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August 30, 2001

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

RECEIVED-FPSC
01 AUG 30 PM 2:52
COMMISSION
CLERK

Re: Docket No. 010119-WS

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services, Inc. ("Florida Water") are the original and fifteen copies of the Joint Response of Florida Water and Steeplechase Utility Co., Inc., including the land appraisal of the wastewater and water treatment plant facilities, to the Steeplechase Audit Report, Audit Control No. 01-047-3-1.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,

Martin P. McDonnell

- APP _____
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FPSC-COMMISSION CLERK

Thomas E. Rhodes, MAI, SRA
State Certified General Appraiser #0000527

Charles E. Rickolt, SRA
State Certified Residential Appraiser #0000860

Nathan R. Gibboney
State Registered Assistant
Real Estate Appraiser #R10005871

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Complete Appraisal - Self-Contained Report

Appraisal of:

**WASTEWATER AND WATER
TREATMENT PLANT SITES
Stonecrest PUD**

Location of Subject Property:

Stonecrest PUD, Marion County, Florida

Prepared for:

John L. Tillman, Jr
Florida Water Services
Post Office Box 609520
Orlando, Florida 32860

Prepared by:

Thomas E. Rhodes, MAI, SRA
Joshua W. Scroggie
Rhodes & Rickolt, P.A.
7 E Silver Springs Boulevard
Suite 501
Ocala, Florida 34470

Date of Valuation:

July 20, 2001

Thomas E. Rhodes, MAI, SRA
State Certified General Appraiser #0000527

Charles E. Rickolt, SRA
State Certified Residential Appraiser #0000860

Nathan R. Gibboney
State Registered Assistant
Real Estate Appraiser #RI0005871

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August 7, 2001

John L. Tillman, Jr.
Florida Water Services
Post Office Box 609520
Orlando, Florida 32860

**Re: Wastewater and Water Treatment Plant Sites within Stonecrest PUD; Marion
County, Florida**

Dear Mr. Tillman:

As requested, we have prepared a complete appraisal presented within a self-contained report for the subject property which is identified as the wastewater and water treatment plant sites situated within the Stonecrest planned unit development fronting the easterly side of US Hwys 27/441 in south Marion County, Florida. The subject property is divided into the water treatment plant site (2.29 acres) and the wastewater treatment plant site (7.77 acres), both located within the northwest portion of the Stonecrest development. Valuation herein acknowledges vacant land only.

This appraisal report includes detailed studies of relevant factual data necessary to arrive at the market value estimates of the fee simple interest of the subject as of the effective date shown herein. The following report provides the legal description and narrative discussions of the subject's region, neighborhood, and sites as well as all market analyses required for the conclusions of market value.

The subject property was most recently inspected on **July 20, 2001**, the effective date of valuation. The purpose of the inspection was to study the physical characteristics of the subject property and its interrelationship with surrounding economic influences. As well, attention has been given to other factors which may impact the market value of the subject within its immediate neighborhood and region.

This appraisal report and its contents were prepared according to appraisal standards and reporting guidelines provided by the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation and Title XI of FIRREA (Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989).

John L. Tillman, Jr.
August 7, 2001
Page Three

The market value estimates of this appraisal are subject to the Certification of Value and Statement of Assumptions and Limiting Conditions as noted on the following pages. As well, the value findings of this report are predicated upon all contingencies and special conditions stated within the report.

Based upon the market analyses presented within this appraisal report as well as our investigations and studies, it is our opinion that the estimates of market value of the fee simple interest of the subject property, as of July 20, 2001, were:

<u>ESTIMATE OF MARKET VALUE</u>	<u>\$ 105,000</u>
Water Treatment Plant Site	

<u>ESTIMATE OF MARKET VALUE</u>	<u>\$ 350,000</u>
Wastewater Treatment Plant Site	

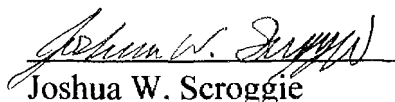
The following report presents all of the relevant factual data which resulted in the estimates of market value for the subject property.

Respectfully submitted,

Rhodes & Rickolt, P.A.



Thomas E. Rhodes, MAI, SRA
State Certified General Appraiser
License No. RZ0000527



Joshua W. Scroggie
State Registered Assistant Real Estate Appraiser
License No. RI0006429

Rhodes & Rickolt
PROFESSIONAL ASSOCIATION

CERTIFICATION OF VALUE

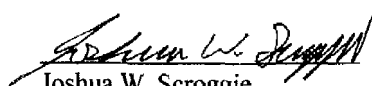
We certify, to the best of our knowledge and belief, that:

- ◆ The statements of fact contained within this appraisal report are believed to be true and correct and we have not knowingly withheld any information concerning the subject property.
- ◆ The analyses, opinions, and conclusions of this appraisal are limited only by the reported Statement of Assumptions and Limiting Conditions as noted within this report, and are our personal, unbiased professional analyses, opinions and conclusions.
- ◆ We have no specified present or prospective interest in the property that is the subject of this appraisal, and we furthermore, have no specified personal interest or biases with respect to the parties involved; the value findings of this report are not based in whole or in part upon the race, color or national origin of the parties involved or on the present owners or occupants of the properties in the vicinity of the subject property.
- ◆ Employment of and compensation for appraising the subject property is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- ◆ The analyses, opinions, and conclusions of this appraisal report have been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.
- ◆ Use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- ◆ Thomas E. Rhodes, MAI, SRA and Joshua W. Scroggie have personally inspected the subject property and have made a visual inspection of all comparable sales which are presented within the report.
- ◆ No one other than the undersigned provided significant professional assistance in the assemblage of data, formulation of analyses, opinions, and conclusions, and preparation of the appraisal report. No change of any item in the appraisal report will be made by anyone other than us, and we will not be responsible for any such unauthorized change(s).
- ◆ As of the date of this report, Thomas E. Rhodes, MAI, SRA has completed the requirements of the continuing education program of the Appraisal Institute.
- ◆ This appraisal assignment was not made, nor was the appraisal rendered on the basis of a requested minimum valuation, specific valuation, or the amount which would result in approval of a loan.

DATE: August 07, 2001



Thomas E. Rhodes, MAI, SRA
State Certified General Appraiser
License No. RZ0000527



Joshua W. Scroggie
State Registered Assistant Real Estate Appraiser
License No. RI0006429

8. The value finding of this appraisal is contingent upon the conclusions of a qualified survey of the subject property in terms of size, dimensions of the land and/or improvements, and the location of those on-site improvements. Significant differences between the survey and the representations made by the client and reported herein may result in the need for re-evaluation of the appraisal process as it relates to the subject. Any sketches of the subject property (land and/or improvements) presented within the report are for visualization purposes only.

9. Although the flood hazard status for the subject property has been stated within the report, it is recommended that more in-depth information be obtained prior to development upon the sites.

10. We assume no responsibility for hidden or unapparent conditions of the property, soil structure, or improvements, which would impact the value of the subject. It is incumbent upon the owner of the subject to employ experts for appropriate testing (soil borings, hydrology, seismographic) if such conditions exist. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and the properties are not subject to surface entry for the exploration or removal of such materials except as it is expressly stated.

11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, was not called to the attention of nor did we become aware of such during the property inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated. We are, however, not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, radon gas, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

12. The conclusion presented within this report is warranted as an accurate representation of value, subject to the Certification of Value and Statement of Assumptions and Limiting Conditions specified herein, as of the effective date of valuation. We assume no responsibility for economic or physical factors occurring at some later date which may affect the opinion of value herein stated.

13. The conclusion of value presented within the report is an opinion and estimate of the appraisers. There is no guarantee, written or implied, that the subject property will sell for the precise estimate of value contained herein.

14. Forecasted projections presented within this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraisers and could affect the future income or value projections.

15. If this appraisal is to be used for mortgage loan purposes, the applicable lending procedures must be consistent with acceptable lending practices as promulgated by the Office of Thrift Supervision (formerly the Federal Home Loan Bank Board), The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation, and the Savings Association Insurance Fund (formerly the Federal Savings and Loan Insurance Corporation). We assume no liability for a loss in value applicable to the subject, or its proposed development, which occurs as a result of lending practices which vary from generally accepted mortgage underwriting guidelines as established by institutions such as the OTM, OCC, FDIC and the SAIF, or when the loan proceeds are diverted to other parties, uses or properties.

16. Expert witness testimony or attendance in court or at any other hearing by Thomas E. Rhodes, MAI, SRA is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.

17. We assume liability for this appraisal assignment to the extent of fees paid. This does not preclude the Certification of Value presented earlier in this report. If the review process determines that the appraisal is below the standards set by the Appraisal Institute, liability is limited only to the fees paid by the client.

18. Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the Appraisal Institute.

19. This appraisal report, including the format style, spreadsheet data and addenda, is the property of the appraisal firm of **Rhodes & Rickolt, P.A.** and no portion of the report is to be reproduced without the expressed written permission of **Rhodes & Rickolt, P.A.**

20. The value conclusion of this report is subject to these assumptions and limiting conditions as well as others stated or implied within the report.

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EXECUTIVE SUMMARY

Identification of Subject

The subject is identified as the wastewater and water treatment plant sites situated within the Stonecrest planned unit development fronting the easterly side of US Hwys 27/441 in south Marion County, Florida. The subject property is divided into the water treatment plant site (2.29 acres) and the wastewater treatment plant site (7.77 acres), both located within the northwest portion of the Stonecrest development. Valuation conclusion herein acknowledges vacant land only.

Property Rights Appraised

Fee simple interest

Use of Appraisal

Mortgage loan underwriting purposes

Date of Appraisal

July 20, 2001

Site Data

Water Treatment Plant Site:

Size: 2.29 AC
Zoning/Land Use: PUD, Planned Unit Development/Approved DRI
Characteristics: The site is above street grade and is generally level with grassy characteristics; cedar trees act as a buffer for homes located on south and east sides of the site
Improvements: Two large water storage tanks; concrete block pump house; chain-link and wood fencing; (3) water wells (not included in valuation)

Wastewater Treatment Plant Site:

Size: 7.77 AC
Zoning/Land Use: PUD, Planned Unit Development/Approved DRI

Characteristics: The site is well above street grade and is generally level; several polishing ponds located within the site; cedar trees and berm act as a buffer for the homes located adjacent to the facility

Improvements: Wastewater treatment facility; small shed; aluminum carport, chain-link perimeter fencing (not included in valuation)

Highest and Best Use

Wastewater and water treatment plants use within the Stonecrest PUD

Market Value Indicators

Water Treatment Plant Site:

Sales Comparison Approach \$ 105,000
2.29 AC @ \$45,000/AC, rounded

ESTIMATE OF MARKET VALUE \$ **105,000**
Water Treatment Plant Site

Wastewater Treatment Plant Site:

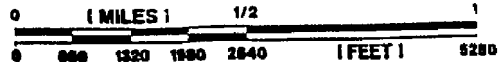
Sales Comparison Approach \$ 350,000
7.77 AC @ \$45,000/AC, rounded

ESTIMATE OF MARKET VALUE \$ **350,000**
Wastewater Treatment Plant Site

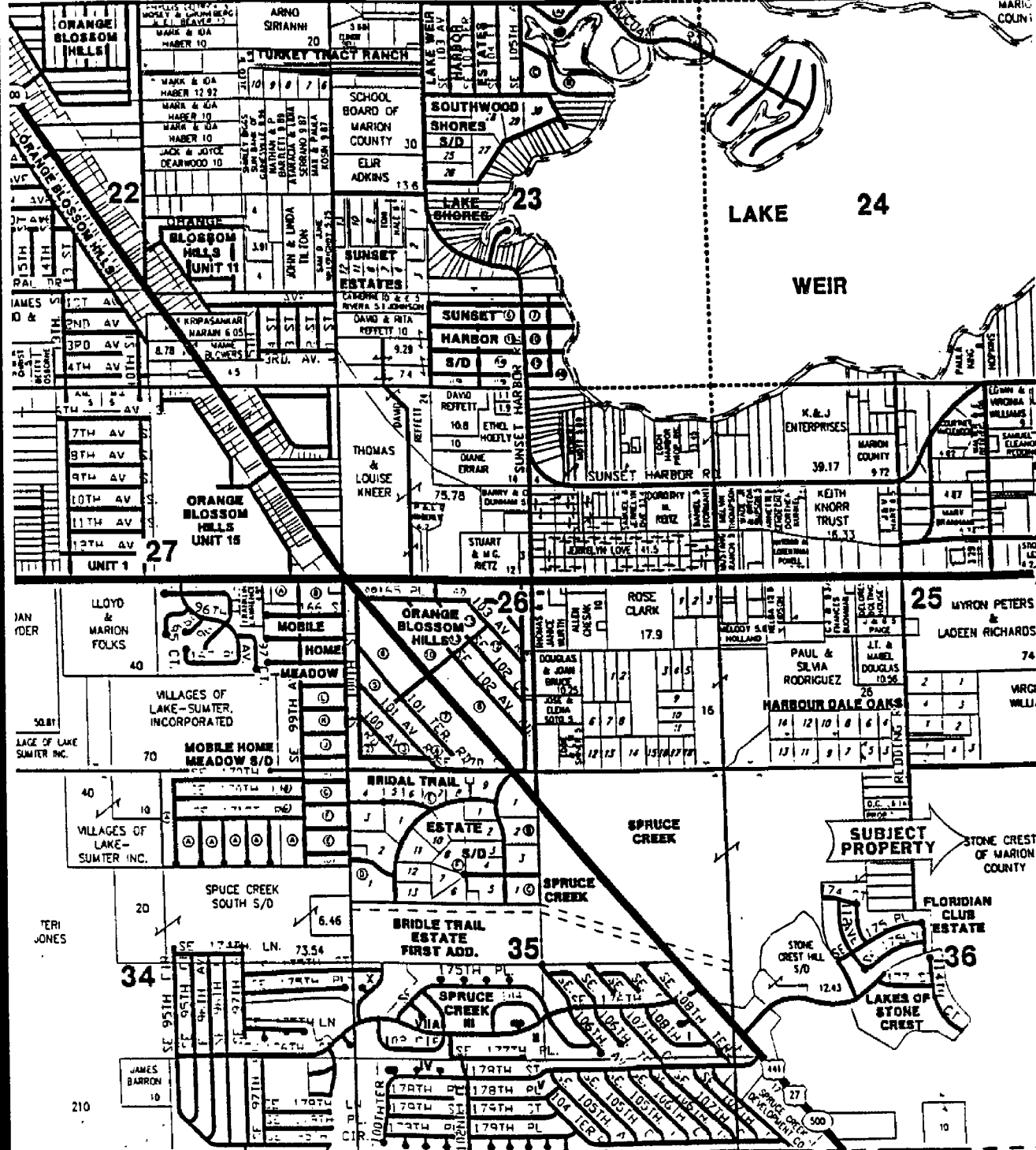
Location Map

TWP. 17S.-RNG. 23E.

SOUTHEAST QUADRANT
MARION COUNTY, FLORIDA



EAST QUADRANT SEE PAGE 100 OF TWP. 17S.-RNG. MARION COUNTY



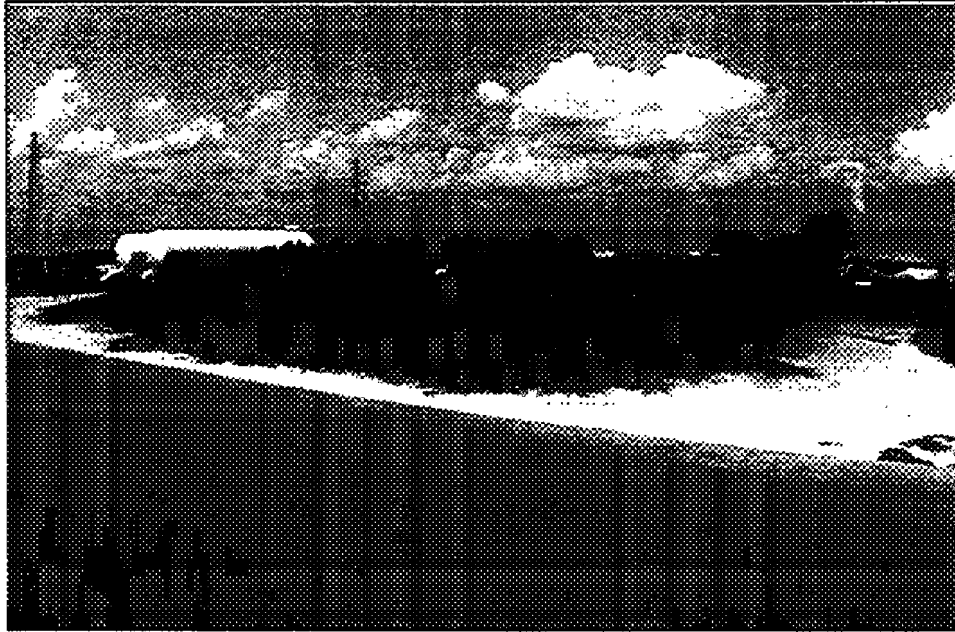
TER COUNTY

© 1994, REVISED 1997, FLORIDA PLATS

SUMTER

PHOTOGRAPHS

Date Taken: June 20, 2001



View of the northern portion of the water treatment plant site facing NELY. Note the grassy characteristics and the two water storage tanks.



View of the southern portion of the water treatment plant site facing east. Note the grassy characteristics and the wood privacy fence.

PHOTOGRAPHS



Street Scene: View of SE 115th Terrace Road facing south. The water treatment plant site is to the left of photo.

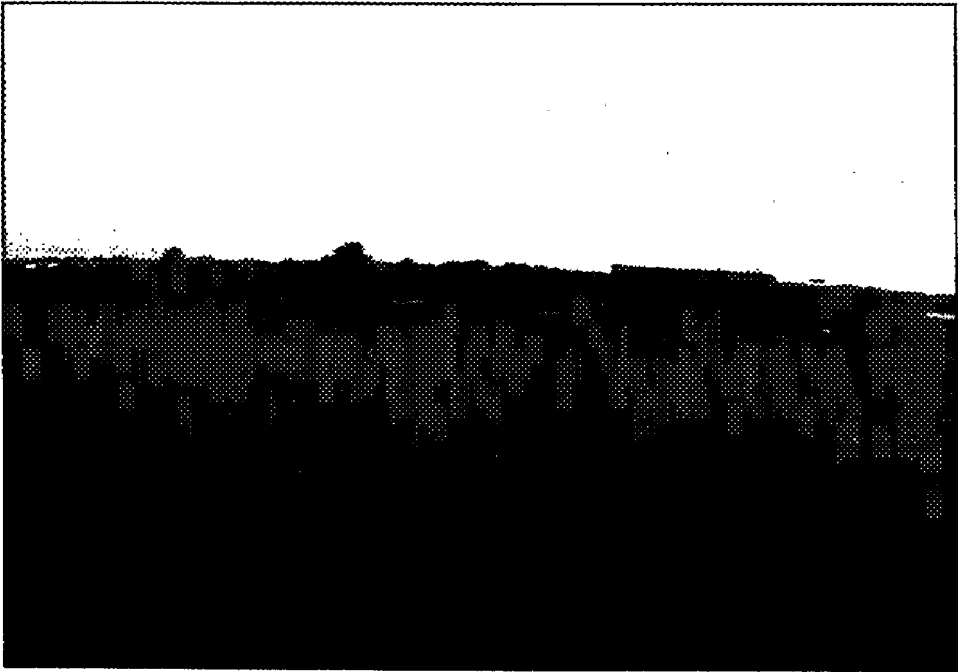


Street Scene: View of SE 115th Terrace Road facing north. The water treatment plant site is to the right of photo.

PHOTOGRAPHS

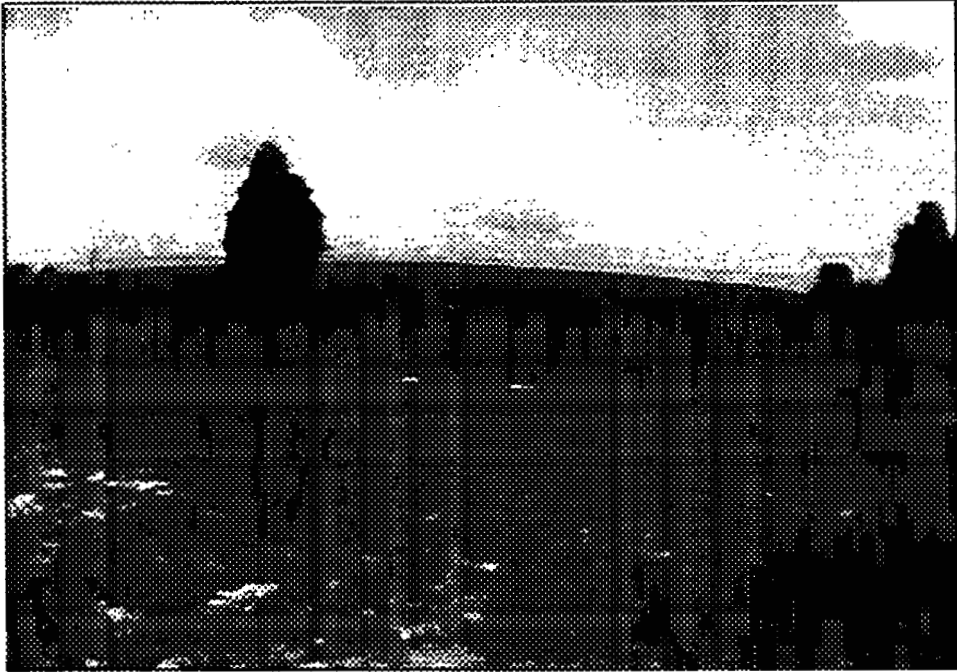


View of the northern section of the wastewater treatment plant site facing west. Note the grassy characteristics and the wastewater treatment plant facility.



View of the central portion of the wastewater treatment plant site facing SELV. This photo was taken from the northeast boundary of the site.

PHOTOGRAPHS



View of the western portion of the wastewater treatment plant site facing NELY. Note the large berm constructed for additional privacy to the surrounding homeowners.



Street Scene: View of the wastewater treatment plant site taken from SE 115th Court facing west. Note the chain-link perimeter fencing and the entrance to the plant.

IDENTIFICATION OF SUBJECT PROPERTY

The subject property is identified as the wastewater and water treatment plant sites situated within the Stonecrest planned unit development fronting the easterly side of US Hwys 27/441 in south Marion County, Florida. The subject property is divided into the water treatment plant site (2.29 acres) and the wastewater treatment plant site (7.77 acres), both located within the northwest portion of the Stonecrest development. Valuation herein acknowledges vacant land only.

DATE OF APPRAISAL

The effective date of this appraisal is **July 20, 2001**, which coincides with the date of the most recent property inspection.

OBJECTIVE AND INTENDED USE OF APPRAISAL

The objective of this appraisal is to estimate the market value of the subject property identified herein as of the effective date of the appraisal. According to the client, the intended use of this appraisal is for internal purposes.

SCOPE OF APPRAISAL

John L. Tillman, Jr, with Florida Water Services Corp., and the intended user of this report, has employed **Rhodes & Rickolt, P.A.** to appraise the subject property identified herein (vacant land only) for internal purposes. The scope of this appraisal assignment includes physical inspection of the subject and the surrounding influences of the neighborhood; research the market for comparable land sales for comparison to the subject; analyze the data as it relates to the subject; conclude estimates of market value for the subject from the range of value indicators; and finally, prepare a complete appraisal presented within a self-contained report which fully documents and explains the analyses and conclusions of the appraiser.

The market identified for analysis purposes and ultimate conclusion of value herein includes the current and competitive open market, using comparable sales similarly influenced as the

subject. Because valuation is based on vacant land, only the Sales Comparison Approach to value will be presented in this report.

The analyses, opinions and conclusions of this appraisal report have been prepared in accordance with accepted appraisal practices and procedures provided by the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

PROPERTY RIGHTS APPRAISED

The value conclusions presented herein acknowledge the fee simple interest of the subject property.

Fee Simple Interest

Fee simple interest is defined as absolute ownership unencumbered by any other interest or estate. A person who owns all of the property rights is said to have fee simple title, subject only to the limitations of eminent domain, escheat, police power, and taxation.

DEFINITIONS OF VALUE

The following definition of value was compiled from *The Uniform Standards of Professional Appraisal Practice (USPAP), 2001 Edition.*

Market Value

Market value is defined as 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 passing of title from seller to buyer under conditions whereby:

- ◆ buyer and seller are typically motivated;
- ◆ both parties are well informed or well advised, and acting in what they consider their best interests;
- ◆ a reasonable time is allowed for exposure in the open market;
- ◆ payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and,

- ◆ 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.

Based on the sales presented within this report as well as acknowledging the current economy and market in Ocala/Marion County, the projected exposure time for the subject property is estimated at **12 to 18 months**.

LEGAL DESCRIPTION

The complete legal descriptions of the subject property are noted in the Addenda of this report.

OWNERSHIP

As of the effective date of the appraisal, fee simple ownership of the subject property is identified as:

Florida Water Services Corp.
1000 Color Place
Apopka, Florida 32703

OWNERSHIP HISTORY

The most recent acquisition of the subject property occurred on January 3, 2001, as recorded in OR Book 2889, Page 1061, of the public records of Marion County, Florida. Stonecrest of Marion Co. LTD transferred all interest in the subject property to the owner of record for a verified price of \$400,000. This transaction will be discussed further in the sales analysis section of this report.

PROPERTY ASSESSMENT

The subject properties are included in the 2000 Marion County Property Assessment Roll within separate parcels. Parcel No. 48501-000-04 (wastewater treatment plant site) has a

total assessed value of \$15,924 for land only. Based on the 2000 millage rate of about 1.8%, the estimated taxes will be about \$286.63.

Parcel No. 6200-003-001 (water treatment plant site) has a total assessed value of \$5,333 for land only. Based on the above millage rate, the estimated taxes will be about \$95.99.

ZONING/LAND USE CLASSIFICATION

According to the Marion County Land Development Code and Comprehensive Land Use Plan, the subject property includes the following classifications.

Zoning

PUD, Mixed-Use Planned Unit Development

The Planned Unit Development classification is intended to encourage the development of land as a planned residential, commercial or industrial development complex or as a planned mixed-use development; to encourage flexible and creative concepts of site planning which will preserve the natural amenities of the land by allowing an appreciable amount of land for scenic and functional open space; provide for an efficient use of land resulting in a smaller network of utilities and streets, thereby lowering development and housing costs; and provide for a more desirable environment than would be possible through the strict application of minimum zoning requirements. The specific allowable uses of the subject are governed by the PUD Master Plan which was approved by County officials in 1988 and 1989 (Zoning Application Nos. 11-8845-21 and 8-8923-19).

It is further the intent of this Code that Planned Unit Developments shall be designed to permit the development of various size parcels ranging from small, cluster developments to entire mixed-use communities. The development shall provide for the efficient use of public facilities and services, prevent traffic congestion, provide a stable environmental character compatible with surrounding land uses and preserve the integrity of the surrounding areas within which they are located.

Future Land Use

According to the Marion County Comprehensive Land Use Plan, the subject property is located within the **Approved Development of Regional Impact** land use classification. The subject is located within an area of the PUD that has been approved for residential development. However, its current use as water and wastewater treatment plants, is acceptable as they provide necessary infrastructure for the PUD.

UTILITIES

The subject property is located in a rural area of Marion County and therefore, includes no city services. Water service and sewage disposal are provided by central underground systems via Florida Water Services. Electricity is available through Florida Power Corporation. Police protection is provided by the Marion County Sheriff's Department while fire protection is on a county-wide volunteer basis. Telephone service is available through Sprint/United Telephone, and garbage collection must be arranged through an independent carrier.

REGIONAL ANALYSIS

Marion County

Marion County is the fifth largest county in the state and is located in the north central portion of the Florida Peninsula. Ocala, situated in the geographic center of the county, is the county seat. Marion County includes about 1,624 square miles, and is located about 100 miles south of Jacksonville, 95 miles north of Tampa and 75 miles west of Daytona Beach. As of February 2000, Marion County's population was estimated at 250,000 while the City of Ocala presently has a population of about 50,000.

The county government is composed of five elected constitutional officers and a Board of County Commissioners. Both fire and police protection are of good quality. Marion County has a very attractive tax structure based on assessments of 100% of just value. City taxes are included in the countywide system which delivers tax bills annually in November. The state imposes a 6% sales tax.

Within a 100-mile radius of Marion County is more than 80% of Florida's citrus industry (which is attempting to re-establish itself again after being almost completely eradicated by past winter freezes), 90% of the rock mining, and most of the established cattle and timber industries.

Marion County is the most diversified agricultural county in the state. Good soils, pleasant climate, and an excellent source of water help to produce abundant supplies of a wide variety of crops. The thoroughbred horse industry has played a significant role in placing Marion County in the national limelight. Over 400 thoroughbred farms are located in the county which have produced Kentucky Derby winners "Needles", "Unbridled" and "Silver Charm", and Triple Crown winner "Affirmed". Marion County is the annual host of the nationally acclaimed "Ocala Breeder's Sales", in which thoroughbred horses are marketed

to some of the most prestigious farm owners in the United States. There are 1,669 farms of all varieties which occupy more than 265,572 acres of agricultural land. In the early 1990's the thoroughbred horse industry in Marion County experienced decreased potential for profitability due to federal income tax law changes, reduced purses at Florida tracks, and lower prices for brood mares and yearlings. However, this market sector has rebounded quite well with increased farm and land prices in the northwest portion of the county. Located about six miles east of Ocala is Silver Springs, a natural water attraction known throughout the world. Situated adjacent to Silver Springs is Wild Waters (the newest addition to the attraction), a water park with wave pool, flume rides, and other recreational activities. The attraction draws approximately 500,000 tourists annually to the Ocala/Marion County area. This attraction, plus the central location of Marion County, which serves as the main thoroughfare to Walt Disney World and other resort areas on both of Florida's coasts, provides an annual count of more than 2,000,000 tourists.

The Paddock Regional Mall, located in southwest Ocala, is situated on 82 acres and includes more than 100 retail shops and stores. Employing well over 1,000 residents, the Paddock Mall has proven to be an economic boost for southwest Ocala resulting in positive property appreciation, increased development, and overall aesthetic appeal. In addition to the mall, a multi-story Hilton Hotel, as well as a Hampton Inn, Courtyard by Marriott, La Quinta Inn, and Fairfield Inn are located near the interchange of SR 200 and I-75. The continued growth of Ocala and the popularity of the area was a prime consideration in the development of these hotel facilities in southwest Ocala. Motels and hotels, which number about 75, account for nearly 3,500 family-priced accommodations. Ocala is an ideal site for conventions with the Hilton and Ramada Steinbrenner's Yankee Inn convention centers seating almost 1,000 persons. Adult entertainment includes the Ocala Jai-Alai, situated 20 miles north of Ocala. The fronton has a seating capacity of approximately 3,500 persons.

Marion County boasts more than 185 diversified manufacturing industries, employing over 7,500 persons scattered throughout the area in numerous industrial parks. Of those employed, 23% are engaged in the mobile home industry, and some 14% are in the food and kindred products industry. Other principal industries include apparel, electronics, pharmaceutical supplies, emergency vehicle assembly, concrete products, and fabricated metal products.

A network of major highways serve Marion County. Interstate 75 (I-75) and US Hwys 301/441 are all four-laned throughout the county and provide excellent north/south access. US Hwy 27, SR 200 and SR 40 provide good east/west access. Greyhound and Trailways Bus Line have many arrivals and departures daily. Amtrak railway system connects Marion County with all major cities in the United States and Canada. Currently, twelve major trucking firms serve Ocala with interstate and intrastate shipments.

All of Marion County's 44 public elementary, middle and high schools are accredited, and there are 18 private and parochial schools. Central Florida Community College, a two-year

institution, is located in the southwest portion of the Ocala, with a current enrollment of 10,290 students, consisting of 5,290 college credited and vocational students, and 5,000 non-credited students. The University of Florida, with its many schools and research centers, is only 45 minutes north of Ocala in Gainesville.

Marion County is served by a 323-bed general hospital (Munroe Regional Medical Center), a 230-bed private hospital (Ocala Regional Medical Center), and numerous medical office facilities. An adolescent psychiatric hospital, privately owned and operated with 92 beds, is also in the community. Complete geriatric, physical therapy, and convalescent services are provided by several private nursing home health centers located predominantly within Ocala.

Marion County is noted for its vast number of outdoor recreational opportunities. The wealth of lakes, springs, and streams provide excellent fishing, boating, swimming, and water skiing. The Ocala National Forest includes approximately 366,000 acres within Marion County and contributes to the large influx of hunters and campers annually. As well, 13 outstanding 18-hole golf courses add year-round enjoyment for many. Within Ocala, there are 24 recreational parks and playgrounds with up-to-date facilities and four AAU swimming pools.

With all things considered, prospects for Ocala and Marion County are positive. A recent national study showed Marion County to be one of the fastest growing metropolitan areas in the United States. Currently, the main problem for the Marion County area has been a lack of varied industry and employment as a result of the increased retired population. Only a concerted effort by both city and county governments and local business leaders will remedy this situation by inducing higher paying industry to the area. Marion County's down-home atmosphere is effective in bringing people from all over to make their home here. Many opportunities exist for all to receive desired education, enjoy religious and social activities, and own homes and businesses with a moderate tax structure.

Lake County/"The Villages of Lady Lake"

Because of the subject's location in south Marion County and within the "The Villages of Lady Lake" (formerly known as Orange Blossom Gardens) market area, a discussion of this development and the surrounding influences of Lake County is necessary.

"The Villages" is a large retirement community with just under 20,000 residents and an absorption rate of approximately 60 to 70 residential units per month. It straddles US Hwy 27/441, and has been the dominant economic force in northwest Lake County for the past 5 to 10 years.

Original development in Orange Blossom Gardens began in the early 1970's, offering single-wide manufactured homes. Development progressed in "units or phases" and site-built homes were offered in the mid 1980's. Since their introduction, site-built homes have been favored, and developers discontinued marketing manufactured homes. There are 13 units located northeast of US Hwy 27/441 (3,450 lots±) with a mixture of manufactured and site-built homes. Units 14-19 (2,500 lots±) are located southwest of US Hwy 27/441, and are predominantly developed with site-built homes. The northeast portion is built-out. The southwest portion is approximately 60% built-up. There are a total of about 12,000 homes within The Villages and over 23,000 residents. The Villages development totals approximately 15,744 acres. Extensive amenities are available at The Villages including (4) 18-hole golf courses, (9) 9-hole golf courses, (4) clubhouses with pools, tennis courts, and a baseball field.

The majority of The Villages has been annexed into the Town of Lady Lake. Historically, Lady Lake has been a small, primarily citrus-supported town until the mid-1980's, when a combination of two events shifted the town's focus and its population began to grow. They included (1) two winter freezes which destroyed groves east of town and opened the land to residential development, and (2) growth began to escalate at Orange Blossom Gardens. The 1980 population of Lady Lake was 1,193 with an increase in 1990 population to 8,071 (includes annexation of most of The Villages). Growth within the original (southern) portion of Lady Lake has been at or slightly above county average. There are a few small strip centers, convenience stores, locally-owned restaurants, and other small businesses within the town. Primary growth is noted within single-family residences in small subdivisions.

Commercial growth to the northwest (The Villages area), however, has been rapid in response to residential growth within the retirement community. There are three existing neighborhood shopping centers, one entirely occupied by local tenants, La Plaza Grande anchored by Winn-Dixie, and the Shoppes of Lake Village anchored by Publix. Another neighborhood center is currently under construction. Also within the immediate environs are the "town center" with a variety of specialty shops, restaurant, and offices, the Fiesta Bowl bowling alley, three banking institutions, an Eckerd and Walgreen's Drugs, La Hacienda Hotel, a fire station, several churches, and several convenience store/gas stations.

Also of significant impact is the growth of medical facilities along the US Hwys 27/441 corridor in The Villages area. These include several dentists, Orange Blossom Radiology, a multi-specialty clinic (gynecologist, ophthalmologist, cardiologist, urologist), Lake Centre for Orthopaedics and Rehabilitation, Lake Heart and Cancer Medical Center, and a multi-tenant medical office facility. Additional medical facilities are located just north of The Villages in LRMC Medical Plaza and The Villages Medical Center (hospital facility) with others planned to service the geriatric needs of the community.

Future expansion of The Villages will be westward into northeast Sumter County and northward into Marion County. Development across the county line began in late 1992, and

is intended as a continuation of the Lake County community. A total of 6,000 homes are projected for the Sumter County portion, with expected build-out in 10 to 15 years. The recent acquisition of 1,500 acres in Marion County by The Villages will add significantly to this inventory and indicates the strength of this market. This growth should remain steady, but above county and national averages due to local, statewide, and national marketing programs. Future growth plans show the need for additional retail and medical office space equaling or exceeding that which is already in place. Such future demand for commercial and medical facilities to meet the needs of the steadily growing retiree population is expected to be commensurate with the expansion of the housing sector. As a result, residential and commercial development within the market area will continue at a similar pace as experienced in the past.

NEIGHBORHOOD ANALYSIS

The neighborhood which has the greatest impact upon the highest and best use of the subject property is best described as the residential community of south Marion County and north Sumter and Lake Counties. More precisely, the neighborhood centers around the US Hwys 27/441 corridor which bisects the area in a NWLY/SELY direction. This federal highway has been the primary impetus for growth in the area as it provides good access, visibility, and exposure within the neighborhood. The surrounding residential developments rely heavily upon the highway as a source for funneling potential purchasers to the subdivisions, providing service-oriented businesses for the residential base, and allowing ease of access to Orlando to the south and Ocala and Gainesville to the north. Therefore, it is no surprise that more recent development has focused upon frontage lands with direct and unimpeded access to the four lane highway.

As noted in the Regional Analysis, the primary market influence of the area is the growth experienced in The Villages of Lady Lake and Spruce Creek/Stonecrest areas. The success of these retirement developments has enticed other developers to pursue this market with hopes of procuring "overflow" sales. This has met with varying results depending largely upon the quality of development, amenities package, and overall strength of the developer.

One of the success stories is Spruce Creek South (SCS) which is located in Marion County on the westerly side of US Hwys 27/441. Bolstered by the success of the original Spruce Creek development of SR 200, the developer entered the subject market in 1989-1990 and nearly matched the sales pace of the most recent phases of The Villages. Part of the reason for the success is attributable to overflow from the SR 200 development, a moderate pricing structure for retirees, and recreational amenities including a 27-hole golf course and clubhouse/activities center. All 1,635 lots within the development were sold out in early 1995 with built-out occurring by the end of 1996. The Spruce Creek Business Center fronts

US Hwys 27/441 at the entrance to SCS and has capitalized on the “captive” market by providing a variety of retail and professional/medical office uses.

The Spruce Creek development team extended its presence within this market area by the current development of Spruce Creek Golf & Country Club. This project (and other Spruce Creek holdings) were recently purchased by Del Webb, a national real estate developer who desired entry into this market. Located several miles north of SCS on the easterly side of US Hwys 27/441, this DRI is a Florida Quality Development that will include some 3,000 residential lots, (2) 18-hole golf courses, and retail commercial space along the federal highway. Complete build-out is expected within the next 5 years with support coming from the increased absorption rates established within the neighborhood. About 300 homes, a \$3 million dollar recreation facility, and an 18-hole championship golf course with clubhouse have already been constructed.

Another development of note is Stonecrest, a multi-phased planned unit development (DRI) located directly across US Hwys 27/441 from Spruce Creek South. This predominantly retirement community is improved with an 18-hole championship golf course with clubhouse, recreation facility, and a variety of housing product including both detached and attached homes. Recent restructuring of the marketing and development plan has resulted in increased absorption within this subdivision. The commercial portion of Stonecrest is located along the frontage lands with Phase I of the Stonecrest Center recently completed. It provides 27 commercial lots for retail and office development with Sterling House nursing and alzheimer’s facilities, a SunTrust branch bank, and medical office space currently existing within the center.

The most significant commercial development within the area is identified as the Wal-Mart super center which was recently constructed within the southern portion of Stonecrest. This retail center is located south of the Stonecrest entrance fronting US Hwys 27/441, and has had a positive impact on property values within the immediate area. Additional development in the form of restaurants, smaller retail boxes, and office use are expected to follow in rapid succession as a result of the traffic generated by the Wal-Mart property.

Other commercial and office uses within the general neighborhood are noted along US Hwys 27/441 between Stonecrest and The Villages developments. Spruce Creek Business Center fronts US Hwys 27/441 and includes medical and professional offices, a fast food restaurant, and retail uses. These uses include freestanding buildings and multi-tenant properties which have experienced good success with regard to lot sales and lease-up. Medical office development is noted one mile south of the subject on US Hwys 27/441 within the LRMC Medical Plaza which includes (4) freestanding buildings and a large ambulatory surgical center. As well, The Villages development team recently completed an approved hospital and several satellite medical office properties. Additional professional and medical office development exists within Oakland Hills Professional Center located just

south of SCS on US Hwys 27/441. This is a new development which includes (9) medical and professional office buildings. The Villages also has a growing compliment of medical and professional office space.

The residential base of the neighborhood is enhanced by the proximity of Lake Weir located about 1½ miles north and identified as one of the most popular recreational areas in Marion County. Land uses which surround the lake are mostly residential comprising platted subdivisions and rural residential homesites with a variety of homes including both mobile home and conventional construction.

The neighborhood has good access via US Hwys 27/441 as well as a network of county paved roads which access the many subdivisions of the area. CR's 25 and 42 are the primary connector roads for the area and are two-lane asphalt thoroughfares. The visibility and exposure afforded properties with frontage along the federal highway is primary for residential and commercial utilization.

In conclusion, the subject neighborhood is significantly influenced by the Spruce Creek, Stonecrest, and The Villages developments which have been successful primarily as a result of significant retiree growth. As mentioned, this area has seen dynamic growth over the past 5 years with little evidence of a slowing trend in the near future. With three self-contained communities located within the immediate area, the neighborhood should continue to command its market share of residential and commercial demand as a result of good location in this retirement market. The location of the subject property within this neighborhood is prime for residential development as dictated by market demand.

SITE ANALYSIS

The subject property of this appraisal is identified as the wastewater and water treatment plant sites situated within the Stonecrest planned unit development fronting the easterly side of US Hwys 27/441 in south Marion County, Florida. The subject property is divided into the water treatment plant site (2.29 acres) and the wastewater treatment plant site (7.77 acres), both located within the northwest portion of the Stonecrest development.

WATER TREATMENT PLANT SITE

General Information

The water treatment plant site comprises about 2.29 acres and is located in the northwestern portion of Stonecrest fronting the south side of SE 115th Terrace Road.

Total Size

2.29 acres±; this estimate of size is based on a boundary survey prepared by Farnor Barley & Associates, Inc. (Job No. 921272.085); it is assumed to be correct but is not warranted by the appraiser

Road Frontage/Improvements

About 320.46 FF along the easterly side of SE 115th Terrace Road, a two-lane asphalt paved road, with a combination of overhead (located near the site) and underground electric service, and drainage swales

Shape/Dimensions

Rectangular; 325.53' along the north boundary, 320.97' along the east boundary, 300.00' along the south boundary, and 320.46' along the west boundary

Topography/Vegetation

The site is generally level and is located at one of the highest elevations within the development; grassy characteristics with planted cedar trees on the south and east boundaries acting as a buffer to nearby residential homesites

Soil Type

No 2. Candler-Apopka Association: Nearly level to strongly sloping, excessively drained soils with very thick sandy layers over thin loamy or sandy loam lamella; and well drained soils with very thick sandy layers over loamy subsoil

Flood Zone

Zone C, area of minimal flood hazard; Panel #120160 0525 B; Flood Insurance Rate Map; dated 1/19/83

Adjacent Land Uses

North: RV parking lot

South: Stonecrest residential homesites

East: Stonecrest residential homesites

West: Rural residential homesites (not with Stonecrest)

WASTEWATER TREATMENT PLANT SITE

General Information

The wastewater treatment plant site comprises about 7.77 acres and is located in the northwestern portion of Stonecrest with access provided from SE 115th Court.

Total Size

7.77 acres±; this estimate of size is based on a survey prepared by Farmer Barley & Associates, Inc. (Job No. 921272.085); it is assumed to be correct but is not warranted by the appraiser

Road Frontage/Improvements

Access is provided via a dirt road off of SE 115th Court, a two-lane asphalt paved road with underground electric service and drainage swales

Shape/Dimensions

Irregular; see survey

Topography/Vegetation

Generally level with grassy characteristics; several polishing ponds are located on the south and east sides of the site; planted cedar trees and grassy berms are located along the perimeter of the site as a buffer to adjacent property owners

Soil Type

No 2. Candler-Apopka Association: Nearly level to strongly sloping, excessively drained soils with very thick sandy layers over thin loamy or sandy loam lamella; and well drained soils with very thick sandy layers over loamy subsoil

Flood Zone

Zone C, area of minimal flood hazard; Panel #120160 0525 B; Flood Insurance Rate Map; dated 1/19/83

Adjacent Land Uses

North: Vacant acreage

South: Stonecrest residential homesites

East: Stonecrest residential homesites
West: Stonecrest residential homesites

HIGHEST AND BEST USE

The basis of an appropriate conclusion of market value is the identification of the most profitable and competitive use to which a property can be put. This is accomplished through an analysis of the property's highest and best use. The highest and best use of a property is shaped by the competitive market forces within its physical and economic neighborhood. Therefore, the study and conclusion of highest and best use is an economic analysis of market interaction which impacts the subject property. This conclusion is the foundation of the market value estimate.

The Appraisal of Real Estate, Tenth Edition, defines highest and best use as, "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."

Highest and best use analysis considers the subject property as though vacant and available for development to its highest and best use. The highest and best use conclusion must meet four tests or criteria. They are:

- Physically Possible*
- Legally Permissible*
- Financially Feasible*
- Maximally Productive*

The criteria of highest and best use are considered sequentially as they build upon each other in the analysis process. Also, the use must fulfill all the tests unless there is a reasonable probability that one of the unacceptable conditions can be changed. The following discussion presents the conclusion of highest and best use for the subject property.

Physically Possible

Water Treatment Plant Site:

The water treatment plant site includes about 2.29 acres fronting the east side of SE 115th Terrace Road in the northwest portion of the Stonecrest PUD. The site includes sufficient size and appropriate physical characteristics for development to numerous uses including residential, commercial, industrial, and governmental. Agricultural utilization is physically possible, however not likely because of the small size of the site. However, the frontage

along a paved road is a positive feature for industrial, commercial, governmental and residential use.

Wastewater Treatment Plant Site:

The wastewater treatment plant site includes about 7.77 acres with access provided off SE 115th Court. The site includes sufficient size and appropriate physical characteristics for development to a variety of residential, commercial, industrial, and governmental uses. As well, the frontage along a paved road is a positive feature for development purposes.

Legally Permissible

Both parcels are zoned PUD, Planned Unit Development with restrictions for use based on the approved master plan of Stonecrest. As well, the subject sites include an Approved Development of Regional Impact land use classification which was a requirement for development to a mixed-use planned development. This zoning and land use is appropriate for a planned development with a predominance of residential use and other areas designated for commercial and recreational development. Other allowable uses include both agricultural and governmental, but industrial use is not permitted, and is, therefore, excluded from further consideration herein. Considering the current zoning and land use designation, the only allowable, and most appropriate use is for planned unit development in a manner as indicated by the master plan. Since the subject parcels are located in the residential portion of the PUD, all other uses other than residential are excluded from consideration herein.

Financially Feasible

Use of the subject sites which can provide the greatest net economic return to the owner is a primary factor in the highest and best use conclusion. Prior to the development of The Villages area, much of the land area of the neighborhood was occupied by farming operations. Historically speaking, as The Villages developed, the residential base expanded in all directions, thereby encroaching into the farm land of the subject neighborhood. In most cases, the residential uses provided greater financial reward to owners as compared to agricultural properties. This is due largely to reduced crop yields, lower market prices, and increased farming costs vs. increased lot prices and demand for home construction. As a result, the agricultural uses have, over time, yielded to the development of numerous subdivisions.

The financial feasibility for residential development upon the subject lands is noted within prices for such use in the neighborhood. Throughout Marion, Sumter, and Lake Counties (within the general area of the subject neighborhood) agricultural land sales may range from \$2,500/AC to \$4,500/AC, depending upon specific location, frontage, size, and physical characteristics. Within this price range it is economically feasible to farm land. This is

compared to subdivisional land prices within the subject neighborhood which range from \$10,00/AC to \$50,000/AC. At these higher prices, the economics of farming is non-existent.

As a result, a planned unit development emphasizing single-family residential construction with ancillary multi-family and commercial uses should provide the greatest return to the owner in recognition of the entrepreneurial skills required for such use. A mixed-use PUD provides greater opportunity for diversified land use and overall profitability. This would include utilizing a transitional land development plan with commercial along the highway frontage followed by multi-family and single-family development to the east therefrom.

Within the master plan of a PUD, areas are set aside for necessary infrastructure such as water treatment plant plants and wastewater treatment facilities. These plants are necessary to the development, and provide water and waste treatment services to the PUD that are vital to the development as a whole. These facilities are typically located in the residential areas of the PUD (due to lower land costs) and provide a needed service for the development. As such, the land area of the plant facilities align more closely to the residential uses of the PUD, and valuation is based on its residential characteristics.

Maximally Productive

As previously mentioned in this report, both parcels are improved with facilities used in the infrastructure of the Stonecrest PUD. The use of the plants within the PUD utilizes the land area in a very functional manner. The size, shape, and location of the sites were specifically designed for these facilities as specified in the master plan. Access to the plants is adequate and the location along te “fringe” and near the secondary entrance to the PUD provides ease of access for service trucks. Based on his study, both parcels appear to provide maximum productivity by continued use within the planned unit development as a water treatment plant and wastewater treatment plant facility.

Conclusions

Continued use as a water treatment plant and a wastewater treatment plant within the planned unit development fulfills the four tests of highest and best use acknowledging the need for infrastructure improvements within the development. Obviously this type of development is physically possible, and it complies with current zoning and land use classifications. It is a feasible use of the land and provides good functional use of the land. Therefore, we have concluded that continued use as **water treatment and wastewater treatment plants** within the planned unit development are reflective of the site's highest and best use.

SALES COMPARISON APPROACH

The Sales Comparison Approach of this appraisal will compare sales of similarly influenced properties with the subject. The reliability of this approach rests in the validity of the sales presented in terms of sale price, location, date of sale, physical characteristics, and so forth. This is accomplished by the verification process in which parties to the transactions are interviewed to verify information concerning the sales.

This approach is based on the Principle of Substitution as noted earlier. In essence, this principle holds that buyers and sellers go through a process similar to the comparison process herein when selecting a property based upon personal preferences, taste, opinions and desires. Adjustments are made to the sales when differences are found after comparison to the subject.

The procedures of the Sales Comparison Approach include the investigation of the market for comparable sales based upon the best verification available. These sales are then compared to the subject and adjustments are applied (as needed) to account for differences noted. Examination and analysis of the sales and the resulting adjusted sale prices provide the best reflection of value for the subject property via the Sales Comparison Approach.

The subject neighborhood and other areas of similar economic influence within central Florida were researched for sales of vacant residential tracts considered comparable to the subject in terms of size, age, location and physical characteristics.

Because no two properties are identical, adjustments are applied as an equalizer to account for differences between the sales and the subject. In this appraisal, we have adjusted each of the sales when required for transactional considerations (financing, conditions of sale, and market conditions) and for property characteristics (location, size, and physical features).

Because the sales presented herein are overall comparable to the subject, and research of the market revealed little information regarding specific dollar or percentage adjustments, they will not be applied herein. In lieu of quantitative adjustments, the bracketing process (qualitative adjustments) will be employed. This process "brackets" the subject between the sales with superior and inferior characteristics with the indication of value for the subject emphasizing those sales with most similar characteristics.

ADJUSTMENTS

Transactional Adjustments

Financing

If the sale property includes atypical financing (that is, mortgage rates and/or terms above or below those typically offered at the sale date), a financing, or cash equivalency adjustment may be required. Such financing may have provided an advantage to the buyer or seller, and in accordance with the definition of market value, an adjustment must be made. Rates and terms considered typical of the market at the sale date form the basis of this adjustment. None of the sales presented herein required a financing adjustment.

Conditions of Sale

The conditions of sale adjustment may account for such market occurrences as a non-arms length transaction due to foreclosure, debt between the parties, related buyer and seller, internal corporate sale, trade, and so forth. Also, the costs of removal of structures on sites which no longer contribute value may be included as a total cost of the land. This adjustment is not applied in this appraisal.

Market Conditions

The market conditions (time) adjustment accounts for increases and/or decreases in value as a result of changing market conditions. Factors such as supply and demand, local, state and national economic conditions, market location, and governmental restrictions are seen as externalities which may affect the sale prices. Due to the dated nature of Sales 1, 2, and 3, a time adjustment is required (as supported by analysis of Sales 1 and 5).

Property Characteristics Adjustments

Size/Location/Physical Features

The size adjustment accounts for the economies of scale theory which states that a larger number of units will typically sell for a lower price per unit than a smaller number of units which will typically sell for a higher price per unit. According to the sales data, there is a significant difference in the sale price of several of the sales which can be attributed to size (Sales 1, 2, and 3 vs. Sale 5). Therefore, Sales 1, 2, and 3 received an adjustment in the category of size.

The location adjustment takes into consideration the overall location of each sale, its relationship to the surrounding neighborhood, and the manner in which it is influenced by

the different uses therein. Another aspect of the location adjustment is road frontage. Frontage takes into consideration the quality and quantity of access that is available for each sale. Sale 3 required a location adjustment.

The physical characteristics adjustment takes into consideration the overall appeal and marketability of a property. One important issues to consider when making a physical characteristics adjustment is the overall aesthetics of the property. None of the sales in this analysis required an adjustment in this category.

Direct Sales Comparison

The sales presented in the table below provide the best indication of value for the subject property as each includes residential characteristics similar to the subject. The sale prices provide a range of indicators from which the value of the subject site can be concluded. The unit of comparison used herein is the price per acre. Additional information about the land sales is noted in sale sheets located in the Addenda.

<u>LAND SALES</u>			
Land Sale	Sale Date	Size (AC)	Sale Price/ AC
1	07/21/99	38.00	\$39,482
2	12/10/99	100.00	\$30,000
3	03/24/00	50.17	\$30,000
4	12/30/00	10.06	\$39,761
5	05/04/01	12.85	\$50,000

<p>Range: \$30,000/AC to \$50,000/AC Mean: \$37,849/AC Median: \$39,482/AC</p>

Sale 1 represents a “take-down” of undeveloped residential land within Stonecrest for construction of another phase of residential lots. Oriole at Stonecrest, Inc. purchased 38 acres for subdivision development and home construction within Stonecrest at a price of \$39,482/AC. This sale featured grassy characteristics with rolling elevations and little tree cover. It has since been developed into a new phase of construction and features identical zoning and land use classifications as the subject.

An upward adjustment was made to this sale for the passage of time and its large size. Although this sale includes somewhat of a captive buyer, it was verified as representing an "arms-length" transaction. All other characteristics are similar to the subject. Therefore, an overall upward rounding was made.

Sale 2 is a vacant planned unit development site fronting the west side of CR 13A and Silo Road between St. Augustine and Jacksonville in St. John's County. This places the property within the St. John's DRI and the Six Mile Creek PUD, and represents the sale of the Kernan Mill subdivision property. The site includes about 111.00 acres, of which 11.00 acres is wetlands resulting in a 100.00 acres of usable land. It is zoned PUD, is irregular-shaped, and is proposed for development to a 400-unit multi-phased subdivision. According to the verifying party, the developer will extend water and sewer lines to the property. The site is irregular in shape and features level elevations with grassy characteristics and heavy tree cover.

This sale was adjusted upward for the passage of time and larger size. It is located in a popular area of Jacksonville that is overall similar to the subject. Adjustments for zoning and physical characteristics were not needed. Therefore, an overall upward rounding was made.

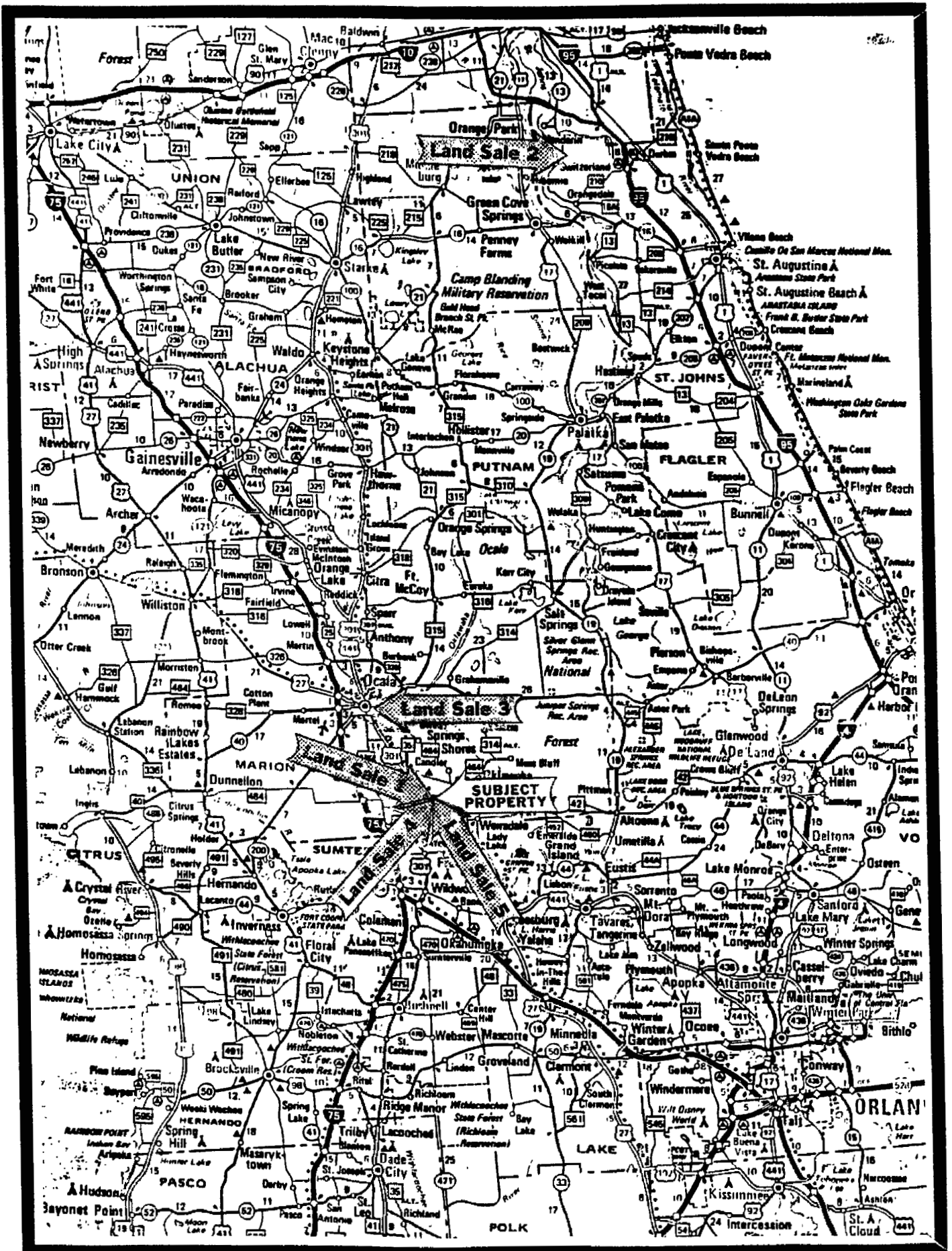
Sale 3 is located about 15 miles north of the subject in Ocala fronting the north side of SE 31st Street between SE 36th Avenue and SE 18th Avenue. The site includes about 50.17 acres, is zoned R-1, Single-Family Residential, and is under construction to Devonshire, an upscale single-family residential subdivision. The property is moderately wooded with large oaks, has level elevations, and 2-lane paved road frontage.

This sale was adjusted upward for the passage of time and larger size. Partially offsetting this is a downward rounding for the superior location in Ocala. Adjustments for zoning and physical characteristics were not needed. Therefore, an overall upward rounding was made.

Sale 4 represents the most recent sale of the subject property. The sale occurred in December of 2000, and adjustments were not required (although a slight time adjustment may be warranted based on Sale 5).

Sale 5 represent the most recent "take down" of undeveloped residential land within Stonecrest for construction of another phase of residential lots. Oriole at Stonecrest, Inc. purchased 12.85 acres for subdivision development and home construction within Stonecrest at a price of \$50,000/AC. This sale features grassy characteristics with rolling elevations and little tree cover, and is located in the central portion of the PUD. This sale is overall similar to the subject and adjustments were not required.

Land Sales Map



ADDENDA

LAND SALE 1

COUNTY: Marion

RECORDING: OR BOOK: 2674
PAGE: 1572

LOCATION: US Hwys 27/441 (Ely side); Stonecrest PUD

SALE DATE: 7/21/99

SALE PRICE: \$1,500,300 \$39,482/AC

FINANCING: 1st Mortgage: Seller
Principal: \$1,000,000

GRANTOR: Stonecrest/Marion Co.

GRANTEE: Oriole At Stonecrest, Inc.

LEGAL DESCRIPTION: Lengthy legal in Section 31-17-24; Marion County, Florida

HIGHEST & BEST USE: Residential development

SITE SIZE: 38.00 AC

SITE DESCRIPTION: Former pastureland with rolling elevations; little tree cover;
future phase of residential development for Stonecrest

ZONING: PUD; Planned Unit Development

IMPROVEMENTS: Common infrastructure and amenities including roads,
utilities, clubhouse, security

ANALYSIS: This transaction represents the takedown of 38 AC for a
future phase of development within Stonecrest based on a
prior agreement of \$40,000/AC

VERIFIED WITH: Hall Robertson; grantor; 9/6/00

VERIFIED BY: Thomas E. Rhodes, MAI, SRA

PARCEL NO: 48504-000-00

LAND SALE 2

COUNTY: St. Johns

RECORDING: OR BOOK: 1462
PAGE: 0278

LOCATION: West side of CR 13A & Silo Road; south of Mill Creek Estates sub

SALE DATE: 12/10/99

SALE PRICE: \$3,000,000 \$30,000/AC

FINANCING: Cash to seller

GRANTOR: S J Land Associates LLC

GRANTEE: Kernan Mill, Inc.

LEGAL DESCRIPTION: Legal in St. Johns County, Florida

SITE SIZE: 111.00 AC (total)
100.00 AC (usable)

SITE DESCRIPTION: Mostly level; irregular shaped; good road frontage; grassy with moderate to heavy tree cover

ZONING: PUD; Planned Unit Development

ANALYSIS: This is a sale of the Kernan Mill Subdivision (111 gross acres) within the Saint Johns DRI and the Six Mile Creek PUD. Phase 1 contains 61.04 gross acres of which 3.18 is an easement. The buyer will develop this site including all roads and the entrance to the subdivision. Phase II contains 49.96 acres. The total useable land was estimated at 100 acres. The sales price for Phase I was \$1,117,300 and Phase II was \$1,882,700 for a total price of \$3,000,000

VERIFIED WITH: James Davidson, Jr; 6/4/00

VERIFIED BY: Robert D. Crenshaw, MAI

PARCEL NO: 3D/37NX

LAND SALE 3

COUNTY: Marion

RECORDING: OR BOOK: 2770
PAGES: 1358, 1363, 1368, 1373

LOCATION: SE 31st Street (N side) just E of Quail Hollow sub, Ocala

SALE DATE: 3/24/00

SALE PRICE: \$1,505,100 \$30,000/AC

FINANCING: 1st Mortgage: Seller
Principal: \$271,200

GRANTOR: C. L. Dinkins, et al

GRANTEE: Canterfield Dev., Inc.

LEGAL DESCRIPTION: Lengthy legal in Section 27-15-22; Marion County, Florida

HIGHEST & BEST USE: Residential development

SITE SIZE: 50.17 AC

SITE DESCRIPTION: Fairly level elevations; grassy characteristics with moderate tree cover of large oaks; located in an area of high SFR acceptance

ZONING: R-1, Single-Family Residential

IMPROVEMENTS: None

ANALYSIS: The property is being developed to Devonshire, a single-family residential development

VERIFIED WITH: C. L. Dinkins; 9/6/2000

VERIFIED BY: Thomas E. Rhodes, MAI, SRA

LAND SALE 4

COUNTY: Marion

RECORDING: OR BOOK: 2889
PAGE: 1061

LOCATION: Stonecrest PUD, US Hwys 27/441

SALE DATE: 12/30/00

SALE PRICE: \$400,000 \$39,761/AC

FINANCING: Cash to seller

GRANTOR: Stonecrest of Marion Co. Ltd

GRANTEE: Florida Water Services Corp.

LEGAL DESCRIPTION: Lengthy legal in Section 36-1723; Marion County, Florida

HIGHEST & BEST USE: Residential Development

SITE SIZE: 10.06 AC

SITE DESCRIPTION: These sites feature above street grade elevations with grassy characteristics and little tree cover; in an area of SFR within Stonecrest PUD; 2.29 acres within the water treatment plant site; 7.77 acres within the wastewater treatment plant site

ZONING: PUD; Planned Unit Development

IMPROVEMENTS: Wastewater treatment plant and a water treatment plant sites; the sale was for land only

VERIFIED WITH: Hall Robertson; 8/02/01; 12:00 p.m.

VERIFIED BY: Joshua W. Scroggie

PARCEL NOS: 6200-003-001 & 48501-000-04

LAND SALE 5

COUNTY: Marion

RECORDING: OR BOOK: 2950
PAGE: 1243

LOCATION: Stonecrest PUD; US Hwy 27/441

SALE DATE: 5/4/01

SALE PRICE: \$642,500 \$50,000/AC

FINANCING: Cash to seller

GRANTOR: Stonecrest/Marion Co. Ltd.

GRANTEE: Oriole at Stonecrest, Inc.

LEGAL DESCRIPTION: Lengthy legal in Section 36-17-23; Marion County, Florida

HIGHEST & BEST USE: Residential Development

SITE SIZE: 12.85 AC

SITE DESCRIPTION: Generally level with grassy characteristics; former pasture lands with little tree cover; portion of Stoncrest PUD

ZONING: PUD; Planned Unit Development

IMPROVEMENTS: None

ANALYSIS: This sale represents the takedown of 12.85 AC for a future phase of residential development within Stonecrest

VERIFIED WITH: Hall Robertson; grantor; 7/17/01

VERIFIED BY: Thomas E. Rhodes, MAI, SRA

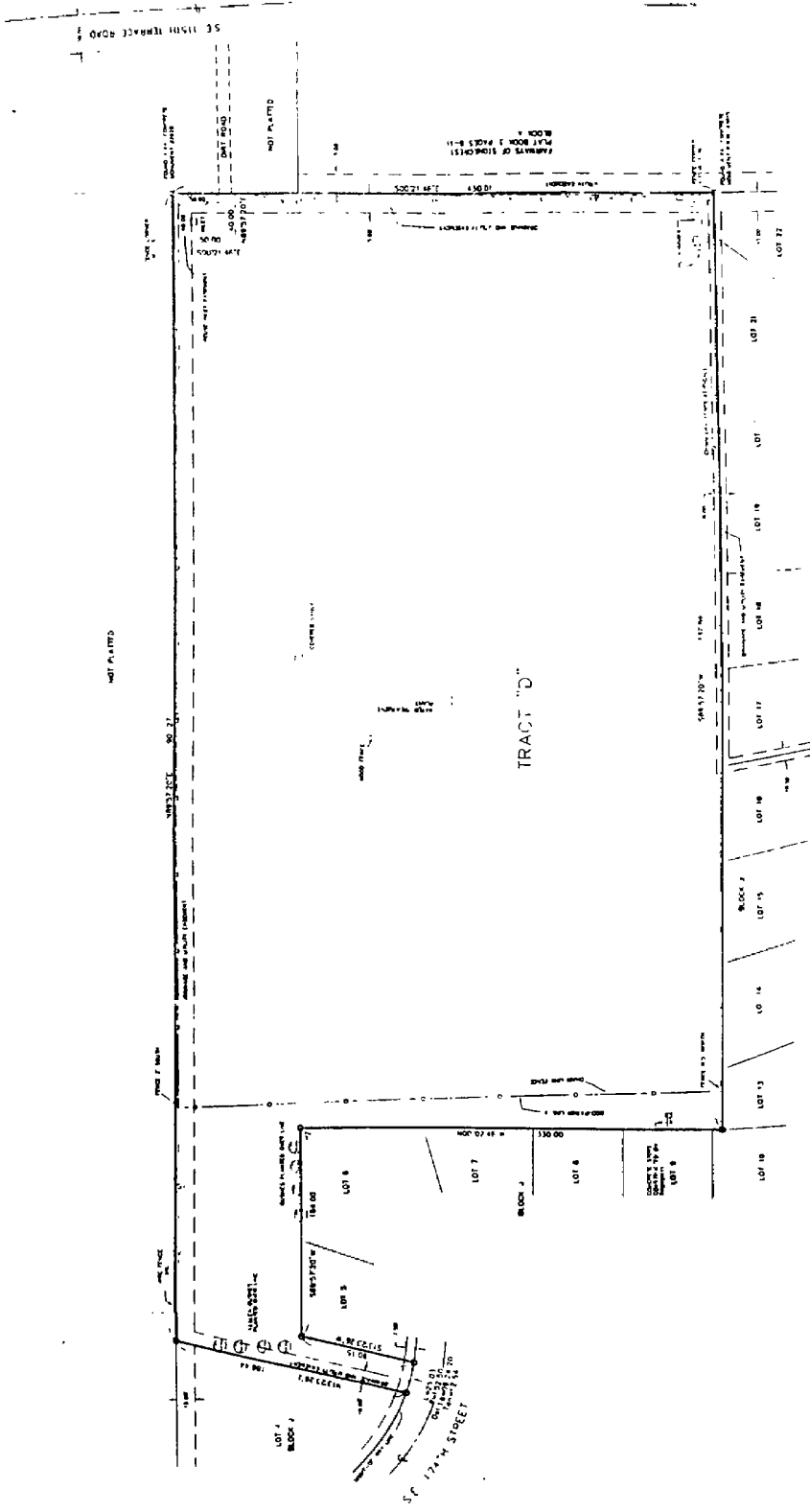
Legal Description

48501-000-04

**** Property Description ****

01 - SEC 36 TWP 17 RGE 23
02 - PLAT BOOK 1 PAGE 106
03 - FLORIDIAN CLUB ESTATES
04 - TRACT D

Survey



Legal Description

6200-003-001

** Property Description **

- SEC 36 TWP 17 RGE 23
 - WATER TREATMENT PLANT
 - A PORTION OF LAND LYING IN SEC 36 DESC AS FOLLOWS:
 - BEGIN AT SW COR OF LOT 6 BLK C FAIRWAYS OF STONECREST
 - TH S 89-55-42 W 300 FT TO NW COR OF LOT 2 OF BLK C TH
 - N 04-55-57 W 320.46 FT TH N 89-38-14 E 325.53 FT TO
 - W LINE OF BLK A OF FAIRWAYS OF STONECREST UNIT 2 TH
 - S 00-21-46 E 320.97 FT TO POB;
 - LESS & EXCEPT A TR OF LAND LYING IN SEC 36 DESC AS BEGIN AT
 - W'LY COR OF LOT 5 BLK C FAIRWAYS OF STONECREST TH
 - N 89-55-42 E 69.96 FT TH N 00-20-46 W ALONG W LINE OF LOT 6
 - BLK C 7.20 FT TH S 84-02-56 W 70.28 FT TO POB
-

Joshua W. Scroggie

Employment History:

Manager, Owen Construction, Inc. (1999-2000)

Formal Education:

Bachelor of Arts in Business Administration, University of North Florida, 1998
Marketing & Management

Professional Organizations/Activities:

State Registered Residential Assistant Appraiser #RI 0006429
State Licensed Real Estate Salesperson # SL 0679958
Chi Phi Fraternity, University of North Florida Chapter
Founding Father, 1996
Rush Chairman, 1996

Civic Organization:

Grace Family Fellowship, Member

Real Estate Education:

AB-I, Licenced Residential Appraisal
South Florida Water Management District Appraisal Issues Seminar

Thomas E. Rhodes, MAI, SRA

Employment History:

Marion County Property Appraiser's Office, 1976-1982
Associate Appraiser, Albright & Associates of Ocala, Inc., 1982-1989
President; Rhodes & Rickolt, P.A., Ocala, Florida

Formal Education:

AA Degree, Central Florida Community College
Auburn University, 1974-1976

Professional Organizations/Designations:

Member Appraisal Institute (MAI) #8016
Residential Member Appraisal Institute (RM) #1938
Senior Residential Appraiser (SRA), Appraisal Institute
State Certified General Appraiser, License No. 0000527
MAI Guidance Committee, Appraisal Institute, East Florida Chapter
MAI Admissions Liaison, Appraisal Institute, East Florida Chapter
Young Advisory Council, Appraisal Institute (1997)
Florida and National Association of Realtors
Licensed Real Estate Broker

Civic Organizations:

Exchange Club of Ocala, Past President
Interfaith Emergency Services, Former Board of Directors
Ocala/Marion County Chamber of Commerce, Member

Real Estate Education:

Real Estate Appraisal Principles, (AIREA)
Basic Valuation Procedures, (AIREA)
Residential Valuation, (AIREA)
Standards of Professional Practice, (AI)
Capitalization Theory & Techniques, A & B, (AIREA)
Case Studies in Real Estate Valuation, (AIREA)
Valuation Analysis & Report Writing, (AIREA)
Applied Residential Property Valuation, (SREA)
Adjusting for Financing Differences in Residential Prop., (SREA)
Litigation Valuation Seminar (AI)
Easement Valuation Seminar (AI)

Litigation Testimony:

Federal Bankruptcy Court, Middle District of Florida
Federal Bankruptcy Court, Middle District of Georgia
4th Judicial Circuit Court, Duval County, Florida
5th Judicial Circuit Court, Marion County, Florida
County Court, Marion County, Florida

Teaching Assignments:

Guest Lecturer, Lowder School of Business, Auburn University; 1997, 1998, 1999

CLIENT LIST

Lending Institutions

AmSouth Bank of Florida
Nations Bank
Huntington National Bank
Farm Credit Service of North Florida
First Union National Bank
Ocala National Bank
SouthTrust Bank of Central Florida
SunTrust Bank, North Central Florida
Regions Bank
Community Bank of Marion County
Florida Citizens Bank

Government/Public Institutions

City of Ocala
Marion County Board of County Commissioners
City of Inverness
City of Crystal River
Citrus County Board of County Commissioners
State of Florida: DOT; HRS; DNR
Federal Deposit Insurance Corporation

Private Corporations

Palmer Realty/Paddock Park Development, Inc.
Ellison Realty
Spruce Creek Development of Ocala, Inc.
Del Webb, Inc.
M J Stavola Industries
Stonecrest Management, Inc.
Cala Hills Development Corp.
Oak Run Development Corp.
Security Land Holding, Inc.
West Star Development, Inc
The Tamposi Family Corporation
The Wilder Corporation
Silver Run Properties, Inc.

Relocation Services

Boatmen's General Relocation Management Group
Coldwell Banker Relocation Management Services
Prudential Relocation Management
Relocation Resources, Inc.
Western Relocation Management

Condemnation

132 parcels; E 36th Avenue Project; for purposes of road widening, City of Ocala, 1989
18 parcels; North/South Rock Crusher Road Project; for purposes of road widening, for Citrus County, 1990
3 easements for extension of sewer lines, City of Inverness, Citrus County, Florida, 1992
2 parcels; NE 12th Avenue Project; for purposes of road widening, for City of Ocala, 1994
Parcel 141, SR 200 Project; for purposes of road widening, for property owner, 1994
16 parcels; SW 20th Street Project; for purposes of road widening, City of Ocala, 1995 1996
Parcel 139, US Hwy 27 Project; for purposes of road widening, for property owner, 1997
6 parcels; SW 60th Avenue Project; for purposes of road widening, Marion County, 1998

Expert Witness

Federal Bankruptcy Court, Middle District of Florida
Federal Bankruptcy Court, Middle District of Georgia
4th Judicial Circuit Court, Duval County, Florida
5th Judicial Circuit Court, Marion County, Florida
County Court, Marion County, Florida
US District Court; Northern District, Gainesville, Florida

Responses to Steeplechase Utility Audit Report
FPSC Docket No. 010119-WS
Audit Control No. 01-047-3-1
By Florida Water Services Corporation and
Steeplechase Utility Company, Inc.

Audit Exception No. 1 - Unrecorded Utility Infrastructure

Respondents concur that water and wastewater Plant in Service and CIAC should be increased by \$384,963 and \$693,646, respectively, to record utility infrastructure constructed and contributed by the developer during the period 1995 – 2000. In addition, water and wastewater Accumulated Depreciation and Accumulated CIAC Amortization should also be increased by \$29,267 and \$80,212, respectively.

Audit Exception No. 2 - Misclassified and Unsupported Asset Additions

The Respondents concur with recommendations 1) and 2) regarding items to be expensed totaling \$3,265.

Respondents disagree with recommendation 3) because the FPSC has allowed plant costs in the absence of support documentation in the form of invoices in the past, in at least two FWS acquisitions--Sugar Mill Country Club in Volusia County and Lehigh Utilities in Lee County. In both cases, although invoices were missing, the amounts were recorded in the general ledger, the annual report, and on the corporate tax returns; and were accepted by the Commission. Therefore, the \$29,090 in Unsupported Asset Additions should be allowed, the \$6,623 adjustment to Accumulated Depreciation should be added back to the reserve, and the audit exception amount should be zero.

Respondents agree with recommendation 4) as to the reclassification of Well No. 3 to CWIP in the amount of \$31,760, as it was still under construction at year-end 2000.

Audit Exception No. 3 - Nontransferred Assets

Respondents agree that certain Office Furniture and Equipment totaling \$6,336 was not transferred to Florida Water Services, and should be retired from the books of Steeplechase. However, Respondents believe an equal and offsetting debit to Accumulated Depreciation should be recognized for Florida Water, as no benefit was ever received from these assets.

Audit Exception No. 4 – Unrecorded Asset Additions

Respondents agree that water and wastewater Plant in Service should be increased by \$12,108 and \$12,826, respectively, to reclassify amounts previously recorded as operating expenses. In addition, water and wastewater Accumulated Depreciation should be increased by \$371 and \$1,065, respectively.

Audit Exception No. 5 – Land and Land Rights

Respondents disagree with the calculated balances of \$9,102 and \$30,725 for water plant and wastewater plant land, respectively, as of December 31, 2000.

The water and wastewater plant sites were previously under long-term lease between the developer and Steeplechase. Simultaneous with the December 2000 closing, the developer (Stonecrest of Marion County) executed a Warranty Deed that transferred approximately 2.29 acres of water plant land and 7.73 acres of wastewater plant land to Florida Water Services.

As evidenced by the attached letter, the developer has sold commercial parcels in the Stonecrest development over the past five years for between \$40,000 and \$250,000 per acre. In dedicating these parcels for the first time exclusively to utility use, the lowest price was assigned to this real property transaction. The total value of \$400,000 for the ten acres is based upon the \$40,000 per acre price.

An Appraisal Report was prepared by the certified firm of Rhodes & Rickolt for the subject properties. An analysis of the properties' highest and best use determined continued use as water treatment and wastewater treatment plant sites within the planned unit development of Stonecrest. The Sales Comparison Approach was used to compare sales of similar properties. Under this approach the appraiser concluded an estimate of market value for the properties to be \$45,000 per acre. This results in a value of \$105,000 for the water plant site and \$350,000 for the wastewater plant site, for a total land value of \$455,000.

Respondents urge the PSC to assign a value of \$92,000 (2.3 ac x \$40,000) to the water plant land and \$308,000 (7.7 ac x \$40,000) to the wastewater plant land.

Audit Exception No. 6 – CIAC

Respondents concur with the audit recommendation to reclassify \$7,900 of CIAC from water to wastewater.

Audit Disclosure No. 1 – Wastewater Rates

Respondents concur that Steeplechase has a gallonage maximum of 10,000 gallons for wastewater, but instituted a billing gallonage cap of 5,000 for wastewater charges to residential customers several years back. Respondents agree that it is in the best interest of Steeplechase customers to maintain this cap as part of the overall agreement by Florida Water not to increase rates until June 1, 2003.

Steeplechase Utility Company, Inc.
 Respondents' Sewer Rate Base
 Docket No. 010119-WS
 Certificate Transfer
 Historical Period ended December 29, 2000

<u>Description</u>	<u>Per Utility</u>	<u>Audit Exception</u>	<u>Per Respondents</u>
Utility Plant in Service	\$698,415	\$702,405	\$1,400,820
Land & Land Rights	308,583		308,583
CIAC	-740,397	-701,546	-1,441,943
Accm. Depreciation	-279,372	-81,277	-360,649
Amort. Of CIAC	<u>146,869</u>	<u>80,212</u>	<u>227,081</u>
Total	\$134,098	-\$206	\$133,892
Audit Exception No. 1			
Unrecorded Plant		693,646	
Unrecorded CIAC		-693,646	
Unrecorded A.D.		-80,212	
Unrecorded A.A.		<u>80,212</u>	
		0	
Audit Exception No. 2			
		0	
Audit Exception No. 3			
Nontransferred Assets		-4,067	
Audit Exception No. 4			
Unrecorded Additions		12,826	
Unrecored A. D.		<u>-1,065</u>	
		11,761	
Audit Exception No. 5			
		0	
Audit Exception No. 6			
CIAC Reclass		-7,900	

Steeplechase Utility Company, Inc.
 Respondents' Water Rate Base
 Docket No. 010119-WS
 Certificate Transfer
 Historical Period ended December 29, 2000

<u>Description</u>	<u>Per Utility</u>	<u>Audit Exception</u>	<u>Per Respondents</u>
Utility Plant in Service	\$834,747	\$391,537	\$1,226,284
Land & Land Rights	91,417		91,417
CIAC	(636,935)	(377,063)	(1,013,998)
Accm. Depreciation	(211,346)	(29,638)	(240,984)
Amort. Of CIAC	<u>100,422</u>	<u>29,267</u>	<u>129,689</u>
	\$178,305	\$14,103	\$192,408
Audit Exception No. 1			
Unrecorded Plant		384,963	
Unrecorded CIAC		(384,963)	
Unrecorded A.D.		(29,267)	
Unrecorded A.A.		<u>29,267</u>	
		0	
Audit Exception No. 2			
Meter Repairs		(565)	
Hydrant Maintenance		<u>(2,700)</u>	
		(3,265)	
Audit Exception No. 3			
Nontransferred Assets		(2,269)	
Audit Exception No. 4			
Unrecorded Additions		12,108	
Unrecored A. D.		<u>(371)</u>	
		11,737	
Audit Exception No. 5		0	
Audit Exception No. 6			
CIAC Reclass		7,900	