on market conditions as of September 22, 1990, and August 17, 1993.

The Sales Comparison Approach was applied utilizing sales obtained from Public Records and other sources which transpired from a time span of typically about 1988 to 1994.

Water Treatment Plant Site

The sales utilized in arriving at a value estimate for this site included commercial vacant land sales along U.S. Highway 27 in the subject area and two utility site acquisitions. The sales were confirmed by Public Records and/or the grantee or grantor, and are considered adequate to support a concluded value as a utility site of \$50,000 per acre, or **\$126,000**.

Wastewater Treatment Plant Site

Vacant land sales acquired for apartment development were considered in the three county area of Lake, Osceola, and Orange counties for basically the same time span as conducted for the Water Treatment Plant site. These sales were also confirmed by Public Records as qualified sales and/or with the grantee or grantor and other publications. The projected density for the subject property is considered adequately supported by a review of the three most recent apartment projects being developed in the immediate subject area, supporting a concluded density of 20 units per acre, or 200 units. The concluded value as a utility site was \$2,200 per developable unit, based upon the highest and best use for apartment development, or \$440,000, as a utility site.

Consideration was also given to current apartment land sales and these sales were discounted back to the date of valuations at a reasonable discount rate to allow for return on money and inflation, supporting the concluded value estimate of \$2,200 per unit. Therefore, the estimated market value as a utility site for the Wastewater Treatment Plant site, as of both dates of valuation, is **\$440,000**.

Reconciliation

As previously discussed, there is no market evidence to support a difference in value for the subject properties between the two dates of September 22, 1990, and August 17, 1993. Therefore, based on the Sales Comparison Approach, I have estimated the market value of the fee simple estate in the subject utility sites as follows:

Water Treatment Plant (2.52 Acres @ \$50,000 per Acre)	\$126,000
Wastewater Treatment Plant (10 Acres @ \$44,000 per Acre)	<u>\$440,000</u>
Total Market Value	<u>\$566,000</u>

QUALIFICATIONS/ADDENDA

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

Qualifications/Addenda

Qualifications of Robert E. Irwin, MAI

Business Address

Irwin Appraisal Group, Inc.
1100 South Orange Avenue, Suite A
Orlando, Florida 32806-1217

Office: (407) 426-7772
Fax: (407) 426-7995
E-Mail: Robert1105@aol.com

Education

Florida State University, Bachelor of Science Degree, 1963, Finance and Insurance Major

Real Estate Education

Appraisal Institute - Completion of MAI course work.

Seminars/Continuing Education

- Standards of Professional Practice (1992)
- The High Tech Appraisal Office
- The Internet and Appraising
- USPAP/Core Law Update
- Appraisal Practices for Litigation
- Fair Lending and the Appraiser
- Understanding Limited Appraisals and Reporting Options
- Comprehensive Appraisal Workshop
- Discounted Cash Flow Analysis
- Appraising Troubled Properties
- Subdivision Analysis
- Appraiser's Legal Liabilities
- Appraisal Regulations of the Federal Banking Agencies
- Easement Valuation

The Appraisal Institute conducts a program of continuing education for its designated members. MAIs and RMs who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program through December 31, 2002.

Designations

- Member of the Appraisal Institute (MAI), Certificate 7208

***Two Parcels of Land Totaling 12.52 Acres,
In the Southlake PUD, U.S. Highway 27,
Lake County, Florida***

Qualifications/Addenda

Certifications & Licenses

- State-Certified General Appraiser (Florida), License No. 0000137
- Registered Florida Real Estate Broker, License No. BK-0139840

Experience

- Irwin Appraisal Group, Inc., President, 1993 to Present
- Bell and Irwin, Inc., Owner/Partner, 1983 to 1993
- Irwin Appraisal & Consulting Services, Inc. and Rex-McGill Realty, Associate, 1973 to 1983
- Staff Appraiser under the direction of Ronald L. Irwin, MAI, 1973 to 1982.

Qualified Expert Witness

- U.S. Bankruptcy Court - Judges Proctor, Corkcoran, and Jennemam
- Orange County, Florida, Value Adjustment Board Special Master - 2000,1999, 1998, 1997