

Subject: U.S. Sugar Stories for Dec. 14**SFWMD**

Compiled by: South Florida Water Management District
(for internal use only)

Total Clips: 3

Headline	Date	Outlet	Reporter
 Opposition builds as U.S. Sugar vote nears	12/13/2008	Naples Daily News	LAURA LAYDEN
Public Should Not Play US Sugar's Poke Game	12/14/2008	Palm Beach Post	
 Everglades at a crossroad as vote nears on U.S sugar deal	12/13/2008	Palm Beach Post - Online	PAUL QUINLAN

Opposition builds as U.S. Sugar vote nears

12/13/2008
Naples Daily News
LAURA LAYDEN

[Return to Top](#)

As the South Florida Water Management District looks to vote Tuesday on a \$1.34 billion buyout of U.S. Sugar Corp.s land for Everglades restoration, the opposition is getting more vocal and taking action.

On Friday, Florida Crystals, a major competitor of U.S. Sugars, filed a complaint in Palm Beach Circuit Court that alleges the bonds the water management district plans to use to finance the deal cant legally be tapped for the purchase because it would 'bail out a private company.'

In issuing the bonds, the district would be 'abusing its authority,' the complaint says.

The state is looking to buy about 180,000 acres of farm land from U.S. Sugar in Clewiston to help restore flows of water from Lake Okeechobee to the Everglades.

The water management district, which must approve the contract for the sale, is set to discuss the land deal at a board meeting Monday. A vote is expected Tuesday.

On Dec. 8, U.S. Sugars board of directors signed off on the contract, which would give the company the right to lease back the land for \$50 an acre to continue farming and producing sugar for the next seven years. Robert Coker, the companys senior vice president for public affairs, called the signing 'a milestone in this

historic transaction.'

But since that signing the opposition has only seemed to grow.

'I think what happened is that the opposition has finally stepped out from behind the curtains,' Coker said. 'I think the opposition has been there all along and its people that have an economic interest in this.'

Part of Florida Crystals complaint is that U.S. Sugar will get preferential treatment 'for years or even decades' to come because the company will only pay a fraction of the market price to lease back the land and continue farming until a restoration plan can be developed.

At a district workshop on the deal earlier this month, the Sugar Cane Growers Cooperative of Florida in Belle Glade, which has 47 grower members and is affiliated with Florida Crystals, opposed what it called 'diminutive lease-back rates,' which

it says would help turn U.S. Sugar into a 'super competitor.'

The cooperative offered to enter into negotiations with the district to lease the land for \$150 an acre, triple the amount U.S. Sugar would get under its contract with the state.

'The people we represent should not become the unintended consequence of a lofty environmental goal executed by a bad business deal,' wrote George Wedgworth, the cooperatives president and CEO, to the districts governing board last week.

The \$50 lease back payment is part of the overall agreement. Without that U.S. Sugar wouldnt have signed off on the deal thats headed for a vote this week, Coker said. The grower would have asked for more money for its land, he said.

'The lease issue for those that are opposing this thing is nothing more than a stalking horse,' Coker said. 'They are trying to kill the deal that Charlie Crist was bold enough to advance.'

In June, Gov. Crist proposed a bigger buyout of U.S. Sugar with a price tag of \$1.75 billion. That included its mill and other assets.

Now its a land-only deal, which Crist has characterized as 'nothing short of miraculous.'

'All we want to do is have an opportunity to be in the process,' said Barbara Miedema, a spokeswoman for the Sugar Cane Growers Cooperative. 'We are not asking for preferential treatment.'

On Wednesday, state leaders in Miami-Dade held a meeting to discuss their concerns about the deal. The district made a presentation about the proposed purchase.

After the meeting, state Rep. Juan Zapata, chairman of the Miami-Dade legislative delegation, wrote a letter to the district saying there was 'no justification to rush into this pending deal' and that the vote should be postponed to allow more input from legislative leaders. He raised a myriad of concerns, from the price-tag on the deal to a lack of a plan on how to pay for capital improvements once the land is acquired.

'Questions remain as to the reliability of the funding stream in these tough economic times when property values have been steadily decreasing,' Zapata wrote. 'This in turn could force the district to raise their millage, therefore raising taxes on Floridians.'

More education is needed about the states offer to buy U.S. Sugars land, Coker admits.

'We will not close this transaction until some time in late spring of 09 and during that time, there will be a lot of opportunity to help educate our state leaders that have not been involved in the process so that they understand the true benefits of this transaction,' he said.

The Lawrence Group, a farming company out of Tennessee, is also calling for the district to vote no on the deal.

Last month, the group offered a competing bid to buy U.S. Sugar for \$300 a share. The deal, it said, would give shareholders much higher returns and save taxpayers money.

If it was successful in acquiring U.S. Sugar, the group said it would only sell the state the land it needed for Everglades restoration, lowering the cost of the acquisition, and it would continue to operate the sugar business, saving jobs.

After U.S. Sugars board agreed to sign the contract to sell its land to the state last week, the Lawrences expressed disappointment, saying the companys management had refused to even consider their offer.

Coker tells another story.

'They continue to wage a media campaign and talk about what they call an offer to purchase our stock,' he said. 'But we have yet to receive any formal offer from the Lawrences. We have asked them to meet with our investment bankers to begin the process of qualifying them to negotiate a deal.'

He said the group sent a \$27 million check to U.S. Sugar, but it was 'worthless.'

'They had 11 conditions on it,' Coker said. 'So we sent it back.'

One of those conditions was that U.S. Sugar abandon talks with the district.

In a letter to U.S. Sugar employees and shareholders last week, Robert Buker Jr., president and CEO of the company, explained that there is still the right to seek a better offer. He said as soon as the district signs the agreement, the companys managers and legal and financial experts will begin contacting other interested buyers and soliciting other bids for its assets.

That will go on for 60 days.

The Lawrence Group will be invited to participate in the auction, and U.S. Sugars financial adviser has identified 'a number of other potential purchasers,' Buker said. U.S. Sugar is committed to 'vigorously serve and protect the interests of shareholders,' he said.

In a letter to the district on Dec. 10, the Lawrence Group urged the board of governors and executive director to consider alternatives before approving the contract. The group pointed out that the contract includes a \$40 million 'break up fee' should the district change its mind.

'From U.S. Sugars perspective, that penalty is and was meant to be a poison pill tactic to prevent acquisition offers such as ours,' wrote Gaylon Lawrence Jr.

The districts staff has negotiated a good contract for the state, U. S. Sugars Coker said.

'This agreement was negotiated by over 30 staff members of the water management district,' he said. 'They participated in every word and every comma.'

'Frankly, this opportunity will not present itself again,' Coker said. 'If this is something they (the district) really wants to do, then they need to make the decision and move forward.'

Public Should Not Play US Sugar's Poke Game

12/14/2008

Palm Beach Post

[Return to
Top](#)

Palm Beach Post Editorial

If there's no deal by Tuesday, U.S. Sugar insists, the company's offer to sell its land to the South Florida Water Management District for \$1.34 billion is off. That should be OK with taxpayers. The only way to negotiate a better deal is to stop this one.

The proposed contract gives U.S. Sugar a price for the land that new appraisals say may be \$300 million too high because U.S. Sugar would get to continue farming most of its 180,000 acres for at least seven years. That lease also threatens to delay negotiations to bring in a necessary partner to Everglades restoration: Florida Crystals.

But U.S. Sugar has presented the district with a take-it-or-leave-it position. That position was worked out in negotiations led not by the water district - whose taxpayers in 16 counties would pay for the land - but by Michael Sole, Gov. Crist's secretary of the Department of Environmental Protection.

For the public, six months after it was announced the deal remains hard to follow. But taxpayers and the water district board members who will vote on the deal can't consider it without considering the motives of the key players:

Gov. Crist. He wants an environmental grand slam to establish his national credentials. The buyout would please environmentalists, including Paul Tudor Jones, a wealthy contributor who persuaded Gov. Crist to pursue it. There's also an element of insider politics.

The governor's former chief of staff and longtime aide, George Lemieux, left the governor's office this year to become chairman of the Gunster Yoakley law firm, which represents U.S. Sugar in negotiations with the water district.

U.S. Sugar. The company is looking to optimize the sale of a business that has begun losing money. By taking the district's offer but continuing operations, management assures its own jobs for years. A private-party offer from the Nashville-based Lawrence Group calls for shareholders to get paid immediately. The governing board must determine if U.S. Sugar's financial condition explains the sugar company's urgency. This deal is supposed to benefit the public as much as U.S. Sugar shareholders.

The Lawrence Group. It is aiming the company's offer of \$300 per share directly to U.S. Sugar stockholders. In an interview with The Post, Gaylon Lawrence Jr. promised to work with the water district to sell whatever land the state needs, even if that turned out to be 100,000 acres. The Lawrence Group has been trying to buy U.S. Sugar for three years, and Mr. Lawrence would not rule out legal action to assure fair consideration of his offer.

Clewiston. Residents of U.S. Sugar's hometown and other Glades communities argue that the sale would wipe out a large segment of the sugar industry, force the closing of U.S. Sugar's mill and eliminate 1,700 jobs, turning Clewiston into a ghost town. They prefer The Lawrence Group's offer because, they say, it would keep agriculture alive.

Florida Crystals. The West Palm Beach-based sugar conglomerate owns 60,000 acres in the path of Everglades restoration. The water district and the governor's office have put off negotiations on land swaps with Florida Crystals until the U.S. Sugar contract is approved. But by approving the contract, with its seven-year lease provision, the governing board could preclude the possibility of a swap. Florida Crystals says it won't wait seven years to take over the land. Both Florida Crystals and The Lawrence Group also may be trying to get U.S. Sugar land at a bargain price.

Environmentalists. They argue that the cost will look like a great investment decades from now. The loss of 1,700 jobs pales next to the failure to meet South Florida's water needs, both for the Everglades and a growing population.

As far as restoring the Everglades is concerned, it's certain that government control of the land is better than continued farming. But this deal would give U.S. Sugar more money than appraisals say the land is worth. It would add the unnecessary bargain-rate land lease. And the deal itself precludes counteroffers from the governing board, which is responsible for its terms.

Tuesday's arbitrary deadline is itself a deal-breaker. Is U.S. Sugar really prepared to shun the water district, with its billion-dollar financing capability, if the board defers? Or is the company afraid that more time means more scrutiny of U.S. Sugar's finances, which could drive down the price?

It's all become too much like a poker game with public money. To get the best deal for the public, the governing board has to call U.S. Sugar's bluff.

Everglades at a crossroad as vote nears on U.S sugar deal

12/13/2008

Palm Beach Post - Online

PAUL QUINLAN

[Return to
Top](#)

It's ground zero in the battle to save the Everglades: 700,000 acres of marsh south of Lake Okeechobee, drained during the last century to create a farmland empire.

Former U.S. Sen. Bob Graham made reclaiming the Everglades Agricultural Area one of his 'homework assignments' for saving the dying ecosystem. Before her death in 1998, the Everglades' patron saint, Marjory Stoneman Douglas, frustrated by the lack of progress in taming the sugar companies that dominate the region, offered a seemingly far-fetched solution: Buy them out.

More than a decade later, the state is poised to do what once seemed impossible.

Leaders of the South Florida Water Management District face a Tuesday deadline to decide whether to pay \$1.34 billion to the struggling U.S. Sugar Corp. for its farmland. Gov. Charlie Crist's bold grab at 180,000 acres in the Everglades Agricultural Area would be the most expensive conservation land purchase in Florida history.

But critics, including Graham, question whether the state is paying too much - potentially burying itself in debt and rendering the billion-dollar deal yet another in a long line of stalled restoration efforts.

Among the problems Graham cites: No federal help, despite an 8-year-old agreement to split Everglades restoration costs evenly between the state and the feds. Appraisals that suggest the state is overpaying by as much as \$400 million. Terms that allow U.S. Sugar to lease back the land at a quarter of the going rate. 'I haven't heard any compelling argument why we should pay significantly more than the market price,' Graham said Friday.

But Hobe Sound environmentalist Nat Reed has one argument: U.S. Sugar might back out. Company executives say they will not return to the negotiating table if the board rejects the contract Tuesday. 'The board would be taking a chance that Sugar would walk and that this great opportunity would be lost,' said Reed, a former water manager who was assistant interior secretary under Presidents Nixon and Ford. 'It's a really tough call. It's the toughest call I've ever seen since 1960 on an Everglades issue.' In a letter to Crist after the state announced the deal in June, Reed wrote that 'Marjory is looking down on you with a smile on her face.' That letter was a snowflake in the blizzard of accolades that engulfed Crist, then a potential contender for the vice presidency. But six months later, the deal faces a global financial crisis, a looming \$2.3 billion state budget deficit and revelations that it would save U.S. Sugar from drowning in red ink.

Meanwhile, business leaders, state lawmakers and some members of Congress have bemoaned the economic devastation they fear the loss of so much farmland would wreak on the Glades.

In June, Crist said the deal would acquire the 'critical missing link' to restoring the flow of fresh water from Lake Okeechobee to the Everglades. Moving water via a system of reservoirs and marshes would help the state better cope with Florida's fitful climate, which seesaws from wet to dry.

In dry years, water from the reservoirs could feed the Everglades and the region's faucets. In wet years, a swollen Lake O could be emptied south and its water cleansed, rather than flushed to sea through the St. Lucie and Caloosahatchee estuaries.

Maps printed for Crist's June announcement illustrated supporters' hopes for the restoration: creation of a broad channel running from the lake to the Everglades. Turning U.S. Sugar's patchwork of farmland into the neat pathway of water would require land swaps with a half-dozen small growers and Florida Crystals Corp., the state's other sugar giant.

Crystals attorney Cliff Hertz later dismissed that vision of a broad water pathway as a 'cartoon.' Why? Many obstacles stand in the way, including a 7,000-acre rock mine that Palm Beach County commissioners approved two months before the deal's announcement. The county action met no objection from water managers, despite commissioners' requests for comment.

Also in the way: Florida Crystals' Okeelanta facility, which includes a mill, refinery and co-generation power plant. Rather than clearing out, Crystals wants to further develop Okeelanta by adding a 4,000-acre shipping and distribution hub, known as an 'inland port.' Accounting for the obstacles, water managers have devised two rough scenarios for how they might use the land they buy.

One scenario would use 45,000 acres of U.S. Sugar land and 65,000 acres that now belong to Florida Crystals and smaller growers. That assumes total cooperation from Crystals and the other owners in making land swaps.

The other scenario, which assumes no swaps are possible, would use up to 105,000 acres of U.S. Sugar land in scattered reservoirs and cleanup marshes.

Neither possibility would create anything resembling a natural 'flow way.' Under either scenario, unused land would be swapped, sold as surplus or conveyed to counties, cities and towns for economic development. Water managers admit that plans for using the land could be years away, with construction a decade or more on the horizon. Under the contract, U.S. Sugar could continue to farm for seven years, leasing the land back for a total of \$54 million, a quarter of typical market value. U.S. Sugar would pay taxes on the land and maintain it, saving the district an estimated \$40 million.

Considering the favorable lease, the state's appraisers recently valued the deal at between \$1 billion and \$1.1 billion. Even that is more generous than another state-commissioned report that said the price could be \$400 million too high. 'The so-called restoration

plan is 10 to 15 years away and could cost \$4 billion more,' said Dexter Lehtinen, attorney for the Miccosukee Indian tribe, citing his own estimates based on other district projects. 'The governor, 10 years from now, will be stuck with no financial capability to build anything.' Competitors, including Florida Crystals and the Sugar Cane Growers Cooperative of Florida, call the contract a sweetheart deal that would give U.S. Sugar an unfair edge.

U.S. Sugar Senior Vice President Robert Coker scoffs at the criticism and the market analyses, which he says fail to put a price on what is essentially priceless: the fact that his company's land sits in the heart of the historic Everglades. 'If you want to restore sheet flow from Lake Okeechobee to the Everglades, you've got to use U.S. Sugar land,' he said. Meanwhile, another buyer waits in the wings: The Lawrence Group, a father-son team that has offered \$300 per share for U.S. Sugar. The Lawrences have vowed to continue running the business and still sell the district the 100,000 acres it needs for restoration.

But Reed urges water managers not to pass up their historic chance Tuesday. 'This is the dream of dreams that Marjory Stoneman Douglas proposed and everybody laughed at because nobody thought it would ever be possible,' Reed said. 'She'd say buy it. She'd say, 'Boys, 20 years from now nobody will remember the defects and everybody will say my God, they had the courage to save the Everglades.'"

